

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, INTERNATIONAL
TRADE AND TOURISM

January 31, 2012
10:24 a.m.

MEMBERS PRESENT

Representative Bob Herron, Chair
Representative Neal Foster
Representative Wes Keller
Representative Steve Thompson
Representative Berta Gardner
Representative Chris Tuck

MEMBERS ABSENT

Representative Kurt Olson, Vice Chair
Representative Reggie Joule
Representative Cathy Engstrom Munoz

COMMITTEE CALENDAR

PRESENTATION: CANADA-ALASKA RELATIONS UPDATE BY CANADA'S COUSUL
GENERAL DENIS STEVENS AND COUSUL PETER TAYLOR

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

DENIS STEVENS, Consul General
Consulate General of Canada in Seattle
Government of Canada
Seattle, Washington

POSITION STATEMENT: Provided a PowerPoint presentation
entitled, "Relations With Canada A Time of Opportunity," dated
1/31/12.

PETER TAYLOR, Consul
Consulate of Canada in Anchorage
Government of Canada
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the PowerPoint presentation entitled, "Relations With Canada A Time of Opportunity," dated 1/31/12.

ACTION NARRATIVE

[10:24:55 AM](#)

CHAIR BOB HERRON called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at 10:24 a.m. Representatives Herron, Thompson, Foster, and Tuck were present at the call to order. Representatives Gardner and Keller arrived as the meeting was in progress.

PRESENTATION: CANADA-ALASKA RELATIONS UPDATE BY CANADA'S COUSUL GENERAL DENIS STEVENS AND COUSUL PETER TAYLOR

[10:25:43 AM](#)

CHAIR HERRON announced that the only order of business would be a presentation by Canada's Consul General Denis Stevens and Consul Peter Taylor.

[10:25:58 AM](#)

DENIS STEVENS, Consul General, Consulate General of Canada in Seattle, informed the committee the Consulate General of Canada based in Seattle covers issues between Canada and the States of Alaska, Oregon, Idaho, and Washington. He spoke of the strong, long-standing economic links between Alaska and Canada, stating that Canada is the United States' closest ally and economic partner and - because Alaska is the Arctic state - Alaska and Canada have many common concerns. He presented slide 3 of a PowerPoint presentation entitled, "Relations With Canada A Time of Opportunity," and said Canada now has a majority government under Prime Minister Stephen Harper. Among the priorities of the new government are economic issues that are also of interest to Alaskans. Economically, Canada is doing O.K., in fact, Canada is predicted to be an economic world leader for the next two years. Of the G7 [international finance group] countries, Canada has the lowest overall tax rate on new businesses and its net debt to gross domestic product (GDP) ratio is the lowest. In addition, Canadian banks are considered the soundest in the world and its unemployment rate is below that of the U.S. However, Canada must guard against complacency because it is economically tied to the U.S. and Europe. In order to secure prosperity and to position Canada for growth, the prime minister

announced the following transformations: a return to balanced budgets and sustainability for social programs; health care; retirement systems; investments in science and technology for a competitive economy; immigration reform to supply the economy and labor force; free trade agreements with the European Union (EU) and India, and joining the Trans-Pacific Partnership; energy sales to Asia; and the implementation of the joint Beyond the Border Action Plan (BTB) initiative with the U.S.

[10:32:45 AM](#)

MR. STEVENS displayed slide 5 that indicated elements of the "Canada-US economic relationship: working together." He said Canada and the U.S. are essential economic partners and eight million U.S. jobs depend on trade with Canada. The U.S. and Canada have also been long-time security allies during worldwide conflicts; closer to home, four hundred thousand people cross the Canada-U.S. border daily. He recalled Canada and Alaska have partnered in border management since the Klondike Gold Rush. Although Alaska crossings are not the busiest, the crossings at Skagway and on the Alaska Highway are vital to the economies of Alaska and Yukon Territory. Furthermore, Alaska's investments in the Port of Skagway will facilitate Yukon's exports of mineral ores.

[10:36:42 AM](#)

CHAIR HERRON asked for suggestions to improve the "bottleneck" at the border crossing north of Skagway.

MR. STEVENS understood the BTB initiative establishes a method to assess ideas and opportunities posed by the regions affected. He has heard federal officials from both countries are to welcome new ideas from anyone regarding border efficiencies.

CHAIR HERRON further inquired how to formulate a strategy that will educate the U. S. Department of Homeland Security about the economic value of efficient crossings at Skagway.

[10:39:36 AM](#)

PETER TAYLOR, Consul, Consulate of Canada in Anchorage, asked whether Chair Herron was speaking of delays only on goods going into the U.S., or going both ways.

CHAIR HERRON surmised from speaking to officials at Whitehorse, Yukon Territory, and Skagway, that the U.S. attitude toward

economic development between the two jurisdictions - and to tourists crossing the borders - results in a system that seems inefficient.

[10:41:08 AM](#)

MR. STEVENS advised the practical purpose of the BTB initiative is to make it easier for legitimate travelers and traders to cross the border, without weakening national security. The initiative was led by the federal governments in Ottawa and Washington, D.C., and he encouraged the committee to contact federal authorities with ideas consistent with the initiative that will strengthen trade and security, not one or the other. Mr. Stevens pointed out that the Pacific NorthWest Economic Region (PNWER) is engaged in this initiative and is gathering ideas for solving problems; in fact, the Canadian government will be listening closely to PNWER's recommendations. He stressed that the overall approach in the perimeter security action plan within the BTB initiative is to identify threats earlier and offshore if possible, by the screening of shipments at the perimeter, not the border. This would eliminate one screening for cargo that arrives in port and then proceeds to a land border. Also, there will be less focus on known shippers and trusted, frequent, travelers and traders through their membership in NEXUS and FAST [programs that allow pre-approved travelers to cross quickly]. The action plan also calls for investment in physical infrastructure and technology at the border. He advised the initiative further addresses security elements such as developing joint intelligence assessments, sharing information between law enforcement and national security agencies, enabling Canada and the U.S. to align their regulatory approaches, cooperating on best practices, sharing research and efforts to counter violent extremism, expanding the Shiprider program, enhancing critical cyber-infrastructure, and better preparing for disasters and emergencies. The second initiative, the Regulatory Cooperation Council (RCC) addresses differences in regulations such as labeling and duplication. The RCC focuses attention to four key sectors of the Canada and U.S. shared economy: agriculture and food, transportation, health and personal care products, and chemical management and the environment.

REPRESENTATIVE THOMPSON asked whether any progress has been made on employment and the exchange of workforce between Canada and the U.S.

[10:50:29 AM](#)

MR. STEVENS acknowledged the BTB initiative does not address labor mobility. He pointed out that PNWER is developing a promising pilot program on this major issue.

MR. TAYLOR added that there is a great demand in Alberta for American workers and professionals, but immigration authorities in Canada take a certain amount of time. The PNWER proposed model creates a pool of prequalified, skilled workers from the Pacific Northwest who would be eligible to work in Canada. However, a problem exists with self-regulated professions - particularly engineers - being qualified to travel and work in either country. This problem must be resolved by U.S. and Canadian professional certification boards.

[10:53:58 AM](#)

CHAIR HERRON recalled PNWER believes the best pilot program will come from the close relationship between British Columbia and Washington State.

[10:55:03 AM](#)

MR. STEVENS agreed the British Columbia-Washington State relationship is special. He presented slide 9 that listed the effects of the BTB and RCC initiatives on Alaska, and said the effects are ambitious, practical, and have specific deliverables and timelines. Three elements that may affect Alaska are the Vancouver preclearance of cruise ship passengers bound for Alaska, the coordination of infrastructure upgrades at small and remote ports of entry, and a pilot project on inbound marine cargo at Prince Rupert. Slide 10 listed new trends in the Canada-Alaska economic relationship: There is positive two-way trade - Alaska exports to Canada are up and Canada exports to Alaska are up.

[11:00:09 AM](#)

REPRESENTATIVE TUCK referred to exports in the mining industry and asked whether exported minerals out of Alaska by a Canada company are reported as a Canada export.

MR. TAYLOR explained that those materials are an Alaska export. In fact, production from the Red Dog mine goes "way offshore" or to British Columbia for smelting. He said he did not know how the companies report to Canada and U.S. tax authorities. In further response to Representative Tuck, he said if materials

from the Red Dog mine are sold to Korea, it is considered an export to Korea and if they are sold to Canada, it is an export to Canada.

11:02:50 AM

MR. STEVENS continued to slide 11, entitled, "Canadian mining companies and Alaska," and noted that mining is the largest investment sector for Canada in Alaska; in fact, Canada provides about 70 percent of the mining investment in the state. He acknowledged that Canada is concerned about anti-mining advertising towards foreign and Canadian mining. There is a need to protect the "Canada brand" because this investment is a "win-win" in a time when Alaska and Canada need growth in the development of their valuable resources. Canada is heavily invested in mining because Canadian companies have developed expertise in this sector and the Canadian mining finance system provides favorable tax treatment, even though some Canadian companies mining in Alaska are widely-held, or owned by Americans. Slide 12 listed Canadian mining companies working in Alaska, and he pointed out 26 of 30 exploration companies that are active in Alaska, as of 2010, are Canadian. Mr. Stevens referred to a paper prepared by the consulate in Anchorage last year that outlines Canada's role as a partner in Alaska's mining sector. The paper - which will be provided to the committee - sketches the economic benefits of mining such as well-paid employment, taxes, and contracts for local businesses. He turned to the subject of corporate social responsibility (CSR) and said mining companies in Alaska are required to work with communities and secure a social license to operate thereby committing to developing resources responsibly and safely. There is also a permitting process to ensure responsible resource development and the protection of health and the environment. Canada has similar standards and the Canadian government expects companies will behave responsibly abroad. Since 2009, the Canadian government has encouraged companies to support the principles of CSR. Canadian mining companies build trust and support in communities where they operate by balancing economic, environmental, and social objectives; moreover, the major companies adhere to industry initiatives and standards for sustainable mining set forth by various organizations. He stressed confidence in the mining companies and invited suggestions in this regard. Finally, slide 14 was entitled, "Canada US Collaboration in the Arctic," and he observed that Alaska, Yukon Territory, and the Northwest Territories, are natural partners in addressing the challenges and opportunities of the North. Collaborations include: presidencies of the

Arctic Council by Canada and the U.S. beginning in 2013; existing security and environmental protection partnerships in the region; sharing of science to advance understanding of the region; ongoing coast guard partnerships; and ongoing common economic interests.

[11:11:16 AM](#)

REPRESENTATIVE FOSTER restated the importance of Canadian mining to the economics of Alaska, especially on the Seward Peninsula. He expressed his surprise that Canada is the greatest source of energy to the U.S., and asked whether Asian countries are investing in the Canadian energy sector.

MR. STEVENS anticipated that the U.S. and Canada will continue to be major energy partners. He agreed that there has been interest from Asian markets - China in particular - in Canada's resources, including its oil sands. It is not surprising that emerging countries are interested, and it is natural for Canada to diversify its opportunities.

[11:14:49 AM](#)

MR. TAYLOR added that China and Korea hold shares in oil sands developments.

CHAIR HERRON asked whether Canada had balanced budgets in the past.

MR. STEVENS recalled that prior to the economic downturn there was an 11- to 12-year period of budget surpluses. Presently there is a federal deficit. In further response, Mr. Stevens said there is no law or constitutional provision that requires a balanced federal budget.

[11:18:43 AM](#)

CHAIR HERRON asked whether there is a realistic possibility of an ore concentrate coming from the Northwest Territories through Yukon to Skagway for export.

MR. TAYLOR said that is unknown. An east-west interconnection for Yukon and the Northwest Territories would have to cover some difficult country.

[11:20:12 AM](#)

CHAIR HERRON asked for Mr. Taylor's opinion on whether the Keystone XL pipeline could take an alternative east-west route to Prince Rupert.

MR. TAYLOR said there is a small pipeline to Vancouver that is not suitable for large-scale exports. He warned that the coast guard is cautious about the installation of an oil pipeline port at Prince Rupert.

[11:22:49 AM](#)

CHAIR HERRON, returning to the theme of Canada's term as chair of the Arctic Council, inquired as to the strategy that will be taken regarding the alignment of the U.S. and Canada.

MR. STEVENS opined that officials speak of the successive presidencies as an important opportunity for North America. His government is still working on its focus for its period of leadership, but partnership with the U.S. is always absolute.

[11:26:03 AM](#)

CHAIR HERRON recalled PNWER went to Ottawa and carried an update on the Alaska Northern Waters Task Force. He asked whether the consulate general had received any response.

[11:26:50 AM](#)

MR. STEVENS said he not received a detailed analysis.

MR. TAYLOR expressed his intention to "flag" some of the recommendations on governance.

CHAIR HERRON related the task force found a lot of information about the Arctic, and Canada has a wealth of knowledge.

[11:28:24 AM](#)

REPRESENTATIVE FOSTER called for the construction of more U.S. icebreakers. He asked for the status of Canada's fleet of icebreakers.

MR. STEVENS said Canada has one large active icebreaker and is building a new one.

[11:29:27 AM](#)

MR. TAYLOR added that the Canadian Coast Guard Ship (CCGS) Louis St-Laurent is a heavy icebreaker and larger than the United States Coast Guard Cutter (USCGC) Healy, although it is old and is to be replaced. Canada does have other medium-capacity icebreakers for service in the Gulf of Saint Lawrence and the Saint Lawrence River. He concluded that Canada's fleet is in slightly better shape than that of the U.S.

[11:32:08 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 11:32 a.m.