

ALASKA STATE LEGISLATURE
JOINT ARMED SERVICES COMMITTEE

April 27, 2001
3:42 p.m.

SENATE MEMBERS PRESENT

Senator Gary Wilken, Co-Chair
Senator Randy Phillips
Senator Loren Leman
Senator Bettye Davis

SENATE MEMBERS ABSENT

Senator Drue Pearce

HOUSE MEMBERS PRESENT

Representative Jeannette James

HOUSE MEMBERS ABSENT

Representative Eldon Mulder, Co-Chair
Representative Lisa Murkowski
Representative John Harris
Representative Reggie Joule

PUBLIC MEMBERS PRESENT

Dean Owen
George Vakalis
Jake Lestenkof
John Hoyt
Alan Walker
Chick Wallace

COMMITTEE CALENDAR

National Missile Defense System Update
Fire Island Logistics Project

WITNESS REGISTER

Mr. Paul Fuhs, Consultant
Cook Inlet Regional Incorporated
Juneau, AK 99801

Mr. Larry Crawford, President
Anchorage Economic Development Corporation
900 West Fifth Ave.
Anchorage, AK 99501

Mr. Michael Keane
Anchorage Economic Development Corporation
900 West Fifth Ave.
Anchorage, AK 99501

Mr. Chris Nelson
National Missile Defense
Department of Military and Veterans Affairs
PO Box 5800
Ft. Richardson, AK 99505-0800

ACTION NARRATIVE

TAPE 01-03, SIDE A

Number 001

CO-CHAIR GARY WILKEN called the Joint Armed Services Committee meeting to order at 3:42 p.m. Present were Senators Leman, Phillips and Co-Chair Wilken, Representative James, Mr. Lestenkof, Mr. Hoyt, Mr. Vakalis, Mr. Owen, Mr. Walker and Mr. Wallace. Also present were Representative Cissna and former committee staff member, Chris Nelson. Co-Chair Wilken announced that several members were absent due to conflicting committee schedules and that Mr. Alan Walker is retiring and leaving the state so suggestions of names for his replacement would be welcome.

The September 28, 2000 minutes were approved as presented with no objection.

The first order of business was a status report on the Anchorage Defense Logistics Initiative by the Anchorage Economic Development Corporation (AEDC).

MR. OWEN reported that Mike Olsen, Karen Washburn and Dave Dean from the Fairbanks' citizens advisory board were listening to the meeting via teleconference.

FIRE ISLAND LOGISTICS PROJECT

MR. LARRY CRAWFORD, President of the Anchorage Economic Development Corporation, introduced Michael Keane and Paul Fuhs to committee members. AEDC has completed a study and identified a number of very real opportunities that are worthy of pursuit. He asked Mr.

Keane to present the results of the study.

MR. MICHAEL KEANE, Director of Transportation for the AEDC, gave a slide presentation on the Anchorage Defense Logistics Initiative.

As background, MR. KEANE said AEDC met with military leaders in Alaska and Department of Defense (DOD) officials during the last 15 months and discussed the concept of a military global forward mobility hub in Alaska. The system is based on Alaska's global location: nine hours from any place in the Northern Hemisphere. The military has also expressed interest in private partnerships between private industry and the military's prime source contractors. AEDC has been studying outsourcing that the military and DOD want to use in their logistics program.

Alaska's location, its positive relationship with the military, the existing commercial infrastructure with the cities of Anchorage and Fairbanks and the logistics program started by the University of Alaska Fairbanks are all very attractive qualities to the military. The partnering concept would allow the military to piggyback on existing commercial infrastructure in Alaska because outsourcing with private enterprise will probably get them a better end product and get their equipment to them faster.

AEDC met with the DoD officials and Alaska's congressional delegation and developed the project plan to conduct the analysis. DoD personnel have reviewed the plan to ensure the study would provide the required information. To proceed with the global logistics opportunity, an independent consultant was needed to verify that Alaska is the correct location. Price Waterhouse Coopers Group (PWC) proposal was selected as the most responsive. The money needed to perform the analysis came from the legislature, the Municipality of Anchorage, The Fairbanks Northstar Borough and matched private sector contributions. A steering committee was then formed to oversee and guide the project. During that time, AEDC met with DoD officials and presented the "Why Alaska?" case to make sure Alaska was on track and to get feedback.

Copies of the final draft of the Price Waterhouse Coopers' (PWC) report were given to committee members and a copy was placed in the committee file. The report's two major findings are:

- An Anchorage-based commercial distribution center could be beneficial to war fighters in the North Pacific and Europe for resupply of certain high-cost items.
- Anchorage's capability to supply refined JP-8 fuel could provide effective support to Pacific Rim conflicts during the surge and sustain phases, while reducing the risk of reliance

on foreign-soil refineries.

The cover letter sent out with the report pointed out opportunities and recommendations. AEDC must focus on vendor and war fighter requirements and develop the details and support for specific operations. PWC provided AEDC with a list of the top 100 DOD vendors and AEDC must now decide which items could logically be distributed from Alaska.

Williams of Alaska now has a project underway to increase its fuel capacity in the Port of Anchorage and this could be advantageous in a surge operation.

Several other opportunities were identified in the analysis: maintenance functions, repair and calibration of high value mission critical items, training exercises, humanitarian mission logistic support and other activities for which Alaska is uniquely qualified because of its location and capabilities.

Finally, the report will go to DOD and Alaska's congressional delegation and AEDC will work to obtain funding to implement the recommendations and continue to market Alaska to DOD and prime source contractors.

CO-CHAIR WILKEN asked if there were any questions.

SENATOR LEMAN asked, regarding the slide entitled "Next Steps," whether the funding to implement the study recommendations would come from a federal or state source.

MR. KEANE said state and private matching funds would be used.

CO-CHAIR WILKEN reported for the record that Senator Davis and Representatives Harris and James joined the meeting.

MR. CRAWFORD said apart from the specific opportunities, one of the values of the study is to make the military much more aware of the capabilities in Alaska. Most military personnel are aware of Alaska's strategic location but many are not aware of its infrastructure available to satisfy some of their requirements.

MR. PAUL FUHS, AEDC project consultant, pointed out the importance of the fuel resupply capability in Alaska is that during times of conflict, refineries are primary targets to cripple aircraft operation. Alaska is close to the Asian theatre and has indigenous refining capacity. He added that fuel only has a six-month to one-year shelf life but Alaska has other commercial uses so as fuel gets close to the pull date, that fuel can be sold to another

market. The military will actually pay to hold the federal fuel reserves.

CO-CHAIR WILKEN asked whether the fuel option would require more tankage.

MR. FUHS said it could and, in that case, it could be paid for with a federal appropriation or a contract with a private supplier. It might also require more refining capacity. He was interested to hear Congressman Young say that the West Coast does not have the refining capacity so more refining should be done in Alaska.

MR. CRAWFORD added, with the new administration, the military is looking at how they should do business so it is a good time for Alaska to be presenting its capabilities. Also, as military opportunities are pursued, commercial opportunities should be pursued as well.

MR. LESTENKOF asked if the next step is to make a presentation to DOD representatives in Washington, D.C. and to talk to the war fighter about some of their requirements. AEDC will also be working with the military vendors.

MR. CRAWFORD said that is correct but they would also be working with military vendors to identify the benefits of having some needed supplies pre-positioned in Anchorage.

MR. LESTENKOFF asked if AEDC plans to brief any of the military players in the Pacific before going to Washington.

MR. CRAWFORD replied they have met with General Case and they have been encouraged by General Guan (ph) to deliver the information to DoD.

MR. LESTENKOFF asked whether the Alaska Command (ALCOM) had been apprised.

MR. CRAWFORD said it has; they have worked closely with General Case and with General Schwartz since he has taken over the command. AEDC also worked with General Oates since the appropriation was made to the Alaska Department of Military and Veterans Affairs. AEDC is interested in the opportunities a defense system may bring so it will continue to work with them.

MR. OWEN informed committee members that Gordie Lewis, an advisory council member from Fairbanks, was present.

MR. CRAWFORD commented that the Fairbanks North Star Borough

contributed to the study and had a representative on the steering committee. Should AEDC be successful in acquiring additional funds from the state, it would expect Fairbanks to continue to have a seat on the steering committee while funds would be raised from the private sector.

CO-CHAIR WILKEN informed the committee that Mr. Brophy (ph), a former member from Fairbanks, has moved on to Usibelli Coal and was replaced by Mr. Owen. He then asked if this project is still part of the Quadrennial Review or whether it has gone on a separate track.

MR. CRAWFORD said the Quadrennial Review is taking longer than anticipated since the new administration is reviewing military projects. He felt Alaska is well positioned. He pointed out that a consultant from PWC is a civilian member of the Quadrennial Review group that is defining policy on how it will proceed. He stated that he is coming to the state at this late date because AEDC wanted to make sure that it got all necessary input from the military. This project has been out for review for some time but AEDC has only received comments just recently, at which time it was able to close out the report.

MR. FUHS added that deadlines have been pushed back because of the delay in the results of the election. Some of the key people who this report needs to be presented to have just now been appointed. Each member of Alaska's congressional delegation has a military liaison. AEDC has coordinated closely with them; they have been extremely supportive in this effort.

CO-CHAIR WILKEN referred to the six opportunities listed on the top of page 2 of the PWC report and asked whether they are listed in random manner or whether they are prioritized.

MR. CRAWFORD did not know whether they are in priority order but noted they are all viable concepts for study. Mr. Crawford said that PWC did a lot of work that is not apparent from the report. They are making a model available to AEDC so that it can test specific items.

SENATOR LEMAN thanked those in Fairbanks who provided funds for the report. He stated support for AEDC's request for additional state funds and recommended that members consider this project to be a statewide effort.

CO-CHAIR WILKEN informed members that the Senate Finance Committee has received a request for \$150,000 and is in the process of reviewing that request right now. He thanked Mr. Crawford, Mr.

Keane, and Mr. Fuhs for attending the meeting.

NATIONAL MISSILE DEFENSE SYSTEM UPDATE

MR. CHRIS NELSON, State Coordinator for National Missile Defense, Alaska Department of Military and Veterans' Affairs (DMVA), informed committee members that one reason the Joint Armed Services Committee (JASC) was formed was to focus on the issue of national missile defense and to facilitate its deployment in Alaska. The most immediate and timely piece of news is that last week, Major General Nance, the director of the National Missile Defense Joint Program Office, and Mr. Jim Evatt, President of the Boeing Company, visited Alaska. This is the first time the top management of the Boeing team, the prime contractor on national missile defense, visited Alaska. The trip was very productive. Mr. Evatt and General Nance visited Clear, where the upgraded Early Warning Radar is now on-line, and then attended meetings at Ft. Greely. Yesterday, they had an opportunity to meet with the top leadership of Boeing's national missile defense team and state officials. The Department of Community and Economic Development made a strong presentation on doing business in Alaska.

MR. NELSON said the most positive announcement is that Mr. Evatt said that as soon as the presidential deployment decision is made, Boeing intends to open two Alaska offices, one in Anchorage and one in Fairbanks.

Regarding the status of national missile defense, MR. NELSON told committee members the situation has changed with the change of administrations. President Bush has announced his strong support for a comprehensive national missile defense system and is looking at all options, including Alaska. The other options include more robust sea-based systems, space-based systems, and an overall comprehensive involvement with our allies to provide a missile security system that will be global in its context. Secretary Rumsfeld is studying the options and President Bush is to make a speech on Tuesday on missile defense. That will set the groundwork for Secretary Powell to enter into discussions with our allies and with Russia.

The Anti-Ballistic Missile Defense (ABM) Treaty, as currently configured, limits both Russia and the United States to a single missile site. The Clinton Administration was developing a program it believed would be Treaty-compliant. Alaska was the preferred site in that program and the Clinton Administration was negotiating with Russia to shift under the terms of the Treaty the designated site, which in 1972 was North Dakota. Alaska was chosen because it is the only geographic location from which all 50 states can be

defended.

President Bush said he is looking beyond that and is pursuing a more robust program as well as diplomatic initiatives. The sea-based systems are prohibited by the ABM Treaty. He is also looking at integrating the variety of our radar systems to provide a single integrated air picture. Again, portions of that system are prohibited by the ABM Treaty. Some of the projects that were proposed for Alaska will not happen as immediately as hoped; one being the X-band radar on Shemya. The barge lift to Shemya is constricted by weather. Contracts to purchase materials must follow federal procedures and the window is closed for the next building period on Shemya so it will be postponed for about a year. It looks like Alaska will not be getting the partial decision on Shemya that everyone was hoping for. On the other hand, in speaking with staff at the joint program office, they are sure that the projects planned for Alaska will be the first part of a more comprehensive missile defense system for the United States. He informed committee members that the State of Alaska has been working actively and doing everything possible without preempting the presidential decision. Once Alaska gets the green light, it will be ready to hit the deck running and support the construction of that system. He thanked members for their strong support.

MR. NELSON recognized the presence of Janice Neilsen, legislative liaison for the U.S. Army Pacific.

CO-CHAIR WILKEN asked the status of launches out of Kodiak.

MR. NELSON said one, and possibly two, launches are coming up. Kodiak has been designated as the site of test flights for the radar - not intercept flights. Launching from Kodiak provides a very good picture of what a missile attack on the United States would look like. Kodiak is now part of the national missile defense architecture.

CO-CHAIR WILKEN asked if Ft. Greely will be closed down and brought back up again.

MR. NELSON said the Ft. Greely action is a realignment. The specific Base Realignment and Closure (BRAC) statute says that the Northern Warfare Training Center and the Cold Region Test Center (two activities based at Ft. Greely) will be realigned to Ft. Wainwright and that the Garrison will be closed. That action will be completed as scheduled on July 1. US Army Alaska (USARAK) has funding in place to keep a residual workforce on Ft. Greely for at least the next two fiscal years. That workforce will consist of 10 soldiers and 55 civilian employees this year and eight soldiers and

58 civilians next year. Ft. Greely will be in "warm base status" - the base will be maintained but no military activities will take place. The movement to Ft. Wainwright of the Northern Warfare Training Center and the Cold Region Test Center is just about complete. Overall, Alaska did not lose any military or civilian positions in the realignment but those based in Ft. Greely and Delta Junction were shifted up to Ft. Wainwright, which is what has caused a severe economic impact on Delta Junction.

MR. VAKALIS clarified that even though no military activities are being conducted at Ft. Greely, that does not preclude using the training areas.

MR. NELSON agreed and added the U.S. Army is retaining the range areas around Ft. Greely under the plans for civilian reuse. The Army identified approximately 1700 acres that could be transferred for civilian reuse if someone wanted to reuse the facilities and they were declared surplus. The 1700 acres included the old Ft. Greely contonement area but it did not include Allen Army Airfield, which USARAK is retaining as well.

CO-CHAIR WILKEN informed participants that the Senate passed the adjutant general legislation [HB 72] today.

MR. NELSON said Alaska should be proud of what the Alaska Legislature and Administration have done to get the state ready to support this activity. HB 72 sends a clear message to Washington, D.C. that Alaska is very serious about having a national missile defense system here. The national missile defense system is designed to be run by a unit of the Alaska Army National Guard.

MR. LESTENKOF asked Mr. Nelson if he is knowledgeable about the proposed fiber optic run to Shemya.

MR. NELSON said he is learning more about it. He stated,

When we first started talking fiber optics, Boeing had indicated its desire to try to tie into an international organization called FLAG - FLAG stood for Fiber Links Around the Globe. But this is an international company whose goal was to link countries and they were looking to come across the Pacific and Boeing had initially thought about teaming with them. Mr. Evatt told us that after lengthy negotiations with them, they did not see a commonality in purpose and so Boeing is no longer looking at FLAG to provide the fiber optic links. There will be fiber optics involved and this gives us an opportunity to work with them and see what we can do. I need to be

talking to their folks next week to really get an idea on where they want to bring fiber links ashore and see what we can do on that but we do have an emerging opportunity at this point to play a bigger role in the fiber optic part of this than we had - really up until last week.

MR. LESTENKOF suggested that a spur to the Kodiak launch facilities would be helpful.

CO-CHAIR WILKEN asked Ms. Neilsen to address the committee.

MS. NEILSEN, Director of Governmental and Legislative Affairs for U.S. Army Pacific at Fort Shafter, Hawaii, offered the following analysis of what will be happening with BRAC. BRAC is one of 17 areas that Secretary Rumsfeld is studying in conjunction with the Quadrennial Defense Review. Future BRAC rounds are anticipated, however the federal government is not expected to put BRAC within the legislation this year. That is more likely to occur next year, after Secretary Rumsfeld's recommendations come forward. The way closures occur in the future is under study, particularly whether a commission will be appointed as in the past or whether the actual selection of closure sites will be handled differently. One area now being advocated is to look at joint usage of military facilities and that would be favored in Alaska since many of the Army-Air Force installations are run jointly. Also, Secretary Rumsfeld is looking at whether to have one or two BRAC rounds.

TAPE 01-3, SIDE B

MR. VAKALIS suggested that the JASC plan one meeting to focus on strategizing future activities to prepare for the next BRAC rounds. Once people begin anticipating BRAC, they will begin to protect their bases and he does not want to see Alaska "behind the eight ball."

CO-CHAIR WILKEN said he would discuss that with Co-Chair Mulder.

MR. NELSON agreed and pointed out that he and Colonel Vakalis selected a BRAC team in 1995. That team was very effective but a lot of luck was involved because Alaska was late in getting to the table. He suggested being proactive and arranging to meet this summer. He stated that the biggest lesson Alaska learned from the last BRAC round was that the single service analysis of each of their bases did not fully take into account some of the advantages that, particularly, the Elmendorf-Ft. Richardson complex offers, being co-located on the same military reservation. The analytical tools being used could not measure those kinds of synergies. Alaska needs to work, at the beginning of the process, to make sure

that joint considerations are included in the analysis.

There being no further business to come before the committee, CO-CHAIR WILKEN thanked all members and participants for attending and adjourned the meeting.