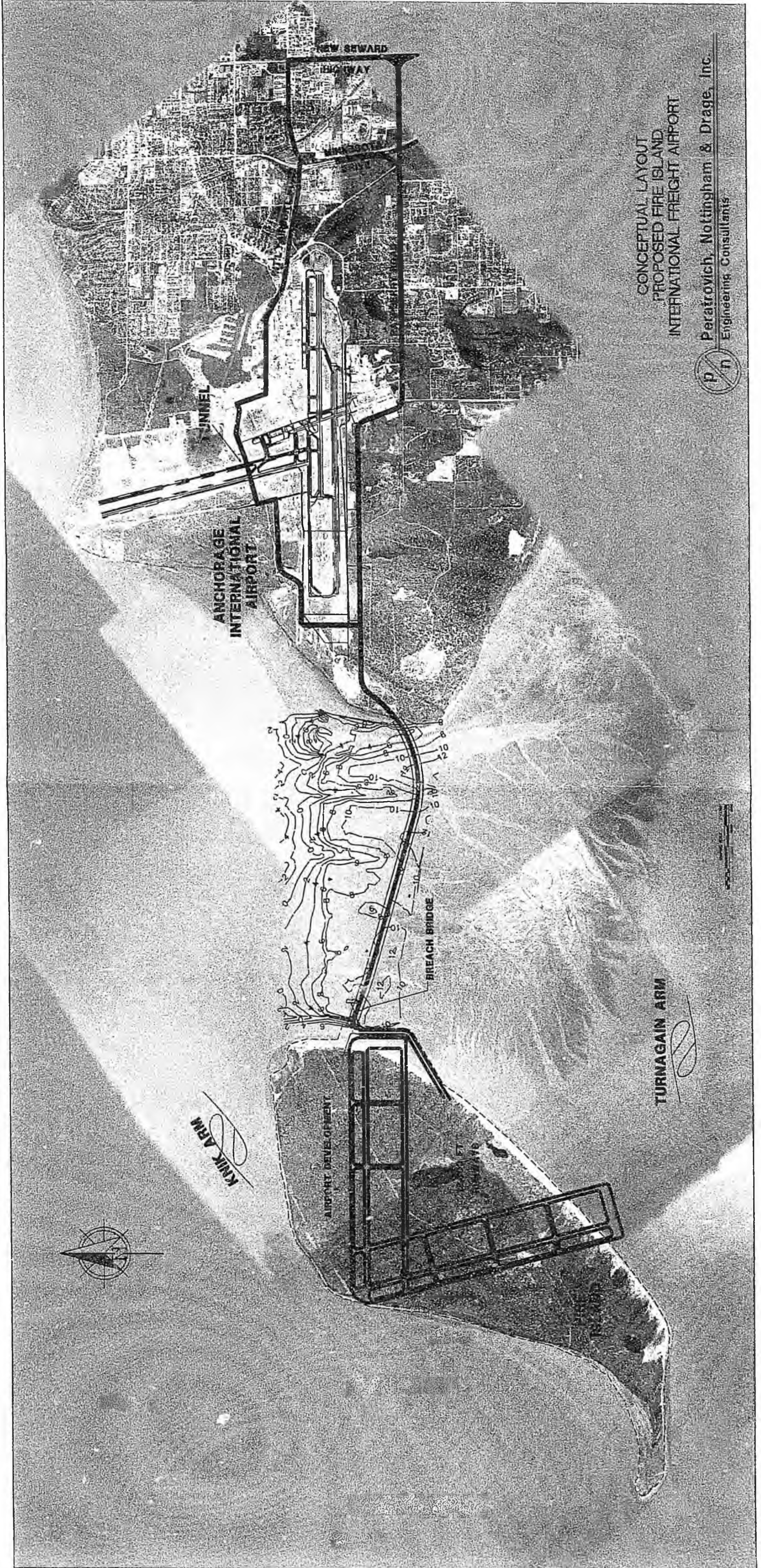


Freight

Airport

Fire

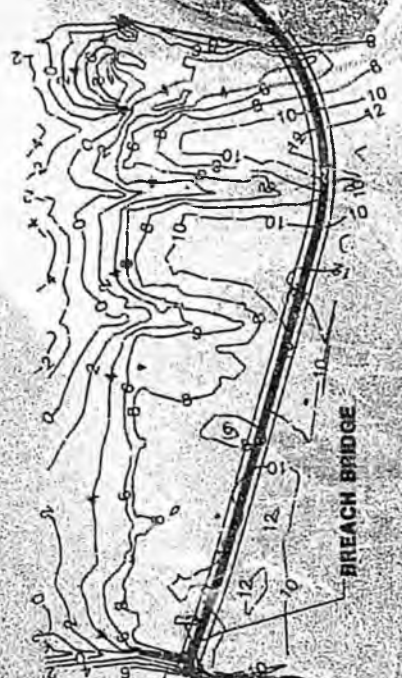
Island



NEW SEWARD  
HIGHWAY

TUNNEL

ANCHORAGE  
INTERNATIONAL  
AIRPORT




BREACH BRIDGE

KNIK ARM

AIRPORT DEVELOPMENT

TURNAGAIN ARM

CONCEPTUAL LAYOUT  
PROPOSED FIRE ISLAND  
INTERNATIONAL FREIGHT AIRPORT

 Peratrovich, Nottingham & Drage, Inc.  
Engineering Consultants

**THE FOLLOWING PAGES MAY  
NOT FILM LEGIBLY BECAUSE OF  
THE POOR QUALITY OF THE ORIGINAL**



Anchorage Economic Development Corporation  
The Center of Opportunity

April 6, 2000

Dear Legislator:

Subject: Military Global Logistics/Forward Mobility Hub Economic Development Opportunity

During the past several months the Anchorage Economic Development Corporation (AEDC) has been meeting with officials with the U. S. Military in Alaska and the U. S. Department of Defense (DOD) at the Pentagon to discuss the concept of locating a military global logistics/forward mobility hub in Anchorage.

Anchorage's global location, placing it nine hours from essentially all points in the Northern Hemisphere, is of great interest to the military. Should the Anchorage based military logistics hub prove feasible, Military officials have expressed an interest in establishing a contractual relationship with private firms to transport the related cargo and to manage and operate the hub.

Anchorage's location, the positive relationship that the State of Alaska shares with the Military, the existing infrastructure within the city of Anchorage and at the Anchorage International Airport, and the logistics program at the University all contribute toward making this is a feasible project. It is an opportunity certainly worthy of pursuing.

In order to proceed with this global logistics opportunity an independent consultant that has the trust and confidence of the DOD must do an analysis to verify that Anchorage is the right location for a forward mobility hub. A project plan to conduct such an analysis has been prepared (see attached). The appropriate DOD personnel have reviewed the plan to ensure that the study would provide the required information

To be considered in the Department of Defense and the Military's "Quadrennial Defense Review" this coming fall, the analysis will have to be started soon. If we miss the review this fall it will be four years before the next review. This analysis is estimated to cost \$200,000 and could be done by an experienced consultant familiar with DOD requirements in the time frame required. The DOD has stated that they would not be able to locate the funds to complete the study within the time frame required.

On behalf of AEDC, I respectfully request the legislature's support for this important business development opportunity to expand and diversify our economy. The benefits to the State would be significant.

Sincerely,

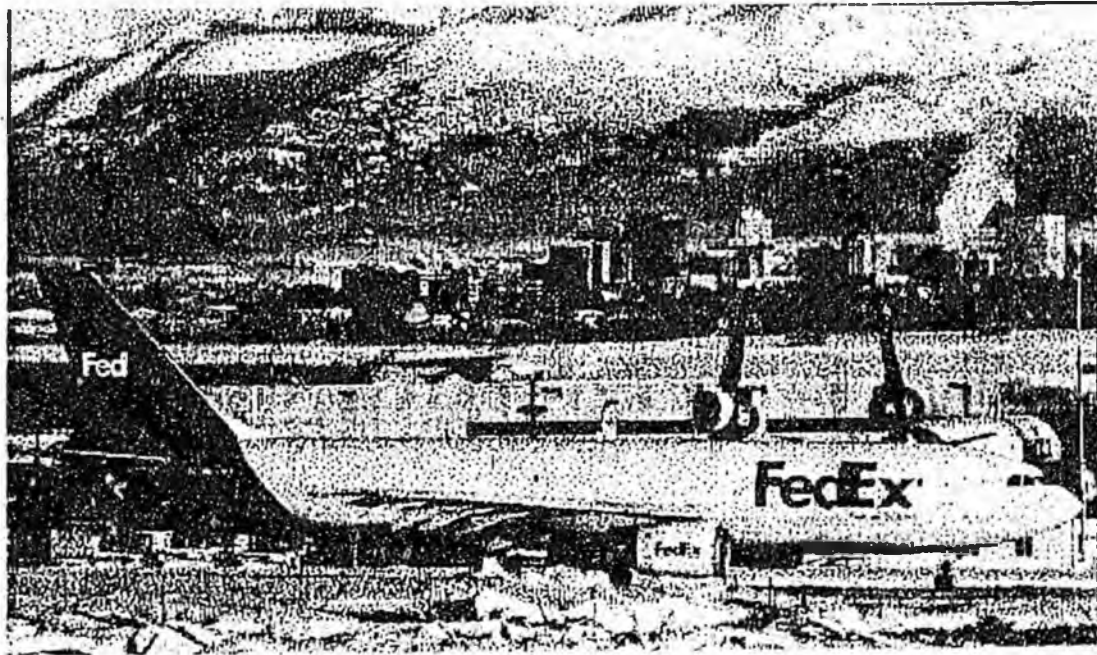
Larry D. Crawford  
President & CEO

## Anchorage-based Military Logistics Center Business Case Analysis

### Tasks:

1. Determine current civilian and military airlift capacity and throughput, by appropriate weight classes, to and from Anchorage.
2. Determine current civilian and military sealift capacity, by appropriate weight classes, to and from Anchorage.
3. Identify major CONUS and OCONUS re-supply points and their respective equipment and materiel.
4. Determine national demand for equipment and materiel by theater in both peace time and wartime scenarios.
5. Based on (3) and (4), identify equipment and materiel suitable for pre-positioning in Anchorage.
6. For selected theaters in both peace time and wartime scenarios, analyze the total storage and transportation costs required by the existing supply system as compared to the estimated costs required by a national Anchorage-based logistics center. Perform this analysis by equipment type and classes of materiel and by weight class. The airlift analysis should, at a minimum, consider payload capacity, frequency of flight and connecting routes. The sealift analysis should also consider the role of Naval floating re-supply systems.
7. For selected theaters in both peace time and wartime scenarios, compare the delivery time requirement of the existing supply system to the estimated delivery time requirement of a national Anchorage-based logistics center. Perform this comparison by equipment type and classes of materiel and by weight class. The airlift analysis should, at a minimum, consider payload capacity, frequency of flight and connecting routes. The sealift analysis should also consider the role of Naval floating re-supply systems.
8. Perform a risk analysis of introducing an Anchorage-based logistics center into the existing supply system. Consider both cost and military readiness implications.
9. Determine an optimal arrangement between the Alaskan command and an Anchorage-base logistics center.
10. Analyze Anchorage communications capacity.



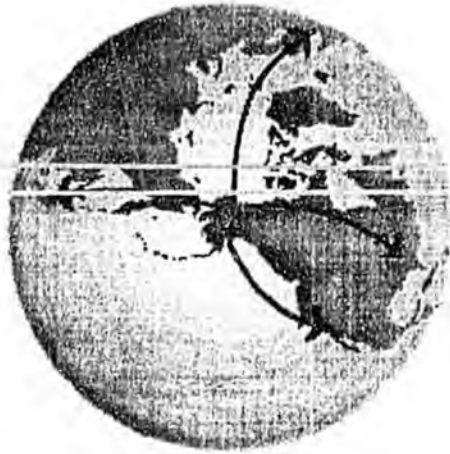


# **Anchorage**

**Global Distribution Center  
of the  
Northern Hemisphere**



Anchorage Economic Development Corporation



## Shortening Supply Chain Cycle Time

Anchorage, Alaska

- Anchorage is located within nine hours of 95% of the industrialized world.
- UPS and FedEx both have international freight hubs in Anchorage, as does the U.S. Postal Service.
- Nine freight forwarders serve the world through Anchorage. Three are air-sea companies: Panalpina, SeaLand and Lynden.
- Connections to the U.S. highway system are available either through surface transportation (48 hours) or by air through Toronto (6 hours). Carriers offer a range of cost options for cargo.
- The Anchorage International Airport and the Port of Anchorage both provide Foreign Trade Zones.
- U.S. Customs service in Anchorage is the best in the West: 99% of parcels clear in one day or less.
- Warehouse and cargo service facilities are available both on airport, at the waterfront, and off-site within 20 minutes of either air or surface gateways.



Anchorage Economic Development Corporation

900 W. 5th Ave., Ste. 300  
Anchorage, AK 99501  
Phone (907) 258-3700 Fax (907) 258-6646  
[www.aedcweb.com](http://www.aedcweb.com)

United States Department  
of Transportation

All-Cargo Aircraft  
Landed Weights

Calendar Year

1998

Anchorage	13.4 billion pounds
Memphis	11.2 billion pounds
Louisville	7.1 billion pounds
Miami	6.6 billion pounds
Los Angeles	5.8 billion pounds

1997

Anchorage	13.2 billion pounds
Memphis	10.7 billion pounds
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Miami	6.4 billion pounds
Los Angeles	5.5 billion pounds

1996

Anchorage	11.5 billion pounds
Memphis	9.2 billion pounds
Louisville	6.9 billion pounds
Miami	5.6 billion pounds
Los Angeles	4.8 billion pounds

1995

Anchorage	10.5 billion pounds
Memphis	8.4 billion pounds
Chicago	6.9 billion pounds
Louisville	6.9 billion pounds
Miami	4.8 billion pounds

1994

Anchorage	8.4 billion pounds
Memphis	6.8 billion pounds
Chicago	6.3 billion pounds
Louisville	5.6 billion pounds
JFK	4.2 billion pounds

1993

Anchorage	8.5 billion pounds
Memphis	6.9 billion pounds
Louisville	6.1 billion pounds
Chicago	4.8 billion pounds
Honolulu	4.2 billion pounds



*Anchorage International Airport  
Anchorage Attract Major Freighter Operators*

*Average International Freighter Landings Per Week*

	<u>June 99</u>	<u>June 98</u>
Air China	4	4
Asiana	21	21
Cathay	14	13
China	37	30
EVA	30	20
Evergreen	13	9
Fedex	82	80
JAL	41	43
Korean Air	60	54
NCA	37	35
Northwest	46	35
Polar	6	7
UPS	53	55
United	17	24
Others	<u>52</u>	<u>31</u>
Total Average Weekly Landings	513	461

# Expanded Cargo Transfer Ruling

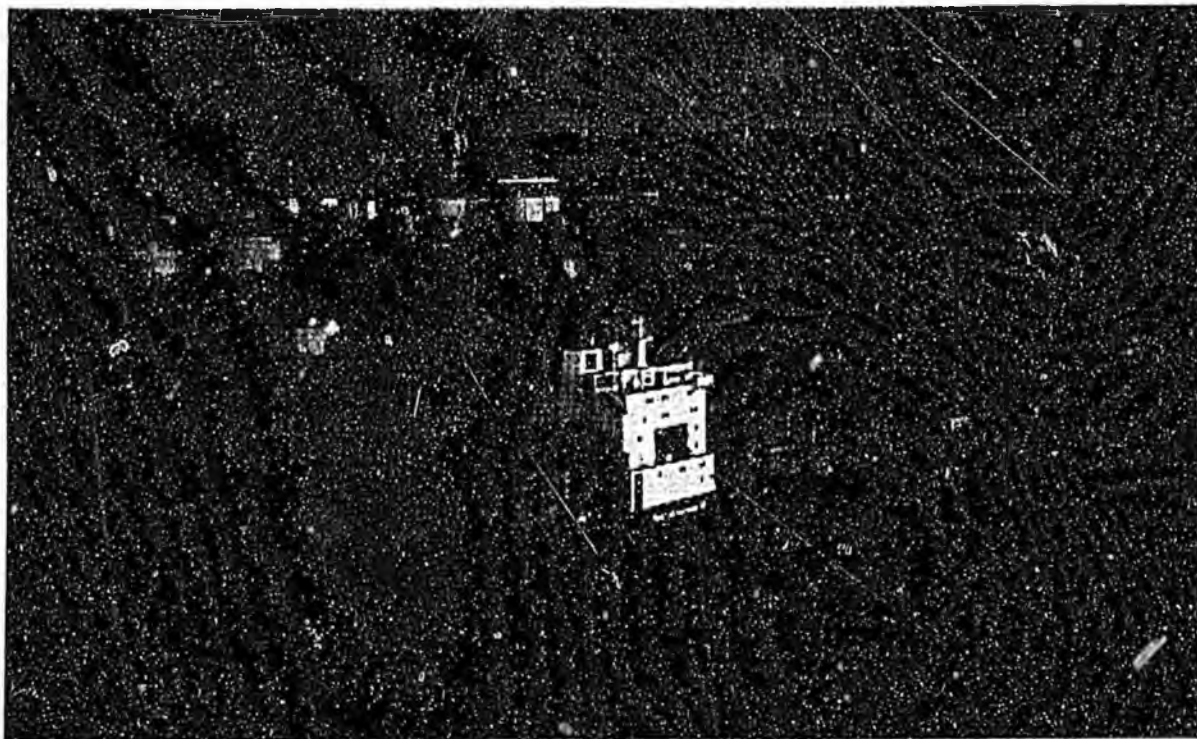
On November 7, 1996 the U.S. Department of Transportation issued a special ruling requested by the State of Alaska which allows expanded cargo handling operations at international airports in Alaska.

Because of this ruling, which has been renewed until 2000, expanded cargo transfer operations can be undertaken at Anchorage International Airport for all foreign carriers with traffic rights in Anchorage. These specific cargo transfer authorities include:

- ❖ A carrier may conduct on-line cargo transfers among any of its own aircraft regardless of destination
- All forms of change of gauge for cargo operations are authorized, including "starburst" change of gauge from one wide bodied aircraft to several smaller aircraft.
- Cargo traffic moving in foreign air carriers can be co-mingled with cargo moving in U.S. domestic carriers .
- Cargo interline transfers are allowed to and from U.S. carriers.
- Cargo interline transfers are allowed to and from other foreign carriers.

The order, signed by Assistant Secretary of Transportation Charles Hunnicutt states:

*"...This authority will increase U.S. carrier opportunities to conduct interline subservice operations on behalf of foreign carriers transiting Alaska."*



# Cargo Origin and Destination

Anchorage International Airport is the major air gateway to Alaska for both passengers and cargo. As the principal business center for Alaska, Anchorage provides a critical link to the global economy.

Savvy international firms need to shorten the supply chain cycle time, moving product from production to customer in two days instead of six. In a fiercely competitive global market where transactions are being accelerated by electronic commerce, Anchorage can play a significant role in reaching a solution for efficient inventory management.

Several attributes of this location make Anchorage ideal for international cargo movement.

A special U.S. Department of Transportation Ruling allowing expanded cargo transfer capability for foreign carriers.

Access to 95% of the industrialized world within nine hours for cargo traffic.

Foreign Trade Zone available on airport and at the Port of Anchorage for value added transactions.

Thirty four cargo carriers and nine freight forwarders operate in Anchorage with over 500 flights per week..

Four carriers operate hubs in Anchorage already, including UPS and FedEx international customs clearance centers.

Over 98% of the cargo moving between Asia and the United States transits through Anchorage. Anchorage offers an ideal location for adding value to cargo.

- Final Testing and Assembly
- Kit Formation
- Component Merging
- Customized Product Configuration
- Centralized Stocking of Product Samples
- International Warehousing of Finished Products for Distribution Worldwide
- Advanced Staging of Products
- Parts Banking
- Central Customer Service Repair Operation

## Anchorage The Center of Opportunity

Alaska is often called "The Last Frontier." The 49<sup>th</sup> state conjures up images of unspoiled wilderness, adventure and room to grow. This great land is a wide-open stage of opportunity.

The assessment is accurate in many contexts. On the business front, Alaska is primed to accommodate companies seeking to expand their reach, particularly those with global interests.

Activity centers in Anchorage, a modern metropolitan area where all the basics for a thriving business are readily accessible. The Anchorage economy has diversified significantly since a time when oil was its mainstay. Since the late '80s, Anchorage has developed a sufficient base of population and economic strength to exert a force for stability.

The Anchorage Economic Development Corporation, established to expand and diversify the local economy, has targeted a selection of "economic engines" on which to concentrate its ongoing efforts. The objective is to achieve a diverse economic base that can be sustained over time.

Within that framework, myriad opportunities exist for companies interested in doing business here, whether expanding north or relocating. The AEDC looks forward to working with these firms, to help ensure that all possible avenues for success are explored and acted upon.

The AEDC is particularly interested in helping companies avail themselves of Anchorage's global logistics advantage – what we call "The Anchorage Advantage." Anchorage is a literal crossroads of international air cargo routes, affording ready access to world markets for distribution of materials, components and products. A variety of business and tax incentive programs likewise make it beneficial for companies to locate here.

Neighboring Anchorage to the north, the Matanuska-Susitna Borough represents additional opportunities for businesses to locate in Alaska. There is ample land available for commercial, industrial and residential development, within a relatively short distance from Anchorage's air and sea gateways.

Anchorage is an incredible place to live. It offers a superb quality of life, making it an attractive home base. Increasingly, modern technology allows many companies the discretion to choose where

operations will be based. Anchorage boasts the clean air, clean water, cultural and recreational opportunities, safety and wholesome atmosphere for raising families, qualities that figure prominently in decisions to relocate or expand.

## **Points of Contact**

### **Anchorage Economic Development Corporation**

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E-mail: [aedc@aedcweb.com](mailto:aedc@aedcweb.com)

### **Anchorage Convention & Visitors Bureau**

524 W. Fourth Avenue,  
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Phone 907-276-4118 · Fax 907-278-5559  
On the Web:  
[www.akcache.com/alaska/southcentral/acvb/acvbinfo.html](http://www.akcache.com/alaska/southcentral/acvb/acvbinfo.html)  
E-mail: [acvb@alaska.net](mailto:acvb@alaska.net)

### **Anchorage Chamber of Commerce**

441 W. Fifth Ave., Suite 300  
Anchorage, Alaska 99501  
Phone 907-272-2401 · Fax 907-272-4117  
On the Web: [www.anchoragechamber.org/](http://www.anchoragechamber.org/)  
E-mail: [info@anchoragechamber.org](mailto:info@anchoragechamber.org)

### **Anchorage International Airport**

South Terminal (Domestic)  
5000 W. International Airport Road  
North Terminal (International)  
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Phone 907-266-2525  
On the Web: [www.dot.state.ak.us/external/alias/aia/aiaawlcm.htm](http://www.dot.state.ak.us/external/alias/aia/aiaawlcm.htm)

### **Alaska Railroad Corporation Headquarters**

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Phone 907-265-2300  
On the Web: [www.akrr.com/](http://www.akrr.com/)

February 2000

## Anchorage's Economic Engines

### Global logistics and value-added production

Opportunities for value-added production in Anchorage are directly linked to its global logistics advantage. Possibilities include light manufacturing, packaging and assembly, final testing and configuration of cargo. In each case, companies can take advantage of air access to all major world markets in nine hours or less.

Among production areas of foremost consideration are those involving secondary processing of Alaskan natural resources in Anchorage. Rather than ship out raw materials, jobs and value would be created locally through processing of, for example, logs into lumber.

Alaska Seafood International (ASI) is a current success story that illustrates this concept. ASI planned to commence production of seafood meals at its new manufacturing plant in February 2000. Although Alaska is the world's largest producer of wild salmon and has the richest source of bottom-fish in the world, most value-added processing is still done outside the state. The Alaska Seafood International complex includes much-needed cold storage facilities to refrigerate fish being held for processing. This will enable mass preparation of the meals, which will be air freighted to customers throughout the country and internationally.

Another area of opportunity is the final phase of semiconductor manufacturing including assembly and/or packaging, testing and distribution operations. "Back end" semiconductor manufacturing may be advantageous in Anchorage, especially for companies doing subcontract work for a variety of customers in several different regions of the world.

Anchorage is also be a suitable location for such operations as central customer service and repair hubs, final product assembly and order preparation centers, kit assembly, in-transit configuration of high-value components, centralized stocking of product samples, and international warehousing and distribution of high-value, time sensitive products.

Whatever the venture, Anchorage's strategic global location provides companies with global flexibility and reductions in average order cycle time. Cargo departing from Anchorage International Airport will arrive at Asian or European destinations up to five hours faster than freight from other U.S. West Coast cities.

This strategic location explains why significant volumes of cargo moving between Asia and Europe, and between North America and Asia, pass through AIA. Much of Anchorage's landed freight is carried by FedEx and United Parcel Service, both of which established international cargo and customs clearance hubs in Anchorage during the late 1980s.

As a bonus, Anchorage can offer some of the lowest utility rates in the country and has institutional financing mechanisms that can provide project financing.

For companies importing component parts, foreign trade zones (FTZ) exist in the city. The zones allow warehousing, inspection, display and repackaging of goods without duty payments. Goods may be processed or manufactured in the zones with duty paid only on the final product or materials imported, or they may be exported to international markets, avoiding any U.S. duty and the full array of federal laws.

Firms using Anchorage as an inventory consolidation and distribution hub realize significant savings on inventory carrying costs. Furthermore, inventory held for shipment outside of Alaska may be exempted from local inventory taxes.

International shippers will also benefit from Anchorage's expedient U.S. Customs agents, on duty around the clock. Service is highly efficient; 99% of all goods clear within a day.

Confidence in the potential presented by "The Anchorage Advantage" is evident in the recent construction at AIA of The Alaska CargoPort, a joint venture between Williams Alaska Petroleum and the Lynxs Group. This state-of-the-art air cargo transfer facility will feature 160,000 square feet of warehousing, 60,000 square feet of office space, a million square feet of ramp space with room to park up to eight wide-body aircraft, and 50,000 square feet of ground storage equipment and container storage. AEDC has worked closely with the principals on the feasibility and planning for this project.

February 2000

## Anchorage's Economic Engines

### Transportation and Trade – Anchorage International Airport and the Port of Anchorage

With an established multimodal transportation and trade hub in Anchorage, Alaskans and their trading partners can reap the advantages of fortuitous geography. Alaska's key gateways for the movement of people and goods -- the Port of Anchorage and Anchorage International Airport -- are linked to each other and industrial areas via express corridors, facilitating efficient movement of freight and commercial traffic as needed.

Standing goals for building on this foundation include:

- Promoting the backhaul of freight from Alaska through the Port of Anchorage to outside markets, including possibilities for sea-air services
- Upgrading infrastructure to support improved intermodal and multimodal transportation access corridors through the municipal area between the waterfront, airport and other industrial centers.
- Pursuing ways to capitalize on an existing, active Foreign Trade Zone at the Port of Anchorage, which is also a designated Customs port of entry
- Marketing Anchorage International Airport (AIA) to foreign and domestic warehousing and distribution logistics companies, and to cargo and passenger companies.

Anchorage International Airport is the major air gateway to the state, and has the distinction of being the preeminent international cargo crossroads for trans-Pacific freighter activity. AIA has three major runways and two major terminals that total more than 1.2 million square feet. More than 30 carriers serve Anchorage International Airport.

Zoning efforts are under way to enable significant industrial expansion on and around the airport, and construction of vital warehousing and distribution facilities.

The Port of Anchorage's modern freight-handling systems can move more than 3 million tons of cargo annually. It is the northernmost deep draft port in the United States, open year-round with full services. Four terminals handle every type of standard cargo vessel. Transshipment of freight is only minutes away at Anchorage International Airport.

The Alaska Railroad's main intermodal yard is less than a mile from the pier, and tracks are maintained into the port. A facility capable of

handling more than 22 million barrels of petroleum product includes modern tank storage as well as pipelines to the airport and military bases.

A 130-acre industrial park adjoins the Port to the east. Additionally, there are 31 developed acres for the staging and storage of marine cargo in transit. Up to 400 additional acres of developable tidelands are available to the north of the port along Knik Arm.

February 2000

## Executive Summary

Air cargo is an increasingly significant portion of the overall activity that takes place at Anchorage International Airport (ANC). In 1996, air cargo carriers accounted for approximately 70 percent of the runway landing fees assessed at the airport. Air cargo is also a significant contributor to the Alaskan economy.

Anchorage International Airport is the major air gateway to the State of Alaska for both passengers and cargo, and its strategic global location has made it an important technical stop for air cargo freighters flying between Asia and North America, and between Asia and Europe. During the last half of 1997, and first quarter of 1998, there has been significant indication that Anchorage is in transition from a technical stop for fuel and crew changes to a major transloading center for Trans-Pacific cargo traffic.

Recent U.S. Department of Transportation decisions have granted almost all foreign air carriers significantly expanded cargo transfer activities at Anchorage International Airport (see side box). This action will most likely result in Anchorage taking on a more significant role as global business and distribution center for the all cargo carriers and spur interest in Anchorage by international freight forwarders and third party logistics providers.

### Expanded ANC Cargo Transfer Rights

- Interline to/from non-US carriers
- Interline to/from US carriers
- Transfer on-line between flights
- Change of gage/"starburst" service
- Commingling of US and non-US traffic on the same flight

On a industry basis, world air freight traffic grew at 6.93 percent in 1996, while preliminary International Air Transport Association (IATA) reports indicate that international cargo traffic for 1997 has increased 11 percent. Total international air express traffic has been reported to have grown 15.7 percent from 1996 to 1997. Domestic air cargo for the first 11 months of 1997 increased 5.6 percent above the same period in 1996, while international cargo volume was ahead by 15.8 percent, according to figures released by the Air Transport Association.

The air cargo industry, like most industrial groups, is dependent upon population growth, gains in the economy, and growth in international trade. The volume of freight shipped by air will also be sensitive to the shipping tariffs of other modes of transportation. In addition to the primary influence of economic activity, many other factors can influence the levels of world air cargo, particularly the express and small package carriers. These factors include changing inventory management techniques, deregulation and liberalization of trade, national development programs, and a never ending stream of air-eligible commodities. At

## *Anchorage International Airport*

### *Air Cargo Forecast*

the local level, many of these same factors apply. However, extreme change in freight volumes at a particular airport more often results from the initiation of new carriers or services than from overall industry growth or decline.

Summarized below in Exhibit A, is the total air freight and air mail handled at Anchorage International Airport from 1990 to 1997. Unless otherwise noted, all cargo is reported in standard tons (one ton equals 2,000 pounds) and years are January 1 through December 31 calendar years.

#### **Exhibit A: Historical Air Cargo Volumes at ANC (Tons)**

Year	Freight	Mail	Total*	Percent Change
1990	345,100	59,600	404,700	--
1991	367,700	56,200	423,900	4.7
1992	377,400	62,400	439,800	3.7
1993	326,900	62,100	389,000	-11.6
1994	379,800	67,600	447,400	15.0
1995	427,500	70,800	498,300	11.4
1996	458,000	85,600	543,600	9.1
1997	493,480	89,100	582,580	9.3

Source: Keiser & Associates, Inc.

As can be seen in the exhibit, with the exception of 1993, air cargo volumes have grown steadily over the past seven years, with an average annual growth rate of over five percent. The greatest growth in cargo is in international freight, which grew at an average annual growth rate of approximately 13 percent. Indications are that 1998 will exceed 1997 figures significantly due to the increase use of the airport as a transload point for international freight. Northwest Airlines, United Airlines, and Polar Air Cargo all began transload operations in 1997.

Presented in Exhibit B is the preferred preliminary air cargo forecast for Anchorage International Airport for the five year forecast period. Overall, air cargo is forecast to increase at an average annual growth rate of 5.5 percent, with international freight increasing at an average annual growth rate of eight percent. Landings by freighter aircraft are forecast to increase at their historical rate of 8.4 percent over the short term forecast period.

## Anchorage International Airport

### Air Cargo Forecast

#### Exhibit B: Forecast of Air Cargo for Anchorage International Airport 1997-2002 (Tons)\*

	Domestic Freight	International Freight	Mail	Total Air Cargo	Freighter Landings
1997	223,000	270,480	89,100	582,580	33,500
Forecast**					
1998	228,800	292,100	92,800	612,900	36,300
1999	234,700	315,500	96,600	646,800	39,400
2000	240,900	340,700	100,600	682,200	42,800
2001	247,100	368,000	104,700	719,800	46,400
2002	253,500	397,400	109,000	759,900	50,298

Source: Keiser & Associates, Inc.

\* These forecasts were prepared on the basis of the information given in the text and should be used for planning purposes only. The achievement of any forecast is dependent upon the occurrence of future events that cannot be assured; therefore, actual results may vary from the forecast.

\*\*Base year and forecast data were updated in October 1998.

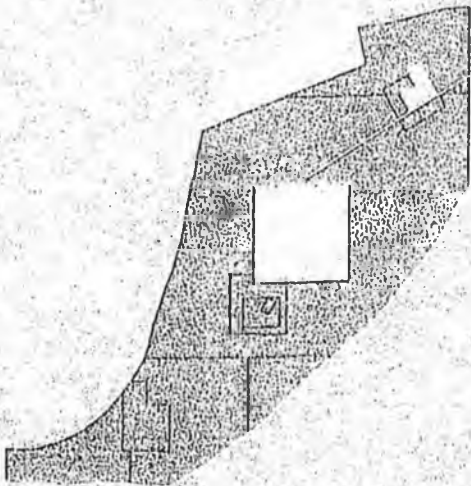
Indications are that as foreign flag carriers become more familiar with the expanded transfer rights granted by the U.S., an increasing use of Anchorage as a transloading and interline center will begin to influence future growth at Anchorage leading to increasing opportunities for both carriers and forwarders.

ANCHORAGE BOWL

# Industrial Land Opportunities Adjacent to Anchorage International Airport



0 500 1000 4500 feet



The Municipality of Anchorage (MOA) does not warrant the accuracy of maps or data provided, nor their suitability for any particular application. The product or service which you have received is based on a version of data which was developed and is maintained by the (MOA). There may be errors in the data. This map or data may not meet your needs.

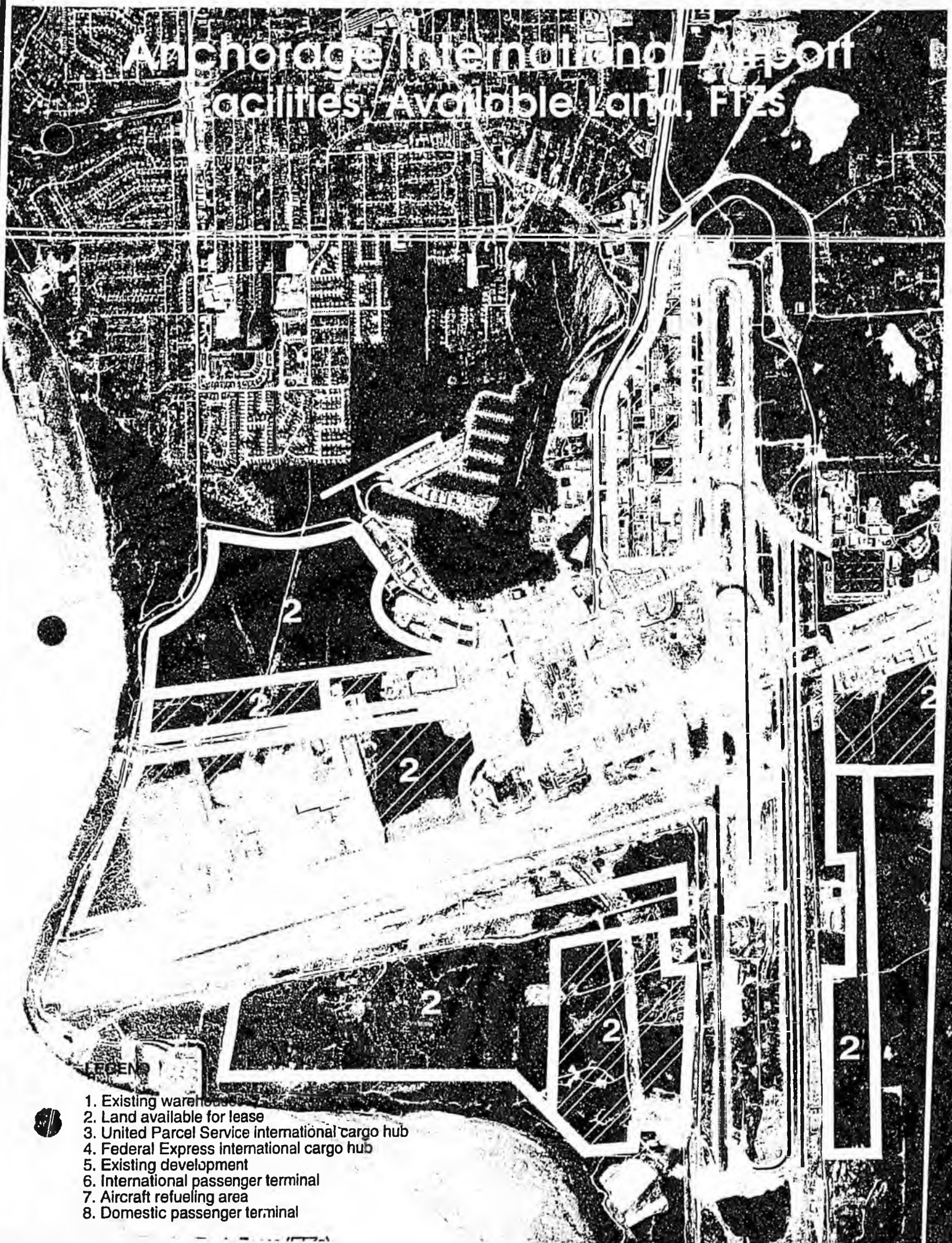
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### INDUSTRIAL OPPORTUNITIES ZONES

	I-1	Light Industrial
	I-1 SL	Light Industrial with Special Limitations
	I-2	Heavy Industrial
	PLI, T	Local A State Lands with industrial opportunities
	T	CRRI owned land

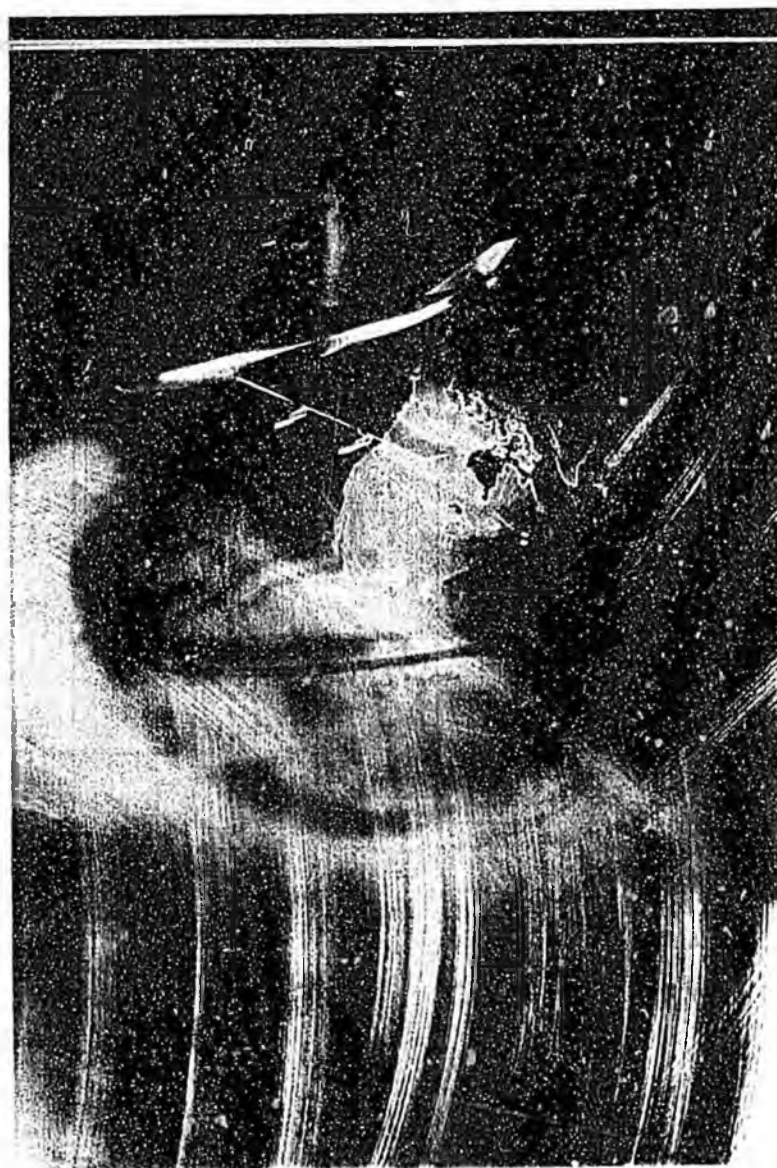
Municipality of Anchorage  
Department of Community Planning & Development  
February 23, 2000

# Anchorage International Airport Facilities, Available Land, FTZs



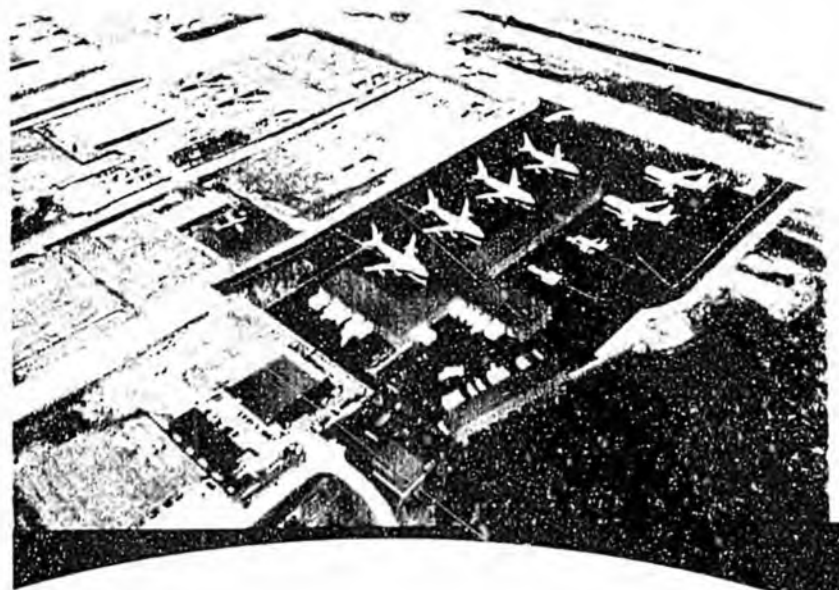
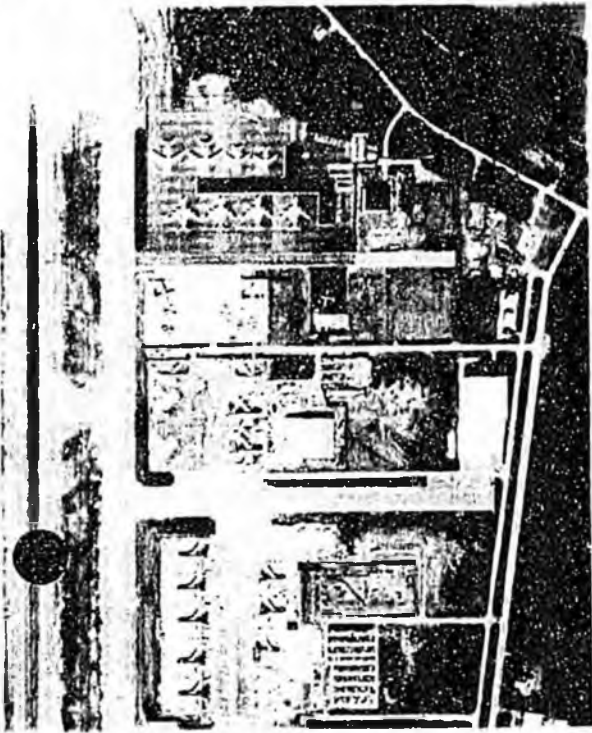
## LEGEND

1. Existing warehouses
2. Land available for lease
3. United Parcel Service international cargo hub
4. Federal Express international cargo hub
5. Existing development
6. International passenger terminal
7. Aircraft refueling area
8. Domestic passenger terminal

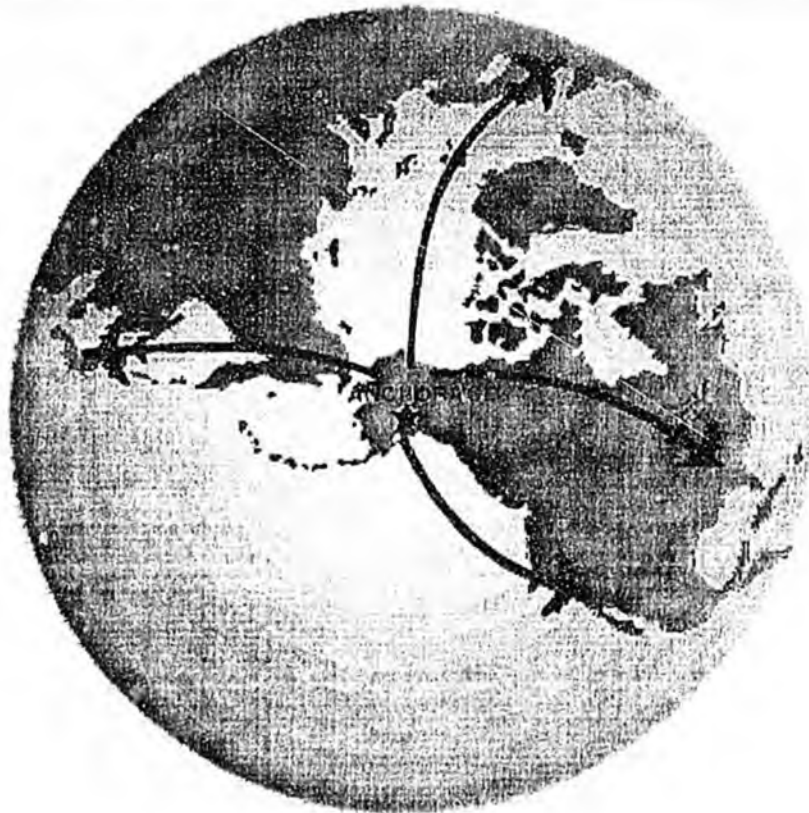


# **Alaska** CargoPort™

# air facility at Anchorage International Airport



Anchorage's proximity to Asian, North American and European markets make it one of the most attractive air cargo hubs in the world.



Anchorage Economic Development Corporation

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Anchorage, Alaska 99501

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Transportation Director  
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Phone (907) 258-3700  
Toll-free (800) 462-7275  
Fax (907) 258-6646

United States Department  
of Transportation

All-Cargo Aircraft  
Landed Weights

Calendar Year

1998

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1996

Anchorage	11.5 billion pounds
Memphis	9.2 billion pounds
Louisville	6.9 billion pounds
Miami	5.6 billion pounds
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1995

Anchorage	10.5 billion pounds
Memphis	8.4 billion pounds
Chicago	6.9 billion pounds
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1994

Anchorage	8.4 billion pounds
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Chicago	6.3 billion pounds
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1993

Anchorage	8.5 billion pounds
Memphis	6.9 billion pounds
Louisville	6.1 billion pounds
Chicago	4.8 billion pounds
Honolulu	4.2 billion pounds



*Anchorage International Airport  
Anchorage Attract Major Freighter Operators*

*Average International Freighter Landings Per Week*

	<u>June 99</u>	<u>June 98</u>
Air China	4	4
Asiana	21	21
Cathay	14	13
China	37	30
EVA	30	20
Evergreen	13	9
Fedex	82	80
JAL	41	43
Korean Air	60	54
NCA	37	35
Northwest	46	35
Polar	6	7
UPS	53	55
United	-17	24
Others	<u>52</u>	<u>31</u>
Total Average Weekly Landings	513	461

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Department of Defense  
Under Secretary of Defense (Logistics)

# 21st Century Logistics



DoD  
LOGISTICS  
STRATEGIC PLAN



Dr. Jacques Gansler  
Under Secretary of Defense for  
Acquisition & Technology

*The 21st Century Warfighter will be supported by a logistics team that is fully adaptive to the needs of dispersed and highly mobile combat teams....*



General Joseph Ralston  
Vice Chairman of  
the Joint Chiefs of Staff

## LOGISTICS STRATEGY FOR THE 21ST CENTURY

*This year marks a critical time in the process of reinvention of the Department's logistics operations. The initiatives mandated by the Secretary of Defense through his Defense Reform Initiative (DRI), the Quadrennial Defense Review (QDR), and the New Workforce Vision are under way. At the same time, the Warfighter's perspective on logistics requirements, Focused Logistics, has been developed to a point where specific implementing initiatives have been substantially identified. An important element of the reinvention process is ensuring the Warfighter's confidence in the responsiveness of the logistics process. As one of our top three acquisition priorities (along with implementation of the revolution in military affairs and the revolution in business affairs), we have identified the requirement to modernize our logistics systems. This will cut costs, reduce infrastructure and cycle time, and, most importantly, improve support to 21st Century Warfighters.*

*This year, through the cooperative efforts of the Logistics Reform Senior Steering Group, the updated Plan reflects the "top-down" perspective of the Department's key logistics leaders, particularly in the formulation of our most critical objectives and success indicators. This added validation of the Plan's content should help ensure the durability of the Plan's basic statements of logistics objectives and meaningful performance measures for the foreseeable future.*

*It is essential that all elements of the logistics community, including our private sector partners, put greater emphasis on meeting the Plan's objectives through each Component's activities, programs, and initiatives on a priority basis. This effort should include assessment of both ongoing and planned initiatives to ensure their support of the end-state objectives. Further, each Component should ensure that*



*the key performance indicators are tracked as a continuing part of management's responsibility. In this way, together we can create a path to success.*





# Joint Staff

*This version of the DoD Logistics Strategic Plan firmly places the emphasis on support to the Warfighter.*  
—Lieutenant General John McDuffie, Director for Logistics J4, The Joint Staff



## LOGISTICS MISSION

*To provide responsive and cost-effective support to ensure readiness and sustainability for the total force across the spectrum of military operations.*

## LOGISTICS MISSION

*By FY 21, the joint logistics process will be a highly efficient, integrated system that ensures required support to the Warfighter.*

# Army

*Logistics is the lifeblood of any military force. The Army's Revolution in Military Logistics links today's force with that of the 21st century. Supporting the Warfighter remains our mission, and ensuring that our logistics systems are efficient in peace and reliable in war is our goal.*  
—Major General Charlie Cannon, Acting DCS for Logistics



# Navy

*Transforming logistics support to maintain readiness while reducing costs is vital to the continued success of our Navy and the entire U.S. Military. High Yield Logistics is our roadmap.*  
—Vice Admiral James Amerault, DCNO for Logistics



# Marine Corps

*In order to win our Nation's battles in the 21st century, we must have an agile and responsive logistics system that will support our future warfighting concept of Operational Maneuver from the Sea. In order to make this a reality, we must continue the aggressive pursuit of dramatic change in our logistics processes while developing the necessary logistics platforms.*  
—Major General Geoffrey Higginbotham, DCS for Installations and Logistics



# Air Force

*Logistics is Warfighting! Transforming logistics will enhance the performance of our ultimate customer, the Warfighter.*—Lieutenant General John Handy, DCS for Installations and Logistics



# DLA

*DLA exists to ensure America's Warfighters are never logistically unprepared. Our commitment to deliver the right item, at the right time, to the right place, at the right price, every time with best value solutions for our customers requires continual logistics transformation—leveraging the best commercial and DoD business practices; capitalizing on information technology; and maintaining Warfighter knowledge, focus, and teamwork. In partnership with the Military Services, Warfighting CINCs, and industry, we will succeed.*  
—Lieutenant General Henry Glisson, Director, Defense Logistics Agency



# USTRANSCOM

*USTRANSCOM's mission is straightforward—deploy the force, sustain the force, and bring it home when the job is done. To do this, we are implementing exciting and innovative programs that exploit the highly flexible internodal capabilities and information technologies of DoD and the nation's commercial sector. We will ensure that the Defense Transportation System of the 21st century continues to meet the needs of the warfighting CINCs, Services, and other agencies.*  
—Lieutenant General Roger Thompson, Deputy Commander, United States Transportation Command



Washington DC  
8 and 9 February, 2000  
Military Logistics Exploration Mission

ATTENDEES:

Michael Kean, Transportation Director  
Anchorage Economic Development Corporation (AEDC)

Kirk McGee, Vice President for Real Estate  
Paul Fuhs, Project Development Consultant  
Cook Inlet Region, Inc. (CIRI)

Representatives of US air and sea carriers, awaiting confirmation.

MISSION:

The mission of this trip is to better understand the DoD Logistics Strategic Plan, its timelines and goals, and to propose an evaluation of Anchorage as a forward deployment, testing and maintenance center for certain military cargoes. This deployment could be either from military warehouses or by partnering with private equipment and parts suppliers that could locate in Anchorage.

BACKGROUND:

Anchorage International Airport has become the international logistics hub for Federal Express, United Parcel Service, and other major US air cargo carriers. Anchorage International is now the number one air cargo port in the United States. This is due to the superior strategic geographic location of Anchorage, which has been recognized by military leaders as far back as Billy Mitchell in WWII. Elmendorf Air Force Base and other military installations in Alaska play a key role in US military deployment, due to their strategic location.

The potential for US military logistics operations in Anchorage could represent efficiencies for the US military utilizing the substantial investment there by US air and sea carriers such as Fedex, UPS, United, Northwest and CSX Lines (formerly Sealand, Inc.), combined with recent fiber optic installations and e-commerce procurement and tracking systems currently being operated from Anchorage.

The potential for these efficiencies should be evaluated in a joint effort by DoD Logistics Strategic Planners and Anchorage based logistics companies, coordinated by AEDC.

AEDC and CIRI:

Anchorage Economic Development Corporation is an Alaskan non-profit development organization which specializes in logistics marketing for the Anchorage International Airport. Cook Inlet Region, Inc is an Alaska Native Regional Corporation established by the Alaska Native Claims Settlement Act, with significant land holdings adjacent to the Airport.



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SYNOPSIS OF COMMENTS RECEIVED CONCERNING ANCHORAGE, ALASKA  
BASED MILITARY LOGISTICS  
CENTER FROM SENIOR DOD PERSONNEL

- \* Given the global mission of the US military and Alaska's strategic geographic location, Anchorage makes 'common sense' or is 'intriguing' for forward logistics from US soil, but it would need to be analyzed by a credible firm to quantify any contributions to war readiness or cost savings.
- \* The large scale investments in global distribution hubs in Anchorage by private sector logistics companies like FedEx, UPS, United, and Northwest Airlines and military access and use of that airlift capacity fits with the logistics trends in the US military to outsource more of their transportation/logistics activities.
- \* Overseas locations for forward positioning of supplies carry a higher risk and thus higher security costs. Supplies stored in overseas locations could be subject to CBR (Chemical, Biological, Radiological) contamination in a warfighting situation, making them unusable to US military personnel. Local political considerations may require further closures of US military bases overseas. Anchorage would be a candidate for positioning some of these materials on US soil.
- \* If redundant supplies overseas could be reduced, there could be significant cost savings.
- \* Anchorage is already being used as a forward logistics source for some military food and medical supplies totaling approximately \$23.5 million per year.
- \* Many supplies are forward positioned on US naval vessels but they have difficulties moving the supplies 'the last mile' from ship to shore. In addition, some ships are at maximum capacity and when new material arrives, what do you do with the old materials?
- \* Interest was expressed in a seaport associated with Anchorage based airlift capacity. Ocean cargo vessels of the US Merchant Marine regularly travel right past Alaska on the Great Circle Route to Asia. It may make sense to carry some supplies in by marine vessel and then ship out by air for just in time delivery. This overall system could make Anchorage 'our Singapore' on US soil.
- \* Many of the current locations for military supplies in the US are legacies of the old system and are not located near transportation hubs in the US.
- \* If we want to have military logistics in Anchorage, we should be talking to the Original Equipment Manufacturers (OEMs) about locating their distribution centers in Anchorage because less and less materiel will be warehoused in organic military owned facilities. OEMs are also responsible for maintenance and that would need to be located with the distribution facility.
- \* An analysis should be performed to determine Anchorage's capacity to accommodate the surge of activity which occurs at the beginning of a conflict including excess fuel supply capability, availability of loading equipment, maintenance facilities, ability to receive large scale evacuation of civilian personnel from a conflict area, etc.
- \* A transparent procurement/logistics system based more on private supplier warehousing and just in time private delivery could supercede some of the political issues surrounding BRAC.

\* The third party logistics (3pl) handler in Anchorage must have the International Infrastructure to handle properly, total warehouse control, ordering supplies, and shipping as required. This 3pl must also have real time tracking capability that ties into the military for both regular and sensitive cargo.

\* An analysis of these issues should be completed as soon as possible if the data are to be considered in the Quadrennial Defense Review.



Anchorage Economic Development Corporation  
The Center of Opportunity

## ANCHORAGE BASED MILITARY LOGISTICS INITIATIVE

During the past month Michael Kean, Transportation Director for AEDC, Kirk McGee, VP for Real estate, CIRI and Paul Fuhs, project consultant to CIRI have met with Senior military and civilian staff of the Department of Defense to explore expanded military logistics from and through Anchorage. (\$23.5 million a year, primarily food and medical supplies, is already originating from Anchorage and an unknown quantity of military material is transiting through). Copies of their business cards are attached to this document.

Everyone we met with was intrigued with the potential efficiencies that Anchorage could offer, particularly in light of the fact that Anchorage is the number one landed weight air cargo airport in the US and significant civilian airlift capacity is available on a regular basis and it is on US soil. The trend for military logistics is toward increased outsourcing and privatization of warehousing, transportation and maintenance of military equipment.

However, they all cautioned that it would be necessary to quantify these efficiencies through a study performed by a qualified and reputable consulting firm specializing in military logistics issues. This analysis should include time savings contributing to war fighting capability and economic costs along with a risk analysis on the potential security benefits of forward logistics on US soil, capable of responding quickly in several operational theatres.

They provided us with a list of potential contractors they had worked with in the past and we contacted them to determine their costs, timelines for completion and availability to do the work. We wrote a draft scope of work for this analysis and asked for comments from all those we met with. The draft scope is attached to this document.

It is also important that this analysis be completed before this fall so that it will be available for consideration in the military's Quadrennial Defense Review in which the total package of military systems is considered. The Undersecretary of Defense for Logistics is also heading up the Logistics Reform Senior Steering Group (LRSSG) initiative whose goal is to model some of the advanced logistics systems developed in the private sector by companies like FedEx and UPS and provide an integrated procurement and logistics system which will reduce the need for organic (military owned) warehousing and transportation, especially during peacetime.

Due to all these factors, our timing is excellent if we can procure the funding and complete the business case analysis for Anchorage based military logistics operations.

The most responsive firm, Price Waterhouse and Coopers gave us an estimate of \$175,000 and a completion time of 2 months to perform the analysis. This is due to the



fact that they already have a wealth of the baseline data available to do the analysis. All the Department of Defense personnel we met with pledged their cooperation in providing data and so did all the private air and sea carriers serving Anchorage. The Alaska Department of Transportation also pledged their cooperation in providing data from Anchorage International Airport.

We need to obtain the \$175,000 for the study in cost sharing with the Department of Defense or to raise it from local sources if DoD funding is not available. Even if we raise the money ourselves, it is important to have an executive sponsor for the study within DoD so that it will not be viewed as a cheerleading exercise where you pay for a predetermined outcome and they have some ownership of the product.

The case for this analysis will be presented to the LRSSG executive committee on March 23rd on the issues of potential funding and executive sponsorship of the study. We are requesting letters of support from our Congressional delegation and from those senior military personnel who are most familiar with the potential of Anchorage for military logistics and we are exploring private, municipal and state funding for our matching money for the study.

### Anchorage-based Military Logistics Center Business Case Analysis

#### Tasks:

1. Determine current civilian and military airlift capacity and throughput, by appropriate weight classes, to and from Anchorage.
2. Determine current civilian and military sealift capacity, by appropriate weight classes, to and from Anchorage.
3. Identify major CONUS and OCONUS re-supply points and their respective equipment and materiel.
4. Determine national demand for equipment and materiel by theater in both peace time and wartime scenarios.
5. Based on (3) and (4), identify equipment and materiel suitable for pre-positioning in Anchorage.
6. For selected theaters in both peace time and wartime scenarios, analyze the total storage and transportation costs required by the existing supply system as compared to the estimated costs required by a national Anchorage-based logistics center. Perform this analysis by equipment type and classes of materiel and by weight class. The airlift analysis should, at a minimum, consider payload capacity, frequency of flight and connecting routes. The sealift analysis should also consider the role of Naval floating re-supply systems.
7. For selected theaters in both peace time and wartime scenarios, compare the delivery time requirement of the existing supply system to the estimated delivery time requirement of a national Anchorage-based logistics center. Perform this comparison by equipment type and classes of materiel and by weight class. The airlift analysis should, at a minimum, consider payload capacity, frequency of flight and connecting routes. The sealift analysis should also consider the role of Naval floating re-supply systems.
8. Perform a risk analysis of introducing an Anchorage-based logistics center into the existing supply system. Consider both cost and military readiness implications.
9. Determine an optimal arrangement between the Alaskan command and an Anchorage-base logistics center.
10. Analyze Anchorage communications capacity.



21 March 2000

The Honorable Jacques S. Gansler  
Under Secretary of Defense for  
Acquisition Technology & Logistics  
The Pentagon (Room 3E933)  
Washington, DC

Dear Dr. Gansler,

*Jash*

Attached is material I received after a recent meeting with the leadership of the Anchorage Economic Development Corporation (AEDC), a team dedicated to promoting Alaska's potential as a strategic business center. I was intrigued by their proposal to achieve DoD savings by taking advantage of Anchorage's established commercial infrastructure to set up a staging area for military materials destined for Europe. Having served for several years in Alaska, I think their proposal is worth considering, and appreciate you getting the attached material into the right hands.

Most sincerely,

JOSEPH W. RALSTON  
General, USAF

## DSCP Level of Business in Alaska

### Subsistence

#### **Prime Vendors**

- Sysco - approximately \$6.5 million per annum  
Warehouse located in Anchorage
- Food Service of America - approximately \$6.5 million per annum  
Warehouse located in Anchorage

#### **Market Ready**

- Alaska Pride Bakery - approximately \$57k per annum  
Located in Anchorage
- The Great Alaska Food Company - approximately \$59k per annum  
Located in Anchorage

#### **Produce Blanket Purchase Agreements - approximately \$4.85 million Principle BPA holders**

- DiTomaso's, Inc. - Anchorage - \$2.8 million
- Carr Gottstein Foods - Anchorage - \$950k
- Food Service of America - Anchorage - \$386K
- Anchorage Cold Storage - Anchorage - \$284k
- Sysco Food Services of Alaska - Anchorage - \$181k
- Palmer Produce - Palmer - \$96k
- Wessel Farms - Palmer - \$58k

### Medical

#### **Prime Vendors**

- Bergen Brunswig Medical Corporation (mcd/surg)  
Distribution center located in Anchorage - approximately \$1.5 million
- McKesson Drug Company (pharmaceuticals)  
Distribution center located in Anchorage - approximately \$6 million\*
- approximately 80% of business flows through Anchorage; balance through Seattle

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THE FOLLOWING DOCUMENT HAS NOT  
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ORIGINAL FILE.



Deputy Under Secretary of Defense (Logistics)

# 21st Century Logistics



Force Multiplier

DoD  
LOGISTICS  
STRATEGIC PLAN