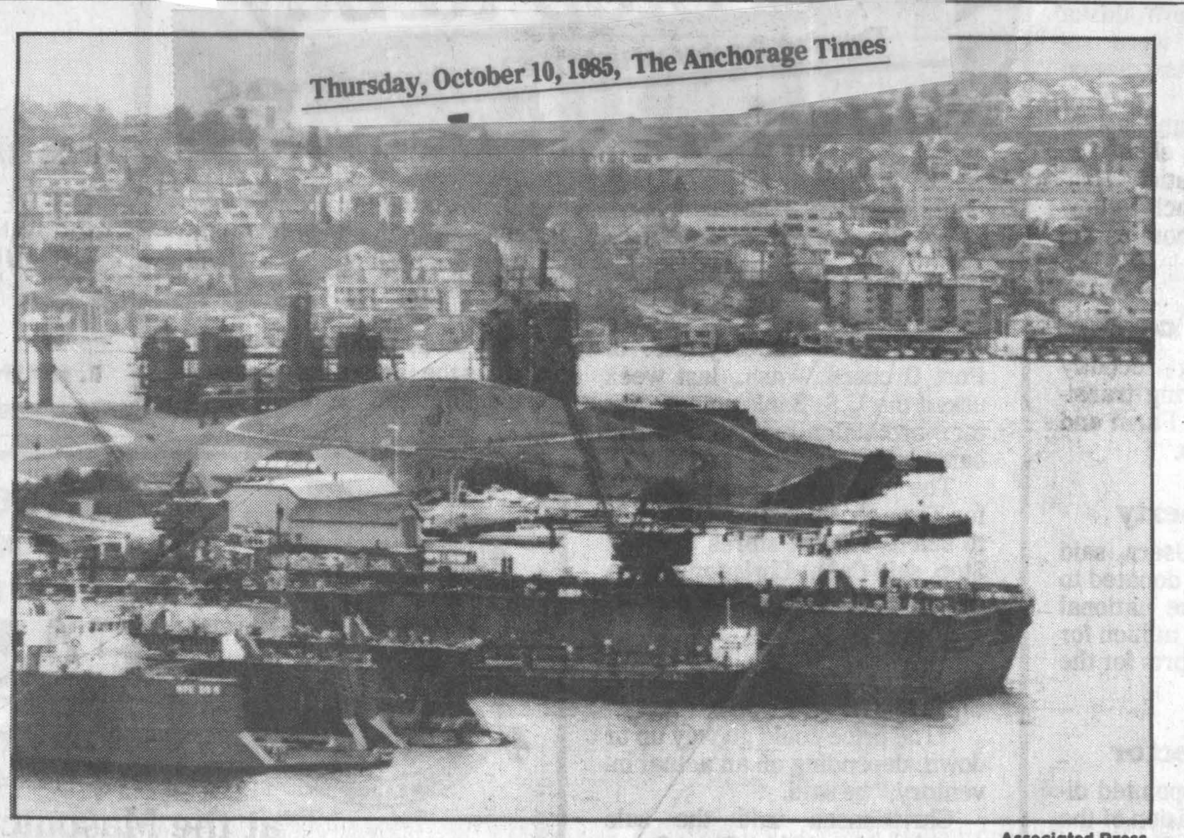
Thursday, October 10, 1985, The Anchorage Times



Associated Press

The Marine Power and Equipment Co., shown in the foreground, on Seattle's Lake Union, is one of nearly 20 companies in the Woeck empire in Washington, Alaska and Louisiana

Shipping empire with Alaska ties experiences rough financial waters

Seattle (AP) — A Seattle-based shipping firm with a $12 million bond obligation to Seward and $20 million in loans from National Bank of Alaska and a New York bank reportedly is experiencing financial distress.

Marine Power and Equipment Co., best known as the builder of six trouble-plagued Washington state ferries, and the family behind the firm have had a roller-coaster financial ride in recent years.

A March 1984 financial statement listed $165 million in assets and $141 million in liabilities for Woeck (pronounced Wick) family businesses, which borrowed $20 million from the National Bank of Alaska and Marine Midland Bank of New York in a refinancing plan six months ago.

The family used several government programs, including $14.5 million in tax-exempt, low-interest industrial revenue bonds from the Port of Seattle and another $12 million in bonds from the city of Seward.

The $106 million Washington ferry contract in 1978 played a key role in expansion of a small local boatyard into a corporate empire run by the Woeck family.

In the succeeding years, however, came accusations of political intrigue, legislative inquiries, a grand jury investigation and a huge legal battle.

The Seattle Times recently reported on the Woeck family's political and business fortunes.

The empire includes nearly 20 companies in Washington, Alaska and Louisiana — shipyards on Lake Union and the Duwamish River in Seattle, two propeller firms, three ocean towing companies, a real estate subsidiary, a trucking company, stevedoring and marketing services, and Sea-Way Express Corp., freight line that operates between Seattle and Seward.

The family is a major taxpayer in King County with at least 18 commercial properties and a total assessed value of $26.5 million.

Construction of 14 barges and eight tug boats has been financed partly through $75 million in loan guarantees from the federal Maritime Administration.

The business was founded by Peter Woeck, the son of a Boeing Co. mechanic, who left his job at the naval shipyard in Bremerton at the end of World War II to open a small auto repair shop in West Seattle.

He especially enjoyed diesel engines, however, so he started Marine Power and moved it in 1949 to Lake Union where he and three brothers repaired tugs, fishing vessels and Navy landing ships.

The business grew and in 1974 Marine Power won an $18 million Navy contract to build 42 barges.

Its reputation was mostly for salvaging and converting old vessels until the state ferry contract, which required a single contractor to design and build the boats and gave an advantage to in-state shipyards in the bidding.

With the help of friends in the state Legislature, Marine Power won the contract over a competing bid from Equitable Shipyards of New Orleans.

State officials soon were dealing with Woeck's son Richard, who now controls the family's businesses, as problem after problem arose with the 100-car boats.

"I've been an inspector for 20 years, and the quality of work there was the worst I've ever seen," said Robert Reid, an inspector hired by a Marine Power subcontractor.

Mark Donohue, who helped design the boats for Marine

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Shipping

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Power, said the state wanted a Chevrolet, not a Cadillac.

The dispute grew increasingly bitter, and the company filed a $32 million suit in 1981, claiming that state inspectors had interfered with the project and added unnecessary expenses. The state countersued, claiming that Marine Power cut too many corners.

Meanwhile, Richard Woeck was expanding into the Alaska shipping trade and acquiring Propulsion Systems Inc., the Kent subcontractor that built the heavily criticized computer steering devices for the ferries. Young Woeck also reorganized the family businesses under a holding company, WFI Inc.

The moves weren't all successful. Alaska shipping profits evaporated in the heat of a freight war, and Propulsion Systems filed for protection under bankruptcy laws. More trouble came last year when two big shipbuilding contracts dissolved.

For lack of financing, Contessa Cruise Lines failed to fulfill a $230 million contract with Marine Power for a pair of luxury passenger liners. Then the Coast Guard reversed directions and awarded a $77 million contract for 16 high-speed patrol boats to a Louisiana shipyard, which had challenged the initial choice of Marine Power.

When creditors, including a steel supplier and a travel agency, placed liens against Woeck family holdings and First Interstate Bank called a $28 million loan, Woeck arranged more loans in the refinancing package.

An out-of-court settlement in the ferry dispute this year also eliminated some troublesome bills, but Peter Woeck acknowledges his empire faces an uncertain future.

"We're working pretty close to the bell right now," he said.

Cost of insurance skyrockets

Continued from page C-1

body — including local taxpayers.

"We've got the same insurance problems as everybody else — prices, availability, predictability, stability," said Scott Burgess, executive director of the Alaska Municipal League.

"The insurance industry has a problem because its premium-to-loss rate has changed," he said Wednesday. "The other side of the coin is the sharp (legal) awards being given.

"The problem with municipalities is liability insurance," Burgess said. "There's this 'deep pocket theory' that seems to operate with people who sue the cities, figuring if the cities lose they'll pass the costs on to the taxpayers.

"So they're (municipalities) seen as high risks by insurance companies and they're subject to cancellations or high premiums," he said.

John Pugh, commissioner of the Department of Health and Social Services, said a number of day-care centers around the state have reported they'll close soon if they can't find insurance.

"Some carriers are saying they won't move to insure a center without a sexual-abuse exclusionary clause, meaning they wouldn't insure unless they could exclude sexual-abuse claims," Pugh said.

A number of solutions are being suggested by various groups. Among them:

- Tighten procedures for filing liability suits, including requiring plaintiffs to file an affidavit laying out the merits of the case before heading to court.
- Establish a cap between $100,000 to $250,000 for compensation given victims for pain and suffering.
- Set limits on lawyer fees.
- Repeal a law allowing the plaintiff to add 10 percent onto the settlement to cover legal fees.
- Pass legislation providing for "liability insurance pools," a self-insurance idea being pushed by the Alaska Municipal League.

Firms to discuss bond rating

Anchorage Times Oct 21, 22, 1985

Times Staff

Eight Anchorage officials including Mayor Tony Knowles are either in New York or on their way there for meetings this week with the nation's two largest bond rating companies.

The officials will discuss the municipality's bond rating and the sale of $30 million in port revenue bonds with Moody's Investor Service.

The firm recently asked the municipality to send its utility executives to New York during a re-appraisal of Anchorage's A utility bond rating.

The state has a AA rating. A AAA rating is the highest.

The higher the bond rating the more favorable the interest rates, said Don Duhr, a financial analyst for the municipality who will be attending the New York meetings.

In addition to Knowles and Duhr, the following officials will participate:

Chief Fiscal Officer Barbara [illegible]kel, Municipal Manager Bob [illegible]th, Port Director Tyler Jones, Anchorage Water and Wastewater Utility General Manager Jean Michou, Anchorage Telephone Utility General Manager John Harshman and Municipal Light and Power General Manager Tom Stahr.

The group from Anchorage also will be meet with another bond rating company, Standard & Poors Corp., Duhr said.

Similar trips are usually made by two or three municipal officials whenever a bond sale is being prepared. Bond ratings are re-evaluated every time a sale is to be made, Duhr said.

The reason this trip rates more executives, said Duhr, is that Moody's wants to talk to Anchorage officials before making the rating.

"Normally, a city will go back and see the rating people every couple of years," he said.

"We want to make a good presentation," said municipal spokeswoman Dee Frankfourth. "There's no better way to make a presentation than to have the people in charge make the presentation.

Anchorage Daily News Wednesday, October 23, 1985

Seattle firms reflect Alaska slowdown

The Associated Press

SEATTLE — A slowdown in the Alaska oil industry and economic growth threatens to affect dozens of Seattle companies that do business there.

"Just about everything done in Alaska has an impact in Seattle," says David Enroth, vice president of Alaska Maritime Agencies and past chairman of the Greater Seattle Chamber of Commerce's Alaska committee.

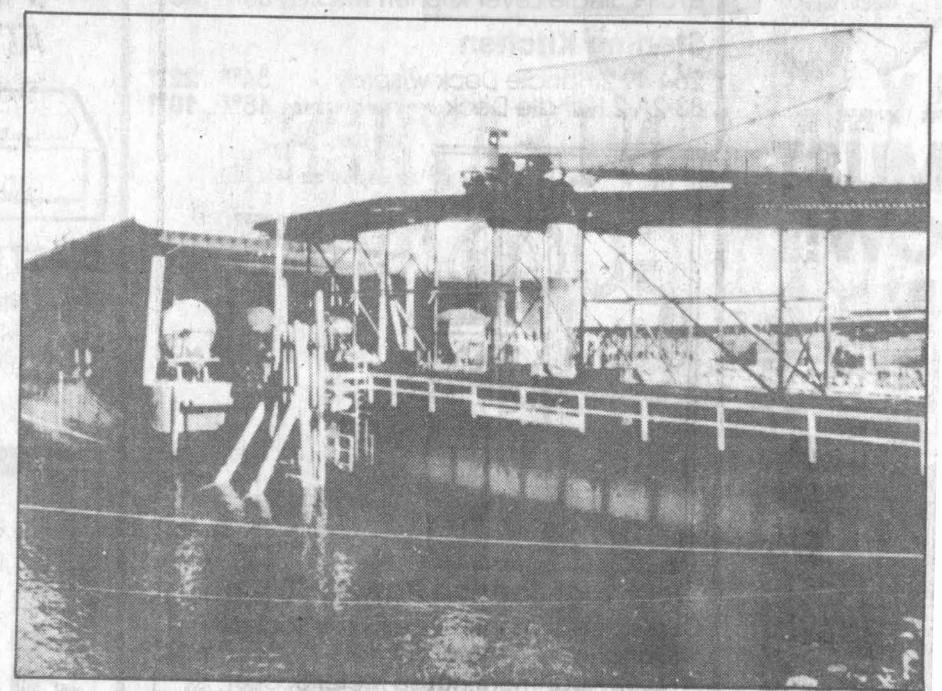
Many think Alaska's economic growth has peaked as worldwide oil demand declines. Prices fell from $32 to $28 a barrel in the past year. That's bad news for a state depending on oil taxes and royalities for 85 percent of its annual income.

Every $1-a-barrel drop cuts $150 million from annual state revenue. The latest fiscal year's revenue dipped to about $3.2 billion, down from a high of $4.1 billion in 1982. Projections say they could fall to $2.7 billion by 1987.

Alaska housing starts are down, stores in small Anchorage shopping centers are vacant and employment growth is half what it was in 1983.

Seattle-area retailers, wholesalers, banks, insurance companies and shipping firms could all feel the pinch.

Estimates are that 80 percent of Alaska-bound goods are loaded on barges and container ships coming from the ports of Seattle and Tacoma, and about two-thirds of those items are produced in the Northwest.



The Associated Press

Alaska-bound goods are loaded on a barge for the trip north from Seattle.

About two dozen Seattle and Tacoma maritime companies carry goods between here and Alaska, and overcapacity has plagued the trade for the past year and a half. Ships and barges have about 30 percent more space than is needed, and rates fell by as much as 50 percent during a recent freight-rate war.

A couple of smaller carriers have dropped out of the picture, and even one of the larger firms, Foss Alaska Lines, recently called it quits.

The industry is now in a holding pattern, according to freight consolidator and shipping consultant Fred Tolan.

"What's happening is, all the contestants are lying around the ring just exhausted," he says. "Nobody's slugging anybody anymore because they're all pooped."

A major Northwest commodity shipped between here and Alaska is housing materials. But residential building permits in Anchorage slipped 40 percent between 1983 and 1984, a trend that has affected Seattle timber companies, homebuilders, contractors and building suppliers.

"Housing construction has been in a slump and business is down — maybe 20 to 25 percent," says Jim Campbell, president of Anchorage-based Spenard Builders Supply. Spenard is a division of Seattle's Lanoga Corp., a private company chaired by Weyerhaeuser timber baron Norton Clapp.

Finished lumber and other Northwest products could still suffer even if the Alaskan economy picks up, as a trend towards "import substitution" means more goods produced and shipped through here will be made in Alaska in the future, says Scott Hawkins, economist at Alaska Pacific Bancorp.

But Alaskans still want some products from Seattle, such as Nordstrom's $1.50 white chocolate truffles. The department store chain still flies the confections to its two Alaska stores every three days.

Nordstrom plans a 50-percent expansion of its downtown Anchorage store as part of a shopping mall project proposed by the Bellevue-based Rainier Fund. But Paul Hunter, Nordstrom vice president and general manager for Washington and Alaska, says that will be the extent of store growth in the near future.

Sales at Nordstrom's Alaska stores account for about 8 percent of total company revenue. In the late 1970s, during construction of the Alaska pipeline, it was about 20 percent.

"There was a lot of money (then) and a lot of it was freely spent," Hunter says.

Anchorage Daily News Saturday, October 5, 1985

Sea-Land buys bigger ships

Three new vessels will expand service by 46 percent

By HAL BERNTON
Daily News business reporter

Sea-Land Service Co. is investing $180 million in three new ships that will be used to expand by 46 percent the company's freight capacity between Alaska and Washington, according to Doug Tipton, the company's Alaska general manager.

The first of the three ships is expected to be in operation by late next year, with the other two brought on line sometime in 1987, Tipton said.

The new ships, being built in a Wisconsin shipyard, will replace four smaller Sea-Land ships that now shuttle between Tacoma, Anchorage and Kodiak.

Sea-Land is the largest shipper of goods between Alaska and the Lower 48.

To accommodate the new ships, the Port of Anchorage has asked the city assembly to approve issuing $6.8 million in revenue bonds to help improve loading operations and modify sections of the city dock. A hearing on the bond issue is scheduled for Oct. 15.

Tyler Jones, Anchorage port director, said Sea-Land would pay all debt service and principal on the bonds.

A big chunk of the bond money would be used to pay for special cranes needed to pick up cargo from the dock and put it on the new ships. The cranes the port now has don't have the reach to do the job, Tipton said.

Sea-Land also plans to finance more than $1 million in improvements at the Kodiak port, Tipton said.

Sea-Land's ambitious ship building program comes in the midst of a major slump in Alaska's shipping industry.

An official for Totem Ocean Trailer Express, Sea-Land's main competitor, described the program as suicidal. If the new boats are brought into Alaska, Sea-Land may have to cut its rates sharply to fill its holds with goods, the official said.

Tipton said the expansion is a major commitment to the Alaska shipping market. He said the company plans to keep the new boats on the Alaska route.

The boats will be christened the Sea-Land Tacoma, Sea-Land Anchorage and Sea-Land Kodiak, said Jack Helton, the company's vice president for Alaska operations.

Sea-Land Agreement Wins Nod

Journal of Commerce Staff

WASHINGTON — The Federal Maritime Commission approved a long-term agreement under which Sea-Land Service Inc. will enjoy preferential use of 920 feet along Terminal No. 2 at Anchorage, Alaska.

The agreement, entered into with the city of Anchorage, is for five years with options to extend for five successive five-year periods.

Cargo minimums are provided with handling charges assessed accordingly, a summary explained. The agreement will allow Sea-Land to receive, deliver, handle and store cargo, including containers, and load and discharge its vessels.

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