

**HOUSE AND SENATE  
JOINT JOURNAL SUPPLEMENT**

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**February 19, 1999**

**Friday**

**No. 4**

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**ADDRESS**

**BY**

**THE HONORABLE FRANK H. MURKOWSKI**

**UNITED STATES SENATOR**

**BEFORE A JOINT SESSION**

**OF THE**

**FIRST SESSION OF THE**

**TWENTY-FIRST ALASKA STATE LEGISLATURE**

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**February 19, 1999**

**Juneau, Alaska**

February 18, 1900

London, Ontario

The following was submitted for publication. A verbatim recording is available from the House Sergeant-at-arms or the State Library.

**Address to the Twenty-First Alaska State Legislature  
By Senator Frank H. Murkowski**

**THE PROBLEM:**

All are well aware of Alaska's fiscal problem.

Low oil revenues are forcing you to consider budget cuts and taxes. I don't envy you the tough task.

**MY ROLE: INTERVENING FOR ALASKA AT THE FEDERAL LEVEL**

Not always easy, since it means:

\* **fighting federal agencies** when they are:

- halting timber harvests;
- shutting down mining;
- limiting access;
- shutting down our fisheries;

\* **working with federal agencies** to promote:

- rural sanitation;
- education;
- health care;
- transportation.

You know what must be done at the State level. ... I'll leave the thorny issues of state taxing and spending to you.

My Role: Leverage Alaska's advantages through the power of the delegation **at the federal level.**

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### OIL

Most experts agree the price of oil will remain low unless there is a dramatic political shift in the Middle East.

What does any businessman do when the price of his product falls? Cuts cost of production, tries to be a low-cost producer and fights for market share.

**Saudis and Iraqis have figured this out. They are looking to boost production and market share.**

They will win any battle for market share because they have the lowest cost of production.

- Saudi Arabia, Kuwait, Iraq > less than \$1 per barrel;
- Venezuela > \$3 per barrel;
- Alaska > \$6 per barrel.

No surprise that Iraq dangling favorable oil equity deals with France, Russia, China... who happen to be Iraq's best friends on U.N. Security Council that is working to lift sanctions against Iraq.

All this is having grave consequences in U.S. domestic industry:

- **layoffs** > BP Alaska 600 workers > 41,000 nationwide past two years;
- **losses** > ARCO \$794 million last quarter;
- **mergers** > 30 last year alone;
- **shut in wells** > 136,000 oil > 57,000 gas in U.S. since November 1997.

Nero fiddled while Rome burned. At least he wasn't fanning the flames. Look what the Clinton administration is doing to domestic industry ... our future energy security:

**More than \$6 billion in new taxes** on domestic oil industry;

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- Energy Secretary in Saudi Arabia; paving the way for participation of U.S. companies in new Saudi ventures and expansion of Saudi market share/domination.
- Al Gore vetoes any effort to open up ANWR. Unless a Republican is elected President in 2000, ANWR remains off-limits to development.
  - By the way, we must **keep ANWR education efforts on-going**. Last year, Bruce Vento got **150 co-sponsors on a bill to permanently lock up ANWR**. Plans to reintroduce and attract a majority of co-sponsors again this year.
- Administration essentially ended prohibitions against Iraqi oil exports. That is allowing Iraq to boost production to 2.5 million barrels per day; to pre-war levels!
  - And **UN made a deal with Iraq that makes no sense**. Allowed them to earn \$10.4 billion a year, no matter what the price!
  - That means **even more of their oil floods the market**. The UN should have established a volume ceiling rather than a dollar ceiling.
  - **Result**: Iraq using proceeds to expand production, which is further driving world price down.

We are curtailing domestic industry that is helping the Middle East fill the void!

Put in historical perspective...

- At time of Arab oil embargo in 1973 » 36% dependent on foreign oil;
- Today » 56%;
- 2010 » 68% according to Clinton Administration's own estimates.

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1973 was the last time Middle East oil sheiks could exercise market dominance; devastating impact on consumers & the world economy.

- oil shortages;
- lines at the gas station;
- soaring energy prices;
- double-digit inflation;
- an economy in recession.

Administration energy policy is bent on repeating history? I believe that charity begins at home.

Rather than helping other countries produce more oil, we need to maintain interest in the United States domestic industry ... and Alaska, NPRA and ANWR over the long term.

Items to consider include:

- Federal royalty relief;
- Federal purchases of domestic oil for Strategic Petroleum Reserve.
- tax incentives for extended reach drilling, expanded capacity and heavy oil recovery.
- Administration took one of my ideas last week and decided to re-fill Strategic Petroleum Reserve.
- That's after they **sold off 28 million barrels** the last few years. They had **sold oil for an average of \$19 a barrel. While they bought the oil for \$33 a barrel.**
- **That's Washington Economics--Buy High, Sell Low.** Maybe now they've finally gotten the idea on how to buy oil.

**GAS**

Proven reserves of 37 trillion cubic feet and likely reserves of 100 trillion more.

The challenge is competing globally against producers enjoying lower costs of production

- Consortium of ARCO, Phillips, CSX, Foothills and Marubeni are sharpening their pencils ... lowering costs and enhancing competitiveness.

**My role:**

- Assist with Federal incentives once project costs/state incentives are known;
- Bring potential new partners to the table who may be willing to consider equity participation and other means to lower costs.
- I asked Taiwan to consider this idea during my November trip to Taipei. President Lee agrees that Taiwan should consider being an active player in a mutually beneficial strategic partnership.
- Because we probably have plenty of gas for more than one approach; I'm also encouraging incentives, research for gas-to-liquids ... potential use of existing infrastructure and batching through TAPS.
- I've seen Exxon's pilot plant in Baton Rouge. There is a team working on bringing marketable Alaska gas-to-liquids from the laboratory to the marketplace.

**FISH**

With respect to Alaska's fishery resources we're working at the Federal level to:

**Protect our rights to the resource...**

Last year I worked with Senator Ted Stevens, and Congressman Don Young to limit Seattle-based factory trawlers, eliminating 9 factory-trawlers. That increased pollock coming to Alaskan on-shore processors from 45% to 50% and increased the amount going to Bering Sea villages from 7.5% to 10%. It will substantially improve profits in a new and more streamlined pollock industry.

I'm still engaged in a fight to maintain fishing in Glacier Bay and appreciate the Legislature's help in this area.

**Working to protect the livelihood of fishermen by supporting seafood prices..**

We've directed USDA to use at least \$10 million of its commodity program to purchase canned pink salmon and frozen chum salmon "nuggets."

We're pushing USDA and the State to purchase 3000 tons -- 125,000 cases of canned salmon as food aid to Russia.

**Finally, to protect the resource itself...**

Why the poor fish runs in Western Alaska? Devastating to villages. The problem demonstrates the continuing need for scientific research. I believe that EVOS funds is perfect for this but have been squandered on land acquisition.

**MINING**

Alaska mining seems alive and well despite worldwide depression in metal prices. Additional reserves at Red Dog, Fort Knox, Greens Creek, Kensington equal a bright future for Alaska's operating giants.

And there are fantastic new discoveries of gold at Pogo.

Less optimistic view in the Lower-48: The Administration is hostile to mining on the public lands. The Forest Service recently closed large tracts of public "multi-use" lands in Montana to all new mining claims. Is Alaska next?

**My role at the federal level:**

Cannot change commodity prices for metals on the world market, but can engage Administration over the future of mining on the nation's public lands.

Example: Secretary of Interior Bruce Babbitt wants to take over regulation of environmental rules that govern mining with punitive federal regulations.

I have:

- Sought a National Academy of Science study to examine mining industry's environmental regulations;
- And asked the President and Secretary Babbitt to hold draft regulations until after the study is completed.

I'm also working with a bipartisan group of western Senators on mining law reform. Long-term mining industry problems will not go away until mining law reform and there will never be a better time than now with Don and I chairing the Committees that matter.

- And any mining law reform we pass will protect Alaska's small miners.

**TIMBER**

Mining may have brought many of our forbearers to Alaska, but forest products industry provided Alaska's first year-round, high-wage, manufacturing jobs in the 1950s and 1960s.

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Lew Williams, retired publisher of the Ketchikan Daily News, asked the other day if anyone remembers that Ketchikan Pulp Co. provided 20% of corporate income taxes paid to Alaska's treasury.

- Timber once supported over 6,000 high-wage, year-round Alaskan jobs.
- As Al Gore's army has waged war with us, we've paid a terrible price, the closure of our two pulp mills and the sawmill in Wrangell.
- I was only able to keep the Ketchikan sawmill and its 500 jobs alive by threatening to hold up passage of the Omnibus parks bill in 1996.
- I'd like to regain lost ground with new technologies and value-added manufacturing and get a veneer plant built in Ketchikan.
- I have a shot at it if the Forest Service makes good on the promises of the new Tongass Land Management Plan and if federal and state government encourages investors to locate in Southeast Alaska.

### TOURISM

Tourism is another important contributor to our economy. It is seasonal, but we have been able to extend the season a little more each year.

#### **My role at the Federal Level:**

- Provide them with greater opportunities for access -- a better visit;
- More ship visits into Glacier Bay;
- Greater access into Denali National Park;
- Develop Wrangell-St. Elias into a major destination;

- Again introduce legislation to allow domestic ports to compete for cruise ship business so U.S. tourists don't have to go to Canada to board Alaska-bound ships.

**TRANSPORTATION**

Transportation is the key to resource development, tourism, and our own quality of life.

**My role at the Federal Level: Helping Alaska get its fair share.**

In the new transportation law Alaska receives an average of \$312 million per year over next six years for a total of \$1.9 billion. That is a 47% increase over last highway bill. Alaska outpaces all other states, receiving \$5.13 for each dollar we pay in Gasoline taxes.

New law contains:

- \$120 million for construction of ferries;
- \$94 million to finish paving the Alcan Highway;
- \$20.4 million for a bridge in Ketchikan;
- ...and much more.

You can help direct the spending of some of these funds to help unlock Alaska's economic potential:

- I included \$2.5 million for start on a Northwest Alaska "Pioneer" route. It can be used to identify and explore feasibility of a railroad to the Ambler mining district in Northwest Alaska. I believe more dollars can follow, if you use the funds you've been given. The ball's in your court.
- Bill also includes \$1.5 million toward a Northern access route into Denali National Park. Wrangell-St. Elias has two access routes, why not Denali? Again, more money can follow if you use the funds you've been given. You may want to start with improving the Stampede Trail road.

**MILITARY**

Alaska's role in the defense of the nation has always been important. We have a common border with our old superpower adversary, superb training areas, and a strategic staging area for rapid deployment.

**My role at the federal level:**

- Will help advance the idea that we need to construct a National Missile Defense system which protects ALL the United States. On the merits, such a system should be based in Alaska.
- Will also work with Ted to protect Alaska during proposed new rounds of base closures.

**PROMOTING ALASKA'S HUMAN RESOURCES**

I will continue to work at the federal level to promote the health, education, and well-being of Alaskans. Over the last two years, I have:

- **Corrected an historic inequity in Medicaid reimbursement, bringing over \$100 million more to Alaska;**
- **Saved Alaska Family Physician Residency Program;**
- **Saved Non-Profit Hospitals Millions in Medicare Dollars;**
- **Expanded Telemedicine;**
- **Added more Medicare \$ for rural hospitals;**
- **Expanded Children's Insurance;**

- **Increased Welfare-to-Work block grant funding formula for rural states;**
- **Worked with Ted Stevens and Don Young to win new funding for rural sanitation;**
- **Fought for the potentially lifesaving King Cove-Cold Bay road;**

**What do I plan to do next?**

- **Reauthorize the Medicaid formula I won before;**
- **Continue our Inhalant Abuse awareness efforts;**
- **Will push for patient's rights;**
- **Will give Medicare patients greater choice of doctors;**
- **Will continue the fight against breast cancer.**

## **EDUCATION**

Traditionally a State and Local concern, but I have a supporting federal role to play.

- **I will help make the University of Alaska a world-class university by working to see it gets its federal land grant. There is no reason we should get less than Rhode Island!**
- **Boost Elementary and Secondary Education with our "Dollars to the Classroom" initiative and our "Ed-Flex" bill to cut red tape.**
- **Increase contribution limits for "education IRAs" from \$500 per year to \$2,000 per year. Those tax-free savings will allow parents to pay for the increasing costs of college.**

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### OCS REVENUE SHARING

I have also introduced legislation that has received positive and negative attention in the State -- OCS revenue sharing.

The Conservation and Reinvestment Act of 1999 -- a bipartisan bill-- shares revenues from oil and gas production from the Outer Continental Shelf with the coastal States/communities.

If enacted, the bill would provide Alaska with an estimated \$131 million:

- \$111 million for State OCS impact assistance;
- \$16 million for State Wildlife Conservation programs;
- \$4 million for park and recreation programs;

Concerns have been expressed by private property groups. My bill provides the **usual level of appropriations** for federal land acquisition, but **adds new protections**:

- Willing seller only;
- Only within units designated by congress (not administrative designation);
- 2/3 must be spent roughly east of the Mississippi River;
- Any acquisition over \$5 million must have specific Congressional approval.

My priority for the funds is directed at property purchases:

- Backlog of inholders who want to sell -- hardship cases -- with careful oversight.

Alternatives include:

- Administration's "Lands Legacy" & Gore's "smart growth" program. It contains none of the private property protection measures in my bill.

### SUBSISTENCE

Finally... I bet you thought I forgot about subsistence... well, I haven't and you shouldn't either.

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As we step forward into the new millennium, we may also take a giant step backward on management of our fish and game.

We must agree among ourselves how to ensure that rural Alaska will be able to count on the availability of fish and game for food and traditional use.

The delegation got a last minute one-year extension of the moratorium to prevent federal takeover of fisheries. The language in the moratorium allowed Secretary Babbitt

- to publish the final regulation;
- provides for \$11 million
  - goes to feds if legislature doesn't act; To state if legislature does act.

Secretary Babbitt has now published the final rules on management of our fisheries and he has the resources to implement them come October 1.

The extended moratorium angered many Alaskans because:

- some want a federal takeover because they believe it will spur the resolution of the issue by the legislature;
- others because they believe the definitive resolution will occur in the courts after a federal takeover.

I make no apology for fighting for the moratorium. My bottom line is to keep the feds out.

But also make no mistake -- in my judgment -- that was our last moratorium.

No moratorium -- feds takeover -- don't expect us to repeal Title 8 of ANILCA.

- Repealing Title 8 or stripping it of its major provisions is not politically attainable.

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While we cannot repeal or dramatically change provisions of the Federal law on subsistence, I do believe we can and should give them clarity.

Senior staff from my office and Senator Stevens' office traveled through the state two weeks ago. Spent a week meeting with House and Senate leadership — majority and minority. Also met with Native groups, sportsmen, fishermen, Knowles' administration, and other interested groups.

The trip was successful in many ways — mostly because it got people thinking about subsistence again. There has been some give and take on several proposals going around. That is healthy.

For instance, Speaker Brian Porter has floated a proposal for a constitutional amendment that would provide a subsistence preference.

Representatives Kookesh and Davies were quoted in the press that they appreciated Brian's efforts and believe it is a sign of progress. I agree. These initial ideas and discussions are the beginning of a process that will finally lead to a solution.

Let's commit right here to roll up our sleeves -- take a look at some of these new proposals with an open mind -- work together on a solution to keep our fisheries management -- and return our game management -- to the State.

### CONCLUSION

**We face challenges to our fiscal and social stability not seen since Statehood.**

**I have the greatest faith that the people of Alaska** can meet these challenges and, in the process, heal the wounds that seem to be tearing at us.

**I share with you a vision of Alaska where Alaskans make decisions for themselves; not let far-away bureaucrats dictate our way of life.**

**You know the issues that you must address this year. I know you will put aside your differences and provide the leadership that all Alaskans expect of you.**

**I am confident that we have the courage and commitment to control our own destiny.**

**I thank you for this opportunity to speak to you today.**