

ADDRESS

BY

THE HONORABLE FRANK H. MURKOWSKI

UNITED STATES SENATOR

BEFORE A JOINT SESSION

OF THE

FIRST SESSION OF THE

NINETEENTH ALASKA STATE LEGISLATURE

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February 21, 1995

Juneau, Alaska



ADDRESS  
by the Honorable Frank Murkowski, United States Senator

before the 19th Alaska State Legislature  
Juneau, Alaska  
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Madam President, Madame Speaker.

Senators and Representatives of the 19th Alaska Legislature.

Thanks for inviting me back for the 14th time. This time things are different.

Times have changed for Alaska and the time for action is now. Ted, Don and I are convinced that we now have only a one-year window of opportunity to move Alaska's agenda. We have shared this view with Governor Knowles.

Next year is a presidential election year and all bets on co-operation will be off.

Alaska can be a hostile place for resource development.

We have high costs, high risks, and a challenging environment.

Let me tell you about another oil bearing provence in our hemisphere....in the hills of Columbia that's now competing with our state for exploration dollars. And once its full production comes on line, it will be supplying our U.S. West Coast markets, transporting oil on foreign ships at much reduced costs -- undercutting the U.S. vessels now moving Alaska oil.

In Columbia, there are plenty of hardships to overcome and expenses to bear. There are drug lords. Cocaine factories. Coca farmers.

There are also insurgents, guerrillas, and vigilantes.

The kingpins fly their drugs to North America and their planes return to Columbia carrying weapons.

With all the well-armed guerrillas running around, it has become a dangerous place to look for oil.

That's why I was stunned to learn that major oil companies have determined that the hilly jungles of Columbia, despite the dangers, are more attractive for exploration than Alaska.

They'd rather take their chances with drug lords and guerrillas in Columbia, than with the Alaska Department of Revenue and the Sierra Club.

It's often useful to turn the mirror on ourselves...

...And take stock of what we have become.

A good mirror doesn't lie, and according to last year's "Gaffney Report" paid for by the Administration addressing oil and gas opportunities in Alaska -- the mirror says, and I quote --

- \* **"The oil and gas industry in Alaska is in a state of near-crisis...**
- \* **Key players in government have views of the industry that are out of step with current economic realities...**
- \* **There is a fiscally regressive and perhaps divisively administered fiscal and regulatory system..**
- \* **There is a veritable labyrinth of regulation...**
- \* **There is a reputation for a militant and litigious state government...**
- ...And powerful, activist environmental groups.**
- \* **Despite the fact that Alaska is an oil province on par with Kuwait...it is also a province where companies, especially the smaller ones, are almost all trying to leave the state."**

Not very flattering to our state. We must not forget that this industry funds 85 percent of our state's budget.

I hope you are all familiar with the report. Within the last few weeks I've met with the CEO's of ARCO, BP and Exxon and I assure you, they have read it.

Sometimes when we look in the mirror, and don't like what we see, we make rationalizations. We make excuses.

The Gaffney Report should cause us to step in front of the mirror, and take a good look with our eyes wide open.

And now that the image in the mirror is one that makes us cringe.

We must decide whether we will act, or make excuses.

Let's face facts.

Alaska can be a hostile place for resource development. Exploration dollars are no different than any investment dollars. They go for the highest return and the least risk, and if you can't compete in the world market for oil and gas...the world will pass you by.

#### **WHAT TO DO ABOUT IT.**

Well that's your job and mine in our respective arenas.

I know you have been working with industry to consider a broad range of alternatives. Sliding-scale royalties, linking royalty rates to oil prices, flexible royalty terms and tax certainty...

In my Energy and Natural Resources Committee, we are considering similar proposals -- Federal royalty moratoriums for frontier areas and an evaluation of the partnership between Great Britain and the industry in developing the high cost, high risk North Sea.

The extraordinary results of November 8th, provided Don Young and me with the Chairs of both the House and Senate Natural Resources Committees, and Ted with the Chairmanship of the Senate Rules Committee.

The odds that any State -- much less the least populated, most resource-rich State -- would hold the keys to the resource committees in both houses of Congress is like the odds of winning the Irish Sweepstakes!

And with term limits, which are on the horizon, you can be sure that Alaska's delegation will never be in this position again.

When I looked in my mirror on the morning of November 9th, I knew that there would be no room for excuses and no more Senator George Mitchell, then Senate Majority Leader and opponent of ANWR, but now Senator Bob Dole, new Senate Majority Leader who supports ANWR. No more Congressman George Miller of California who opposed every development project in our State now Don Young...

We're looking forward to our first House-Senate conference.

But, to get back to how to advance our agenda, we can't accept excuses.

We might want to blame the Exxon Valdez, which grounded the ANWR leasing bill on the oiled beaches of Prince William Sound...

And we might want to blame the federal prohibition against the export of Alaska's oil, but those are no longer good excuses now that we have been given a fighting chance to battle the uphill odds we still face.

I came today to tell you that we will fight to end the export ban against Alaskan oil during this Congress and have a bill out of the Senate Energy Committee before summer.

Today I can tell you that we will fight to open ANWR and have that bill out of my Senate Energy Committee by Halloween.

It's not going to be easy. According to an Anchorage Times editorial in July of 1994, we had 61 environmental groups with offices in Alaska.

We have a President who has been said to favor turning ANWR into a wilderness, and we will need 67 votes in the Senate to survive a veto...

...votes we probably don't have today...

But the window of opportunity is this year, before the 1996 Presidential campaign heats up.

And I am asking you to join in this fight because the battle to win oil export and ANWR doesn't begin and end in Washington.

It begins here in Alaska. It begins with your House and Senate Resolutions urging the opening of ANWR, followed hopefully by Resolutions from A.F.N. and other influential statewide organizations including Labor.

It begins with funding for Arctic Power.

It begins with each and every Alaskan.

And I believe it begins by asking our responsible environmental friends to join us to ensure that opening ANWR will be done safer and more responsibly than the opening of Prudhoe Bay 20 years ago.

We have the technology and the sound science and the American ingenuity to proceed now.

### **HERE AT HOME**

Alaska must demonstrate that it can open its own state lands to resource development and create an attractive environment for resource development.

We lost an opportunity for the Itemitsa coal mine because of disputes over the mental health trust lands...Couldn't the funds have been held in escrow?....

We haven't succeeded in opening the A.J. Mine, even though it is largely on state lands.

Opening state lands to leasing, providing targeted incentives, and correcting the image of state government as hostile to development is all part of the work that can be done here in Alaska.

I'm pleased that Governor Knowles has pledged to work with us to deliver support from his administration on our mutual priorities.

Hopefully, bipartisan support for our agenda may be easier to garner since the message from voters across the nation on November 8th could not have been more clear.

Today, Americans want to exercise more control over their lives and their communities.

The government has given us an unending stream of laws, regulations and rules that micro-manage the lives and businesses of every American and impose extraordinary costs on our lives.

In the 44 days since the new Congress began doing business, we've responded to some of the people's frustrations with Washington.

The first bill we passed requires Congress to comply with the same health, safety, civil rights, and labor laws that all American businesses must comply with.

Then we passed a law that will finally bring to an end the practice of Washington sending mandates to the states and local governments and not giving you a single dime to comply with these directives from Capitol Hill.

I am optimistic that nearly all of the Republican agenda, and major parts of my agenda are going to pass the Senate this year with bi-partisan support.

In one area in particular, there's real bi-partisan support:

There is a sweeping movement toward regulatory reform. States, cities, businesses, and individuals have all felt the effect of the regulatory chokehold, and the new Congress is listening.

That doesn't mean abandoning the government's responsibility, but it does mean the government should be sure its actions make sense.

I have offered legislation requiring that risks be weighed against benefits in the regulatory process. It's called risk analysis -- like truth in labeling.

Our goal is to change the way government does business, or, in more cases than not, keeps business from being done.

Let me illustrate what we're trying to stop:

- EPA regulations require that municipal water treatment plants remove 30 percent of organic material before discharging treated water into the ocean. Because the water in Anchorage is already very clean, the solution was to have local fish-processors purposely dump 5,000 pounds of fish guts into its sewage system each day so that it would have something to clean up and meet EPA's requirement.

And here's one from Mississippi that reminds me of what Earl Romans faced in Fairbanks:

- The town of Columbia, Mississippi was forced by the EPA to clean 81 acres of land that had formerly been home to a lumber mill. Small amounts of hazardous chemicals were found at concentrations of about 50 parts per billion --- roughly two ounces per ton of dirt. Although EPA was told that such small amounts of hazardous chemicals was harmless, EPA based its standards on protecting a theoretical child from eating half a teaspoon of dirt per month for seventy years. Armed with this amazing analysis, EPA ordered the chemical company to completely remove 12,500 tons of dirt and truck it to Louisiana for disposal. Eventual costs for the dirt removal reached \$20 million -- instead of the approximately \$1 million it would have taken to simply cover over the site with clean dirt.

Closer to home, in developing measures to protect wetlands, a muscle-bound bureaucracy has attempted to beat Alaska wetlands into the mold designed for the Lower 48.

Ted and I have introduced legislation that will make wetlands regulation in Alaska take into account our uniqueness and the fact that 99.5% of our wetlands have not been altered and 99% never will be altered.

I am also planning to hold hearings in Alaska that look at problems in the way parts of ANILCA have been implemented.

- Like the guides grandfathered into the Togiak Wilderness that were told to remove their camp water pump because the only pumps allowed were the ones on their boats. Or the cabin owners on the Stikine that are told not to use a chain saw to cut trees that fall on their cabins. This nonsense must stop!

I expect to take up reform of Federal mining law in the Energy committee later this year.

We face a difficult task of balancing the federal interest in getting a fair return for its resources with the need to maintain a healthy U.S. industry.

Protection for endangered species is another field in which regulators have outstripped common sense. There is an old cautionary saying that surely applies: "Who will watch the watchers?"

We have witnessed the transformation of the Endangered Species Act from a protective shield to a destructive sword.

In our own Tongass National Forest, the threat of draconian action under the Endangered Species Act has been used to justify sweeping changes -- targeting timber that should be keeping Alaskans employed in Wrangell.

Who or what will step in to replace the jobs being lost? We must look for alternatives that make sense, such as converting 1950s pulp mills to plants to manufacture medium density fiberboard. We need local jobs in secondary manufacturing of products that command high value in Asia. Value added is a concept whose time has come in Alaska.

In this State, where tourism is big business and much of our land is locked up in Federal holdings, we must also look at the sense -- or nonsense -- of regulations constraining access to those lands.

As you know, I have been working on improved road access to Denali and on allowing up to two cruise vessels a day in Glacier Bay.

No one wants to see the natural beauty of Alaska degraded, but in parks like these, which are intended for the benefit of all Americans, doesn't it make sense to let them see their parks?

One area where reason has prevailed is our fisheries.

Alaska enjoys great bounty from the sea, precisely because we have not made the mistakes common to other parts of the country.

We have listened to both scientists and our fishermen, and made "sustainable development" a priority -- long before it became a catchphrase for the environmentally correct.

However, with all our successes, we have some worries, as well.

We need to look to understand why fish runs and populations can vary so widely, whether it's Bristol Bay crab, Prince William Sound or Yukon chum salmon, Gulf of Alaska rockfish or Bering Sea pollock.

That means even more attention to targeted and well-designed research, and to analyzing the interactions between species and the environment.

One area where help is clearly needed is in reducing bycatch and waste in fisheries production and processing.

As one of the Senate's Ambassadors to the United Nations, I have introduced national legislation on this issue, and have championed action on global bycatch at the United Nations.

Action on bycatch is a top priority. For our economic well-being we must learn to control and eliminate waste (740 million LBS/Yr in 1994).

For the well-being of the resource, we must learn to make regulations that take into account the effect of fishing on both target and non-target species.

Lastly and by far the most important National issue facing Congress now is the balanced budget amendment. We are all in this together.

In fact, if the Senate passes the resolution, this Legislature will debate the issue next session.

For me, this is one of the single most important votes I will cast this Congress. It could determine the future health of our economy and our nation.

Many of you have written me expressing concern over cuts in funding for needy children, welfare, funding for the arts and other worthy programs -- And they are all important -- but consider if this Amendment is not added to our Constitution, our deficit and debt crisis will be compounded in future years to the point that the capacity of the federal government to finance national security, infrastructure, Social Security and Medicare will collapse.

We have seen what too much debt did to Mexico. Today Canada spends 20% of its budget on interest on its debt. Its citizens are the highest taxed in North America and its government run health care is out of control and bankrupting the Nation.

If we had this amendment in place now, the President could not legally have sent us a budget that projects more than \$1 trillion of additional debt over the next five years. He would have had to share in the hard choices.

Today our national debt is more than \$4.8 trillion.

And it has become so large that for the first time in our history, we are forced to borrow from the credit markets for the sole purpose of paying interest on the debt.

I don't know of any person who can really imagine how large a \$4.8 trillion debt is. Let me put it in perspective...

A \$4.8 trillion debt means that every man, woman, and child in America owes Uncle Sam \$18,700. A family of four owes \$74,800.

According to The President's budget, the national debt will jump to nearly \$6.7 trillion in five years. And that means that every man, woman, and child in America will owe Uncle Sam \$25,170.

For the family of four that owes \$74,800 this year, the bill will rise to almost \$97,000!

It may surprise some people to know that over the next ten years, we would be running a surplus in the federal budget in every year if we did not have to pay the \$200 to \$400 billion annual interest bill that has resulted from our chronic inability to bring revenue and spending into balance.

This chart shows the devastating state of the federal budget over the next ten years.

In every year between 1995 and 2004 all American government borrowing is for the single purpose of paying interest on the debt.

We could finance defense spending, medicare, social security and all other government functions over this period and still accumulate a surplus of \$360 billion if we were not saddled by this extraordinary debt.

As this chart shows, in 1994, our deficit was \$203 billion -- precisely the amount of interest we had to pay on the debt.

In other words, our entire deficit in 1994 consisted of interest on the debt. Without that debt service burden, we would not have had to auction a single Treasury Note or Bond in the market.

In 1995, we would be running a surplus of \$59 billion if we did not have to service the debt. Instead, as this chart shows, our \$176 billion deficit results directly from the fact that our interest costs are \$223 billion.

The same holds true in every year through 2004.

In fact, according to the President's own budget, our interest bill alone over the next five years will be \$1.4 trillion.

And it grows every year because we keep adding to the debt by running \$200+ billion deficits every year.

If we do not finally get a hold of this debt, if we do not pass this Constitutional Amendment then I predict that over the next ten years every non-entitlement spending program operated by the federal government is going to be cut by more than 50 percent, if not eliminated.

As Ted, Don and I work in Washington to build new approaches to some of these old problems, we all also have a major part to play.

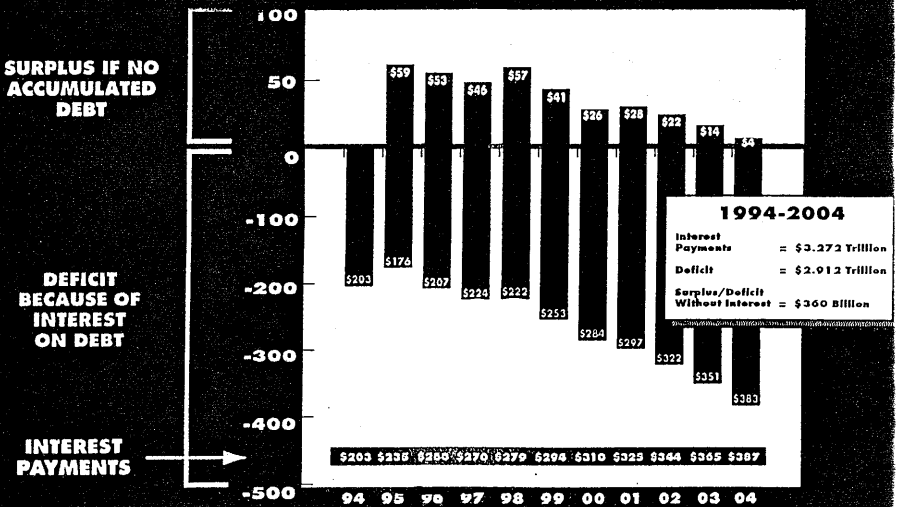
More than anything else, Alaskans must unify their voices in the chorus for common sense: common sense budget policies, common sense resource policy, and common sense in environmental regulatory policy.

Far too often, the opponents of common sense find ways to pit fishermen against loggers, recreationalist against miners, and in general, Alaskans against one another.

As government has grown, we have witnessed the death of common sense. It is time to revive it!

It's in our power, and I am proud to be your partner in that effort.

## FEDERAL BORROWING TO PAY INTEREST (BILLIONS OF DOLLARS)

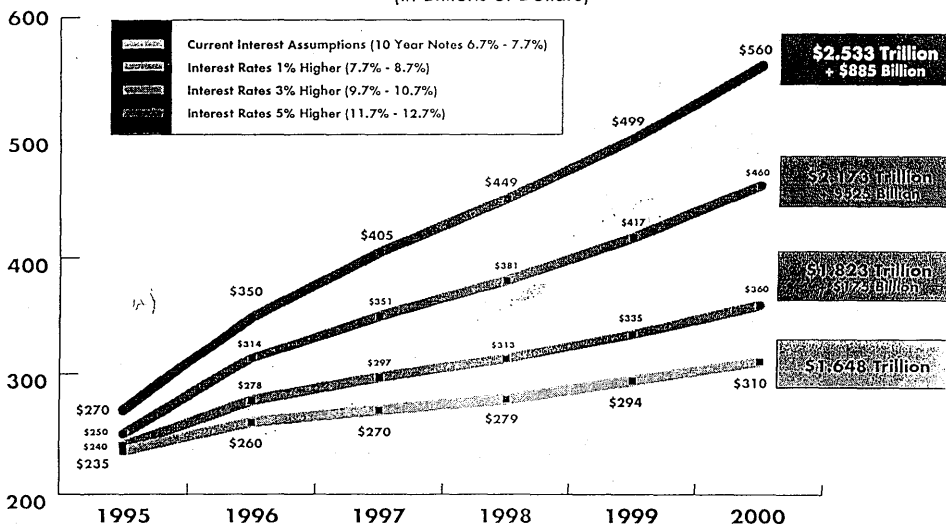


Source: Congressional Budget Office (Economic and Budget Outlook FY 1966-2000) Preliminary Report, January 4, 1995

# What If Interest Rates Rise?

## Federal Government Debt Service

(In Billions of Dollars)



SOURCE: Congressional Budget Office