



**TOTE Maritime Alaska
employs ships specially built
to provide state-of-the-art
protection from the elements.**

ALASKA

The Last Frontier

In this extraordinary state, the logistics challenges are substantial but so are the solutions. Up to the challenge: logistics service providers who overcome the obstacles and pave the way for thriving supply chains.

In the language of the indigenous Aleuts, Alyeska roughly translates into “the great land.” And great it certainly is—in size and scope, if not number of people. Alaska’s relatively sparse population, fewer than 750,000, stands in contrast to the huge area it covers, some 663,000 square miles.

Those miles are marked by treacherous terrain and daunting logistical obstacles. Yet Alaska’s location—equidistant to Asia and Europe—places its largest city, Anchorage, slightly longer than nine hours by air from more than 95% of the world’s industrial population. In a geographical and logistical sense, then, Alaska is indeed at the top of the world.

Recovering from a three-year recession, business is once again on the upswing in Alaska and more economic expansion is projected over the next year. With the emergence of consumer economies and the surge in worldwide e-commerce, Alaska’s strategic location positions the state for growing importance in the logistics marketplace.

Successfully tapping into this growth depends on the perseverance, innovation, efficiency, and resources of logistics providers whose experience has withstood the test of time and travel in this most extraordinary state.



Alaska Railroad transports consumer goods and heavy freight from three strategic ports up the rail belt to and from Fairbanks with transload connections to Prudhoe Bay. The carrier notably provides rail service in support of U.S. defense projects.

Alaska conjures up visions of ice, snow, vast remote areas, and mountain vistas of world-class grandeur. Nicknamed “The Last Frontier,” the state provides rewards to those willing to take it on.

Oil industry exploration and production, military deployment and construction, and future projects have revitalized an otherwise declining mature market. Oil was discovered in the North Slope of Alaska in 1968, and while Prudhoe Bay production has matured and declined since its peak in 1988, technological improvements and recent new field discoveries by a number of companies have turned things around.

MAKING TRACKS

“There are a number of bright spots on the horizon,” says Dale Wade, vice president, marketing and customer service, Alaska Railroad. “In addition to operating a wonderful passenger service, the Alaska Railroad is the only railroad in Alaska providing rail freight service moving consumer goods and heavy freight from three strategic ports up the

rail belt to and from Fairbanks with transload connections to Prudhoe Bay.”

As Alaska is predominantly an inbound logistics market, the railroad helps hold down the cost of living in the state.

Alaska Railroad is a connecting carrier to Class I railroads. Consequently, fully loaded rail cars can begin their journey in the lower 48 states and Mexico and travel to the railroad’s port operation in Seattle. There, rail cars of pipe, mining equipment, and chemicals seamlessly move onto a rail barge and onward to Alaska, avoiding transload costs. Upon arrival, the rail cars are rolled off the barge for continued movement to their final destination within the state.

The railroad is a significant factor in U.S. defense operations. The U.S. military conducted operations from the numerous bases within Alaska, as it does today, well before statehood. The expansion of Eielson Air Force Base outside of Fairbanks to accommodate the bed-down of F-35 aircraft, radar upgrades at Clear Air Force Station, and the addition of missile silos at Fort Greely

all boost national defense, and likewise provide a jolt to the Alaskan economy and transportation industry.

The Alaska Railroad provides rail service in support of these projects. In addition, the railroad has played a vital role in supporting the readiness of military forces by transporting U.S. Army equipment between Fort Wainwright and the Port of Alaska during deployments and redeployments in support of contingencies and training exercises.

MINE ALL MINE

Alaska remains an abundant source of minerals. A potential silver lining for the Alaska mining industry is the Ambler Mining District, which is rich in copper, zinc, lead, gold, silver, and cobalt deposits. Plans are currently underway for the potential construction of a 200-mile road to connect the Ambler Mining District to the Dalton Highway. This road would allow trucks to haul minerals to Fairbanks, where they can be loaded onto rail cars for movement to one of the many ports the Alaska Railroad services.

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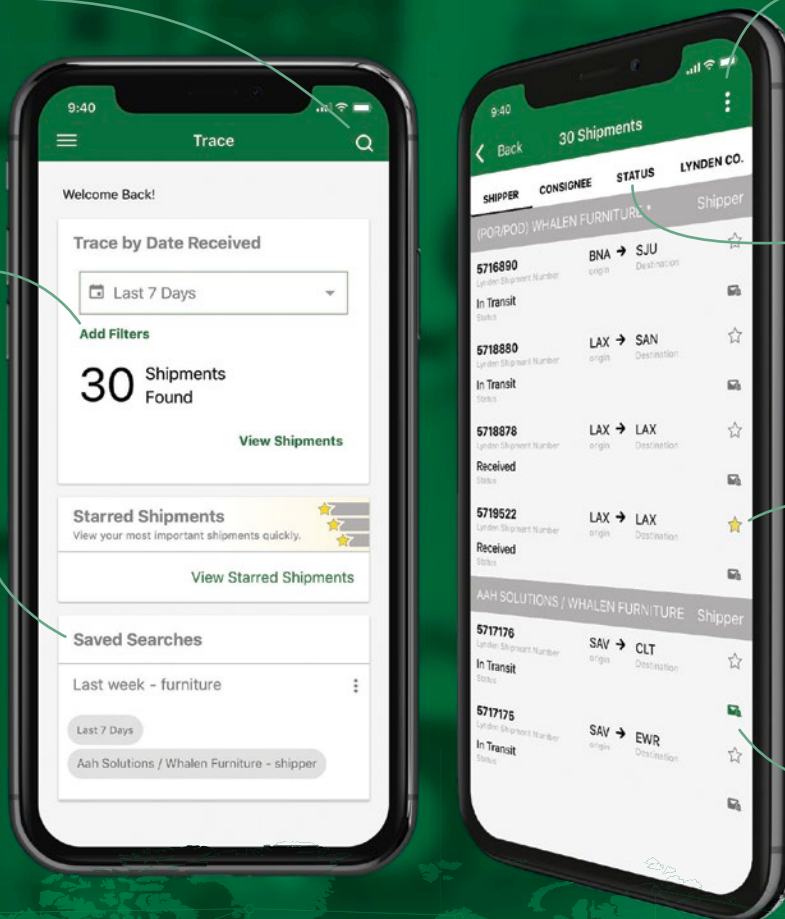
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Based in Anchorage, Carlile Transportation Systems supports exploration, production, and building projects throughout Alaska and across North America.

From the perspective of Carlile Transportation Systems, you might say that when it comes to Alaska, everything is looking up. "Alaska transportation behaves like an island," says Larry Felix, Carlile's vice president of sales. "If a product is in Alaska, chances are it came from the lower 48 states. It may have originated in Asia or elsewhere, but at some point it hit the lower 48."

As a trucking and logistics company doing business in Alaska for nearly four decades, Carlile understands the state's opportunities and challenges. Based in Anchorage, the company operates six terminals in Alaska as well as facilities in Tacoma, Washington; Houston, Texas; and Edmonton, Alberta, Canada.

MULTITUDE OF SERVICES

Carlile's logistics experts support exploration, production, and building projects throughout Alaska and across North America. The company's truck cabs, cargo and flatbed trailers, and fuel tankers are familiar sights traveling along the Dalton Highway and other Alaska thoroughfares to and from Deadhorse (Prudhoe Bay), Fairbanks, Kenai, Kodiak, and Seward.

"Within the state we provide bulk and heavy-haul movements, along with less-than-truckload (LTL) and truckload transportation," Felix says.

"Offering a multitude of services means we can handle pretty much

anything," he adds, noting the company's foundation in transporting freight and supplies related to the oil exploration industry has driven a special focus on safety.

"We have to be safe in order to do business with the oil and gas community," Felix says. As a result, safe transportation is a company hallmark.

"Carlile employees continually train for all kinds of safety scenarios and are empowered with Stop Work Authority," Felix says. "This means that if any member of the Carlile team—regardless of their position—observes what they believe to be unsafe behavior or activities, they have the power to stop all activities so our safety team can assess the situation."

Carlile trucks are equipped with PeopleNet technology, which provides up-to-date tracking and tracing. "Satellite tracking has allowed us to give shippers immediate status updates on their shipments," Felix says. The technology was installed on all transportation equipment within the past 18 months.

Founded in 1980 by brothers Harry and John McDonald, the company was purchased by Seattle-based Saltchuk in 2013. Saltchuk is a diversified family of companies providing transportation and distribution services in North America and the Caribbean.

Within that land- and seascape, Carlile covers the distance with over-the-water consolidation service from the lower

48 to all points in Alaska, and over-the-road service from Tacoma to Anchorage and Fairbanks. "In the past few years, the company has expanded its service in the state and improved the overall transportation network," Felix says.

"For us, stability has come by providing consistent on-time service and improved efficiency," he adds. "Customers have come to understand that we also offer expedited Arctic Express, the fastest over-the-road service from Tacoma to the state of Alaska."

Felix calls Carlile an "Alaska-facing" company. "We understand the state," he explains, "because we are always looking in its direction."

MULTIPLE MODES

Because most of Alaska is not connected by the road system, multimodal logistics solutions are often required. "Naturally with a huge coastline, a large portion of Alaska's supply chain is marine," explains Alex McKallor, executive vice president and COO of Lynden Inc. "However, a vast majority of the state does not have deepwater ports or the freight suitable for ships. The only exceptions are Anchorage, Kodiak, and Dutch Harbor. The rest of the state is supplied by barges and landing craft that call on smaller communities via the coast and river systems."

As with all challenges, logistics professionals have found ways to overcome them. "Lynden's business development has been driven by customers' need to get beyond the road to reach its customers," McKallor says.

Lynden is a family of transportation companies with the combined capabilities of truckload and LTL transportation, scheduled and charter barges, intermodal bulk chemical hauls, scheduled and chartered air freighters, domestic and international forwarding and customs services, sanitary bulk commodities hauling, and multimodal logistics. "Our family of companies delivers a total freight transportation package," McKallor says.

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Lynden companies offer truckload and less-than-truckload transportation, barges, intermodal bulk chemical hauls, air freighters, customs services, and multimodal logistics.

Lynden's marine operation, Alaska Marine Lines, serves the state's coastal communities from Southeast Alaska to the Arctic. To complement this capability, Lynden's air operations use the commercial version of the C-130 aircraft, which is designed to connect even the most hard-to-reach communities when ice or speed requirements call for a different approach.

Lynden also uses other means to deliver freight, such as hovercraft and sleds designed to handle the most challenging situations. "And, of course, we provide trucking services covering the road network throughout the state," McKallor adds.

OVERCOMING THE OBSTACLES

It's all about finding a way from here to there, regardless of obstacles. "By necessity, Alaska has become a proving ground for innovative transportation solutions," McKallor says. "Connecting road to marine to air is an everyday job for us. Because of that expertise, we are often asked to look at other logistics challenges in Alaska and around the world."

In addition to Alaska, Lynden helps customers get the job done in daunting areas such as Western Canada and Russia. "We have built a reputation of superior service to diverse industries including energy, seafood, mining, construction, retail, and manufacturing," McKallor says.

Alaska's large untapped natural resources and ever-increasing expectations of shippers will continue to drive the need for innovation. But Lynden is well-positioned to meet the demand.

"From pioneering the first over-the-road service to Alaska in 1954 to delivering mail and other essentials to remote bush communities via hovercraft today, Lynden's network of service centers covers the state," McKallor says. "We earned our reputation the hard way—by moving all kinds of freight over some of the most rugged, remote terrain imaginable."

Utilizing truck, ship, barge, ferry, or aircraft service in any combination, Lynden balances speed and cost when shipping to and from different locations.

"We can also reach the unreachable," McKallor says. "No landing strip? Our Hercules aircraft can land on gravel or ice. No harbor? Our shallow draft barges are equipped with ramps to allow us to access any shore. No road? Our hovercraft can glide through any terrain to deliver people, equipment, or customer shipments. We don't believe in one-size-fits-all solutions."

MARINE SOLUTIONS

Every challenge presents an opportunity, as the adage goes. Alex Hofeling, vice president and general manager for TOTE Maritime Alaska's

office and operations, believes the adage is especially true in the case of the Port of Alaska, one of the state's primary logistics assets.

"The biggest long-term challenge facing logistics in Alaska is the Port of Alaska," says Hofeling, who oversees TOTE's Anchorage and Fairbanks offices. TOTE is a leading owner/operator of domestic shipping in the United States and specializes in moving cargo between North America and both Puerto Rico and Alaska.

"The Port of Alaska is instrumental to the quality of life for Alaskans and needs significant upgrades for long-term viability," Hofeling says. "TOTE Maritime Alaska will be a positive voice in this conversation."

HISTORY OF SERVICE

It is a voice with a long history in Alaska and at the port. "TOTE Maritime Alaska has been serving the state since 1975 and continues to reinvest to deliver the best customer experience possible," Hofeling says. TOTE's initial 1975 berthing at the Port of Alaska (then the Port of Anchorage) represented the largest ship to arrive at the port.

"At the time, Alaska was home to tens of thousands of workers looking for high-paying jobs building the Trans-Alaska Pipeline System," Hofeling says. "Our roll-on/roll-off vessels were designed to carry just about any freight people would need in Alaska, whether it was oversized heavy equipment or trailer loads of household goods, retail merchandise, groceries, oil field equipment, or construction materials."

TOTE has maintained its commitment to Alaska for more than four decades. "Our latest investment in the conversion to liquefied natural gas (LNG) demonstrates that commitment," Hofeling says. "And we have invested in our eSolutions products to improve the web portal, equipment tracking, and telematics for our customers."

By converting its fleet to natural gas, the company is supporting significant benefits to local air quality as well as



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LOGISTICS



Matson offers comprehensive ocean transportation services, supporting the economies of Alaska, Hawaii, Guam, Micronesia, and South Pacific islands. It operates direct, twice-weekly service from Tacoma to Anchorage and Kodiak, and weekly service to Dutch Harbor.

access to reliable sources of LNG for Pacific Northwest ports, and is helping lead the way to the proliferation of natural gas as a transportation fuel.

“A state with such unique challenges—such as the Gulf of Alaska, lack of a road system, remote geography, and extreme weather—requires equally unique transportation solutions,” Hofeling explains. “Alaskan transportation providers create these solutions by leveraging technology, expertise, and investment to ensure Alaskans have the goods they need to maintain their lifestyles.”

In 2003, TOTE built two Orca-class cargo ships, the *M.V. Midnight Sun* and the *M.V. North Star*. These ships were specially built for Alaska and provide state-of-the-art protection from the elements. “The Gulf of Alaska can be the most challenging waters in the world, and our ships were built to make the voyage safely and quickly,” Hofeling says. “We’re able to carry cargo from

Tacoma to Anchorage in 66 hours—the fastest transit time in the trade. Because all our cargo can be driven off the ship, we also have the fastest port turn-time in the industry.

“Our terminals in Tacoma and Anchorage have been upgraded with automated logistics systems that have reduced our customers’ turn-times to less than 20 minutes—making them some of the fastest terminals on the West Coast,” he adds. “In 2018, we completed a project to add telematics technology to our entire reefer fleet, adding extra visibility for sensitive cargo from port to port. When you’re working to get Alaskans the freshest produce, dairy, and meat, this is a great complement to our best-in-class, on-time service to the state.”

KNOWING THE TERRITORY

Experience is an important plus when navigating the inherent challenges of logistics in Alaska. “Alaska’s sometimes extreme weather and susceptibility

to north Pacific storm systems pose challenges we don’t see in other trades,” says Bal Dreyfus, vice president, Alaska, Matson Inc. “Despite the difficulty, we are able to deliver goods to Alaska with a high degree of reliability because our employees hold deep institutional knowledge.”

Headquartered in Honolulu, Matson has been a leader in Pacific shipping since 1882. With multiple subsidiaries, the company’s transportation network offers comprehensive ocean services, providing a vital lifeline to the economies of Alaska, Hawaii, Guam, Micronesia, and islands in the South Pacific.

Matson’s Alaska operations are built on the experience of predecessor companies that have served Alaska communities for more than 50 years. “This team knows what Alaska businesses need and how to maintain and use our vessels, terminals, and equipment to provide the highest levels of service,” Dreyfus adds.

Matson operates direct, twice-weekly



ALASKA'S TRUCKING COMPANY





Span Alaska, headquartered in Auburn, Washington, transports more than 400 million pounds of freight annually to Alaska, Hawaii, and Puerto Rico.

service from Tacoma to Anchorage and Kodiak, and weekly service to Dutch Harbor, using containerships built for Alaska service.

“We specialize in carrying the wide range of commodities needed to support economies that rely on ocean transportation to continually replenish inventories and supplies,” Dreyfus says. “We offer truck, rail, and barge connections throughout Central Alaska, Kodiak, and the Aleutian Chain, as well as the lower 48, with a full range of equipment—dry and refrigerated containers, open top containers, car carriers, flat racks, and insulated containers—with efficient terminal operations dedicated to Alaska service.”

After acquiring the Alaska assets of Horizon Lines in 2015 in a transaction valued at \$469 million, Matson invested

tens of millions more into upgrading the infrastructure of its business with ships, terminals, and new equipment.

“This investment included replacing a crane at our Kodiak terminal and installing emissions-cleaning systems on all our Alaska ships to comply with new IMO fuel emission standards in advance of rules taking effect January 1, 2020,” Dreyfus says. He also cites the purchase of 2,450 new dry and insulated containers for the Alaska trade, new Kenworth tractors at Matson’s Anchorage terminal, and a variety of facility improvements at its Anchorage, Kodiak, and Dutch Harbor terminals.

“We also recently upgraded the gate at our Anchorage terminal, installing new technology that has simplified and shortened transaction times for our customers,” he adds.

Such investments serve as testimony to Matson’s strong belief in the growing importance of Alaska’s place in the ever-changing logistics marketplace.

“Matson invested in its Alaska service at a time when the state’s economy was in decline, due to falling oil prices,” Dreyfus says. “We did so because we are confident stronger years are ahead. Alaska is strategically important to our national defense and the energy sector, both of which are likely to continue bolstering the state’s economy into the future. Matson invests for the long term, and we are excited about the future in Alaska.”

LOGISTICAL LINKS

The art of logistics in Alaska is complicated compared to the lower 48. The point is underlined by Tom Souply, president of Span Alaska Transportation, which provides freight transportation services to and from the state. The company offers inbound transportation into its Auburn Service Center and also arranges transportation through its relationships with ocean and trucking carriers.

“The road system in Alaska is small at 5,000 miles of paved roads versus the 663,000 square miles of land,” Souply says. “Compare this to Texas, which is smaller at 269,000 square miles but its road system—79,000 paved miles—is the largest in the United States.

“Reaching 100% of residents in Alaska takes a creative supply chain of land, water, and air,” he adds. “Knowing the right way to move a shipment takes experience and a team that has been trained to execute these unique challenges.”

Along with its subsidiaries, Span Alaska, which itself is a subsidiary of Matson Logistics, ships more than 400 million pounds of freight annually to Alaska, Hawaii, and Puerto Rico. Span Alaska is headquartered in Auburn, Washington, where it operates out of a 93-door terminal on 15 acres. Span Alaska operates all its terminals in Anchorage, Fairbanks, Kenai, Kodiak, and Wasilla and owns more than 700

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Alaska Airlines transports perishable and time-sensitive products year-round. In 2018, the company boosted its capacity in Alaska by 20%.

pieces of rolling equipment. In addition to its vast volume of shipments from the lower 48 to Southcentral Alaska (the portion of the state consisting of the shorelines and uplands of the central Gulf of Alaska), the company also offers overnight service from Anchorage to Fairbanks and the Kenai Peninsula, and provides LTL service via barge from Seattle to Southeast Alaska.

Close to 90% of commerce comes into the state via ocean vessels that exit Tacoma twice weekly. “Both Matson and TOTE follow the same schedules, bringing a total of four vessels, which depart Wednesday and Friday, to the Port of Alaska in Anchorage weekly,” explains Curt Dorn, Span Alaska’s director of sales and marketing.

A TREACHEROUS TREK

The vessels travel approximately 1,500 miles through the Gulf of Alaska, navigating some of the most dangerous and challenging waters with rough weather and extreme tidal changes that can rise as high as 50 feet. Alaska residents depend on these vessel arrivals to replenish medical, grocery, retail, and other supplies. The record of on-time arrivals is impressive, as it must be.

“Just 24 hours late can result in stock-outs for grocery stores, retailers, construction sites, and medical supplies,”

Dorn says. There is limited warehousing in Alaska and the ships provide the lifeline to the state from lower-48 distribution centers and shippers.

“Other options for moving commerce into Alaska include barge, over-the-road via the Alcan Highway, and air,” says Souply. “Barge has a cost advantage for some users but the transit time is 15 days versus four days for ship. Air freight can vary from same day to deferred, but may be limited by schedules, hazardous material considerations, and availability of cargo plane capacity.” The cost of over-the-road will usually be three times higher than ship, he adds.

Span Alaska works to customize its logistics solutions. “Our customers expect us to protect their interests from the time they book their shipment until we deliver it, along with providing an accurate invoice,” Souply says. “We use metrics on many processes to measure our reliability. Our senior leadership and managers catalog and measure performance metrics each week, and review them in meetings the following week.”

The company is prepared for growth and plans to build a new Anchorage Service Center later in 2019. “This 88-door facility will provide the resources to meet our customers’ needs and expectations,” Souply says. “We will reduce our handling and processing

time, and significantly increase service levels to the entire state of Alaska.”

The view of Alaska from the lower 48 is one thing; the view from above is quite another. “We have more than 86 years of experience flying in Alaska,” says Jason Berry, managing director, cargo, Alaska Airlines. “We keep Alaska connected logistically with a modern air fleet and Required Navigation Performance technology—which allows an aircraft to fly a specific path between two 3D-defined points in space—that helps us reliably get into airports across the state with difficult terrain and weather conditions.”

Headquartered in SeaTac, Washington, just outside Seattle, Alaska Airlines connects with large international and integrated carriers to carry e-commerce goods and other critical supplies, such as medicine and perishables, into and around the state. Given Alaska’s rural nature, e-commerce is an asset because it provides new and faster access to certain goods.

SEAFOOD LOVERS’ DELIGHT

Alaskans return the favor in the form of “fresh catches” prized across the globe.

“The state exports a large volume of seafood, but a lot of it starts in small fishing communities scattered throughout the state,” Berry explains. “We understand how processors work and the value of same- and next-day fresh products. Over the years, the processors have improved their operations and we’ve adapted to meet their needs. Fresh seafood products we carry out of rural Alaska end up on dinner tables across the country and around the world.”

Berry says the view of Alaska from the air is encouraging. “Overall, we have seen very positive trends across our network in the continental U.S. market and the state of Alaska, as well as increased traffic through our global interline partners,” he says. “The growth of global trade and e-commerce has created major modal shifts. Customer expectations are changing, and, as a result, air cargo is now a more viable

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piece of the supply chain for more commodities than in the past. From where we sit, and knowing the markets we serve, we see a resurgence in the need for transportation by air."

Alaska Airlines transports perishable and time-sensitive products year-round. "We support 19 communities across the state, often by flying in critical and perishable products, such as groceries and pharmaceuticals," Berry says.

"On the return, we fly more than 17 million pounds of fresh Alaska seafood to Anchorage and Seattle, then across our network and to our interline partners to dinner tables across the world," he adds. "Seafood has become less predictable in Alaska in recent years, but with the flexibility of our new freighter fleet, we're still poised to capture as much of that market as we can."

Alaska Airlines invested in its fleet in 2018 by taking delivery of three new 737-700 freighter aircraft to support the Alaska market, replacing five 737-400 Combi aircraft. "The new aircraft boosted our capacity in Alaska by 20% and have allowed us to become the state's largest scheduled cargo carrier," Berry says.

"The increase in capacity also has helped with southbound flows of seafood out of the state and with increased shipping demand for perishables and e-commerce goods to the state," he notes.

Separating the cargo fleet from the passenger fleet also enhances flexibility as the planes are not tied to passenger schedules.

RUNWAYS TO THE WORLD

For more than 50 years, Ted Stevens Anchorage International Airport has been an integral factor in the logistics assets of Anchorage and the entire state. It is the world's fifth-busiest airport by cargo traffic, following only Hong Kong, Memphis, Shanghai, and Incheon, South Korea.

"Our principal logistics advantage is our location between the two largest markets in the world," says Airport Manager Jim Szczesniak. "From a 'great circle' perspective, we are in the sweet spot. That makes our operations more efficient, saving fuel for anyone moving cargo between Asia and North America."

The airport is named for Alaska's late U.S. Senator Ted Stevens, who sponsored legislation that enabled the airport to serve as both a hub and a spoke for transshipments, allowing for cargo to be swapped without undue delay on the journey between the two economies.

The airport itself is designed for efficient cargo transloading, Szczesniak adds, citing the close positioning of the runway system and parking.

In addition, the airport's sweet spot in the "great circle" has led to yet another strategic advantage in the global logistics

marketplace: "We see a lot of growth using Anchorage to connect Latin America and Asia," Szczesniak says. "The perishables market between those two regions is exploding. Airlines can pair fresh Latin American fruit with fresh, wild-caught Alaskan salmon or king crab and send a balanced meal to Asia."

The airport is working to meet the needs resulting from continued cargo growth. "We're looking to create additional infrastructure," Szczesniak says. A new cargo building with easy access to aircraft parking is being developed, followed by an e-commerce facility. With neighbors such as UPS, FedEx, DHL, and the U.S. Postal Service, the e-commerce facility will be perfectly located.

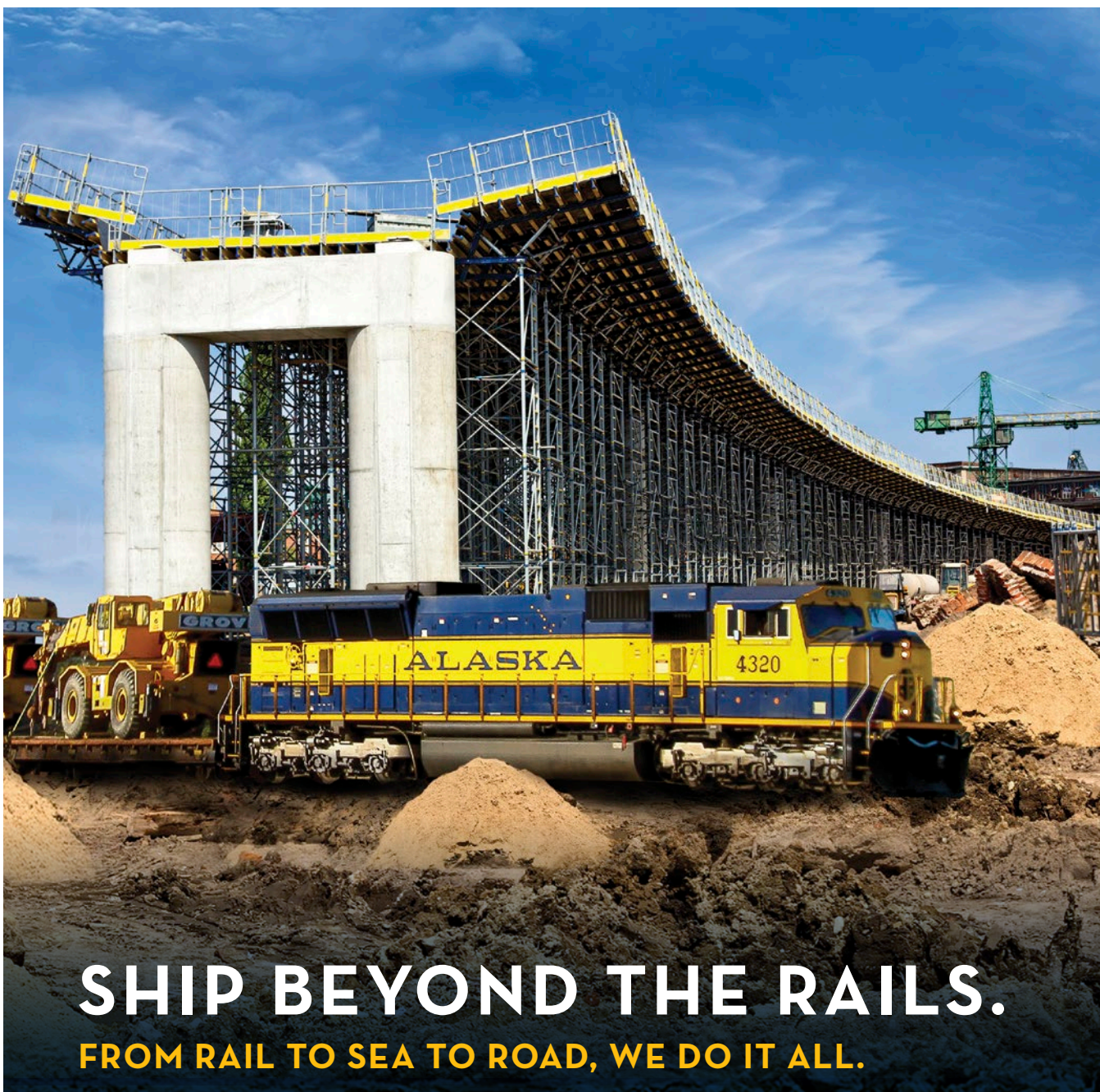
To those who find the idea of logistics in Alaska too daunting, Szczesniak points to the Anchorage airport's operations for reassurance. "The proof is in the pudding," he says, adding that the airport secured new air cargo airlines in 2018. "We wouldn't be here if we were not successful serving a diverse base of cargo customers."

As evidence, "In a typical day we have more than 100 Boeing 747 operations," Szczesniak says. "We have 20 flights between Anchorage and O'Hare, Anchorage and Shanghai, and Anchorage and Hong Kong."

With a geographic location placing it at less than 9.5 hours from 90% of the industrial world, the airport has unlimited potential to move more goods and services to be used in the global marketplace.

The airport is the world's largest and busiest floatplane base and is responsible for nearly 16,000 airport and community jobs, earning \$1 billion. That's one in 10 jobs in Anchorage. And like the planes flying in and out of the airport, those numbers will continue to soar. Anchorage is also envisioned as a future connecting point for air traffic to the Russian Far East.

Despite all challenges—by air, water, rail, and road—the art of logistics in The Last Frontier is flying high. ■



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