



TOTEM OCEAN TRAILER EXPRESS, INC.

MARINE OPERATIONS DIVISION

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March 2, 2010

Attention: Kaja Brix
Assistant Regional Administrator
Protected Resources Division
Alaska Region, NMFS
Attn: Ellen Sebastian
PO Box 21668
Juneau, AK 99802

Re: RIN 0648-XT72
Docket #090224232-91321-03

Totem Ocean Trailer Express, Inc., (TOTE) operates two ORCA class Roll on/Roll off cargo ships providing twice-weekly service between the Ports of Tacoma and Anchorage. The vessels, M. V. Midnight Sun and M. V. North Star, each have the capacity to carry over 500, 28 to 53 foot highway trailers and 250 vehicles. TOTE's ships carry a wide range of cargo from retail merchandise, groceries, household goods, oil field equipment, construction goods and equipment, and vehicles. TOTE's Alaska operation employs 40 directly and contracts for mechanics, long shore, and local deliveries employing indirectly another 150+ people. Each vessel carries a crew of 24.

Fast reliable ocean cargo transport to and from Alaska provides a vital transportation link for the companies providing goods and services in the Alaska market. TOTE's customers rank Customer Service and Reliability of highest importance.¹ The most critical component of Reliability is the protection of scheduled arrivals and departures of the ships.

Alaska's grocery and retail businesses depend on just-in-time shipping methods and are able to utilize this economic system of inventory control because of the service levels provided by the ocean cargo transportation carriers calling at the Port of Anchorage. At least ninety percent of all goods coming into Alaska come through the Port of Anchorage. Alaska receivers and shippers rely on speed of service and schedule reliability.

The designation of critical habitat and the implications for commerce are of great concern. Any restrictions in the Cook Inlet commerce corridor routes or at the Port of Anchorage will lead to higher costs for residents of both urban and rural Alaska. Restrictions resulting from critical habitat designation that increase the cost of operation would be passed through to the public

¹ Totem Ocean Trailer Express, Inc. 2009 Customer Satisfaction Survey

leading to higher cost of living for residents of Alaska. The potential impacts to service levels would have implications for almost all Alaskans, as they could result in increased costs to the consumer, slower or less reliable service, threats to the environment, and risk of property and life with no direct benefit to the beluga whales.

TOTE has provided transportation service to Alaska, using this trade lane, since 1975. During this time, we can safely state that TOTE has not experienced a whale strike or any other incident related to beluga whales in Cook Inlet. TOTE has long term demonstrated experience safely navigating in Cook Inlet, and believes that any restrictions to large cargo vessels would only add cost into the supply chain, costs that will be borne by end consumer, increase risks, and provide no corresponding benefit to the beluga whales.

The following are examples of some of the economic implications of possible restrictions due to beluga whale critical habitat designation. Obviously it would be impossible to consider, or even guess, every possible scenario that may affect our business. We have addressed ships ballast, sound signatures, the cost and risks associated with delays due to restrictions to speed or in hours of operation, whale observers, and the Port of Anchorage development.

Freshwater ballast systems are utilized on both ORCA class vessels to avoid introducing marine species that are not indigenous to Alaskan waters. Both ships are double-hulled, twin-screwed, clean burning diesel electric propulsion systems. Ships' trash and other waste are disposed of at onshore facilities. TOTE does not discharge into marine waters.

TOTE's ORCA class vessels have a lower than average underwater acoustic signature due to their unique hulls and propulsion plants. Most cargo vessels have direct drive, slow speed diesel propulsion. These propulsion plants have the engine directly mounted to the hull and propeller which allows for greater noise transmission. The Orca Class vessels have a diesel electric propulsion plant. The propellers are only connected to quiet electric motors while the diesels providing the electrical generating power are supported on sound isolating rubber mounts. These features combined with our hydrodynamically efficient hull design combine to produce a low noise signature.

Cook Inlet is a challenging maritime environment. Currents flow as fast as 8 knots with a tidal variation of as much as 35 feet. Large vessels arrive and depart on a flood tide, when there is adequate water depth to cross the Knik Arm Shoal. A very narrow window of opportunity exists for large cargo vessels to navigate Upper Cook Inlet, cross the Knik Arm Shoal, and dock at the Port of Anchorage. Any further limitations on speed, restrictions to hours of operation, or other actions threatening operations within this limited navigational time frame in Cook Inlet would result in additional operating costs in order to maintain schedule.

The impacts of some of the discussed options could render it impossible to maintain the current twice-per-week Anchorage schedule with two vessels. For instance, if transits were limited to daylight hours, the short winter daylight window may not coincide with the Knik Arm shoal openings. One option would be to move the terminal out of Cook Inlet and Anchorage to a different location, free of these restrictions. Another option would be to add a third vessel to the route to allow for lag time in the schedule for the vessel to wait for the shoal opening during

daylight hours both of which will add additional costs to customers. Even speed limitations in Cook Inlet could make it difficult to maintain operations with two vessels every week. TOTE is currently only just able to provide twice weekly service with two vessels. Restricting the vessel's operations may make that impossible. For instance, if the vessel's operational speed was cut in half, doubling the Cook Inlet transit time; this may not allow the vessel enough voyage time to make an early shoal. If TOTE was unable to reliably make the early shoal, a third vessel may become necessary to ensure freight is delivered in a timely manner to Anchorage and the rest of Alaska.

Adding the third vessel may be a worst case scenario but it is worth noting because of the significant costs involved. The capital cost alone is somewhere in the neighborhood of \$240 million. In addition, annual operating costs of approximately \$25 million would be passed along to Alaska customers.

If the vessel operating restrictions were less severe and only affected transit times by a couple of hours in either direction, there would still be a significant cost. During average operating conditions adding one additional hour of voyage time in each direction would result in an increased annual cost of \$600,000 in fuel. (200 Voyages, 40bbbls per hour, \$75 per barrel) TOTE's vessels normally transit Cook Inlet in 5 hours (one way) at between 18-20 knots. Weather or other delays which would require a maximum fuel burn in order to maintain schedule would cost significantly more than those average conditions numbers stated above.

One other item that needs to be addressed is the dangerous navigation conditions in Cook Inlet. Cook Inlet has many navigational hazards, including ice. Restricting a vessel's ability to maneuver may have the unintended consequences of putting a vessel in harm's way. Whatever restrictions are imposed must take this into account.

When at sea a minimum of two people, a USCG-licensed deck officer, or "mate", and a certified able-bodied seaman, are on the bridge at all times. During transit in Cook Inlet, USCG Masters Licenses pilot is also on the bridge, bringing the minimum complement of crew on the bridge to three, not including the vessel's master, which would make four. There is no need to add the redundancy of another observer dedicated to whales. The crew is on constant lookout for other vessels, navigational hazards, and whales.

If whale observers were required in addition to regular crew, it would likely cost \$150,000 per vessel per year (two people per vessel, at \$75K per year alternating like the pilots and crew do) TOTE policy is for all personnel required for a voyage be aboard the vessel when it departs Tacoma. This is for their safety as well as schedule reliability. Having personnel board the vessel or disembark at Kennedy entrance or by helicopter is just too risky..

The completion of the Port of Anchorage Development Project is critical to TOTE's operations. The project, in its current state, is rapidly becoming hazardous to operations due to continuous loss of bottom depth, and without completion puts TOTE's operations at risk. Already TOTE has had to stop cargo discharge to leave the dock at extreme low tides due to silting. Dredging is necessary eight months of the year in order to maintain TOTE's berth at the port. Should the POA project be slowed or stopped due to critical habitat TOTE's operations will continue to be

put at risk. Ultimately, this will negatively impact the many Alaskans who benefit from the cargo hauled by the carriers utilizing the port.

It has been stated that consultation is not required for vessels but would be for operational features such as dredging. If early spring dredging, or any dredging for that matter, is delayed due to a bureaucratic process, this could render TOTE's berthing at the Port of Anchorage an impossibility. Without adequate dredging in Cook Inlet and at the Port of Anchorage, the risks of unintentional grounding due to siltation and uncharted shoals grow.

Decades of safe and environmentally responsible vessel transportation through Cook Inlet has taken place without harming Cook Inlet beluga whales. NMFS has previously stated: "No information exists that beluga habitat has been modified or curtailed to an extent that it is likely to have caused the population declines observed in Cook Inlet."

The designation of such broad areas of municipal, commercial, and industrial interest, without any known or identifiable link between these activities and the conservation status of the Cook Inlet beluga whale is contrary to the public interest.

For the reasons stated above TOTE believes that there is no need for restrictions in the commercial commerce corridors of Cook Inlet and supports an exemption from critical habitat for the commercial corridors and the Port of Anchorage.

Sincerely,

A handwritten signature in cursive script, appearing to read "Phil Morrell".

Phil Morrell
VP Marine and Terminal Operations