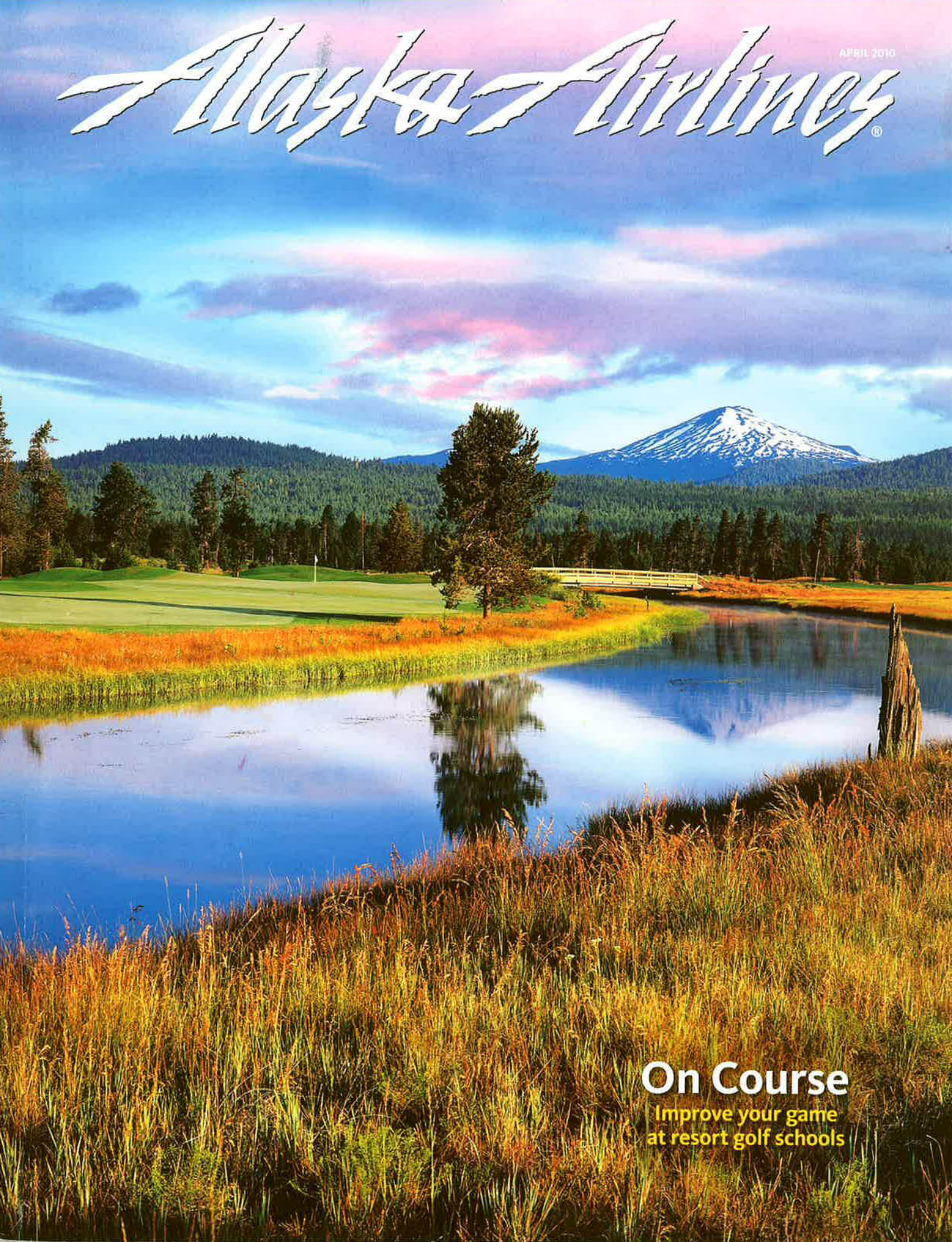


# Alaska Airlines

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# Business Plans

Growing diversification helps  
the Anchorage area prosper *By Elizabeth Bluemink*

**M**any cities would envy Anchorage's economic position these days. Alaska's largest city has enjoyed rapid growth over the last two decades, and its civic boosters see a bright future. ■ The city has been a safe harbor during the recent recession, compared to other cities around the country, and *Forbes* recently pronounced that Anchorage has one of the two strongest employment outlooks in the nation for the second quarter. ■ For decades, Anchorage has been a great place to do business, mainly because of the oil industry. Petrodollars still fuel Anchorage to a large degree, but the local economy has diversified. Anchorage is now a hub for tourism, banking, health care, engineering, finance, defense, mining and transportation companies.



The city also is in an ideal place for workers who enjoy an active lifestyle. Trails wind through every part of town and lead into the scenic Chugach Mountains that rise above the city's skyline. Ski, bike and foot races in the area draw participants from all over the world.

Anchorage offers plenty of indoor diversions, too. The building boom of the past few years resulted in some attractive new buildings downtown, including the expanded Anchorage Museum at Rasmuson Center and the Dena'ina Civic and Convention Center.

Like most cities, Anchorage has felt the effects of the global recession, but fortunately, the impacts so

far have been relatively mild. The city has seen significantly fewer job losses, corporate collapses and residential foreclosures than the nation on average. And while it's hard to predict the future, some state economists believe Anchorage will begin recovering from the recession in the second half of this year, provided that some of the state's largest industries—oil, especially—remain healthy.

True to the fundamental pioneering spirit of Alaska, Anchorage is populated by innovators, people who live by a code of persistence, optimism and achievement. For them, the city remains a great place to do business.

The following stories profile some of the businesses, large and small, that continue to thrive in Anchorage, at the heart of the Last Frontier.

### **Carlile Transportation Systems**

Thirty years ago, the McDonald brothers went into business in Anchorage with two tractor trailers. They hauled milk. They hauled equipment. And they kept adding trucks.

Since then, John and Harry McDonald's company, Carlile Transportation Systems, has become one of the highest-profile trucking companies in the country. That's not just because of Carlile's phenomenal growth, although it now boasts 600 employees and generates \$130 million in annual revenue.

Carlile is also famous because of its central role in a popular cable reality-TV show, *Ice Road Truckers*. There's something about trucking in the frozen North that seems to grab Lower 48 viewers' imaginations. After each *Ice Road Truckers* episode, Carlile receives hundreds of calls from people who want to come drive a truck in Alaska, according to company president Linda Leary.

The show's popularity has been a boon for the company in other respects, as well, providing not only unprecedented exposure for the Carlile brand, but also a position from which the company can spread a positive message about safe trucking.

But Leary says she has bigger things to track than her company's image on national TV. Lately, most of



Above: Kakivik Asset Management specializes in a range of inspection work for the oil-and-gas, petrochemical and mining industries.



her attention is dedicated to keeping the company healthy through the recession so that when the economy improves, “we’ll be ready to expand and take opportunities in the markets that we are already in,” she says. The company now has terminals in Anchorage, Fairbanks, Kenai, Kodiak, Seward and Prudhoe Bay in Alaska, as well as terminals in Tacoma, Minneapolis and Houston in the Lower 48, and in Edmonton, Canada.

Leary is well accustomed to the state’s economic swings. She moved to Alaska right out of college, during the 1980s oil boom. The McDonald brothers hired her to answer phones, but she soon took on other roles. When oil prices declined a few years after Leary joined Carlile, the Anchorage economy faltered. But Carlile hung on and, eventually, began growing again. “We’ve bought 13 different companies over the years,” Leary says.

The trucking business may have slowed recently, but Carlile is not waiting idly for the economy to rebound. Leary has tasked her employees with mastering new technical innovations, including satellite-tracking systems, and the company is expanding

ous-materials handling, heavy hauling and freight claims. Leary is enthusiastic about the new training: Not only will it result in more-effective employees, but it also will help customers learn how to make the most of Carlile’s services.

### Premier Alaska Tours

Growing up in Anchorage, Peter Grunwaldt thought he might become a high school principal in rural Alaska. As it turns out, his future wouldn’t involve exhorting students to learn. Instead, he’s spent the last couple of decades helping people enjoy their summer vacations.

Alaska’s tourism industry was just beginning to take off when Grunwaldt was a high school student. He took a summer job as a tour guide on the Alaska Railroad and worked in the industry every summer through college. After graduation, he worked for Regency Cruises as an operations manager for Alaska and the Pacific Northwest. In the mid-1990s, when Regency removed its three ships from Alaska, Grunwaldt recognized a business opportunity. He and Tim Worthen, a longtime co-worker, created Premier Alaska

Tours in 1995 to custom-package extensive land tours in Alaska.

“We’d seen that the business model worked really well,” Grunwaldt says.

The two men initially thought they’d compete with other Alaska-tour-package wholesalers by offering lower prices. Instead, Grunwaldt says, Premier successfully competes by providing the best possible service. That has meant hiring longtime Alaskans—



JIM BENNING, COURTESY: DOWL HKM

Above: Stewart Osgood, president of engineering firm DOWL HKM, sees growth for the company in projects located in other Pacific Rim countries.



COURTESY: CARLILE TRANSPORTATION SYSTEMS

beyond simply hauling freight. Carlile now offers its clients outsourcing services, performing logistical support and supply-chain management for clients ranging from oil companies to seafood processors.

The trucking firm also recently developed “Carlile University,” a series of clinics designed to educate employees and customers about the transportation industry. During the sessions, company managers teach the fundamentals of transportation, hazard-

Left: Carlile Transportation Systems found fame and opportunity in the popular television series *Ice Road Truckers*. Driver Carey Hall was featured in the show last year.



Above: Fire Island Rustic Bakeshop had to expand rapidly to keep up with demand shortly after opening at the corner of 14th and G streets, near downtown Anchorage.

rather than Lower 48 college students on summer break—as their tour guides, and investing in a fleet of luxury tour buses.

Premier has grown between 5 percent and 10 percent every year since its founding, except for last year, when the recession began biting into Alaska tourism. The company now has 28 motor coaches, 102 employees and annual sales of about \$15 million.

Grunwaldt says the next few years will be challenging for his and other Alaska tour businesses, but his long-term outlook is bright. “Alaska is on everybody’s top-five list,” he says. “For the next 20 years, there’s great growth potential.”

As a recreational bush pilot, Grunwaldt is familiar with a lot of the state and says he’d like to see tourism expand beyond the popular corridor stretching from the Kenai Peninsula north to Fairbanks.

“So few people go into Wrangell–St. Elias National Park or to the Lake Clark National Park,” he says. “These are amazing destinations.” And just a short flight from Anchorage.

### **Epic Designs**

Eric Parsons is an engineer who builds with fabric, needle and thread. A one-man operation, he’s also one of the city’s few small manufacturers.

Parsons’ Anchorage business, Epic Designs, custom-builds ultra-tough, streamlined gear bags for snow bikers in Alaska and for avid cyclists who compete in multiday

trail rides in the Lower 48 or “bike-pack” around the globe. Word of his business has spread overseas, and Epic Design now builds bags for bicycle adventurers in the United Kingdom, Germany and Italy.

If you are still stumped by the term “snow bikers,” here’s some context: During winter in Anchorage, hundreds of people outfit their bikes with fat tires and ride to work or play on the snow. Epic Designs’ first customers were the hard-core group of cyclists who make tracks in Alaska’s snowy wilderness, competing in the state’s half-dozen or so annual snow-bike races.

Epic Designs began catering to adventurous bikers in late 2007, when Parsons quit his engineering job and went into sewing full-time. He made roughly 500 bags last year, his second full year in business. He hopes to expand his business, ideally creating one staff position so he can ramp up production and free himself to crank out more designs.

Parsons’ first major innovation was the creation of a “frame bag,” a large wedge-shaped bag custom-built to fit into the interior frame of his customers’ bikes. These bags are now in heavy demand from adventure racers because they are more streamlined and weigh much less than conventional bike-touring bags. He makes several other bags, too, including a nifty “tank bag” that fits on the top tube of a bike and zips open to provide quick snacks. He designed that bag one day on an Alaska Airlines napkin while flying from New York to Anchorage.

An outdoor lover, Parsons sees Anchorage as an excellent place to live and work. The wildlands



Right: Premier Alaska Tours operates motorcoaches throughout the state, and is here shown at Horsetail Falls, near Valdez.

KARL LERAY

COURTESY: PREMIER ALASKA TOURS

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Epic Designs manufactures gear bags for specialized mountain bikes.

surrounding the city are a natural fit for Parsons, who routinely embarks on his own "epic" adventures, including, for example, a 300-mile-long bike/raft trip along the rugged Gulf of Alaska coast in 2008. Whether it involved paddling to avoid ice-clogged waves or his buddy's bike slipping off a raft and floating downriver, he enjoyed every bit of the journey. "Every day of that trip had some kind of gnarly thing happen," Parsons says.

## Kakivik Asset Management

One of the most critical jobs in Alaska is maintaining the state's expansive network of oil-pipe infrastructure. Hundreds of workers on Alaska's distant, oil-rich North Slope make a living by inspecting and repairing the pipes. Their mission becomes even more critical as the pipes age amid the harsh arctic environment.

Kakivik Asset Management is an Anchorage firm that specializes in nondestructive testing, external/internal corrosion inspections and other quality programs for the oil-and-gas, petrochemical and mining industries. In addition, since its creation in 1999 in a partnership between Bristol Bay Native Corporation—an Alaska Native regional corporation—and CH2M Hill, a global engineering firm, Kakivik has expanded into the Lower 48, where some of its new work involves inspecting oil refineries. The company recently opened an office in the Houston area.

Bristol Bay purchased CH2M Hill's minority share last year, and Kakivik generated \$32.8 million in sales. The earnings don't go to the typical U.S. stockholder. Instead, profits trickle to Bristol Bay's shareholders, who include Aleuts, Eskimos and Athabascans with blood ties to villages

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Kakivik, like many other Native-owned firms, selected Anchorage as its headquarters because the city is the state's "business epicenter," says Bristol Bay Chief Operating Officer Scott Torrison, who is also interim chief executive at Kakivik.

Bristol Bay recruits workers from among its shareholders, who make up about 12 percent of the company's 160 employees. Kakivik recently earned Department of Labor certification for an apprenticeship program—the first of its kind—for the technology it uses to test pipes and other heavy infrastructure on the North Slope and the Lower 48.

While many large-diameter pipes that carry oil can be tested with corrosion-detecting devices called "smart pigs" that travel along the pipes' interior walls, smaller-diameter lines must be tested externally. Using radiographic and ultrasonic equipment, Kakivik workers create images of the interior of pipes, storage tanks and other equipment. They plug their data into computers to find anomalies too small to detect with the naked eye. Like a doctor looking at ultrasound images of a baby in the womb, "you've got to know what you are looking at," Torrison says.

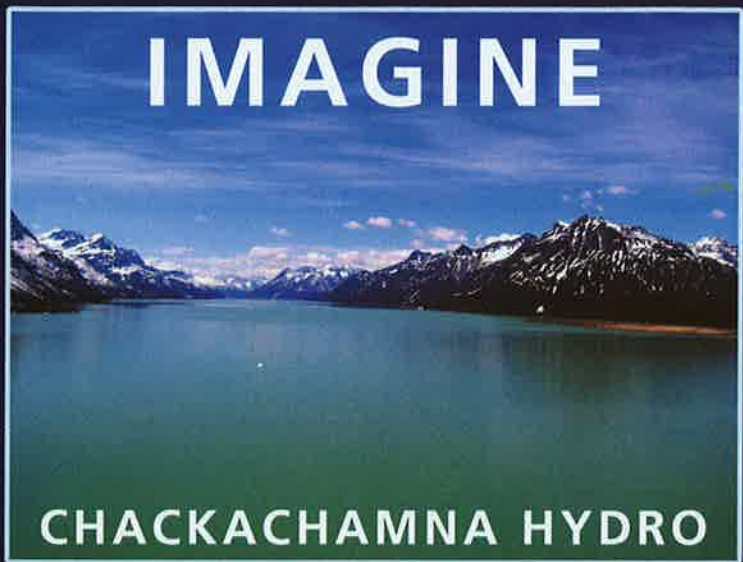
### Fire Island Rustic Bakeshop

About a year ago, longtime Alaskans Jerry Lewanski and Janis Fleischman turned their passion for wholesome food into a new family-owned business, the Fire Island Rustic Bakeshop.

The husband-and-wife team named their European-style bakery after the small island that many planes fly over just before landing at Ted Stevens Anchorage International Airport. To keep up with customer demand, the bakery expanded from four to 15 employees within months of opening in spring 2009.

"It feels good to have made jobs in 2009," says Fleischman, on a recent Saturday afternoon at the bakery, which sits on a quiet, mostly residential block at the edge of downtown Anchorage.

Five days a week, Fire Island's six bakers craft rustic loaves, croissants, muffins, scones, sandwiches, cakes and tarts. The



As Alaska diversifies the way it produces electricity, the Chakachamna Hydropower project near Anchorage is getting increased attention. This renewable energy project could provide as much as 330 megawatts - enough to handle more than a third of generation needs of the interconnected communities stretching from Fairbanks through Anchorage to the Kenai Peninsula where more than two thirds of the State's population reside. And, like most hydropower facilities, Chakachamna could keep generating for a hundred years or more. With zero carbon or other air contaminants.

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ingredients are mostly organic and read like an encyclopedia of rustic cookery, blending such flavors as apricot and fennel, banana and fig. Their sandwich offerings include beets, spinach and chèvre cheese, and natural roast beef and horseradish, served on fresh ciabatta.

The rustic breads featured in the shop didn't spring to life from a book of recipes. "We kept progressing to this," says Fleischman, a former school principal who now starts her day at 4 A.M. "Jerry has baked his whole life."

Years earlier, the couple had ruined three ovens at their house while trying to create the right combination of high heat and moisture needed for the perfect rustic loaf. They eventually solved the problem by building a brick oven in their yard. After retiring from his job as a state park superintendent a few years ago, Lewanski attended baking school in San Francisco.

While the menu at Fire Island is always changing and improving, its owners say they have no expansion plans. They already have what they want: a bustling neighborhood bakery with friends and neighbors as their customers.

### DOWL HKM

As an executive who leads business units in Alaska and the Lower 48, Stewart Osgood has seen Alaska weather the economic meltdown of the past couple of years better than some of the West Coast's major population centers.

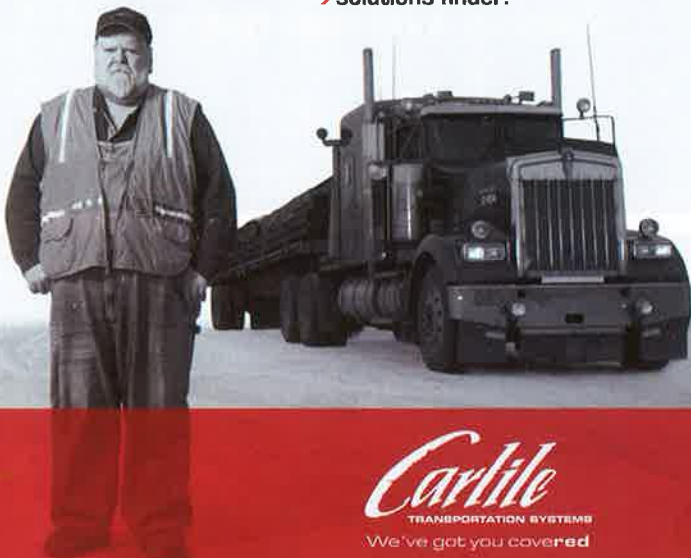
The impact of the recession is "more of a rural-urban issue than an Alaska-rest-of-the-country issue," says Osgood, president of DOWL HKM, an Anchorage-based engineering firm founded in 1962. This means big cities that saw tremendous growth before the recession saw a greater decline in projects than did smaller cities such as Anchorage, he says.

Osgood's company has 16 offices, in Alaska, Arizona, Montana, Washington and Wyoming. In 2008, DOWL Engineers merged with HKM Engineering, a Lower 48 firm, doubling its size overnight. The company remains based in Anchorage, and it is 51 percent owned by NANA Development Corporation, an Alaska Native firm

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Because the recession reduced workloads in some cities, DOWL HKM has laid off workers in some of its offices but has been able to share work across offices to limit the number of jobs lost.

Federal stimulus money has helped accelerate spending on some major DOWL HKM projects, including a new hospital in Nome, an airport at King Salmon, in Western Alaska, and U.S.–Canada border stations in Montana and Idaho. DOWL HKM does little oil-industry work, which helps insulate the company from that industry's ups and downs. DOWL HKM works with smaller communities on water and sewer, airport and road projects—the sorts of projects that rely on government spending, Osgood says.

While many engineering firms have expanded into Alaska, Osgood says it's a point of pride that DOWL HKM started in Alaska and expanded outside. The fact that the company is based in Anchorage and can offer interesting work helps it recruit new employees and attract new financial capital, he says.

DOWL HKM sees growth in projects based overseas, especially in other Pacific Rim countries, and Anchorage is strategically located at a crossroads of the Pacific Rim, Osgood says.

### Alaska USA Federal Credit Union

Big contractors aren't the only firms using Anchorage as a springboard into the Lower 48. Some financial-services companies have been doing it for years.

Alaska USA Federal Credit Union, for example, first acquired new branches in the Pacific Northwest during the 1980s. Last year, it entered California, purchasing distressed credit unions in San Bernardino County, California, one of the most heavily populated regions in that state.

"We've grown the brand," says Dan McCue, Alaska USA's senior vice president for corporate administration, noting that Alaska USA picked up 15,000 to 20,000 members with the California purchases. The credit union now has more than

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300,000 members and penetrates roughly 60 percent of Alaska's households.

That high penetration rate in Alaska is a major reason for the credit union's decision to expand into the Lower 48: New growth in Alaska would be "incremental" compared to the significant amount of growth the credit union can attain by opening new branches in markets such as California, McCue says.

The credit union has been doing business in Alaska since before it became a state in 1959. The credit union was chartered in 1948 as the Alaskan Air Depot Federal Credit Union to serve civilian military workers in Anchorage.

Alaska USA's first big growth spurt came in the 1970s, when its membership grew to include workers for the companies building the 800-mile Trans-Alaska Pipeline and the shareholders of 10 of the state's Native regional corporations. In the next two decades, the credit union opened its membership to still more Alaskans as well as businesses in the state. It began offering mortgage, insurance, title and escrow closing, and investment services.

By late 2009, the credit union's assets totaled about \$4 billion.

Despite the national economic downturn, Alaska USA last year had its third-best year since it came into existence more than 60 years ago, McCue says. That has a lot to do with the company's decision to keep investing in new business.

McCue feels optimistic about the city's potential, too. "The good news is that Alaska has some good diversification," he says. "The city doesn't have its eggs in just a few baskets."

And that's reassuring to business owners and managers throughout the city. ▲

Writer Elizabeth Bluemink lives in Anchorage.

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