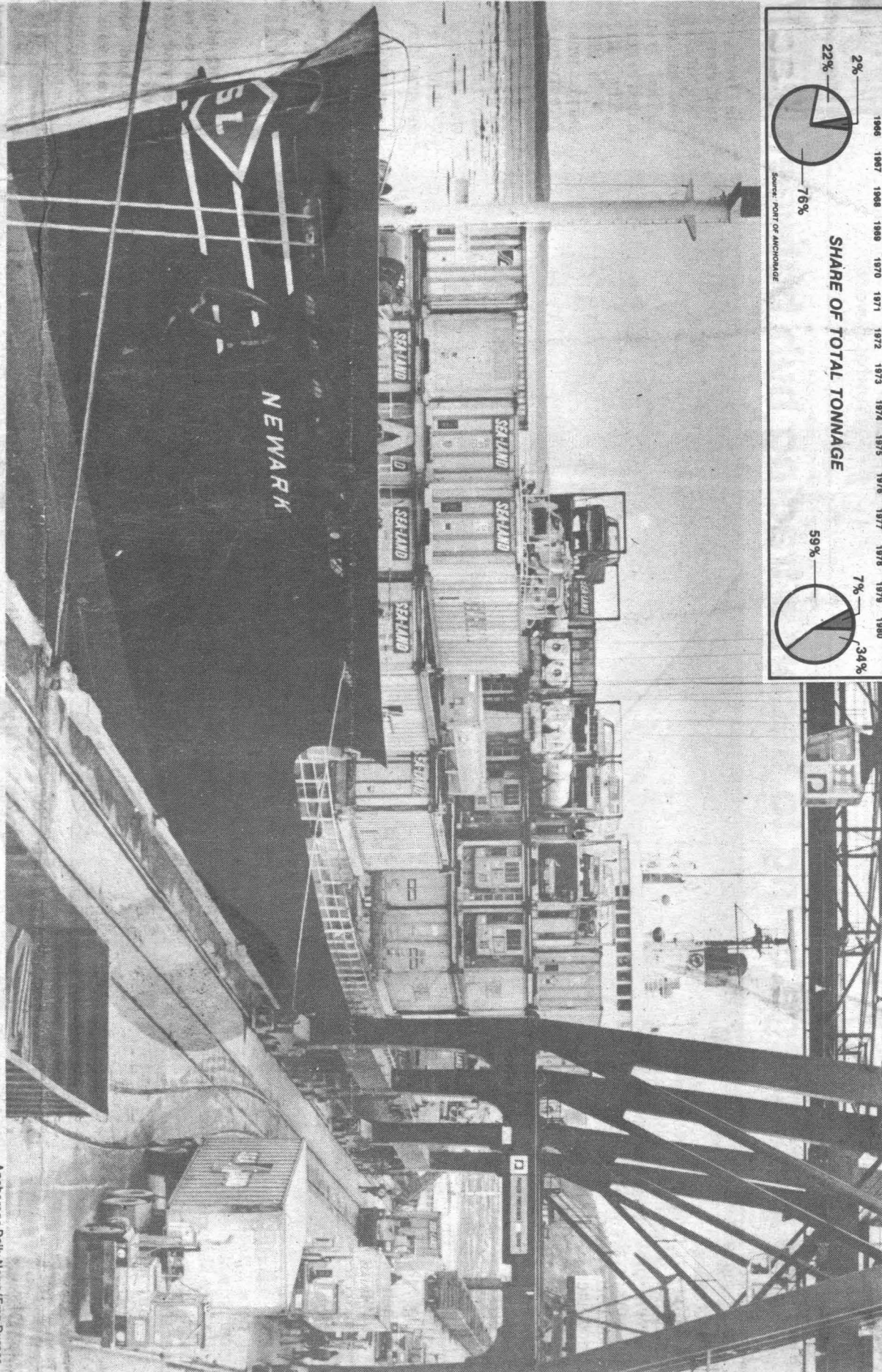
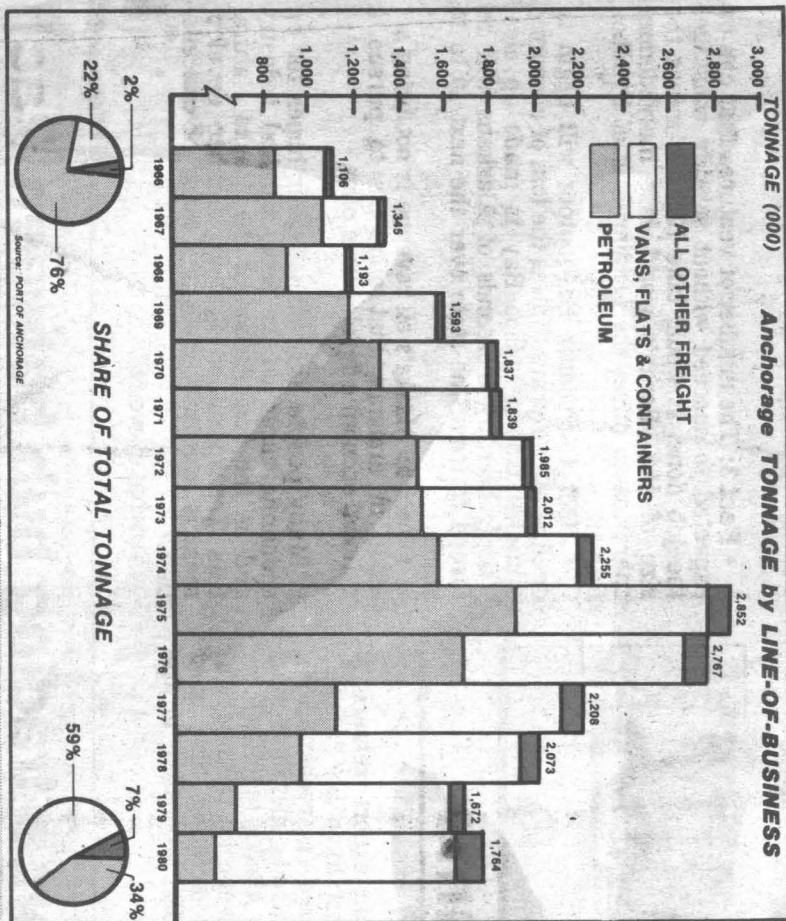


Port officials looking to stir winds of trade



A vessel is unloaded at the Port of Anchorage, where officials are looking to significantly expand operations.

By ROBERTA GRAHAM
Daily News reporter

he way Chris Gates sees it, the Port of Anchorage is really a bridge. For decades, operations there have grown steadily if modestly, except for the hummings of the pipeline years. But now the port is ready to become the bridge between Alaska's past and future by turning into the hub of a shipping triangle between the Far East and the Lower 48, according to Gates, the port's marketing director. He is not alone in that vision.

Booz, Allen and Hamilton, Inc., a nationally known management consulting firm in Bethesda, Md., recently completed a marketing study on the port that says it could handle up to 3.8 million tons of cargo by the year 2000, more than double the 1.8 million tons it handles now.

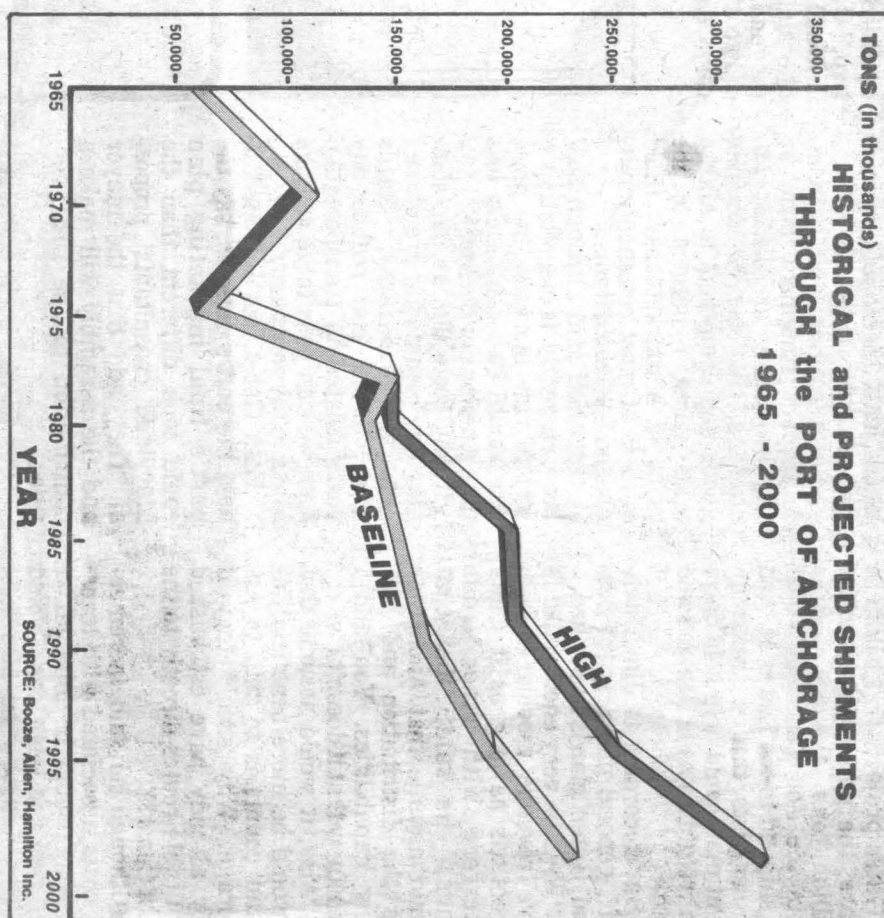
The caveat, according to port officials, is that the port must receive the political and economic backing of both the municipality and the state if it is to become a

hub of commerce. A stark picture emerges from the study. Without support and more land for expansion, the authors warn, the port will become obsolete by 1985. With backing, the port could become a major cargo center and help lower the Alaska cost of living significantly.

"Alaska's balance of trade is dangerously lopsided," according to Gates, the port marketing director. "Nearly all north-bound cargo vessels sail from the Lower 48 filled to 90 percent capacity, but heading south, twice a week, those same ships sail only 10 percent full."

Last spring it looked as though Sun Eel Co. Ltd., a Korean coal firm, might provide the impetus for expanded operations at the port. The company was looking for a site from which to ship coal, and port officials lobbied hard for Anchorage, hoping the development would prompt the city to acquire more land and begin developing the

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Port of Anchorage trying to become trading hub between Pacific Rim and Lower 48

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port's potential. The Korean firm ultimately selected Seward as its port site, but even that development could work to the advantage of the Anchorage port if officials can convince Sun Eel to load its Seward-bound ships with containers of Asian goods and equipment.

Once in Anchorage, the containers could be transferred to Alaska's major shippers, Sealand Service Co. or Totem Ocean Lines, and shipped to the Lower 48. The Sun Eel vessel would then proceed to Seward and load up with coal.

"Developing Anchorage as a transshipment point would be the one single absolute thing we could do for developing industry and reducing the cost of living here," Gates said. "It's a concept in which everyone, the Pacific Rim shipper, the general-cargo carrier, and the consumer stands to gain."

He said the concept, which he will be pushing in the coming months, could conceivably change the type of goods available to Alaska consumers since some of the goods and equipment coming in from Asia could stay in the state rather than be shipped to the Lower 48.

Gates projects that within 10 years, the port could handle 1 million tons of cargo a year from the Far East that would be shipped to the Lower 48. And he suggests that a transshipment plan could help hold down the freight rates of Sealand and Tote.

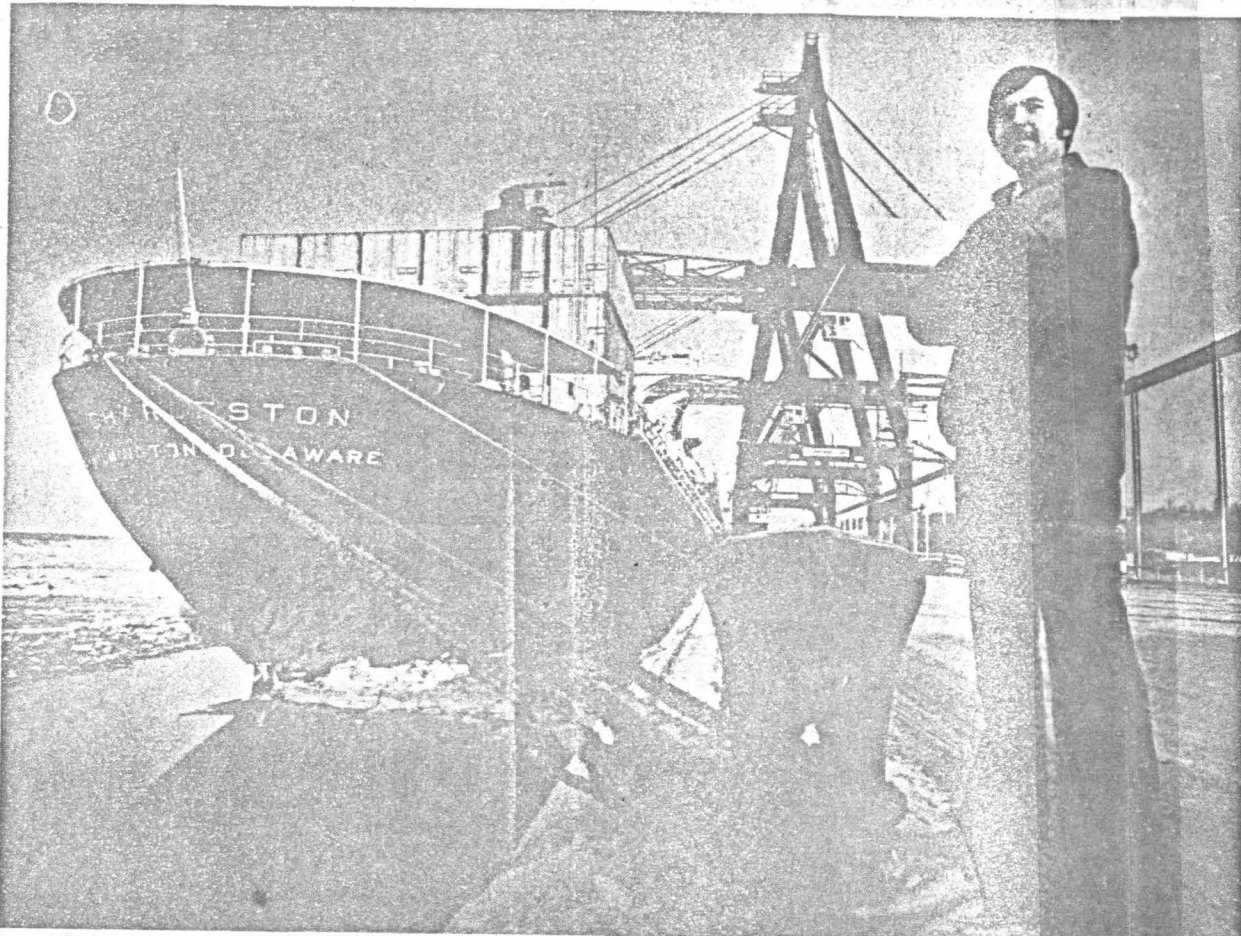
But according to Jim Hitchcliff, general manager for Sealand, Gates' plan is farfetched.

"We'd be very encouraged to have revenue moving in both directions as long as it didn't interfere with other trade lanes," he said, "but that would assume that Anchorage has the distribution and handling capabilities. You and I both know that it doesn't."

"Also, it would assume that it would be more beneficial for Asian countries to ship to Anchorage. Why should they if they already have established profitable routes directly to the West Coast?"

Although he said incremental costs associated with transshipping would be minimal — only fuel and labor costs would be associated — he also took exception with Gates' statement that transportation adds to the cost of living.

"Transportation does not set the price for consumer goods,"



Anchorage Daily News/Fran Durner

Port of Anchorage marketing director Chris Gates says, "Alaska's balance of trade is dangerously lopsided."

he said. "It depends on how much local merchants mark it up once it gets to the stores."

But according to an economic impact statement done by the University of Alaska, Anchorage, the cost of shipping goods and equipment to Alaska adds about 7 percent to the price of a marketbasket filled with 45 of most commonly purchased household items.

Hitchcliff said although Sealand currently is negotiating a freight rate increase, the price rise would cost consumers less than a penny per person.

"Any costs that go into shipping any commodity are passed onto the consumers," Gates said. "If we can reduce any costs related to transportation then we can pass those savings along to the consumers."

Both Gates and Bill McKinney, the port's director, say the port's final marketing plan could look different than the Maryland consultants' proposal. They add that the mayor and the assembly will make a contribution to the final version.

One factor both politicians and port officials will consider is the competition between the ports of Anchorage, Valdez and Seward.

"I can't believe city officials

would let Anchorage fall second or third to either of the other two," Gates said.

Until 1964, the Port of Anchorage was No. 3. Both Whittier and Seward handled more cargo then. But the Good Friday earthquake devastated

those ports, and Anchorage traffic increased.

Since then, total tonnage has increased to 1.8 million tons — an average increase of 3.5 percent a year.

But traffic continues to be volatile. During the building of

the trans-Alaska oil pipeline, most cargo consisted of mining and construction equipment. Now the mix of business has shifted from petroleum-dominated to general cargo.

The shift looks like this:
• In 1966, 76 percent of the cargo was petroleum-related. Twenty-two percent was general cargo.

• Last year, petroleum-related goods made up 34 percent of the traffic and general cargo was 59 percent of the total.

Shifts in the type of cargo moving through the port are

significant because bulk commodities such as construction equipment require little land for transloading or storage, the report says.

Petroleum can be stored in tanks, silos or pipelines, but general cargo — vans, crates, or containers — require specialized equipment for transloading and large portions of storage area.

The port employs — either directly or indirectly — some 650 people. Its revenues — \$94 per ton of freight unloaded — go directly to the municipality.