The Shakeout

Economic Shift Hits Ports and Shippers

By MARK HARRIS

What a difference a year makes. Last year, an article on the barge and containership sectors would have described how shippers were pulling out all the stops in an effort to serve a rapidly expanding Alaska economy. It would have told how they were adding to their fleets, adding sailings, adding services and calling on new ports.

The ocean freight business at that time was responding to the record 1983 construction year which saw demand exceed freight space capacity by 5 percent. However, 1984 brought a leveling off of the construction boom and predictions of a 10- to 15-percent freight service oversupply for Alaska came true.

Construction materials traditionally account for about half the freight barged to Alaska from Pacific Northwest and Canadian ports. As road and building construction dropped in 1984, so did shippers' business. Rates fell by more than 15 percent as barge lines jockeyed for loads, trucking firms laid off drivers and the Alaska Railroad got down to some serious competing.

The economic turn of events brought on hard-nosed price wars and industry consolidation. For two major tug-and-barge carriers, the market change proved fatal. Foss Alaska Line and Pacific Western Lines faded from the picture, victims of a cut-throat industry trying to "do unto others" before others did unto them.

After 15 years, Seattle-based Foss shut down its scheduled barge service to Alaska last October and sold many of its assets to Lynden Transport, also of Seattle.

Also last October Sealaska Corp. announced it was shutting down Pacific Western Lines, its Anchorage-based subsidiary. Sealaska's Byron Mallott termed Pac West "too small to remain profitable over time" and the decision was made not to pump millions into the ailing service. The barge line had been serving Alaska's largest city for several years and last March announced new weekly seasonal service to Kenai.

Again it was Lynden that benefited, picking up much equipment, except barges, from Pacific Western. Lynden was already a big name in trucking, air freight and Arctic packaging, but the acquisition of equipment and dock facilities from Foss and Pacific Western turned the company's Alaska Marine Lines into an instant major player in the ocean carrier business.

Lynden didn't waste time announcing that Alaska Marine would expand its Southeast service to include weekly barge sailings to Ketchikan, Sitka, Petersburg and Wrangell, all former Foss strongholds.

It was last September when Coastal Alaska Lines, Inc. also announced an end to barge service to Anchorage. However, a Washington-Alaska investor group headed by a former Coastal Alaska official announced plans to offer twice-monthly barge service to Anchorage under the name of Coastal Services Inc.

Major players such as Sea-Land Services, Totem Ocean Trailer Express, Crowley Maritime and SeaWay Express have weathered the initial shakeout and in some cases proved that decisions made in 1982-83 to expand service to the Alaska market were sound.

Sea-Land is still looking forward to delivery this fall of the first two of three new containerships, at $60 million per copy. Each 16,000-dwt, diesel-powered ship will carry 700 40-ft. containers, increasing Sea-Land's cargo-carrying capacity in the Alaska trade by about 40 percent.

Last year Sea-Land ended its 20-year association with the Port of Seattle and moved Alaska operations to

Continued on page 46

a new 76-acre, $31-million terminal on Sitcum waterway at the Port of Tacoma.

Jack Helton, vice president of Sea-Land's Alaska division, told an Alaska Chamber of Commerce gathering last fall that the successful freight service must concentrate on efficiency. The company is working toward knocking down the cost per container mile by hauling more containers per trip and making the trips faster.

Sea-Land has four 360-container-capacity steam-turbine ships in service to the Port of Anchorage and to Kodiak. The three serving Anchorage can make one-way sailings in 3½ days. The three new replacement ships will increase capacity by 46 percent, and will cut sailing time to three days, company officials predict.

TOTE's president, Robert B. McMillen, said his company is not about to be left behind. The line's two containerships each carry 710 40-ft. containers (equivalent to 390 trailers and 126 autos) to Anchorage in 62 to 66 hours, including a full ship turnaround time of 10 hours, McMillen said.

TOTE began serving the lucrative Railbelt market 10 years ago with new ships, the *Westward Venture* and the *Great Land*. The company stresses careful maintenance to keep the vessels at optimum efficiency. TOTE started out in Seattle and moved its base three times, most recently to a new $10.5-million, 33-acre terminal on Blair Waterway in Tacoma.

Together, TOTE and Sea-Land control about 65 percent of the freight moved into Anchorage and on into the Railbelt — south to the Kenai Peninsula and north to Fairbanks. Both operate extensive trucking networks.

Barge-Rail Link Brings Tough Competition

The Anchorage ship-truck combination that has dominated Railbelt freight hauling for so long is being vigorously challenged by ship-to-rail service out of Seward and Whittier. Alaska is catching up with the Lower 48 in the use of railroad piggybacking of truck trailers.

The Alaska Railroad carried about 3,222 carloads of trailers piggyback in 1983, which translates to about 5,800 trailers. That number jumped to about 6,630 trailers hauled in 1984 and an estimated 8,000 trailers last year. ARR has brought new van loaders into Seward and Whittier that can make barge-to-railcar transfers in less than three minutes.

The Woeck family of Seattle made its mark on the Alaska market in 1984 with SeaWay Express, which provided the first year-round scheduled barge service for Seward. This non-union entry to the RO/RO sector stirred things up with two triple-deck barges each capable of carrying up to 330 standard containers or even more truck trailers for piggybacking on the railroad.

The company has kicked in $60 million for barges and equipment and stands behind $12 million worth of industrial development bonds the City of Seward sold to fund construction of a special unloading ramp on Alaska Railroad.

Freight coming into Seward has three main destinations — the Kenai Peninsula, Anchorage and Fairbanks. Up to 10 percent is trucked to peninsula communities. Most is loaded onto flatcars for transport to Southcentral and Interior Alaska. Between 70 and 75 percent of the trailers go to Anchorage while 20 percent go to Fairbanks. ARR owns and manages the Port of Seward and SeaWay officials report a marked improvement in relations since the state of Alaska management team has taken over. There had been friction over use of railroad facilities, rates and flatcar availability.

The railroad is now using 56 special flatcars built by Pacific Car and Foundry. Three 50-ft. cars are designed to be hinged together to form one "articulated" flatcar which can be loaded to 50 tons. Though built for heavy loads, they actually require 30 percent less pulling power than conventional flatcars designed to carry trailers.

Not everyting is rosy for SeaWay, however. As a sign of the economic times, company Manager Fred Piel reports that SeaWay traffic through Seward is up 5 percent this year but overall freight revenues are down 38 to 50 percent from last year.

Crowley Maritime Corp.'s Alaska Hydro-Train has offered Seattle-Whittier RO/RO railcar service since 1963. In 1984 Crowley added second decks to several of its 400-ft. by 100-ft. barges. This allowed shipment of 100 40-ft. trailers along with up to 55 railcars per barge. These facilities are complemented on the Whittier side with 50 new standard flatcars. The ARR provided a new van lifter at Whittier and expanded offloading facilities so groups of railcars coming off the barge can be built into full trains more quickly with less engine travel.

Hydro-Train got a little icing on the cake this year when it moved 5 to 15 carloads of cement-coated pipe per bargeload from a Portland plant to a jobsite east of Anchorage on the same railcars. The project involves regular barge trips which started last July and will end in the winter of 1985-86.

Ports in a Storm

All this activity at the Alaska Railroad-controlled ports of Seward and Whittier hasn't gone unnoticed by the independent ports of Anchorage and Valdez.

Valdez sank $53 million worth of general obligation bonding into its floating concrete dock two years ago (see *AC&O*, October 1984). This year the city was granted the right to establish Alaska's first foreign trade zone where foreign goods can be stored, fabricated, repackaged and even shipped to other foreign ports without incurring U.S. duties.

The idea was to get the corner on tubular goods transportation from the Orient and Lower 48 to the North Slope and entice foreign investment to the ice-free port. Valdez had the advantage of putting oil-field shipments onto tandem trailer trucks for a through run of a railcar-sized load to the North Slope. Rail freight has to be offloaded at Fairbanks and trucked north from there.

But now Port Director Jerry Zoet is not a happy man. Despite offering free docking and wharfage privileges plus free potable water, Valdez's freight business is down to a trickle. The demise of Foss Alaska Lines left the terminal with only one regular barge service, Samson Tug and Barge, providing once-every-three-weeks service in winter and once-every-two-weeks in summer.

As of year end, Valdez had yet to attract its first customer to the foreign trade zone. "This is a long-term tool in a port city's economic development," Zoet said, "and it takes a specialized kind of business to want that service. We've planted a lot of seed and it's going to take some time for things to bloom."

Zoet points to the Alaska Railroad as the main reason for Valdez's economic downturn in 1985. The city is suing the railroad on the grounds it is using predatory pricing practices by establishing rate schedules on iron and steel products that are below the profit line.

The Interstate Commerce Commission granted new tariff rates shortly after the railroad came under state ownership. The railroad is controlled by a board of directors appointed by the governor, a situation Zoet claims provides little oversight. "There is no state

or federal agency that can step in and tell the railroad when it has gone too far in its goal of making a profit."

Railroad officials acknowledge they were out to turn around the situation in late 1984 when Valdez was getting up to 50 percent of the tubular goods traffic coming into Alaska. However, they deny using below break-even pricing practices to do it. The Valdez City Council must now decide how far a community dependent on state funding can go to buck a state-owned competitor.

The port could still pick up considerable business in perishables shipments to Fairbanks via truck and produce shipments to Prudhoe Bay by plane. The city airport has the nation's first Microwave Landing System that allows certain aircraft to land in all but the most severe weather conditions.

The key to having a perishables shipment market is a fast ocean carrier service. Samson serves other ports en route to Valdez but the city is negotiating with another carrier that reportedly could make 60-hour sailings between Seattle and Valdez. This would be the fastest scheduled service to any Alaska port.

Anchorage Port Still Growing

The port that bills itself as serving 75 percent of the state's population is fighting to keep pace with a changing transportation industry while dealing with limited land space. Recent expansions have taken the port to the edges of its property. To gain more room, the port must negotiate for use of state or federal lands.

The 110-acre port has half a mile of berthing space and newly expanded transit areas to the north and south. This includes the recently completed 10-acre Transit Area D now used by TOTE. (The unique construction aspects of this project were featured in the October 1985 issue of *AC&O*.)

By the time Sea-Land puts the first of its three new ships into service, the Port of Anchorage should have new cargo handling equipment in place and expanded staging areas.

Port Director Tyler Jones said dock modifications will include increasing the lifting capacity of the two existing Paceco cranes from 27½ tons to 30 tons. The cranes will be raised and boom extensions made to increase reach over the new ships. Also, the port will be installing a new 40-ton Mitsubishi crane.

Changes are coming this year in the warehouse configuration along Terminal No. 1 which will provide an 88-ft.-wide work space along a portion of the dock apron. Jones said, "We expect to remove the west wall of the warehouse/transit shed and pull it back about 50 ft. We only have 38 ft. of area now between the warehouse face and the edge of the dock."

The rebuilt warehouse will include new office space and a visitor observation platform on top. Warehousing space will be cut from 50,000 sq. ft. to about 35,000 sq. ft. but automobile loading operations that now constitute the main warehouse use will be moved elsewhere and the east apron will be used for business and visitor parking. The building will be used more as a transit shed for consolidating less-than-containerloads and pallets into truckloads. This was the building's original purpose before containerization changed the way cargo is handled.

The 1986 port work is expected to cost about $6 million. Last year, the port had about $3 million in transit area construction and $1 million in dock modifications and repair involving a section damaged by a TOTE RO/RO ship.

Future plans call for extension of the dock and crane rails to the south into the petroleum terminal and beyond. This would provide more freight handling space and direct access to transit and parking areas leased by TOTE and Sea-Land. To the north, the port hopes to make arrangements with state and federal landholders to expand facilities as needed.

For 1985, the Port of Anchorage handled just less than two million tons of cargo, including petroleum products. The 1984 total was 2,132,361 tons. Petroleum accounted for about 700,000 tons in 1984 and about 600,000 tons last year.

As at other Alaska ports, inbound freight constitutes the vast majority of tonnage handled by the Port of Anchorage. Of this, most is from the Lower 48 in the form of vans, flats and containers. This port gets relatively little foreign freight. One Danish shipping line made several trips to Anchorage this summer after stops at European and U.S. West Coast ports. Some furniture and mining equipment came into Anchorage this way and the line hauled fish out of Kodiak. But the trial didn't prove as economically feasible as the shipper had hoped. At press time, it was not known whether the service would continue this summer or not.

The Port of Anchorage lost RO/RO and piggyback business to the railroad's operations at Whittier and Seward last year and in 1984. Tyler Jones can look out his office window and see the railcars loaded with containers and truck trailers roll past the port, knowing the tariff rates for Fairbanks-bound freight from Anchorage aren't that much less than from Seward.

Jones can also see some barge traffic going to operations on land adjacent to the port. The railroad has some 600 acres of land adjacent to the port which will figure prominently in its aggressive new real estate marketing program.

"The port itself doesn't compete directly with the railroad," Jones said, "but the carriers that have preferential berthing rights and transit area leases here (TOTE and Sea-Land) compete with carriers using the other ports (Hydro-Train at Whittier and SeaWay at Seward)."

Jones said when the railroad was under federal ownership it considered the Port of Anchorage as competition. Since the state took over the railroad, talks have begun on mutually beneficial projects. "We've had some good talks with the railroad about prospective developments such as marine terminals and real estate use at the waterfront area by the railroad," Jones said. "The talks are very initial in nature but this is considerable progress compared to where we were. There's no reason they can't receive freight from Sea-Land and TOTE and there's no reason we can't help them do that."

Jones realizes that such cooperation, when combined with other plans and improvements, will make the Port of Anchorage a more attractive shipping and receiving point and bring in just that much more business. It can't be a "them or us" attitude for either the railroad or the port anymore.

The year 1986 greeted a leaner, healthier shipping industry in Alaska. This is an industry with more port capacity than it is using and plenty of trucks and railcars. Everybody is looking forward to a new wave of public- and private-sector building.

Growth may be triggered in part by location of a U.S. Army light infantry division at Fort Wainwright near Fairbanks and to a lesser degree at Fort Richardson near Anchorage. Then too, the North Slope will need tubulars and other supplies for years to come. Should new exploration areas yield another giant oil field, the shipping industry can expect another round of expansion. History made in 1983-84 may repeat itself. □