2009 PORT OF ANCHORAGE
ANNUAL TONNAGE REPORT

This analysis accompanies our annual 10-year tonnage report. We look to this analysis to provide a more complete explanation of the activities at the Port of Anchorage, as well as impacts that national and world-wide economic trends have on the Port of Anchorage's ability to provide goods and services to Alaska.

Overall 2009 Tonnage. In 2009, tonnage through the Port of Anchorage totaled 3,798,272 tons. This equates to a 560,000-ton decrease over total tonnage in 2008, or 13%. It is apparent that the impacts of the economic downturn, both nationally and internationally, had a negative impact on the total tonnage through the Port in 2009. These numbers however are less than half of the losses that have been experienced by ports both in the Lower 48 and throughout the world. The reason for this is simple…we are, in essence, a "Meat and Potatoes" port. This means that so long as there is not a large fluctuation in the population that makes up our customer base, there will always be a minimum level of tonnage that will move through the port. It is our contention that the decreases experienced are a result of the measured declines in tourism, new car sales, military deployments, refined gasoline production at the state's 3 refineries, and air cargo throughput at Ted Stevens Anchorage International Airport (TSAIA).

Container Tonnage (40.7% Historically; 40.1% in 2009): In 2009, container traffic and tonnage world-wide experienced a decline of 20 to 30%. However, 2009 annual container tonnage through the Port of Anchorage decreased by just 6.7%. As a "Meat and Potatoes" port, so long as there is no large fluctuation in the population that comprises our customer base (85% of the total state population), there will always be a minimum level of tonnage that we will not go below and any declines we do see will always be much lower than national or international averages.

Vehicle Tonnage (.07% Historically; .04% in 2009): This vehicle tonnage number reflects the count of vehicles that cannot be containerized—trucks, RVs, specialized utility vehicles, military vehicles/rolling stock, mobile cranes, etc. Vehicles such as automobiles and light trucks are accounted for in container tonnage. That said, vehicle tonnage through the Port decreased from 10,725 tons in 2008 to 1,473 tons in 2009, an 87% decrease. This was primarily because there were no major military deployments or re-deployments in 2009.

Petroleum Tonnage (56.2% Historically; 52.7% in 2009): Total petroleum tonnage decreased 16.9% from 2008 totals. The principle reason for this downturn was the associated decrease in air cargo operations at TSAIA. Also, in 2009, all three state refineries cut back their capacity. We did, however, begin to see a recovery in the November-December timeframe.

Bulk Commodities (2.8% Historically; 2.1% in 2009): This category includes cement, iron, steel, and lumber. Currently, there is one dry bulk commodity company, Alaska Basic Industries (ABI), that does steady business at the Port of Anchorage. ABI is our only bulk commodity tenant, and is one of the largest suppliers of cement in Alaska. In 2009, dry bulk cement tonnage was 75,232 tons, a 35% decrease over 2008 figures. ABI lost a percentage of their usual annual bulk cement business through deliveries made to an alternate location. Some of the bulk cement loss was offset by two deliveries of drill pipe—6,262 tons—for BP North Slope operations.

<u>Looking Back at Our 2009 Predictions.</u> As we begin 2010, we'd like to take a look back at some of the predictions we made for new opportunity in 2009, to see how they panned out.

At the end of 2008, we were notified of a planned four to eight tanker port calls in 2009 in support of ASIG. ASIG manages the jet fuel consortium at Ted Stevens Anchorage International Airport (TSAIA). They were projecting that air cargo operations at TSAIA will continue to slowly increase from 2008's low levels.

The Port of Anchorage worked with BP on a schedule for new and replacement drill pipe deliveries to begin in the second quarter of 2009 and continue for at least two years on a regular schedule. We anticipated approximately 4,000 tons per delivery. Those deliveries actually began in the third quarter of 2009 with the first ship arrival in August. A second vessel called in November. Total tonnage was 6,232 tons. BP has informed us to be ready for 2 more ships in 2010, and the same number again in 2011.

We anticipated issuing a short-term use permit for a new gravel aggregate activity. This new operation would have added up to 500,000 new tons in 2010 to our total tonnage. Because of delays, this new business is now scheduled to commence in the second quarter of 2011.

Additionally, we announced our anticipation of a final decision on what Flint Hills Resources will do with their North Pole refinery. As Flint Hills determines what its future is, the re-start of naphtha production may be in the mix. We projected that should this occur, an annual petroleum increase of up to 165,000 tons could be realized. To date, we have seen no new business opportunities materialize from Flint Hills.

Lastly, for the first time in two years, we had a scheduled port call in August of a passenger vessel operated by ResidenSea. *M/V The World* is a 644-foot "floating residential community" touring Alaskan waters on a Bering Sea expedition. *M/V The World* arrived as scheduled and resulted in $35,000 in new 2009 revenue. But more than the revenue, this experience served as an excellent training exercise in anticipation of the nine scheduled Holland America Lines port calls for 2010.

<u>New Opportunities Ahead in 2010 and 2011.</u>

<u>Nine port calls from Holland America Lines.</u> Sizeable tonnage increases will probably not be realized as a result of these port calls. However, from the movement of nearly 1,400 passengers and 900 crew members, associated head tax revenues, dockage, and security charges should result in approximately $100,000 in new revenues for the Port.

<u>Air Cargo Industry Turnaround.</u> As we watch the steady recovery of air cargo traffic through TSAIA, we fully anticipate an associated growth in refined petroleum tonnage.

Opening Use of the Dry Barge Berth. This new source of revenue from use of the dry barge berth should result in tonnage increases in the dry bulk, steel, and vehicle categories. One new port user is staging rock for shipment now, and more reservations for use of the barge berth are in hand for 2010.

More BP drill pipe deliveries. We anticipate one or two more drill pipe deliveries in 2010, and possibly 2011.

Military Deployments. We have some military cargo still coming in for the 4/25 Aviation Brigade Combat Team redeployment. In June, we'll be deploying five Army Engineer Units to Ft Irwin, CA. This move will involve deploying earth movers, graders, compactors, and other heavy equipment. In the September/October/November time frame, the 1/25 Stryker Brigade Combat Team (SBCT) deployment to Fort Irwin, CA will occur. It will involve some 1,200 to 1,600 pieces. Also, the 1/25 SBCT will deploy in the January/February/March 2011 time frame.

Conclusion

All in all, while down from 2008 tonnage numbers, 2009 tonnage behavior at the Port of Anchorage keeps the actual growth figures above the 25-year growth curve first calculated in 1999. And, as we close out the first half of 2010, a noticeable recovery in both tonnage and associated revenues is being realized. The Port of Anchorage still remains the port of choice for the region’s major retail markets, the military, and those responsible for growing the State’s infrastructure for the future.

PORT OF ANCHORAGE
ANNUAL DOCK TONNAGE 2000 - 2009

COMMODITIES ACROSS FACILITY	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Freight NOS	0	1,435	0	0	142	73	19,740	478	215	124
Cement, Bulk	108,578	123,065	92,255	145,074	122,855	148,959	134,493	121,529	116,789	75,232
Iron/Steel	4,956	2,495	3,344	5,591	0	0	428	2,560	0	6,262
Lumber/logs	0	0	0	0	0	0	0	0	0	0
Petroleum, NOS (vessel fueling)	4,784	3,473	2,963	4,534	4,148	4,505	2,888	2,618	2,648	2,032
Vans/Flats/Containers	1,604,513	1,640,390	1,609,971	1,677,041	1,760,935	2,081,158	1,722,499	1,785,518	1,820,306	1,713,086
Vehicles	1,409	0	0	1,343	2,877	4,057	1,158	5,381	10,725	1,473
Petroleum, Shoreside	-	-	-	-	-	-	1,421,133	1,698,581	1,830,848	1,426,711
Petroleum, Rail Rack	1,034,616	1,022,794	1,056,113	1,338,148	1,520,157	1,511,671	76,266	0	0	0
Petroleum, Bulk - Dockside	1,069,031	1,203,471	1,186,022	1,240,898	1,216,896	1,351,393	968,684	699,727	577,236	573,352
TOTAL TONS	**3,827,887**	**3,997,123**	**3,950,668**	**4,412,628**	**4,628,010**	**5,101,816**	**4,347,289**	**4,316,391**	**4,358,766**	**3,798,272**

Petroleum in Barrels-Bulk Dock

	Barrels		Barrels
2000:	**7,619,863**	**2005:**	**9,750,312**
2001:	**9,654,746**	**2006:**	**6,989,065**
2002:	**8,557,160**	**2007:**	**5,048,533**
2003:	**8,953,088**	**2008:**	**4,164,762**
2004:	**10,906,717**	**2009:**	**4,136,730**

Petroleum in Barrels-Rail Rack

	Barrels	Tons
2003:	**9,654,745**	1,338,148
2004:	**10,967,940**	1,520,156
2005:	**10,906,715**	1,511,671
2006:	**550,258**	76,266

Petroleum in Barrels-Shoreside

	Barrels	Tons
2006:	**10,253,485**	1,421,133
2007:	**12,255,273**	1,698,581
2008:	**13,209,579**	1,830,848
2009:	**10,293,730**	1,426,711

	Approximate TEU count through POA			Container Count		
	Inbound	Outbound	Total	Inbound	Outbound	Total
2000:	229,322	195,474	**424,796**			
2001:	196,548	164,066	**360,614**			
2002:	270,436	201,970	**472,406**			
2003:	263,259	222,889	**486,148**	105,304	89,156	**194,460**
2004:	275,622	229,795	**505,417**	110,249	91,918	**202,167**
2005:	282,863	233,503	**516,365**	113,145	93,401	**206,546**
2006:	273,327	212,433	**485,760**	109,331	84,973	**194,304**
2007:	273,193	231,651	**504,844**	109,277	92,661	**201,938**
2008:	304,733	239,582	**544,315**	121,893	95,833	**217,726**
2009:	252,911	214,969	**467,880**	100,081	60,875	**160,956**