

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, INTERNATIONAL
TRADE AND TOURISM
February 17, 2011
10:21 a.m.

MEMBERS PRESENT

Representative Bob Herron, Chair
Representative Kurt Olson, Vice Chair
Representative Neal Foster
Representative Wes Keller
Representative Cathy Engstrom Munoz
Representative Steve Thompson
Representative Berta Gardner
Representative Chris Tuck

MEMBERS ABSENT

Representative Peggy Wilson

COMMITTEE CALENDAR

HOUSE BILL NO. 120

"An Act creating a new markets tax credit assistance guarantee and loan program within the Alaska Industrial Development and Export Authority; and providing for an effective date."

- MOVED HB 120 OUT OF COMMITTEE

HOUSE BILL NO. 67

"An Act relating to transferable film production tax credits; and providing for an effective date by amending the effective dates of secs. 3 and 4, ch. 63, SLA 2008."

- MOVED CSHB 67(EDT) OUT OF COMMITTEE

OVERVIEW: COMMITTEE CALENDAR PROGRAM

- HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 120

SHORT TITLE: AIDEA: NEW MARKETS TAX CREDIT PROGRAM

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/24/11 (H) READ THE FIRST TIME - REFERRALS
01/24/11 (H) EDT, FIN
02/08/11 (H) EDT AT 10:15 AM BARNES 124
02/08/11 (H) Heard & Held
02/08/11 (H) MINUTE(EDT)
02/17/11 (H) EDT AT 10:15 AM BARNES 124

BILL: HB 67

SHORT TITLE: FILM PRODUCTION TAX CREDIT

SPONSOR(s): TUCK, HERRON

01/18/11 (H) PREFILE RELEASED 1/7/11
01/18/11 (H) READ THE FIRST TIME - REFERRALS
01/18/11 (H) L&C, FIN
01/26/11 (H) EDT REFERRAL ADDED BEFORE L&C
02/10/11 (H) EDT AT 10:15 AM BARNES 124
02/10/11 (H) Heard & Held
02/10/11 (H) MINUTE(EDT)
02/15/11 (H) EDT AT 10:15 AM BARNES 124
02/15/11 (H) Heard & Held
02/15/11 (H) MINUTE(EDT)
02/17/11 (H) EDT AT 10:15 AM BARNES 124
02/15/11 (H) Heard & Held
02/15/11 (H) MINUTE(EDT)
02/17/11 (H) EDT AT 10:15 AM BARNES 124

WITNESS REGISTER

MARK DAVIS, Economic Development Officer
Alaska Industrial Development & Export Authority (AIDEA)
Department of Commerce, Community & Economic Development (DCCED)
Anchorage, Alaska

POSITION STATEMENT: Provided an overview of HB 120.

ANDREW OKPEAHA MACLEAN, Writer and Director
New York, New York

POSITION STATEMENT: Testified in support of HB 67.

CARA MARCOUS, Producer
New York, New York

POSITION STATEMENT: Testified in support of HB 67.

DEBORAH SCHILDT, Co-Founder and Program Administer
Alaska Crew Training, Inc. (ACT I)
Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation titled, "Training Alaska's Workforce for Film Production," and testified in support of HB 67.

ROBIN KORNFELD, Vice-President
Communications & Marketing
NANA Development Corporation
Northwest Arctic Native Association (NANA) Regional Corporation
Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation titled, "Private Sector Investment in the Alaska Film Industry," and testified in support of HB 67.

JOHN RENSE, Senior Operations Manager
NANA Development Corporation
Northern Arctic Native Association (NANA) Regional Corporation
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 67.

BOB CROCKETT, President
Alaska Film Group (AFG)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 67.

JOHANNA BALES, Deputy Director
Tax Division
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 67.

WANETTA AYERS, Director
Division of Economic Development
Department of Commerce, Community & Economic Development (DCCED)
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 67.

K'DEE MILLER, Owner
Patina Pictures
Los Angeles, California

POSITION STATEMENT: Testified in support of HB 67.

TOM BARRETT, President/CEO
Alyeska Pipeline Service Company (Alyeska)
Anchorage, Alaska

POSITION STATEMENT: Provided a preview of the presentation titled, "Low Flow Issues for the Trans-Alaska Pipeline System (TAPS)."

ACTION NARRATIVE

[10:21:18 AM](#)

CHAIR BOB HERRON called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at 10:21 a.m. Representatives Herron, Gardner, Thompson, Foster and Olson were present at the call to order. Representatives Keller, Munoz, and Tuck arrived as the meeting was in progress.

HB 120-AIDEA: NEW MARKETS TAX CREDIT PROGRAM

[10:22:02 AM](#)

CHAIR HERRON announced that the first order of business would be HOUSE BILL NO. 120, "An Act creating a new markets tax credit assistance guarantee and loan program within the Alaska Industrial Development and Export Authority; and providing for an effective date."

[10:22:15 AM](#)

MARK DAVIS, Economic Development Officer, Alaska Industrial Development & Export Authority (AIDEA), Department of Commerce, Community & Economic Development (DCCED), informed the committee HB 120 would enable AIDEA to work with a federal tax program called the New Markets Tax Credit Assistance (NMTC) program. House Bill 120 is a companion bill to HB 119, and both bills provide AIDEA with new tools for economic development. He explained that the NMTC program will allow AIDEA to cooperate with qualified equity investors who, working with a community development entity such as Alaska Growth Capital (AGC), put money in projects and receive a tax credit up to 39 percent on their federal taxes. However, Mr. Davis warned that a problem with the program is that banks on the lending side are required to take interest-only payments for seven years and cannot place a lien, thus banks have been unwilling to make these loans. In search of a solution, AIDEA consulted with other states, NMTC funds, AGC, and its legal counsel. With their suggestions, HB 120 was drafted to allow AIDEA to offer a guarantee to the bank, thereby encouraging the availability of private capital for projects in targeted low-income communities, which is the purpose of the NMTC program.

CHAIR HERRON directed that additional written testimony be made part of the record. [The additional written testimony was submitted to the library with other documents for the permanent record.]

[10:24:48 AM](#)

CHAIR HERRON closed public testimony.

[10:25:06 AM](#)

REPRESENTATIVE OLSON moved to report HB 120 out of committee with individual recommendations and the accompanying fiscal note. There being no objection, HB 120 was reported out of the House Special Committee on Economic Development, International Trade and Tourism.

[10:25:42 AM](#)

HB 67-FILM PRODUCTION TAX CREDIT

[10:26:41 AM](#)

CHAIR HERRON announced the next order of business would be HOUSE BILL NO. 67, "An Act relating to transferable film production tax credits; and providing for an effective date by amending the effective dates of secs. 3 and 4, ch. 63, SLA 2008."

[10:26:47 AM](#)

ANDREW OKPEAHA MACLEAN, writer and director of the movie *On the Ice*, expressed his support of HB 67, which will extend tax credits for the film industry. He said his film was shot entirely in Barrow with the support of the Alaska Film Office (AFO), Division of Economic Development, Department of Commerce, Community & Economic Development (DCCED), and the tax credits offered by the state were instrumental to the making of the film.

[10:27:45 AM](#)

CARA MARCOUS, producer of the movie *On the Ice*, said the tax credit incentive was crucial in finding their first cash investor, because the investor knew that one-half of his investment "would be coming back to him at a certain point for sure." After the initial investment was found, other investors

became comfortable, and completed the budget for the film. Ms. Marcous observed that the impetus for the commitment from the first investor was the incentive, and that was the catalyst for the project.

[10:28:37 AM](#)

MR. MACLEAN added that he was born and raised in Barrow and Fairbanks, and the film was shot entirely in Alaska, using almost all Alaskan actors. Much of the crew was from Barrow, and some were flown in from Anchorage. The film was premiered at the Sundance Film Festival and he and Ms. Marcous are in Berlin to show the film at the Berlin International Film Festival. In response to Chair Herron, Mr. MacLean said the movie has been seen by several thousand people at both the Sundance and Berlin events.

MS. MARCOUS noted that the audiences "have no awareness of Alaska and the diversity within the state, so it's really fascinating for them."

[10:30:31 AM](#)

CHAIR HERRON presented two clips from the movie. After the presentation, he asked for the most interesting comments from the Berlin audience.

[10:33:00 AM](#)

MR. MACLEAN relayed that people are curious about growing up in a small town in rural Alaska, and about the environment of the state. The film provides an opportunity for others to see what life is like; in fact, two of the Barrow actors are in Berlin speaking about their experiences.

MS. MARCOUS offered that audiences are also curious about language and communication.

REPRESENTATIVE FOSTER asked for the location of the film.

[10:34:37 AM](#)

MR. MACLEAN said the film was shot on the Arctic Ocean and in and around Barrow.

REPRESENTATIVE TUCK asked whether the language spoken by the grandmother in the film was scripted.

MR. MACLEAN said the scenes played by Rosabelle Rexford were improvised around the theme of language between generations.

[10:36:01 AM](#)

REPRESENTATIVE FOSTER moved to adopt Amendment 2, labeled 27-LS0356\A.2, Bullock, 2/14/11, which read:

Page 2, following line 5:

Insert a new bill section to read:

"* **Sec. 4.** AS 44.33.235(c) is amended to read:

(c) In determining the amount of the tax credit, the percentage provided by (b) of this section shall be increased by the film office based on the following criteria:

- (1) an additional 10 percent of qualified expenditures that are wages paid to Alaska residents;
- (2) an additional **four** [TWO] percent of qualified expenditures made in a rural area; and
- (3) an additional two percent of qualified expenditures made in the state between October 1 and March 30."

Renumber the following bill sections accordingly.

[10:36:57 AM](#)

REPRESENTATIVE TUCK objected for discussion purposes.

REPRESENTATIVE FOSTER explained that Amendment 2 increases tax credits for filming in rural areas from 2 percent to 4 percent in order to encourage filming in remote and rural Alaska, even though there are high fuel costs and logistical issues.

[10:37:49 AM](#)

REPRESENTATIVE TUCK agreed that filming in rural areas has the challenge of additional expense, but it is important to share Alaska's culture with the rest of the world. He expressed his concern about the public's perception that increasing the total tax credit from 44 percent to 46 percent "sounds like a big number." He removed his objection. There being no further objection, it was so ordered.

[10:39:29 AM](#)

REPRESENTATIVE OLSON moved to adopt Amendment 3, labeled 27-LS0356\A.3, Bullock, 2/14/11, which read:

Page 3, following line 9:

Insert a new bill section to read:

"* **Sec. 5.** AS 44.33.239(7) is amended to read:

(7) "rural area" means a community with a population of 1,500 or less or a community with a population of 6,500 [5,500] or less that is not connected by road or rail to Anchorage or Fairbanks."

Renumber the following bill sections accordingly.

[10:39:43 AM](#)

CHAIR HERRON indicated there being no objection, it was so ordered.

[10:40:19 AM](#)

DEBORAH SCHILDT, Co-Founder and Program Administer, Alaska Crew Training, Inc. (ACT I), provided a PowerPoint presentation titled, "Training Alaska's Workforce for Film Production". She informed the committee that her training program would not exist except for the success of Alaska's film incentive legislation. Ms. Schildt gave her background in the film industry and said she is now based in Alaska, and was one of two casting directors on the feature film *Everybody Loves Whales*. A few years ago she helped form the Alaska Film Group, Alaska's film and video trade association, which saw a need for training a larger workforce, and in 2009, co-founded Alaska Crew Training, Inc. (ACT I). She displayed a slide titled, "The Film & TV Production Dynamic," and described Alaska-based reality programming that has been broadcast since 2005. Film- and TV-induced tourism is a measurable fact, as noted by the increased visits to sites sensationalized by movies or TV. In fact, last month Discovery's latest reality series about Alaska garnered 2.6 million viewers. Ms. Schildt stated that no other state has more cable TV shows per capita, and said, "We've entered our next gold rush, and this one isn't taking any resources out of the ground." However, to support the TV and film industry Alaska still needs a film office with a website that works for producers, a sound stage, and a larger, trained workforce. The workforce needs a basic understanding of how film productions work and on-the-job training, in order to earn the generous salaries paid to background extras and others. Alaska Crew Training has focused its courses on feature films because they

hire the most crew. For example, incomes for those working on *Everybody Loves Whales* varied from minimum wage to \$2,000 per day, and most skills needed are not found in a typical university curriculum. Her company based its program on successful training programs that could grow with Alaska's workforce needs, but did not offer classes until there was an opportunity for placement, thus it launched "Production 101 Bootcamp" in 2010.

[10:45:06 AM](#)

MS. SCHILDT indicated that ACT I has offered six courses, and almost 100 students have completed the program. In 2011, her company hopes to offer online Level 1 and Level 2 classes to communities beyond Anchorage. Besides training a successful workforce, ACT I has trained others such as those working in the visitor industry and at Native corporations. Several examples of the successes of some of her students were given, and she pointed out that ACT I focuses on training markets for both rural and urban areas; in fact, 2,471 residents from 50 towns and villages were employed as extras for *Everybody Loves Whales*. Another benefit from the tax credit incentive may be to bring back to Alaska those who have migrated out of the state for jobs and training in the film industry. Ms. Schildt further described the courses available from ACT I, from entry level to above, with the hope to expand a seasoned and experienced workforce that can support two large feature films simultaneously. Alaska Crew Training has been recognized by the AFO as a training resource and she encouraged anyone with an interest to contact her office.

[10:49:04 AM](#)

ROBIN KORNFELD, Vice-President, Communications & Marketing, NANA Development Corporation, Northwest Arctic Native Association (NANA) Regional Corporation, stated that NANA Development Corporation (NANA Development) is the business arm of NANA Regional Corporation, which is owned by 12,500 Inupiaq people originating in Northwest Alaska. She stated NANA supports HB 67 because this legislation will create a new renewable resource industry for Alaska. Ms. Kornfield noted that NANA Development's board of director's extensive study of the film industry supports its investment in infrastructure for the industry; therefore, NANA Development supports the expansion of the tax credit incentive that will lead to private sector jobs and the expansion of the economy. The investment by NANA Development in the film industry is compatible with its focus on

Alaska, and the creation of training opportunities and jobs for its shareholders, and with its expertise in the development of new industries. In partnership with Evergreen Films (Evergreen), NANA has formed a new company called Piksik which will provide one-stop shopping for companies that are making movies in Alaska by providing catering, security, transportation, logistics, construction, and lodging; all these are fields that are necessary to the film industry, and with which NANA has success. During the making of a three-dimensional (3-D) movie called *Walking With Dinosaurs*, WHPacific, one of NANA Development's engineering companies, invested in Light Detection And Ranging (LIDAR) technology used in the film. The system surveys the background for movie animation, and is now being marketed by WHPacific.

[10:54:02 AM](#)

MS. KORNFELD displayed a slide titled, "Industry Overview" and relayed that NANA's extensive research has found that the domestic consumer film expenditures have grown, even during recession years, and international markets are expected to outpace domestic growth. For example, in Vancouver, British Columbia, movie production values have grown from \$400 million to \$1.2 billion, and more than 20,000 jobs have been created. Because of their belief in the future of Alaska's film industry, NANA, Evergreen, and other private sector partners, are investigating the possibility of developing a soundstage in Anchorage, which would include production offices and a "green screen." She opined the construction of a soundstage, combined with the extension of the tax credits, will encourage more producers to film in Alaska, and ensure continued growth in the industry. She displayed a slide titled, "Film Timeline" which indicated it took five years to produce *Walking With Dinosaurs* from development through release, and pointed out that the extension of the tax incentive program to 36 months is warranted. Also, the increase in the dollar limit on tax credits will allow the industry to grow with the infrastructure and provide private industry jobs. Ms. Kornfield observed that NANA's mission is to improve the quality of life for its people through investment in companies with potential for growth, and by providing opportunities for training and jobs for its shareholders. The tax credit program has provided the foundation for the growth of the film industry, and the future success of the industry is dependent upon producers choosing Alaska, over other states and countries, for film production. She concluded by noting that the contribution to Alaska's economy from the production of *Everybody Loves Whales* totaled

over \$4 million for wages to residents, and over \$7.5 million for goods and services, and she restated NANA's support for the legislation.

REPRESENTATIVE GARDNER asked whether the legislature will be asked for funding for the construction of the soundstage.

[10:59:48 AM](#)

MS. KORNFELD answered that NANA and its partners are planning on building the soundstage.

[10:59:59 AM](#)

JOHN RENSE, Senior Operations Manager, NANA Development Corporation, Northern Arctic Native Association (NANA) Regional Corporation, added that certainty about the duration of the period of time was critical "to start to put some of these investments in place." In further response to Representative Gardner, he said the 10-year extension is important, financially, to investments with a high risk.

[11:00:45 AM](#)

BOB CROCKETT, President, Alaska Film Group (AFG), stated that HB 67 is important to the economic future of the film industry and the state. The Alaska Film Group is a non-profit trade association, with a diverse statewide membership, that began in 1992. His organization provides a voice for the film and video industry of Alaska, conducts educational forums, promotes Alaska as a film and video destination, and creates economic opportunities for its membership and all Alaskans. Since the inception of the tax incentive, AFG has increased its membership by 40 percent. Mr. Crockett observed that the film industry brings the following to Alaska's economy: employment of the local workforce; local purchases of materials and supplies; room rentals; increased business for caterers, restaurants, hotels, and retail venues; increased transportation services and shipping; increased tourism; increased local tax revenues. He opined Alaskans' goals for the state are progress, productivity, and putting Alaskans to work, along with continued progress in attracting productions to Alaska, crew training, job growth, education, and growth of infrastructure for the film industry. Film and video production is a high-wage industry that employs a large workforce of skilled and high-paying jobs; in fact, benefits for skilled workers can include health care and pensions. He relayed that film industry salaries in 2008

averaged \$76,000, which were 72 percent higher than the national average, and businesses "behind the scenes" include air service, catering, hotel, retail, transportation and shipping, maintenance, rental, security, and tourism. Mr. Crockett provided the financial impact that the filming of a TV series can have on a community, in addition to the impact of increased film-induced tourism. Film-induced tourism can be part of a holiday, a primary travel motivator, or a nostalgic pilgrimage, and he quoted supporting articles from Alaska publications. He restated the monetary value to Alaska of *Everybody Loves Whales*, and advised that independent films are becoming more popular, along with digital video disc (DVD) viewing. An increase in the interest in movies of all types worldwide creates more opportunities for Alaska to be noticed by the film industry.

[11:08:28 AM](#)

MR. CROCKETT listed the gross receipts for recent movies, and advised the top five were rated Parental Guidance (PG) or Parental Guidance for Under 13 years of age (PG-13). He noted that 607 films were released in the U.S. in 2006 at an average cost of \$100.3 million. Implementation of the tax credit incentive encouraged producers to bring productions to Alaska beyond its two largest competitors, Vancouver, British Columbia, and Manitoba. Louisiana and New Mexico have enacted successful film incentive legislation and both states have experienced an annual compound employment growth of 23 percent per year; in fact, film production in Louisiana is third in the U.S. behind California and New York. In 2009, the average cost of filming a high-end, union-scale, studio film was \$225,000 per day. Furthermore, addressing the previous trend of shooting films about Alaska in other states can be changed by making a favorable business climate here with the extension of the current tax credit incentive program. Currently, Alaska has filming locations, midnight sun, year-around access to snow and ice, good communications and transportation, a well developed leisure industry, a hospitable business social and environment, and an economic incentive, but needs skilled professional crew, filming facilities, soundstages and studios, crew training, support services, and a long-term assurance of tax credits. Mr. Crockett cautioned that the future is bright, but will not continue beyond 2013 without action.

[11:13:54 AM](#)

MR. CROCKETT observed that the state has learned how to attract a multi-million dollar global industry to Alaska and opined

extension of the tax credit incentive for another 10 years will provide producers with the confidence to plan ahead, allow the construction of infrastructure, and support the training and education of crews. The proposed legislation will continue the successful economic diversification that was begun in 2008, and he concluded that Alaska is poised to create jobs, stimulate business, create new businesses, build service infrastructure, build the economy, increase tourism, and increase its self-sufficiency.

[11:15:50 AM](#)

REPRESENTATIVE THOMPSON recalled a state had to abandon its program that allowed the sale of tax credits due to a scandal. He asked how Alaska could avoid this problem.

[11:17:48 AM](#)

JOHANNA BALES, Deputy Director, Tax Division, Department of Revenue (DOR), explained that a scandal in Iowa was a case of collusion on the part of a producer and the head of the state's film office to commit tax fraud. In Alaska, there are controls in place that protect the confidentiality of the corporate income tax payers that buy the credits, although all of the information about the production, the amount of the credits, and the film is available through the film office. She advised that the amount of the credit does not change when it is transferred, and the tax division "keep[s] very close track of those."

[11:19:10 AM](#)

REPRESENTATIVE THOMPSON appreciated the information.

[11:19:20 AM](#)

WANETTA AYERS, Director, Division of Economic Development, Department of Commerce, Community & Economic Development (DCCED), regarding Representative Thompson's question, added that there is a review committee process looking at applications before they are advanced to DOR. Furthermore, her division will implement a pre-qualification process to establish an added level of scrutiny, although there have not been any concerns about the process to date.

[11:19:57 AM](#)

REPRESENTATIVE THOMPSON questioned whether the legislation allows sufficient time for the production of a film.

MS. AYERS responded that the length of time is regarding the marketability of the tax certificate once it has been issued, and broadens the window for the buyer and seller to find each other and transact their exchange.

[11:21:00 AM](#)

MS. BALES clarified that Representative Thompson was referring to the 24-month period that is being expanded to 36 months by the proposed legislation. There is no change in the three-year time period allowed for the sale of tax credit certificates.

MS. AYERS addressed the additional length of time - from 24 months to 36 months - for the pre-qualification period, and said that this time is needed to keep track of productions that are not going to utilize the credits for which they have pre-qualified, so that the credits are available to other productions.

[11:22:03 AM](#)

REPRESENTATIVE TUCK referred to the slide titled, "Film Timeline," and further explained that the tax credits apply when production starts. He opined that lengthening the amount of time to 36 months will provide "adequacy," because productions that utilize 3-D and graphic technologies take longer than 24 months. As a matter of fact, the production of *Ghost Vision* was a seven-year process.

[11:23:18 AM](#)

K'DEE MILLER, Owner, Patina Pictures, stated she was a film producer and owner of a Los Angeles-based film production company, Patina Pictures. She grew up in Alaska and moved to New York to pursue a career in film, which has included the production of films screened at the Sundance Film Festival, the American Film Institute (AFI), and a current feature project. Ms. Miller opined the Alaska tax incentive program has created an opportunity for her to return to Alaska and continue to work within the film industry. She expressed her support of extending the tax credits in order to build the infrastructure necessary to meet the industry's needs. Regarding the workforce needed, she described her efforts with Alaskan policymakers, educators, state agencies, unions, and the private sector to

encourage workforce development; in fact, all of the parties agree that this is the time to ensure that the film industry puts Alaskans to work. Ms. Miller stated that training programs available in other states are joint partnerships between government, industry, and community colleges. She concluded by restating her support for HB 67 and offered to "help create this necessary workforce development component so that our state can more fully realize the benefits of the investments that they've already made."

[11:26:15 AM](#)

CHAIR HERRON closed public testimony.

[11:26:29 AM](#)

REPRESENTATIVE TUCK moved to report HB 67, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 67(EDT) was reported from the House Special Committee on Economic Development, International Trade and Tourism.

[11:27:10 AM](#)

Overview: Committee Calendar Program

[11:28:12 AM](#)

CHAIR HERRON announced that the final order of business would be a preview of "Low Flow Issues for the Trans-Alaska Pipeline," by Tom Barrett, President/CEO, Alyeska Pipeline Service Company.

[11:29:22 AM](#)

TOM BARRETT, President/CEO, Alyeska Pipeline Service Company (Alyeska), recalled the Trans-Alaska Pipeline System (TAPS) was shut down on 1/8/11 due to a pipe leaking into containment at Pump Station 1. First, he noted that the builders of the pipeline were innovative, determined, and tough, and he assured the committee that level of determination is still part of the pipeline today. During the shutdown, there were almost 600 people working day and night under very challenging circumstances to restore service; for example, engineers were welding on the bypass line repair, with hydrocarbons flowing, in extremely low temperatures. There was also cooperation and help from contractors, refineries, shippers, and employees across the

state, and Mr. Barrett stressed that the success of the repairs was due to extraordinary effort by extraordinary people. Secondly, he stated that this event was a wake-up call for the state because most of the challenges to TAPS are related to the declining flow of oil - now at about 630,000 barrels per day (bbls/d), down from the original flow of 700,000 bbls/d, and the highest flow of 2.1 million bbls/d. The operational challenges of running a pipeline with this low flow are increasing; in fact, a winter shut-down at this level of flow was "in new territory." Mr. Barrett expressed his concern over the risks of low flow that must be faced now, and the fact that there is urgency to arresting or reversing the downturn. As the first Alyeska CEO who did not come from the industry, his interest is in operating the pipeline safely and restoring service safely, and that requires a flawless operation. Every effort was made to restore service without serious injury to an employee or to the environment, but Alaskans need to understand that flow in the pipeline is related to the continued safe operation of TAPS. Lastly, he described his experience when faced with an emergency during his service as a Coast Guard Commander, and noted that during the shutdown, pipeline operations applied similar procedures and "went on parallel paths with multiple solution sets" As a matter of fact, work that would normally take months was done in less than two weeks. As a former regulator, he observed that restarting a pipeline with a known integrity breach "runs against your DNA ... [but] was the right answer here." Considering the several years that it takes to bring oil online, Mr. Barrett urged members to see the urgency and "do whatever it takes." As the pipeline operator, he warned that even with flawless operation of the pipeline, an incident could arise and cause a long shutdown. He offered to provide any information needed to help find a solution.

[11:39:26 AM](#)

CHAIR HERRON appreciated the opportunity to hear Mr. Barrett's remarks and to meet the employees that facilitated the repairs. He asked Mr. Barrett whether he anticipated the rigors of his position.

[11:40:25 AM](#)

MR. BARRETT acknowledged that he did not anticipate a leak at Pump Station 1 during his first week on the job. However, from his first day, he was visiting the pipeline stations, communicating with staff, and felt enormous confidence in the

capability of Alyeska employees. In fact, Alyeska employees work for the benefit of all Alaskans.

CHAIR HERRON thanked Mr. Barrett for his service.

[11:42:27 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Economic Development, International Trade and Tourism meeting was adjourned at 11:42 a.m.