

1975-1976

HOUSE STATE AFFAIRS COMMITTEE

LIST OF FILES (PAGE 1)

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UNIONS

HJR 32

UNIONS

SUMMARY OF LEGISLATION WHICH PASSED - 1976

## Chapter 36

CSHB 438 am

"Relating to the Leasing of State Lands."

In 1972, the State leased 20 acres of prime land to the Teamsters Union at below market prices. The Teamsters used the land to build a 6 million dollar commercial mall, and a 25 million dollar hospital. Both the mall and the hospital are profit-making ventures, with the mall housing such tenants as a mutual savings bank, travel agency, restaurant, etc. The Teamsters' lease was issued under statutes which allow for negotiated transactions to non-profit corporations organized for the promotion of social welfare. Public reaction to the Teamsters' transaction (prompted by AkPIRG disclosures), and AkPIRG lobbying efforts, brought about this bill which tightened up the loopholes in the old statute. The law provides that leases made at reduced rates to non-profit organizations cannot be for commercial purposes, and must be open to the use and enjoyment of the general public. In addition, the books of the non-profit organization are subject to audit by the State, and the results of any audit become a public record.

## Chapter 38

HB 417 am S

"Relating to Law Enforcement Intelligence Information."

The purpose of this bill is to establish standards and guidelines for all law enforcement intelligence operations. Like most states, Alaska has regulations which restrict the use of computer systems, but almost no law whatsoever on other phases of intelligence information gathering. This bill designated the Governor's Commission on the Administration of Justice with the responsibility of adopting regulations and procedures governing the gathering, storage, security, and privacy of intelligence information collected and maintained by law enforcement agencies in the State. Intelligence information is defined in the Act as:

AS 12.62.070 (7) ... information concerning the background, activities or associations of an individual or group collected or obtained by a law enforcement agency for preventative, precautionary or general investigative purposes not directly connected with the investigation of a specific crime...

State and local government law enforcement agencies are affected by the Act. The bill designates specific areas under which regulations will be adopted. These include:

- a) defining the categories of intelligence information which may be gathered;
- b) the purposes for which intelligence information may be collected;
- c) the methods and procedures which may be used in collecting intelligence information;
- d) standards for confidentiality and security of intelligence information;

- e) the controls, access to and dissemination of intelligence information;
- f) methods of updating, correcting and purging intelligence information.

The chief officer of each law enforcement agency is required to submit annual reports to the Commission, certifying compliance by the agency with the regulations. A person who violates the Act can be convicted of a misdemeanor, and the person whose rights have been violated may bring a civil action against the person responsible for the violation, for actual damages and reasonable litigation expenses.

As far as I know, this bill is the first effort by any state to provide sweeping guidelines under which law enforcement officials must operate. I think that it is an innovative approach to the complex problem of keeping the government from abusing its role in its efforts to collect information on its citizens.

#### Chapter 91

SCS CSHB 510 am S

"Relating to Sale of Land by the Alaska State Housing Authority."

Last year, AkPIRG disclosed numerous questionable land sales by the state housing authority (ASHA). This year, the legislature enacted a bill, drafted and supported by AkPIRG, to require competitive bidding on land sales, and current appraisals.

#### Chapter 134

2nd FCCS HCSSB 334

"Relating to Housing and Property Improvement Notes."

Originally a minor Senate bill which raised the amount that banks could invest in property improvement notes, the House added language which expanded tenant rights. The Senate refused to concur on the landlord-tenant amendments, and the first free conference committee was discharged. The second free conference committee then adopted language, offered by AkPIRG, which established a loan program for housing cooperatives. The Commissioner of Revenue is given the authority to invest surplus state funds in loans for tenant cooperatives, for an amount of up to 95% of the appraised value of the housing. The Commissioner of Revenue has agreed to make loans to demonstration projects next year.

#### Chapter 138

SCS CSHB 829 am S (re-engrossed)

"Relating to Mobile Home Parks and Mobile Home Dwellers."

Referred to by the press as the "Magna Carta" for mobile home dwellers, this bill modifies the State's landlord-tenant laws to take into consideration the special problems of mobile home owners. A key provision of the bill eliminates the right of mobile court operators to evict tenants without cause. Additional provisions of the Act prohibit a court operator from: charging an entrance or exit fee except for reasonable fees for services actually performed, requiring a tenant to purchase skirting or tie-down equipment or materials from the operator, requiring the tenant to make permanent improvements that become part of real

property for the park operator, charging a transfer fee when a home is sold from one tenant to another, or requiring a tenant to remove a mobile home on the basis of the sale of the home to a new tenant, as long as the new tenant agrees to the court rules and can demonstrate financial responsibility.

This "bill of rights" for Alaska mobile home owners was fought tooth and nail by the mobile home industry, yet passed relatively intact and is probably one of the best in the country. In order to gather the necessary support for the bill, AkPIRG documented numerous abuses by mobile home park operators, and organized a statewide mobile home owners association to put pressure on lawmakers to consider the bill. Another bill dealing with the mobile home industry, which would prohibit tie-in arrangements between court operators and vendors, was defeated.(explained elsewhere in detail).

Chapter 146

HCSSSB 647

"Regulating Motor Vehicle Repairs."

Following this bill's January 1, 1977 effective date, Alaskans will have new protection when bringing their cars into a repair shop. The bill provides that car owners can request price estimates on any servicing or repair work. The price estimate cannot be exceeded by the shop without the permission of the car owner. If a shop cannot complete the work for the estimated price, the car owner can demand to have the car returned in its original condition without charge. In addition to the section dealing with price estimates, the bill specifies a number of other unfair trade practices, such as misrepresenting the extent of repairs necessary or actually performed, or refusing to service vehicles under appropriate warranties. Customers may also demand to examine, or keep, any parts which are replaced in the course of repair work.

Chapter 170

HCSSB 490

"Amendments in the Corporation Statutes."

Starting out as a housekeeping bill by the Administration, AkPIRG was able to have added, as a committee amendment, a bill which required stockholder disclosure in corporation annual reports to the Department of Commerce. Those reports are public information. The bill requires disclosure of all shareholders who hold 5% or more of corporation stock, and the percentage of stock they hold. An effort to make the dollar amount of state income taxes paid reportable was unsuccessful this year.

Chapter 187

FCCS SCS CSIB 584

"Relating to the Pharmacy Act."

This bill is a compromise version of a substitution bill endorsed by AkPIRG. Substitution of generic-named equivalents for brandname drugs is legal under this bill, although mechanically it is a bit more difficult than we had wanted. A

key provision in the first version of the bill would have required price posting for the 100 most commonly prescribed drugs. The price posting provision was defeated in the Senate, although another provision in the bill requires pharmacies to provide information on drug prices to consumers. One major plus for the bill is that negative or positive formularies are not called for. The bill was opposed by local pharmacists, the state medical association, and lobbyists from national drug manufacturing companies.

#### Chapter 267

FCCS SCSHB 139

"Relating to the Rental and Leasing of State Lands."

Divided into two parts, this bill attempts to shape up the State's policies relative to the administration of its leasehold lands. Under the old law, all state land leases were reappraised every five years, unless they qualified for "waivers" of rental readjustments. The waivers were rarely given out, but those who got them were politically influential. At present, only two leaseholders have waivers, and both of these leases have been challenged by AkPIRG. One waiver was given to the Teamsters Union, for a large commercial mall and a hospital, and the other to a mobile home park developer, who has several local bankers as partners. The bill narrows the circumstances under which waivers can be granted, to prevent the abuses which have occurred in the past. Only projects for residential use may now qualify, and then under specific criteria.

The second section of the bill establishes the state Board of Education as trustees for school trust lands, and gives them the right to obtain private counsel in carrying out their duties as school land trustees. Currently, the state manages more than 100,000 acres of school trust lands, much of it prime real estate. The state officials charged with managing these lands have made deals on these lands to politically influential individuals, and the school trust fund has suffered. The bill gives an independent group of citizens the clout necessary to oversee the administration of these trust lands, and to protect the interests of the state's taxpayers and school children.

#### House Concurrent Resolution 100

"Relating to Electric and Gas Utility Regulations."

The resolution directs the Legislative Affairs Agency to conduct a study into the feasibility of lifeline rate structures for power utilities in Alaska. That study is currently underway, and in the capable hands of Mr. Greg Erickson, Director of the research division of the state Legislative Affairs Agency. Erickson is a former staff economist for Senator Henry Jackson's Interior Committee, where he worked on national energy policy.

LEGISLATION WHICH DID NOT PASS THIS YEAR  
(BUT SHOULD HAVE)

Utilities

HB 850  
RUCAG

The first draft of this bill was taken from the model act sent to me by Marty Rogol. Since that time, we have considered changing the format. One idea which we are giving serious consideration to for next year is a bill which would authorize the check-off funding mechanism, and a consumer defense fund, which would be administered by the State's Public Utilities Commission. Consumer groups would then approach the PUC and request funding for the purpose of interviewing in a rate case, or some other consumer oriented project. What I had in mind would be something similar to a group soliciting funding from the FTC in a rule-making situation. There are obvious drawbacks in such an arrangement, but we are looking at it. One of the problems of a RUCAG for Alaska is the small population base, the geography, and the fact that most of the State's utilities are either municipally owned or consumer controlled coops. The privates are ripping the State off, but the combination of all the mentioned factors makes a full-time RUCAG difficult (but not impossible) to establish. Anyway, the RUCAG bill which was introduced was blasted by the utilities, so we can assume that it is a step in the right direction, and will continue to advocate for some form of it.

HB 572  
Disclosure of Mortgage Practices (Redlining)

This bill went further than the federal act in requiring disclosures of neighborhood lending practices and, more importantly, it tied the reporting to the receipt of state funds and loan programs. The tying of the reporting requirements to the handling of public funds was fought by the financial community. It's a concept that they don't like. It is also a possible vehicle for enforcement measures against those institutions which engage in redlining practices.

The bill passed the House, but died in committee in the Senate, never receiving a hearing.

Interest of Mortgage Reserve Accounts

At least five different bills were introduced to require some amount of interest to be paid on those funds held by banks for home-buyers' taxes and insurance payments. None of the bills were ever voted on in either house.

HB 677  
Bank Anti-Trust Exemption

When the legislature passed the State's anti-trust act last year, the banking industry was able to get a special exemption. This bill removed

that exemption. It passed the House, but was never considered in the Senate.

HB 823

o State Chartered Credit Unions

Alaska is one of seven states which does not offer state charters to credit unions. This bill set up a chartering process, and gave state credit unions many of the powers of commercial banks by allowing them to offer such services as checking accounts and long-term mortgages on real estate. It passed the House by a large margin and was defeated narrowly by the Senate. The bill was opposed aggressively by the State's banking establishment, and the Administration's Commissioner of Commerce. Most observers felt that the credit union bill was the most important of all the banking reform legislation considered this year, and its defeat was a major blow to the leadership of the House, which made the bill one of its priority items this year.

Mobile Homes

HB 684

Mobile Home Tie-In Practices

Our most intensive lobbying effort was on this bill. It would have made it an unfair trade practice to tie the rental of a space in a mobile home court to the purchase of a new mobile home. This practice became common in 1975, when housing shortages began to hit the State. It has become the dominate practice in the industry, state-wide, and contributes enormously to the inflated prices that mobile homes are selling for.

We had volumes of documentation on the practice, and evidence that several smaller vending firms would go under if the practice was not stopped. The bill was introduced, due to the Attorney General's unwillingness to aggressively pursue an action under the State's anti-trust law. The opposition to the bill came from the handful of large vendors who have been able to sew up the mobile home market within the state. Their sales, in the Anchorage area alone, totaled more than \$25 million dollars last year.

The largest of the State's four dominate vendors was recently purchased by one of the regional native corporations (established under the Land Claims Act). This corporation, Bering Straits Native Corporation, had heavy losses in other investments over the last year, and the mobile home investment was questionable, even before the anti-trust question was raised. Hoping to expand their sales through their control of the space market (made possible by the tie-in practice), the corporation had ordered hundreds of mobile homes, which were selling slower than expected. If the tie-in practice was outlawed, the per unit price for mobile homes would drop around 4 or 5 thousand dollars, and Bering Straits would have to compete against other firms for sales, a fact which would undoubtedly cut into their market and put the corporation further in the red.

On behalf of the beleaguered corporation, the Alaska Federation of Natives, through Sam Kito, its president, put considerable political pressure on the Administration and the legislature to back off on both the anti-trust litigation and the proposed legislation.

In addition to the considerable influence of the AFN, Bob Penney, another of the large vendors, waged an aggressive and effective lobbying effort against the bill. Penney was aided in his lobbying efforts by the fact that influential principals in the banking community have interests in his ventures.

The bill passed the House, but was defeated in the Senate.

### Taxes

#### SB 762 and HB 876 Tax on Short-Term Real Estate Speculation

Modeled after the Vermont tax on land gains, these bills were introduced by a special interim committee on taxation (which, incidentally, employed Jon Rowe as a consultant). The initial hearings on the bill went well, including an enthusiastic endorsement of the tax by the Governor. Then the real estate industry began to take the issue seriously. The Chamber of Commerce sent out a special alert to its members, and the legislators began to get the pressure from back home. The chairman of the committee which introduced the bills panicked and withdrew the measure. There is still a good deal of support for the bill, but many legislators felt that it would be given a fairer consideration next year after the fall election.

#### HB 821 Renters' Tax Credit

A modest bill in the form introduced this year, it was put off until next year, when the State will be closer to solving its revenue problems (the State is deficit spending until oil flows through the trans-Alaska pipeline). One hopeful note for this bill is the likelihood of support from the Administration's Commissioner of Revenue, who sees a renters' tax credit as a quid pro quo for the homeowners' interest on mortgages deduction on federal tax forms.

#### HB 685 Sales Tax Reform

Unlike many states, Alaska does not exempt items such as groceries, utilities, heating fuel, rent and medical care from local sales taxes. This bill would have provided those exemptions. It ran into opposition from communities which have sales taxes. This bill will be reintroduced next year.

#### HB 605 Tax-Exempt Bonds

The bill simply removed the tax-exempt status of out-of-state municipal and state bonds. It passed the House and was not voted on by the Senate.

BILLS WHICH WERE IMPORTANT, BUT WE DIDN'T SPEND MUCH TIME ON

HB 531  
Freedom of Information

Would have overhauled the State's freedom of information laws. This bill was passed by the House, and defeated in the Senate.

*De Reg. Transport.*

HB 522  
Disclosure by Lobbyists

Like many other states, Alaska considered beefing up its laws regulating lobbying this year. A bill which provided for extensive disclosure was passed by the House, and modified substantially in the Senate. The compromise version disappointed the bill's backers. We never had the time to analyze the bill, but plan to look at many "open government" bills by next year, so we can take a stronger stand on such measures.

HJR 39  
Permanent Fund

The legislature proposed a constitutional amendment, which, if approved by voters this fall, will set up a permanent investment fund for a portion of oil revenues. The purpose of the fund is to insure fiscal responsibility, to save today's oil revenues for tomorrow's generations, and to provide investment capital within the State. The fund should grow to more than 2 billion dollars within the next ten years. The original bill would have set aside almost twice as much into the fund. The bill which passed was a compromise measure. AkPIRG is taking an active interest in the planning of that investment fund to insure that the economic benefits accrue to ordinary Alaskans, and not just those with political or economic influence.

Oil Taxes

This year the legislature failed to enact new taxes on the oil industry. Recent studies indicate that the oil industry is realizing windfall profits from Alaska oil exploration. The proposed taxes are designed to give the Alaskan taxpayer her "fair share" of the oil wealth. Opposition to the taxes came from republicans and native legislators who are looking after their oil holdings, which they received under the Native Claims Settlement Act. That alliance of republicans and natives, looking after their regional corporate interests, is expected to be the major coalition to fight not only higher oil taxes, but many other important economic reforms. Many seasoned observers look towards 1980, when the State is reapportioned, for the native legislators' influence to wane.

## AKPIRG PROJECTS

Jan. 1, 1976 - July 1, 1976

### Prescription Drugs

AkPIRG conducted a survey of prescription drug prices, comparing the prices of brand-name drugs to their generic named counterparts, and the prices of identical brand-name drugs at different pharmacies. The survey included 12 brand-name drugs and their generic equivalents, which were then priced at 15 Anchorage area pharmacies. The survey forms were filled out voluntarily by the pharmacists themselves, and showed price differences of up to 219% on brand-named versus generic-named products, and as much as 148% on the same drug, priced in different stores.

The survey was incorporated into a report, written by Carol Larsen, that interpreted the survey results, in addition to providing a general overview of consumer oriented pharmacy issues, an analysis of the substitution controversy, and a strong pitch for drug price posting and advertising. Larsen's report was then distributed statewide to the media and to state legislators. In addition to the report, Carol wrote a feature story in a daily newspaper, and participated in a special half hour television news special, which was devoted to the issues raised in Carol's report. Carol also testified before the Senate Judiciary Committee on a substitution and price posting bill, as the only individual with any knowledge of the issue. to testify in favor of the legislation. The substitution bill was successful this year, due almost entirely to Carol's report and testimony (described elsewhere in the memo on legislation).

### Matanuska Valley Land Leases

AkPIRG released a report which detailed the leasing of approximately 2,400 acres of state university trust lands, to a small group of real estate speculators. The lands were leased with weeks before and after a critical vote on a statewide initiative to move the state's capital. The lands were leased at a fraction of their value, using a 2 1/2 year old appraisal, in the area most likely to be picked as the new capital site. The two largest beneficiaries of the transactions included two key democratic party boosters, one of which was managing the southcentral democratic committee bingo game (the democratic bingo game is currently under investigation for alleged embezzlement).

The second individual was active in the southcentral democratic committee, and was an unindicted co-conspirator in a federal pornography bust. She is currently a member of a committee to raise money for Public Legal Foundation, a "public interest" law firm which takes on consumer and environmental groups on behalf of big business.

AkPIRG stopped short of charging the leaseholders with anything improper, but criticized the former Director of the Division of Lands with an abuse of discretion, and recommended a review of the Department procedures under which the transaction took place.

The report on the land transactions was distributed to the news media, and appropriate government officials. As a result of this report, and earlier

AkPIRG disclosures of questionable state land transactions, a citizens' panel will soon be appointed to review procedures and regulations of the State Division of Lands to recommend major reforms in the land disposition policies.

### Nuclear Reactor Petition

AkPIRG joined PIRG in its NCR petition regarding the proximity of nuclear reactors to population centers.

### Krazy Glue

After receiving a call from an attorney who specializes in product liability cases, AkPIRG looked into a glue product being marketed under several different names in Anchorage and Fairbanks department stores. The two most common names for the product were "Krazy Glue" and "Super Glue." The product is packaged in bright, florescent containers and could easily be mistaken for a child's toy, such as Silly Putty or Play Doh.

Developed some years ago, the product has been used by surgeons in France to glue human tissue together. The glue will bond skin together almost instantly and is dangerous if used near eyes. Consumer Reports says that there have been several cases where children have had to have skin separated surgically. AkPIRG sent out a warning on the product to the news media. We stopped short of asking the stores to remove the product from their shelves, but we criticized the manufacturer for labeling which would appeal to children. The day after the release hit the Anchorage radio stations, the product was removed from the shelves at Penneys and Sears department stores, the two largest distributors of the item.

### Anchorage Natural Gas Rate Case

The state's second largest private utility supplies natural gas 100 miles from Cook Inlet to Anchorage for distribution to the military, power generation and to residential consumers. The utility (AGAS) has never, in its fifteen-year history, undergone a rate investigation by the Public Utilities Commission until this last year. AkPIRG intervened in the pending rate case, which underwent hearings the last two weeks in June. Just the fact that the rate case took place at all was a major event. AGAS had been making excessive profits for years off its operations (by their own figures, their rate of return was as high as 40% in previous years) and the rate case was required only after the PUC suspended their flow-through tariff for fuel price increases. Several important issues are in dispute. The gas company is asking for a 17% return on its equity. This includes two points for what the utility calls an "Alaska Factor," which means that they get two extra points on their equity return, just because they operate in Alaska. The staff of the commission is recommending a 16% on equity, which isn't much better. We were able to bring in our own expert on the Alaska Factor and will recommend a 14% return for equity. A key point in our case

will be the relationship to available gas reserves and risk, a factor which we feel makes an Alaska gas utility less risky than one outside, not more.

The second biggest money issue is that of taxes. AGAS wants to charge consumers millions of dollars annually for taxes which are not paid. Instead, AGAS, which is a subsidiary of a larger multinational energy, engineering and manufacturing corporation, pays its "tax liability" to the parent corporation. Testimony at the rate hearings revealed that the total taxes paid by the parent corporation, for all of its world-wide operations, were less than half the amount that AGAS consumers are expected to pay. AGAS also keeps two sets of books, one for IRS with accelerated depreciation, etc., and one for the utilities commission. They want the rate payers to pick up the tab for a hypothetical, imaginary liability which the company never incurs.

Other issues in the case include the use of year-end rate base, attrition allowances, the size of their rate base, promotional expenses, and affiliated transactions. On most of the largest money issues, AkPIRG is at odds with both the utility and the commission staff. Final arguments and briefs for this case are due this month.

#### Co-op Housing

At our request, three state agencies have picked up the tab on a study which was recently completed to assess the feasibility of housing co-ops in the Anchorage housing market. At the same time, the legislature established a loan program for housing co-ops, and the Commissioner of Revenue has promised to provide between one and two million dollars next year for some demonstration projects.

#### Mobile Home Investigation

AkPIRG completed a year-long probe into abuses in the mobile home sales and court rental business. The results of that investigation were given to the state Attorney General, who has promised an anti-trust action against vendors and court operators for illegal tie-in practices. The state anti-trust action has yet to materialize. In the meantime, AkPIRG lobbied for legislation which would prevent no-cause evictions for mobile home owners, and prohibit tie-in practices. The homeowners "bill of rights" passed, but the tie-in bill failed (explained in more detail in the legislative memo). We are currently awaiting word from the Attorney General regarding his plans, and have recruited an attorney who is evaluating the feasibility of a private anti-trust action. I am attaching several memo's which address the tie-in issue in more detail. I think that we will be pursuing this matter for some time, since an immediate remedy to abuses is not likely.

#### Teamster Campaign Contributions

Last fall we filed a complaint with the Public Offices Commission alleging that the Teamsters Union had provided paid staff support to the

election effort of Anchorage Mayor George Sullivan. The Teamsters and Sullivan denied the report vehemently at first, and then, after learning that we had statements from former employees, admitted that there had been some type of a slip up. The Public Offices Commission reviewed our complaint, and on May 16, recommended that the Attorney General prosecute the Teamsters for willful violation of the campaign disclosures act. The POC investigation into the matter was a mess from the beginning. They dragged their probe out for more than six months with practically no time spent following new leads on information. We provided them with a number of areas where there was evidence of additional work done by the Teamsters, and, from what we can determine, absolutely none of the leads were followed up. What the POC eventually did was take the evidence which we provided them with and pass the buck to the Attorney General. The Attorney General reviewed the report and has informally determined that there will be no criminal prosecution, and based upon the report forwarded by the POC, it was probably a wise decision. The Attorney General should, however, consider following up on the leads which the POC ignored, but given the lackluster record of the AG's white collar crime division, this seems unlikely. We may follow-up on some of the leads ourselves or we may issue a report detailing the shallowness of the POC efforts on this and other matters.

HB 105 Advertising by Businesses & Prof.  
HB 27 BANK ANTI-TRUST  
HB 29 CREDIT UNIONS  
HB 102 UTILITY RATES  
— Consumer Counsel  
HB 17 Security Deposits  
Small Claims Reform  
HB 67 Uniform Land Sales Practices

HOUSE BILL NO. \_\_\_\_\_

In the Legislature of the State of Alaska  
(10th Legislature)

An act relating to Labor Organizations.

Section I. General Statement

No labor organization shall be certified to represent, or shall otherwise represent any bargaining unit or group of employees, employed by the state of Alaska or any political subdivision thereof, in violation of this chapter.

Section II. Reports and Statistics

As a condition to the right be eligible to represent employees of the state of Alaska or any political subdivision thereof, or to be certified for such representation, a labor organization shall file with the commissioner of labor on or before July 30 of each year a report showing the following information:

1. If it is required to file a report pursuant to 29 USC Section 431, a copy of said report shall be filed with the commissioner of labor.

2. In any case, it shall file with the commissioner of labor, in a format to be prescribed by him, a breakdown showing the number of employees in the private sector who are members of said labor organization and are employed in bargaining units represented by it; and the number of employees in the public sector (State of Political subdivision thereof) who are members of the labor organization and are employed in bargaining units represented by it.

SECTION III. Determination by Commissioner of Labor

Not later than June 30 of each calendar year, the commissioner of labor shall determine, with respect to each labor organization in the state of Alaska, the number of its members who are

employed in bargaining units represented by it in the public sector and in the private sector in the state of Alaska, and in the total work force within the state of Alaska. The commissioner shall utilize the reports referred to above, and such other information as may be available to him, in making said determinations. The commissioner shall, upon request, make available to any person the data upon which such determinations are based, and shall cause said determinations to be publicized and made available to any interested persons. The commissioner shall conduct such hearings as may be necessary, in his discretion, to obtain the data necessary to make the determinations required by this section. Any aggrieved party may seek judicial review in the superior court of the correctness of said determinations; provided that the determination of the commissioner shall be presumed to be correct and the burden shall be upon any party challenging their correctness to prove that they materially misstate the true facts.

Section IV. Prohibition on Representation of Public Employees by Certain Labor Organizations

No agency, board, or other entity having authority to certify collective bargaining representatives of any bargaining unit of the state or political subdivision thereof shall certify as the bargaining representative of any labor organization which, based upon the most recent determinations of the commissioner of labor specified in Section III, represents or is affiliated with an organization which represents more than 15 percent of all persons <sup>in the private sector</sup> in the state who are members of bargaining units <sup>and</sup> are represented by collective bargaining agents. Neither the state nor any political subdivision thereof may bargain collectively with an organization described in the

by itself or pursuant to joint agreements with one or more other labor organizations,

preceeding sentence whether or not it is certified as the bargaining representative for the bargaining unit, and whether or not such certification is a prerequisite to such collective bargaining. Whenever statistics required by Section III of this chapter shall be published which render the labor organization ineligible for collective bargaining in the public sector, which organization was not theretofor ineligible, its right to collectively bargain shall terminate with respect to each bargaining unit as to which a collective bargaining agreement is in force upon termination of such collective bargaining agreement, or within 30 days after such publication, whichever is later; provided that, in an action for judicial review of the determinations of the commissioner, the court may in its discretion grant temporary relief from the disqualification.

Section V. Police and Peace Officers

No labor organization which represents, or is affiliated with, any organization which represents employees in the private sector may be certified as the bargaining representative of, or otherwise represent employees in, any bargaining unit of the State or a political subdivision thereof, which includes State Troopers, Police, or Peace officers.

Section VI. Contracts with Labor Organizations

No labor organization which is prohibited from representing a bargaining unit of the state of a political subdivision may enter into a contract with any other labor organization certified to represent, or otherwise representing, employees in such bargaining unit. Any such contract shall be null and void and shall be grounds for decertification and a refusal of the State or political subdivision to deal with the otherwise eligible labor organization.

Section VII A.S. 23.40.030 is Amended to Read

A.S. 23.40.030 is amended to read: Section 23.40.030 -  
Definition of Labor Organization. For the purposes of  
this chapter, "Labor Organization" includes an  
organization constituted wholly or partially to bargain  
collectively or deal with employers, including the State and  
its subdivisions, concerning grievances, terms, or conditions,  
of employment or other mutual aid or protection in connection  
with employees.

Section VIII Provisions

The provisions of this act are severable and if any  
provision of this act or the application of it to any person,  
group, or circumstances held invalid, the remainder of this  
act and the application of it to other persons, groups or  
circumstances shall not be affected.

MEMORANDUM

TO: Howard Weaver

FROM: Jamie Love

DATE: March 2, 1976

RE: Banking Legislation

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The following are some notes about legislation affecting banks which I think merit some attention:

REDLINING BILL (HB 572)

This bill would require quite a bit of information to be disclosed by census districts. In Anchorage, these districts break down into neighborhoods. Nunaka Valley, for instance, is a single census district. Mountain View is divided into several. The Anchorage districts follow social economic boundaries. People who ask for laws like this which provide for disclosure are critical of banking practices which "write off" certain older neighborhoods as bad risk areas. In such a redlined area, a person cannot get loans for home purchases or home improvements, regardless of the ability to provide collateral or individual credit ratings. As banks cut off capital, neighborhoods decline even more; sort of a self-fulfilling prophecy by the bankers. Disclosure of loan practices will indicate how much of a problem this is in Alaska. We already know that areas like Nunaka Valley, Downtown Anchorage, and areas of Spenard and Muldoon are experiencing this problem. The reports also will give the communities lots of data which will show the probable long-range needs of various neighborhoods. It would be a great planning tool.

Sometimes banks are subtle and ask for different collateral requirements, higher interest, or just under-appraise property in these areas. HB 572 would identify any form of discrimination that is going on. Once the info is obtained, homeowners in affected areas can place pressure on banks to remedy the problem. This could include simple consumer pressure by having people reward banks that reinvest in their neighborhoods with their deposits, or they could do things like ask the local or state government to use its public deposits to reward those banks that have the best reinvestment policies.

Areas which get loans by banks are called "approved subdivisions". This means that someone big and influential may be trying to develop this area; maybe bank officers or friends. When money is tight, these areas get money first.

CREDIT UNIONS BECOMING MORE (COMPETITIVE) WITH BANKS (HB 823)

This is a move to increase the competition in the banking services area. Bankers are pissed because credit unions have certain tax advantages that banks don't have and banks want everyone they compete against to play by the same rules. Consumer advocates don't really care about the banks' problems, and are interested in any way to increase competition.

PROXY VOTING - HB 794  
BRADLEY

CREDIT UNIONS (cont'd)

Motley is opposed to credit unions making long-term loans. Another thing being looked at is encouraging co-op banking. (HB 820)

DISCLOSURE OF LOANS MADE TO BANK OFFICERS, ETC. (HB 825) BRADLEY

I feel that this law is very good. In Alaska, more so than in most areas, banks frequently make loans to bank officers. This is an unheard of practice in most states, but common up here. Examples would be Hartlieb and Sullivan loans by First Federal Savings and Loan. NBA is also big on this. I imagine that there are plenty of other examples. Depositors have a right to know how much this is going on. Also, when credit gets tight, those who are close to the banks get the loans while the small builder or developer gets left out. (Hartlieb was almost indicted for extensive involvement in stuff like this).



ANTI-TRUST BILL (HB 677)

Last year, the banks got a special interest exemption from the anti-trust law. Terry Miller was a key person in getting them this exemption. Banks have more interlocking directorates here than in most other areas. As a matter of fact, I doubt that bank examiners realize how extensive they are up here. It is very unusual. You can tell by looking at the chart, but it is even more than it looks. For example, B. J. Gottstein sits on the board at United Bank Alaska and his business partner, L. J. Carr sits on the board at First Federal Savings and Loan Association. Cliff Groh is on the board of a title company along with bank president, Hartlieb (also a board member of NBA). In addition, Groh's law firm represents NBA and First Federal, both of whose boards Hartlieb sits on.

Many other of these type of close relationships exist; going beyond even what the chart shows. The big thing shown by the chart is the interlocks between "thrift institutions" (S&L's, mutual savings ~~and~~ banks) and commercial banks (nationals and state-chartered).

The key issue in the anti-trust question is, "Why should banks be treated any different than any other citizen or business in the state of Alaska?" Everyone else is subject to the Act. Even businesses like public utilities which are regulated by the APUC are covered. Bankers cannot respond to this, so they demand that we show some area of anti-trust violations to justify putting them under the Act.

NBA lobbyist, Dick Hall told me that their biggest worry was not of being prosecuted under the Act, but harassment from an irresponsible Attorney General. I am not too concerned, and that does not show me why banks should be given special treatment. The close ties between institutions does indicate that they may be a better-than-average candidate for policing under anti-trust laws.

RESERVE ACCOUNTS

There are three versions of this bill. One by Fink (HB 115), one by Orsini (SB 583), and one by McKinnon (HB 678). They all require that banks pay interest to homebuyers on money placed into reserve accounts ~~by banks~~ to pay taxes and insurance payments. The money is reinvested by the banks who make a windfall profit. In Anchorage, this windfall, if returned to the homebuyer as required by these bills, would put approximately \$40 in each homebuyer's pocket each year. When it is totalled up, the banks make several hundred thousand dollars off it. The bankers are making noise that they want to get out of the reserve account business, but I feel that they are like the oil companies, just complaining for the sake of complaining. We compare these reserve accounts to the old and discredited "Christmas accounts" which kept your money interest-free until Christmas. This bill is moving in the Senate, but almost dead in the House Commerce Committee. Maybe after some publicity, it will pick up some steam. Two Anchorage banks already pay interest on reserve accounts. These are Home Federal Savings and Loan, (5½), and Ak Mutual Savings Bank.

GENERALLY.....

Many of the so-called banking bills deal with real estate transactions. Examples would be: Closing cost disclosure bills and the mortgage escrow bills. This is thought to be an area of some concern and consumer groups are taking a critical look at charges made by banks, title companies, and real estate companies in this area. Also, a general comment... Alaska banks are much more profitable than in most areas of the country. Businessmen who complain to us feel that they are getting ripped off.

Another general comment.....Motley has chartered the first two new state banks since statehood. He is quite proud of this and feels that he is not really getting credit for it. One, of course, was the native bank, and it would have gone no matter who was in charge since they have plenty of juice under any administration. The other bank, which will operate in the same building with the Alaska Mutual Savings Bank, is under an unusual arrangement which was very controversial. Motley is going to talk to me on Wednesday about ~~the~~ "Miscellaneous amendments to the banking laws" bill (SB 528) which he says takes away discretion from the Commissioner of Commerce in chartering new banks. Motley feels that this will insure more competition. I have not yet read the entire bill, which does many other things as well. (Some of which may not be so hot).

HB 678. ESCROW

Jamie Love

# 2922  
~~Williams~~  
Walker

1 ARTICLE 1. CREATION AND ORGANIZATION.

2 010. LEGISLATIVE FINDING AND POLICY.

3 020. CREATION OF AUTHORITY. There is established the Alaska  
4 Energy Development Authority. The authority is a public corporation  
5 of the state and a body corporate and politic within the Department of  
6 Natural Resources but with separate and independent legal existence from  
7 the state.

8 030. MEMBERSHIP OF THE AUTHORITY. (a) The ~~Alaska Energy Develop-~~  
9 ~~ment~~ Authority is governed by a board of directors consisting of seven  
10 members. Membership of the board is on a nonpartisan basis. Members  
11 of the board are appointed by the governor and confirmed by the legisla-  
12 ture in joint session. The directors must be residents of the state  
13 and qualified voters at the time of appointment and shall comply with  
14 the requirements of AS 39.50 (conflict of interest).

15 (b) The governor shall nominate members of the board for appoint-  
16 ment within 60 days after the effective date of this Act.

17 040. OFFICERS AND MEMBERSHIP. (a) The director~~s~~ shall elect one  
18 of the members as chairman. The chairman shall be the chief execu-  
19 tive officer of the corporation. Other offices shall be created and filled  
20 by the board.

21 (b) Four members of the <sup>board</sup> authority constitute a quorum. An affir-  
22 mative vote of at least four members is necessary to approve action of  
23 the board.

24 050. TERM OF OFFICE. (a) The term of office of each director  
25 is seven years except that the directors first appointed have terms of  
26 one, two, three, four, five, six, and seven years, respectively. A  
27 member of the board may continue to serve after the expiration of his  
28 term of office until his successor takes office or until 180 days after  
29 the date of the expiration, whichever is earlier.

1 (b) Vacancies are filled in the manner of original appointments,  
2 but a member appointed to fill a vacancy serves for the unexpired term  
3 of the member he succeeds.

4 060. REMOVAL OF MEMBERS. (a) The members of the board serve at  
5 the pleasure of the legislature, and may be removed from office by a  
6 majority vote of the legislature in joint session. Such action may be  
7 initiated by a member of the legislature by concurrent resolution.

8 (b) The governor may remove any member of the board for cause.

9 070. STAFF. The authority may hire whatever staff it determines  
10 necessary to conduct the business of the authority, and may contract  
11 for and engage the services of consultants and experts which it considers  
12 necessary.

13 080. COMPENSATION OF MEMBERS OF THE AUTHORITY AND EMPLOYEES. (a)  
14 Compensation for a member of the board who is not a state employee is  
15 set by the advisory commission established under sec. ~~290~~<sup>340</sup> of this chap-  
16 ter.

17 (b) No individual may serve as a member of the board without a  
18 determination by the advisory commission under sec. ~~290~~<sup>340</sup> of this chapter  
19 that that individual has no actual or apparent conflict of interest  
20 which might interfere with the exercise <sup>of</sup> ~~of~~ performance of powers or  
21 duties of the authority or impair his ability to protect the interest of  
22 the public.

23 (c) An officer or employee of the state does not forfeit his  
24 office or employment or any benefits of it by reason of his acceptance  
25 of the office of board member of the authority.

26 (d) The advisory commission may not recommend any salary for a  
27 state officer or employee who is nominated and confirmed as a member of  
28 the board. The state officer or employee shall serve without salary  
29 except the salary which he receives as an officer or employee of the

1 state.

2 ARTICLE 2. PURPOSE AND POWERS.

3 090. PURPOSE OF THE AUTHORITY. The purpose of the ~~Alaska Energy~~  
4 ~~Development~~ Authority is to explore for, develop, and market oil and  
5 gas reserves from lands owned or controlled by the <sup>State</sup> ~~State of Alaska~~.

6 100. POWERS AND DUTIES OF THE AUTHORITY. (a) The authority has  
7 the following powers;

8 (1) to sue and be sued;

9 (2) adopt an official seal and alter it at pleasure;

10 (3) adopt and amend bylaws for the management and regulation  
11 of its affairs and make, alter and enforce regulation for the conduct  
12 of its business and for use of its services and facilities;

13 (4) maintain an office at any place or places in the state;

14 (5) acquire, hold, use, invest and dispose of its income,  
15 revenue, funds and money;

16 (6) apply for and acquire all necessary government certifi-  
17 cates, permits, and approvals;

18 (7) explore for oil and natural gas on any state land and to  
19 inventory the oil or gas production capability of that land, with the  
20 cooperation of or under contract with any federal or state government  
21 agency or agencies which have or share management, development, and  
22 conservation responsibility for that land;

23 (8) develop, produce, store, transport, and sell (or other-  
24 wise transfer ownership at any point from production through refining)  
25 oil or natural gas alone or in a joint or cooperative basis with any  
26 private or public entity;

27 (9) engage in research and development for improved methods  
28 for the discovery, development, production, storage, and transport  
29 of oil or natural gas, and obtain and operate pilot plants, demonstra-

1 tion facilities, and experimental commercial-scale installations inci-  
2 dent to the research and development, alone or on a joint or cooperative  
3 basis with any private or other public entity;

4 (10) acquire, construct, purchase, maintain, repair, operate,  
5 lease as lessor or lessee, dispose of and use real or personal property  
6 or an interest in the property to carry out the purposes of this chap-  
7 ter, including leasing a project or portion of a project to the state,  
8 and selling, transferring, or encumbering by mortgage or by creation of  
9 other security interests property or an interest in property acquired  
10 by it;

11 (11) make plans, surveys and studies necessary, convenient  
12 <sup>or</sup> desirable to carry out the purposes, powers, and duties of the  
13 authority and to prepare recommendations in that respect;

14 (12) enter upon land, waters, or premises <sup>in which the state holds an interest</sup> as in the judgment  
15 of the authority may be necessary, convenient or desirable for the pur-  
16 pose of making surveys and examinations to accomplish a purpose autho-  
17 rized by this chapter;

18 (13) borrow money and issue its negotiable bonds or notes and  
19 provide for their payment and the rights of their holders, and purchase,  
20 hold and dispose of any of its bonds or notes;

21 (14) apply for and accept gifts or grants of property, funds,  
22 money, materials, labor, supplies or services from the United States  
23 government or from any other governmental unit or person;

24 (15) enter into and enforce contracts, agreements or leases  
25 necessary, convenient or desirable for the purposes of the authority, or  
26 to the performance of its duties and the execution or carrying out of <sup>its</sup>  
27 powers under this chapter;

28 (16) do all things necessary, convenient or desirable to carry  
29 out the purposes of this chapter or the powers expressly granted or

1 necessarily implied in this chapter.

2 (b) The authority shall have the following duties:

3 (1) determine the qualifications, appoint, assign the duties,  
4 and fix the compensation of such managers, attorneys, engineers, consul-  
5 tants, and other full- or part-time employees as it considers necessary  
6 or appropriate, without regard to any other provision of law, and  
7 establish and maintain a system of organization to fix responsibility  
8 and promote efficiency;

9 (2) consult and cooperate with representatives of science,  
10 industry, agriculture, labor, environmental protection, consumer pro-  
11 tection, federal and state governmental entities and other groups;

12 (3) exercise, to the extent that funds are available by  
13 appropriation or contract, its authority to develop standby reserves of  
14 oil or natural gas;

15 (4) give preferential treatment to independent producers  
16 without impairing its capability or efficiency, to the extent necessary  
17 to maintain or increase competition with respect to

18 (A) establishing joint or cooperative activities for  
19 the exploration, development, production, storage, transport, and  
20 sale or other transfer of oil or natural gas, and for research and  
21 development incident to those activities;

22 (B) access to the use of, and products produced by,  
23 facilities obtained and <sup>operated</sup> operated by it; and

24 (C) such other matters as will, in the judgment of the  
25 board, maintain or increase competition and provide increased  
26 supplies of oil, natural gas, or other energy sources at reasonable  
27 prices to the consumer;

28 (5) develop and use, to the extent practicable, the most  
29 advanced <sup>e</sup>environmentally sound methods and technologies in all autho-

1 rized activities;

2 (6) prepare and disseminate to the widest possible audience  
3 accurate information relating to oil and natural gas;

4 (7) keep the legislature fully and currently informed of  
5 its activities.

6 110. STATE LANDS. (a) As soon as practicable after a public  
7 announcement is made of state land proposed to be offered for sale or  
8 lease for oil or natural gas development, the authority is authorized  
9 to select and to give a notice of identification to the division of  
10 lands (in the Department of Natural Resources) of any acreage which it  
11 wishes to develop of the total acreage proposed to be offered, except  
12 that the acreage identified by it shall not exceed 25 per cent of the  
13 total acreage offered. Upon identification, which shall be confidential  
14 until completion of the bidding process, the offering agency shall convey  
15 without consideration the offered interest in that acreage to the  
16 authority. Notwithstanding this conveyance the lands so identified  
17 and conveyed shall continue to be included in the lands proposed to be  
18 offered for sale or lease for oil or natural gas development, in accor-  
19 dance with this section.

20 (b) Upon the completion of the bidding procedures, the authority  
21 may transfer any offered interest conveyed to it under (a) of this sec-  
22 tion to the highest bidder for that interest in accordance with the  
23 terms of the bid, and the amount of the bid shall accrue to the author-  
24 ity. If the authority elects to retain and not to transfer the interest  
25 it shall reflect the amount of the highest bid for it in its oil or  
26 natural gas prices. In the absence of a bid of an interest, the author-  
27 ity shall reflect in its oil or natural gas prices a royalty of 25 per  
28 cent on the production from that interest.

29 (c) With respect to any acreage of state land offered for sale or

1 lease for oil or natural gas development which is not included in a  
 2 <sup>notice</sup> notice of identification by the authority, the offering agency shall re-  
 3 spect as unqualified any bid which proposes a price which is so low as  
 4 not to constitute, in the judgment of the offering agency, a fair price  
 5 for an interest in the public domain. The authority may lease this land  
 6 without compensation, without regard to the limitation in (b) of this  
 7 section.

8 ARTICLE 3. FINANCIAL PROVISIONS.

9 120. GENERAL INTENT. It is the intent of the legislature that  
 10 the authority conform to normal and generally accepted business and  
 11 financial practices in its operations, to the degree that the conformity  
 12 does not conflict with the public duties and functions of the authority.

13 130. FINANCIAL STRUCTURE AND ORGANIZATION. For purposes of  
 14 financial statements and comparison, money appropriated by the state to  
 15 the authority shall be listed as "equity interests" in the authority;  
 16 bonds and other debt instruments of indefinite maturity or maturity  
 17 greater than one year shall be listed as "debt interests" of the author-  
 18 ity, and notes, loans and other borrowings or debt obligations with  
 19 maturities of one year or less shall be listed as "accounts payable" by  
 20 the authority.

21 140. AUTHORITY NOT TO ISSUE EQUITY INSTRUMENTS. The authority  
 22 may not issue stock or other equity instruments. The appropriated  
 23 capital contribution from the state consists of the entire equity parti-  
 24 cipation in the authority.

25 150. SECURITY FOR BONDS. The authority may issue bonds and other  
 26 debt instruments from time to time in its discretion for any of its  
 27 corporate purposes, including but not limited to bonds on which the prin-  
 28 cipal and interest are payable

29 (1) exclusively from the income and revenue of the energy

~~development project, and shall be paid with the proceeds of the bonds;~~

(1) exclusively from the income and revenue of the energy

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1 development project financed with the proceeds of the bonds;

2 (2) exclusively from the income and revenue of designated  
3 energy development projects whether or not they are financed in whole  
4 or in part with the proceeds of the bonds; or

5 (3) from its revenue generally.

6 160. ISSUANCE AND SALE OF BONDS. Bonds of the authority are  
7 authorized by adoption of a resolution prescribing the date of issuance  
8 and maturity, interest rate, denomination, form, conversion and place  
9 of payment. Bonds may be sold at public or private sale at not less  
10 than par. Each bond is negotiable. The signature of a member <sup>or</sup> of an  
11 officer upon a bond or coupon is not invalidated by his ceasing to hold  
12 office before the delivery of the bond. The recitation of a bond that  
13 it has been issued in the financing of an energy development project is  
14 conclusive as to the issuance of the bond and the character of the pro-  
15 ject in a challenge of the validity of the bond or the security for it.

16 170. PROHIBITED BIDDING ON BONDS AND NOTES. (a) No person who  
17 provides financial programming or marketing assistance to the authority  
18 in connection with the issuance or sale of bonds or bond anticipation  
19 notes of the authority under any section of this chapter may bid on the  
20 bonds or notes if offered at public sale, or negotiate for their pur-  
21 chase, if sold at a private sale.

22 (b) The sale of bonds or notes of the authority to a person who is  
23 prohibited from bidding on the bonds or notes under (a) of this section  
24 is against public policy and the sale is void.

25 (c) In this section "person" means an individual, firm, agent,  
26 factor, intermediary, partnership, corporation, association, bond house,  
27 stockbroker or bond broker.

28 180. ADDITIONAL POWERS TO SECURE BONDS OR OBLIGATIONS UNDER LEASES  
29 In connection with the issuance of bonds or the payment of bonds ~~or~~

1 ~~the payment of bonds~~ or lease obligations, the authority, in addition to  
2 its other powers, may

3 (1) pledge all or a part of its gross revenue to which its  
4 right exists or may exist;

5 (2) mortgage all or a part of its real or personal property,  
6 owned or later acquired;

7 (3) covenant against pledging all or a part of its revenue,  
8 or against mortgaging all or a part of its real or personal property,  
9 to which its right or title exists or may come into existence or against  
10 permitting or suffering a lien on the revenue or property;

11 (4) covenant with respect to limitations on its right to  
12 sell, lease or otherwise dispose of an energy development project;

13 (5) covenant as to what other or additional debts or obli-  
14 gations may be incurred by it;

15 (6) covenant as to the bonds to be issued and as to the  
16 issuance of the bonds in escrow or otherwise, and as to the use and  
17 disposition of the proceeds of bonds;

18 (7) provide for the replacement of lost, destroyed or muti-  
19 lated bonds;

20 (8) covenant against extending the time for the payment of  
21 its bonds or interest on the bonds;

22 (9) redeem the bonds, and covenant for their redemption and  
23 ~~to~~ provide the terms and conditions of redemption;

24 (10) create or authorize the creation of special funds for  
25 money held for construction or operating costs, debt service, reserves,  
26 or other purposes, and covenant as to the use and disposition of this  
27 money;

28 (11) prescribe the procedure by which the terms of a contract  
29 with bondholders may be amended or abrogated, the amount of bonds the

holders of which must consent to, <sup>the amount (1)</sup> and the manner in which the consent may be given;

(12) covenant as to the rights, liabilities, powers and duties arising upon by the breach by it of a covenant, condition, or obligation; covenant and prescribe as to events of default and terms and conditions upon which any or all of its bonds or obligations shall become or may be declared due before maturity; and covenant as to the terms and conditions upon which this declaration and its consequences may be waived;

(13) vest in a trustee or trustees or the holders of bonds or a specified proportion of them, the right to enforce the payment of the bonds or covenants securing or relating to the bonds;

(14) vest in one or more trustees the right, in the event of a default by the authority, to take possession of an energy development project or a part of the project and <sup>as</sup> so long as the authority continues in default to retain possession and to use, operate, and manage the project, to collect the revenues from the project and to dispose of the money according to the agreement between the authority and the trustees;

(15) provide for the powers and duties of the trustees, and limit the liability of the trustees; and

(16) provide the terms and conditions upon which the trustee or trustees or the holders of bonds, or portions of bonds, may enforce a covenant or right securing or relating to the bonds.

190. RIGHT OF OBLIGEE OF AUTHORITY TO BRING ACTION. (a) An obligee of the authority may, in addition to all other rights which may be conferred and subject only to contractual restriction binding upon him, seek an injunction or an action in nature of an action for mandamus against the members, the authority, its officers, agent or employees.

(b) The authority may by resolution, trust indenture, mortgage,

1 lease or other contract confer upon an obligee holding or representing  
2 a specified amount in bonds, or holding a lease, the right upon a  
3 default as defined in the resolution or instrument by suit, action or  
4 proceeding

5 (1) to have possession of an energy development project or  
6 part of one surrendered to the obligee, with possession retained by the  
7 obligee as long as the authority continues in default;

8 (2) to obtain the appointment of a receiver of an energy  
9 development project or part of one and its profits, who may enter,  
10 maintain it, collect and receive all revenue or other charges thereafter  
11 arising, and keep the money in a separate account or accounts to be  
12 applied in accordance with the obligations of the authority as the court  
13 directs;

14 (3) to require the authority and its members to account as  
15 if they were trustees of an express trust.

16 200. EXEMPTION OF REAL PROPERTY OF AUTHORITY FROM EXECUTION OR  
17 OTHER PROCESS. All real property of the authority is exempt from levy  
18 and sale by execution, and no execution or other judicial process may  
19 issue against it and no judgment against the authority may be a charge  
20 or lien upon its real property. However, this section does not limit  
21 the right of an obligee to foreclose or otherwise enforce a mortgage of  
22 the authority or to pursue any remedy for the enforcement of a pledge  
23 or lien given by the authority on its revenues.

24 210. EXEMPTION FROM TAXES AND ASSESSMENTS. (a) The property of  
25 the authority is public property used for essential public and govern-  
26 mental purposes, and this property and the authority are exempt from  
27 all taxes and special assessments of a municipality or the state.  
28 However, instead of taxes, the authority may make payments to the  
29 municipality for improvements, services, and facilities furnished by it

1 for the benefit of an energy development project.

2 (b) Notwithstanding its exemption, the authority shall file  
3 annual informational tax returns with the legislature based on what its  
4 tax liability would have been but for this section.

5 220. LEGALITY OF AUTHORITY BONDS AS INVESTMENTS. Bonds of the  
6 authority are legal and proper investments and security for public and  
7 private banking, insurance and trust funds.

8 230. SALES PRICES. (X) The authority may not sell its products  
9 at prices that are below costs incurred by the authority, as calculated  
10 by generally accepted accounting procedures. Nor may the authority sell  
11 its products at prices below that which would yield a discounted cash  
12 flow of per cent, as calculated using generally accepted accounting  
13 practices, except insofar as those sales are necessary in the judgment  
14 of the board to maintain adequate production levels on authority-  
15 controlled leases sufficient to allow the maximum efficient rate of  
16 recovery for hydrocarbons to be maintained.

17 240. AUDIT AND ACCOUNTING PROCEDURES. (X) The authority shall  
18 maintain an accounting and bookkeeping system adequate to permit full  
19 review of authority activities by the state, and the system shall be  
20 in keeping with generally accepted accounting principles. An independent  
21 audit of the authority's books and procedures shall be made annually by  
22 a certified public accounting firm, as of December 31 of each calendar  
23 year. This certification shall be made available to the Office of the  
24 Governor and to the legislature no later than April 1 of the following  
25 year. The results of the audit, including an appropriate income state-  
26 ment and in a format that most nearly approximates a private corporate  
27 financial statement shall be made available to the general public no  
28 later than June 1 of each year.

29 250. PROFITS. Whenever the annual revenue of the authority exceeds  
~~the amount necessary to satisfy its obligations and expenses and~~

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~~250. PROFITS. Whenever the annual revenue of the authority exceeds~~

1 the amount necessary to satisfy its obligations and expenses and to  
2 maintain the financial reserves for capital and other requirements  
3 necessary or appropriate for the prudent exercise of its powers and  
4 duties, the ~~corporation~~<sup>authority</sup> shall pay the excess to the state for deposit in  
5 the general fund. These amounts shall be carried on the authority's  
6 books in the year of payment as "dividends to equity" and in subsequent  
7 years as "paid-in surplus" to the equity account.

8 260. AUTHORIZATION FOR APPROPRIATION. There is authorized to be  
9 appropriated to the authority for the fiscal year ending June 30, 1978,  
10 \$ for carrying out the provisions of this ~~section~~<sup>chapter</sup>. All  
11 funds appropriated under this section shall remain available until  
12 expended.

13 Sec. 270. COVENANTS OF THE STATE. (a) The state pledges to and  
14 agrees with the holders of notes, bonds, or other obligations of the  
15 authority that the state will not limit or alter the rights vested in  
16 the authority by this chapter to possess and use property and to fulfill  
17 the terms of any agreements made with the holders of notes, bonds, or  
18 other obligations of the authority, and further pledges that it will not  
19 in any way impair the rights and remedies of the holders until the notes  
20 <sup>d</sup> bonds, and other obligations, together with the interest on them, with  
21 interest on unpaid installments of interest, and all costs and expenses  
22 in connection with an action or proceedings by or on behalf of the  
23 holders, are fully met and discharged.

24 (b) The state covenants that the authority and its corporate  
25 existence shall continue ~~so~~<sup>as</sup> long as it has notes, bonds or other obliga-  
26 tions outstanding. Upon the termination of the existence of the author-  
27 ity, all its rights and properties shall pass to and be vested in the  
28 state.

29 ARTICLE 4. ADDITIONAL PROVISIONS.

1           290. RELATIONSHIP WITH STATE AGENCIES. The authority is authorized  
2 to request any department, agency, or other instrumentality of the  
3 executive branch of the state government, and any regulatory agency of  
4 the state, to provide ~~any~~ data or other information which it considers  
5 necessary to carry out its authorized activities <sup>or</sup> of duties. Each depart-  
6 ment, agency, instrumentality, and independent regulatory agency is  
7 authorized and directed to comply with any reasonable request within a  
8 reasonable time and subject to reasonable terms and conditions.

9           300. ANNUAL REPORT. The authority shall transmit to the legisla-  
10 ture and the governor, not later than 90 days after the end of each  
11 of its fiscal years, a comprehensive and detailed report on all the  
12 activities of the authority during the preceding fiscal year. The report  
13 shall include, but need not be limited to,

14           (1) a complete financial statement and the report of an audit  
15 of the authority, as provided in sec.       of this chapter;

16           (2) a statement of its objectives during the preceding fiscal  
17 year and its projections, plans and goals for the current and next fiscal  
18 year;

19           (3) an evaluation and analysis of the effectiveness of the  
20 authority in increasing necessary supplies of oil, natural gas, or other  
21 energy sources at reasonable prices to the consumer, in establishing  
22 and maintaining standby reserves and in exercising its other powers and  
23 duties;

24           (4) a detailed survey, including recommendations, with respect  
25 to energy supply and price, applicable provisions of the tax laws, and  
26 the extent of competition in the energy industry; and

27           (5) recommendations with respect to any legislation or  
28 administrative action which the authority considers advisable.

29           310. CONCURRENT REPORTING. Whenever the authority submits a

1 report, legislative recommendation, proposed testimony, or comment on  
2 legislation to the governor, it shall concurrently transmit a copy of ~~the~~  
3 <sup>report, recommendation, testimony or comment</sup> ~~the~~ to the legislature. No officer or agency of the state shall have any  
4 authority to require the authority to submit a legislative recommendation,  
5 proposed testimony, or comment on legislation to any officer or agency  
6 of the state for approval, comments, or review before the submission  
7 of the recommendation, testimony, or comment to the legislature.

8 Sec. 320. VIOLATIONS BY AUTHORITY. If the authority violates any  
9 provision of this chapter or fails to discharge any duties under this  
10 chapter, or if any other person obstructs or interferes with an autho-  
11 rized activity of the authority, the superior court shall have juris-  
12 diction, upon the petition of the attorney general or other person, to  
13 grant such equitable relief as may be necessary or appropriate to prevent  
14 or terminate that conduct. Nothing in the <sup>section</sup> shall be construed  
15 to restrict any right or remedy which a person may have under any other  
16 provision of law or at common law, <sup>to</sup> seek relief or redress. The court  
17 may assess against the defendant reasonable attorney fees and other  
18 litigation costs reasonably incurred in any case under this section in  
19 which the complainant has substantially prevailed. In exercising its  
20 discretion under the preceding sentence, the court shall consider the  
21 benefit to the public, if any, deriving from the case, the commercial  
22 benefit to the complainant, and whether the activity complained of had  
23 a reasonable basis in law.

24 Sec. 330. WAGE RATES FOR LABORERS AND MECHANICS. All contracts  
25 to which the authority is a party and which require the employment of  
26 laborers and mechanics in the construction, alteration, maintenance,  
27 or repair of facilities authorized under this chapter shall contain a  
28 provision that not less than the prevailing rate of wages for work of a  
29 similar nature in the vicinity shall be paid to the laborers or mechanics.

1 as stated in AS 36.05.010. In the determination of the prevailing rate  
2 or rates, due regard shall be given to those rates which have been  
3 secured through collective agreement by representatives of employers and  
4 employees. The authority shall not enter into any contract without  
5 first obtaining assurance that required labor standards will be main-  
6 tained on the construction work. In the event that work is performed  
7 directly by the authority, the prevailing rate or rates of wages shall  
8 be paid in the same manner as though the work had been let by contract.

9 ARTICLE 5. ADVISORY COMMISSION TO THE AUTHORITY.

10 340. ESTABLISHMENT. There is within the authority but independent  
11 from supervision and control by the chairman, the board, or any employee  
12 of the authority, a Citizens Advisory Commission. The advisory commis-  
13 sion shall be established in accordance with this section as soon as  
14 practicable after the effective date of this Act.

15 350. MEMBERSHIP. (a) The advisory commission consists of 11  
16 members. The members shall be appointed by the governor and approved  
17 by the legislature in joint session, seven of whom shall be appointed  
18 on the following basis:

19 (1) one to be selected from lists of qualified individuals  
20 recommended by consumer organizations and recognized consumer protection  
21 leaders;

22 (2) one to be selected from lists of qualified individuals  
23 recommended by organizations representative of oil or gas companies  
24 other than independent producers;

25 (3) one to be selected from lists of qualified individuals  
26 recommended by organizations representative of independent producers;

27 (4) one to be selected from lists of qualified individ-  
28 uals recommended by major labor organizations;

29 (5) one to be selected from lists of qualified individuals

1 recommended by organizations representative of business, financial, and  
2 commercial interests;

3 (6) one to be selected from lists of qualified individuals  
4 recommended by environmental organizations and recognized environmental  
5 protection leaders;

6 (7) one to be selected from lists of qualified individuals  
7 recommended by engineering and scientific societies and recognized  
8 leaders in science and technology.

9 (b) All members of the advisory commission shall be residents of  
10 the state and qualified voters at the time of appointment and shall  
11 comply with the requirements of AS 39.50. The advisory commission shall  
12 select one of its members to serve as its presiding officer for the dura-  
13 tion of his term.

14 (c) The terms of office of the members of the advisory commission  
15 first taking office shall expire as designated by the governor at the  
16 time of nomination: three at the end of the second year; four at the  
17 end of the fourth year; and four at the end of the sixth year. Successors  
18 to members of the advisory commission shall be appointed in the same  
19 manner as the original members and shall have terms of office expiring  
20 six years from the date of expiration of the terms for which their pre-  
21 decessors were appointed. A member of the advisory commission appointed  
22 to fill a vacancy occurring before the expiration of the term for which  
23 his predecessor was appointed shall be appointed only for the remainder  
24 of that term. A member of the advisory commission may continue to  
25 serve after the expiration of his term of office until his successor has  
26 taken office or until 180 days after the date of expiration, whichever  
27 is earlier.

28 (d) Each member of the advisory commission may receive per diem  
29 compensation when engaged in the actual performance of his duties on

1 behalf of the authority, at rates of compensation fixed by the board,  
2 together with reimbursement for travel, subsistence, and other necessary  
3 expenses incurred in the performance of his duties.

4 360. DUTIES. The advisory commission shall

5 (1) monitor, review, and evaluate the activities of the  
6 authority and report on these activities to the legislature at periodic  
7 intervals, not less than once each year;

8 (2) evaluate each significant activity of the authority which  
9 may have an effect upon the environment or environmental quality, and  
10 prepare a report on the activity for the board, copies of which shall be  
11 made available to interested persons;

12 (3) monitor and make recommendations to the board, the legis-  
13 lature, and the governor with respect to the standby reserves program;

14 (4) evaluate the activities of the authority with respect  
15 to the authority's ability to represent the true costs and profitability  
16 of energy development activities in Alaska and make recommendations for  
17 increasing the ability of the authority to so reflect private energy  
18 development costs of operation and profitability;

19 (5) evaluate the effectiveness of the authority's activities  
20 to correct the possible impact of false, misleading, or incomplete  
21 advertising;

22 (6) investigate and evaluate the extent and the effectiveness  
23 of the authority's efforts to give preferential treatment to independent  
24 producers;

25 (7) investigate and evaluate the skill and dedication with  
26 which the authority is discharging its powers and duties;

27 (8) make recommendations, receive complaints and suggestions  
28 from employees, suppliers, and patrons of the authority and interested  
29 persons, with respect to any function or activity of the authority, and

1 investigate any allegations of misfeasance and nonfeasance;

2 (9) perform such other functions, to the extent practicable,  
3 as the chairman may request;

4 (10) consult with and give testimony before any legally  
5 authorized committee of the legislature;

6 (11) investigate, study and report to the legislature on the  
7 qualification and suitability of each individual nominated to be a mem-  
8 ber of the board, including a detailed report on prior business  
9 activities;

10 (12) investigate, study, and recommend to the legislature  
11 removal of any member of the board, including a detailed report setting  
12 out the reasons for the removal;

13 (13) set rates of compensation for members of the board;

14 (14) investigate and make determinations with respect to  
15 possible conflicts of interest on the part of members of the board; and

16 (15) determine such policies as are necessary and appropriate  
17 to implement the powers prescribed under sec. of this chapter.

18 370. POWERS. The advisory commission is authorized, in the conduct  
19 of its duties, to

20 (1) appoint, assign the duties, and fix the compensation of  
21 such personnel as it considers necessary or appropriate, who are not  
22 subject to the approval or control of the board;

23 (2) investigate, through a designated subcommittee, any  
24 matter in its discretion, and to have access to any facility, personnel,  
25 or information of the authority; and

26 (3) review the activities of the authority as provided for in  
27 sec. of this chapter.

28 380. DEFINITIONS. In this chapter, unless the content requires  
29 otherwise,

1 (1) "authority" means the Alaska Energy Development Authority  
2 established by this chapter;

3 (2) "board" means the Board of Directors of the Alaska Energy  
4 Development Authority established by this chapter;

5 (3) "advisory commission" means the Citizens Advisory Commis-  
6 sion which is contained within the Alaska Energy Development Authority;

7 (4) "standby reserve" means oil or gas reserves which are  
8 maintained in a state <sup>of</sup> readiness to produce oil or natural gas. —

Explanation of the proposed bill.

Section I.

No explanation necessary

Section II.

29 USC Section 431 deals with financial disclosure of unions

Section III.

Originally we wanted to require each union to report to the state this information. There is, however, some question about the authority of the state to require unions to report data on their membership to a state, since much of this type of reporting is currently required by the federal government. Whether or not disclosure of union membership, or finances is preempted by the federal government is a question I haven't resolved as yet. This approach was chosen to avoid the preemption question.

Section IV.

The fifteen per cent figure is just an educated guess which may be a little low. We felt better to start here and work up than the other way around. We found it almost impossible to ascertain the size of the Teamsters or any other union. NLRB did not have any figures on total Teamster membership, or even a comprehensive list of trades and crafts they represent. The state has practically nothing in this area. The Teamsters themselves claim to have 25,000 members in more than 80 different trades and crafts. Others use these figures, I think mostly because there is no other data to rely on. Legislative hearings should be useful in getting some more information here. I do have some figures from December 1976 labor force estimates, published by the Alaska State Department of Labor:

Total employed workforce:	161,300 *
Total government work-	
force, federal, state and local:	47,200
Total non government workforce:	114,100
Total state and local workforce:	28,900
Per cent of total workforce employed	
by federal, state or local government	.29263

(1975 figures do not account for 14,900 unemployed).

Right now, Teamster membership is primarily in the private sector. 25,000 members would mean that the total Teamster membership equaled about 22% of the state entire private sector workforce. Of course, the 25,000 members probably do not all work in Teamster jobs, so the actual figures need to be adjusted somewhat, but we don't know how much. Other union officials say that if the Teamsters figures for their membership are accurate, then the Teamsters represent about half the union workers statewide. As much as the rest of the unions combined. They probably don't represent this many workers yet, but it's hard to know how many they do. The pipeline was a real boom for the union, and the slowdown should mean something in terms of diminished membership.

\* military not included in any of the calculations

Explanation of bill, page two

Section V.

Reportedly, both George Meany and Dave Beck have stated that police should not be affiliated with regular unions. I feel this section is very important to the bill. Some of the officials from the smaller unions have expressed support for this section. There is little doubt in my mind that a good many police officers, and in particular, police chiefs, support this proposal.

Section VI.

This section is to deal with situations like the Anchorage police contract with the Teamsters.

Section VII.

I think this is the standard definition used in AS 23,40.030 already.

Section VII.

This is a standard severability clause.

HJR

32

RECEIVED

MAY 5 1976

FACILITIES DIVISION  
COMMON CARRIER BUREAU

APR 30 1976

MR. CHAMBERS

**RCA**

Mr. Vincent J. Mullins, Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D. C. 20554

Re: Alaska Rate Integration

Dear Mr. Mullins:

April 27, 1976

On March 30, 1976, representatives of the American Telephone and Telegraph Company (AT&T) and RCA Alaska Communications, Inc. (RCA Alascom) met with the Commission staff to discuss a proposed schedule for implementation of rate integration for Mainland/Alaska Message Telecommunication of rate integration for Mainland/Alaska Message Telecommunications Service (MTS)\*

In response to a request made by the Commission staff at that meeting, AT&T and RCA Alascom are filing this letter to inform the Commission of their rate integration proposal. Despite recent Commission decisions involving AT&T which appear inconsistent with this objective, AT&T and RCA Alascom believe that they should comply with the Commission's rate integration directive. AT&T and RCA Alascom propose to do so in three approximately equal steps.

---

\* As used herein, "rate integration" means inclusion of the rates for AT&T's and RCA Alascom's joint interstate message telecommunications service between points in the U.S. Mainland and points in Alaska into the uniform mileage rate pattern that obtains on the Mainland. (Second Report and Order, Domestic Communications Satellite Facilities, Docket No. 16495, 35 FCC 2d 844 (1972), para. 37.)

Mr. Vincent J. Mullins, Secretary  
April 27, 1976  
Page Two

Was  
18ms  
internal

The first step toward rate integration was taken when tariff revisions became effective on March 29, 1976.\*\* A second step - bringing the then existing rates 50% closer to the objective - will follow in early 1978. The third step toward rate integration will follow in early 1980.

[As discussed in the March 30 meeting, AT&T and RCA Alascom will submit the data underlying their rate integration proposal in February, 1977.] AT&T and RCA Alascom feel that their formal proposal should be based upon, and include, the most up to date traffic and revenue data available, and that this data should be collected without incurring additional costs, if possible.

AT&T conducts an annual CMDS\* study using October as the study month. This, along with a similar study provided by RCA Alascom, would supply the basis for computing estimated traffic, revenue and cost data necessary for a complete and accurate rate integration proposal. The first step toward rate integration was instituted on March 29, 1976, and in order to obtain data reflecting the effects of step one, October, 1976 would be the appropriate study month.

The collection of data runs for six (6) weeks after the close of the study month, and six (6) additional weeks are required to process and summarize the data collected. The data must then be analyzed and traffic and revenue projections must be made. In addition, in order to calculate an elasticity

---

\*\* Among other things, these revisions established a structure of MTS rates conforming to the Mainland rate structure and reduce annual Mainland/Alaska MTS revenues by about \$11.9 million. The rate reduction was designed to lower the then present average revenue per message (ARPM) by approximately 21%.

\* Centralized Message Data System.

Mr. Vincent J. Mullins, Secretary  
April 27, 1976  
Page Three

factor, studies should look at the full 1976 calendar year. Accordingly, AT&T and RCA Alascom would be in a position to submit the appropriate data relating to their rate integration proposal in February, 1977.

At the present time, AT&T and RCA Alascom have not yet determined upon the settlements to accompany steps two and three. These arrangements may or may not be included in the underlying data submitted in February, 1977; in any event, the Commission will be kept informed of this matter.

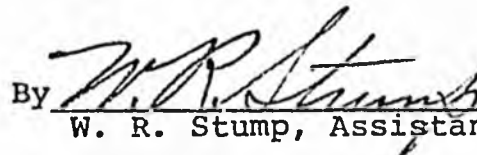
Respectfully submitted,

RCA ALASKA COMMUNICATIONS, INC.

By 

John R. Spencer, Vice President

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

By 

W. R. Stump, Assistant Vice President

cc: Messrs: David A. Irwin, Gray R. Oddi,  
Robert M. O'Brien

Engineer  
Haw

Ken Larsen - Continental (U-D), Glacier State

Phase 1:

- 7.8 million messages

avg rate = \$7

- revenue from the 7.8 = \$54.6 million

- AT+T gets 500 M

- RCA shares \$54.1 million

- then take 30% of \$7.00 = \$2.10

- 7.00

- 2.10

4.90 = avg rate per msg

revenue = \$38.2 million

AT+T gets \$400 M

RCA's share = \$37.8 million

This info is 7-1-77 to 12-31-77

- using 6 mos.

on revenue

- left w/ \$6.4 million

+2  
32.8 million - total revenue

$$\begin{array}{r} 54.1 \\ -37.8 \\ \hline 16.3 \times 2 \\ \hline 32.6 \end{array}$$

Since he didn't see us down  
there, run it by him  
- will check it out  
w/ Finance Dept.

RCA Alaska Communications Inc.  
629 L Street / Anchorage Alaska 99501  
Tel (907) 272 8411  
John R Spencer Vice President & General Counsel

**RCA**

COPY OF TAPE  
ON HJR 32

LA21 1344 11.38 JA01 0009 11.48 04/12/77

TO: CINDY OR MERLE, JNU.  
FROM: SUSAN, FBX.

MESSAGE TO: MR. MIKE COUMBE (RE: THE HOUSE COMMERCE  
COMMITTEE) IN RESPONSE TO YOUR REQUEST :  
FROM: WALLY BAER/ GENERAL MANAGER, GREATER FAIRBANKS  
CHAMBER OF COMMERCE/ FAIRBANKS, AK. 99701/ PH: 452-1105:

THE GREATER FAIRBANKS CHAMBER OF COMMERCE BOARD OF DIRECTORS  
AT THEIR APRIL 11 TH. MEETING PASSED THE FOLLOWING RESOLUTION:  
"THAT WE ENCOURAGE OUR CONGRESSIONAL DELEGATION TO SHOW  
INTEREST AND KNOW THE FACTS CONCERNING RCA'S RATE  
INTEGRATION PROCEEDINGS SO THAT THE FINAL DECISION  
DOESN'T UNFAVORABLY IMPACT THE ALASKA RATEPAYER AND  
INDUSTRY WITH INTRASTATE RATE INCREASE. FURTHERMORE, WE  
SUGGEST FOLLOWING THE SAME RATE IMPLEMENTATION PROCEEDURE  
ON PHASE-2 AS OCCURED WITH PHASE-1 OF THESE PROCEEDINGS."  
EOM.

THANKS, AND PLEASE DELIVER A.S.A.P. /S/ EOM

STATE OF ALASKA  
Inter-Department Route Slip

TO:  
MAIL STATION NUMBER 3100  
DEPARTMENT House State Affairs  
ATTENTION Committee

- |  |  |
|--|--|
| <input type="checkbox"/> Approval      | <input type="checkbox"/> Note & Return       |
| <input type="checkbox"/> Signature     | <input type="checkbox"/> Initial & Return    |
| <input type="checkbox"/> Comment       | <input type="checkbox"/> Return As Requested |
| <input type="checkbox"/> Contact Me    | <input type="checkbox"/> Return For Approval |
| <input type="checkbox"/> Prepare Reply | <input type="checkbox"/> Necessary Action    |
| <input type="checkbox"/> For Your File | <input type="checkbox"/> Your Information    |

Remarks:

*File HSR 32*

FROM:  
MAIL STATION NUMBER 0800  
DEPARTMENT Commerce  
BY Pearl Good DATE 4/11

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HJR 32  
 Title Relating to Review of Interstate and Intrastate Telephone Service & Rates  
 Requested by House Commerce Committee Date 30 March 1977

II. FISCAL DETAIL

Agency Affected Commerce and Economic Development  
 Program Category Affected Protection  
 Budget Request Unit(s) Affected Alaska Public Utilities Commission

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		250.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>						

FUNDING (Thousands of Dollars)

GENERAL FUND		250.0				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. The APUC does not have staff to accomplish tasks set forth in a full rate proceeding with RCAA. Revenue requirements and rate of return will be contracted to consultants outside the state.
2. It is anticipated that a portion of the expenses associated with the investigation and hearing would be allocated back to RCAA under Sec. 42.05.651 of the Alaska Statutes. Monies received from allocated costs return to the General Fund.

IV. DATE March 30, 1977 PREPARED BY Marvin R. Weatherly, Commissioner  
 AGENCY Alaska Public Utilities Commission  
 PHONE 272-1487  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

The APUC

was responsible

for supplying  
the fiscal note

---

RECEIVED

MAY 5 1976

APR 30 1976

FACILITIES DIVISION  
COMMON CARRIER BUREAU

**RCA**

Mr. Vincent J. Mullins, Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D. C. 20554

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April 27, 1976

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Mr. Vincent J. Mullins, Secretary  
April 27, 1976  
Page Two

WA-  
181  
interline

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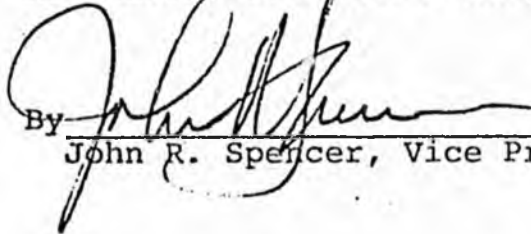
Mr. Vincent J. Mullins, Secretary  
April 27, 1976  
Page Three

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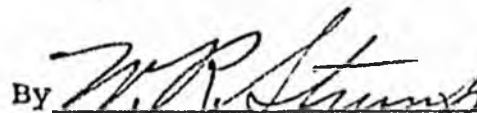
Respectfully submitted,

RCA ALASKA COMMUNICATIONS, INC.

By 

John R. Spencer, Vice President

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

By 

W. R. Stump, Assistant Vice President

cc: Messrs: David A. Irwin, Gray R. Oddi,  
Robert M. O'Brien

457-3934  
202-457-3891  
212-393-8408

~~TOPIC CODES (212) 394 1111~~

~~Director Overseas Services~~

Introduced: 3/18/77  
Referred: Commerce

~~Deputy Director: Mrs. Tuggle  
Mexico, Alaska  
ext-6215  
(212) 393 9700~~

~~(201) 234 7825~~

BY THE STATE AFFAIRS COMMITTEE  
BY REQUEST

1. IN THE HOUSE

HOUSE JOINT RESOLUTION NO. 32

3. IN THE LEGISLATURE OF THE STATE OF ALASKA

4. TENTH LEGISLATURE - FIRST SESSION

5. Relating to review of interstate and  
6. intrastate telephone service and rates.

7. BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8. WHEREAS Alaska is a land of vast distances, rugged terrain, widely  
9. scattered population, and limited transportation facilities; and

10. WHEREAS the people of Alaska must rely in large measure upon telephone,  
11. telegraph and other telecommunications services as a substitute for trans-  
12. portation; and

13. WHEREAS the people of Alaska have been required to pay far higher rates  
14. for interstate telephone service than have citizens in other states; and

15. WHEREAS the advent of satellite communications has largely eliminated  
16. distance as a factor in setting long distance telephone rates, thus making  
17. possible the lowering of charges for interstate long distance telephone  
18. service; and

19. WHEREAS the Federal Communications Commission determined in 1973 that  
20. this historic discrimination against the people of Alaska should be eliminated  
21. through the integration of rates for Alaska telecommunications service into  
22. the rate patterns existing in the contiguous forty-eight states, and that  
23. the rate integration should take place with the beginning of domestic  
24. satellite service to Alaska; and

25. WHEREAS RCA Alascom and the American Telephone and Telegraph Company  
26. have stated their intention to the Federal Communications Commission to  
27. implement a rate integration plan; and

28. WHEREAS rate integration, as proposed, will eliminate the disparity in  
29. interstate telephone rates to Alaska in three approximately equal steps, the

1 first of which began in March, 1976; and

2 WHEREAS phase II of rate integration, scheduled to be implemented on  
3 July 1, 1977, will provide a 50 per cent reduction in the existing disparity  
4 between the rates paid by Alaska consumers for interstate telephone calls  
5 and those paid by consumers in the contiguous forty-eight states; and

6 WHEREAS this reduction in interstate telephone rates will provide signi-  
7 ficant public benefits by making service more widely affordable and by  
8 strengthening the ties of Alaskans to their fellow citizens in other states;  
9 and

10 WHEREAS the local long lines carrier, RCA Alascom, has recently sought  
11 to delay the introduction of phase II of rate integration and its attendant  
12 benefits to the people of Alaska by claiming, without any relevant justifica-  
13 tion, that rate integration could lead to a 300 per cent increase in Alaska  
14 intrastate telephone rates; and

15 WHEREAS RCA Alascom has failed to provide a rate integration proposal  
16 for phases II and III, and the data underlying that proposal, as promised  
17 to the Federal Communications Commission and the people of Alaska; and

18 WHEREAS RCA Alascom has provided no relevant, documented justification  
19 for any delay in the scheduled implementation of phase II of rate integration  
20 on July 1, 1977; and

21 WHEREAS no increase in intrastate telephone rates may be or should be  
22 implemented without the submission of complete documentation and justification  
23 to the Alaska Public Utilities Commission; and the full consideration of that  
24 body; and

25 WHEREAS RCA Alascom has never been subjected to a thorough regulatory  
26 audit nor have its interstate or intrastate telephone rates ever been investi-  
27 gated as permitted and provided for in the Alaska statutes and the Federal  
28 Communications Act of 1934;

29 BE IT RESOLVED that the Alaska State Legislature urges

1       **1.** the Federal Communications Commission to disapprove any request for  
2 a delay in the implementation of phase II of rate integration as planned on  
3 July 1, 1977;

4       **2.** the Federal Communications Commission to institute under its powers  
5 granted by the Communications Act of 1934 an investigation, audit and rate  
6 proceeding to determine the lawfulness of all RCA Alascom charges, practices,  
7 classifications and regulations for or in connection with its interstate  
8 telecommunications services; *Discontinue - according to RCA*

9       **3.** the Alaska Public Utilities Commission to institute an investigation,  
10 audit and rate proceeding to determine the lawfulness of RCA Alascom's  
11 intrastate rates, classifications, rules, regulations, practices, services  
12 and facilities under AS 42.05; *Weatherly - APUC has conducted audits since Summer 76.*

13       **4.** the Governor through his Office of Telecommunications to participate  
14 fully in these proceedings before the Federal Communications Commission and  
15 the Alaska Public Utilities Commission so that the interests of the citizens  
16 of Alaska may be fully protected and advanced. *Weatherly - Already are*

17       COPIES of this resolution shall be sent to the Honorable Richard E.  
18 Wiley, Chairman, Federal Communications Commission; the Honorable Ted Stevens  
19 and the Honorable Mike Gravel, U.S. Senators, the Honorable Don Young, U.S.  
20 Representative, members of the Alaska delegation in Congress; to the members  
21 of the Alaska Public Utilities Commission; and to the Governor's Office of  
22 Telecommunications.

23       APUC - "Counterproductive" - *Weatherly*  
24       No fiscal note.

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HJR 32  
 Title Relating to Review of Interstate and Intrastate Telephone Service & Rates  
 Requested by House Commerce Committee Date 30 March 1977

II. FISCAL DETAIL

Agency Affected Commerce and Economic Development  
 Program Category Affected Protection  
 Budget Request Unit(s) Affected Alaska Public Utilities Commission

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		250.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND		250.0				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. The APUC does not have staff to accomplish tasks set forth in a full rate proceeding with RCAA. Revenue requirements and rate of return will be contracted to consultants outside the state.
2. It is anticipated that a portion of the expenses associated with the investigation and hearing would be allocated back to RCAA under Sec. 42.05.651 of the Alaska Statutes. Monies received from allocated costs return to the General Fund.



IV. DATE March 30, 1977 PREPARED BY Marvin R. Weatherly, Commissioner  
 AGENCY Alaska Public Utilities Commission  
 PHONE 272-1487

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

JAY S. HAMMOND  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

7 April 1977

The Honorable Joseph H. McKinnon  
Chairman  
House Commerce Committee  
Alaska State Legislature  
Pouch V  
Juneau, Alaska

Dear Chairman McKinnon:

I have strongly supported full rate integration for Alaska at the earliest possible time. It has now been over five years since the FCC first directed the responsible carriers to submit their plans for rate integration; any further delay due to the inability of RCA Alascom and AT&T to establish a plan for dividing interstate telephone revenues is unacceptable to the people of Alaska. This separations plan must, of course, ensure the economic viability of all participating carriers without the necessity of intrastate rate increases attributable to rate integration.

Recognizing the views expressed by the telephone industry regarding HJR No. 32, I, in consultation with the Alaska Public Utilities Commission and the Office of Telecommunications, believe the Resolution could be strengthened by the addition of language stressing our concern regarding the economic health of the Alaska telephone industry and the initiation of a Joint Board proceeding to develop a truly Alaska oriented separations methodology.

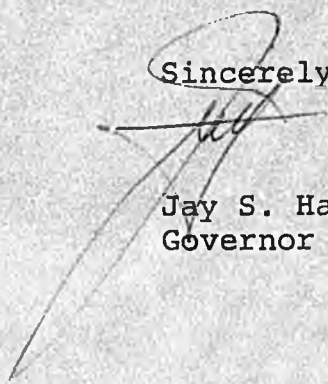
However, I must point out that Phase II of rate integration-- which will lower Alaska interstate rates by 30 percent--can and must go forward as scheduled on 1 July 1977. Since RCA Alascom and AT&T have not resolved their differences with respect to the division of revenues, the FCC should order an interim settlement which will insure against the need for any intrastate rate increase growing out of rate integration.

I am recommending that the Resolution be amended, as enclosed, and will fully support the Resolution in its amended form.

The Honorable Joseph H. McKinnon  
Page 2  
7 April 1977

I urge rapid passage of the amended Resolution by the House and Senate believing it will help make full rate integration for Alaska a reality.

Sincerely,



Jay S. Hammond  
Governor

Enclosure

RECEIVED  
BUREAU OF  
ALASKA DEPARTMENT OF  
NATURAL RESOURCES  
ANCHORAGE, ALASKA

CONFIRMATION COPY

#  
26 MAR 77 4:39

C#V

02048 NL ANCHORAGE ALASKA 118 03-26 0415P AST  
PMS HOUSE COMMERCE COMMITTEE ATTN JOE MCKINNON  
JUN

SUBJECT: HOUSE JOINT RESOLUTION NUMBER 32 10TH  
LEGISLATURE FIRST SESSION. RELATING TO REVIEW OF  
INTERSTATE AND INTRASTATE TELEPHONE SERVICE AND RATES.

INTERIOR TELEPHONE COMPANY OPPOSES THE PASSAGE OF  
HOUSE JOINT RESOLUTION NUMBER 32 IN ITS PRESENT  
FORM. INTERSTATE RATE INEGRATION BASED ON SOCIAL  
POLICY WITH NO REGARD FOR THE TOTAL STATEWIDE  
ALASKA TELEPHONE REVENUE REQUIREMENT WILL CAUSE SERIOUS  
FINANCIAL HARM TO NOT ONLY THE ALASKA TELEPHONE  
SYSTEM, BUT THE GENERAL PUBLIC WHICH IT SERVES.  
IMMEDIATE ATTENTION SHOULD BE GIVEN TO THE INTEGRATION  
OF TOTAL ALASKA TELEPHONE INVESTMENT WITH  
THE REMAINDER OF THE UNITED STATES AND METHODS OF  
MEETING FINANCIAL REQUIREMENTS PRIOR TO ALLOWING  
REDUCTIONS IN MAJOR REVENUE SOURCES THROUGH FORCED  
RATE REDUCTIONS.

AH EATON VICE PRESIDENT AND GENERAL MANAGER  
INTERIOR TELEPHONE COMPANY ANCHORAGE ALASKA

#



# TELEGRAM

RCA ALASKA COMMUNICATIONS, INC.

PHONE: 866-6440

ANCHORAGE, ALASKA 99501

#

1977 APR 28 8 11 PM '77

02017 ANCHORAGE ALASKA 32 04-03 1333A AST

PMS REP JOE MCKINNON

JUN 0452

THE ALASKA PUBLIC UTILITIES COMMISSION IS IN SUPPORT OF  
AMENDMENTS TO HJR32 AS PROPOSED BY THE OFFICE OF THE GOVERNOR.  
THE AMENDMENTS ADDRESS THE CONCERNS PREVIOUSLY EXPRESSED  
BY THE APUC

MARVIN R WEATHERLY COMMISSIONER FOR THE ALASKA PUBLIC  
UTILITIES COMMISSION

GSAT was granted authority to utilize its earth stations with AT&T's system in lieu of operating a separate system using NSS satellites. This modification did not alter the rate integration condition on GSAT's original grant.

During the period between October, 1973 and June, 1975, the Chief, Common Carrier Bureau (Bureau) made repeated attempts to obtain acceptable proposals for integration of rates and services between Hawaii, Alaska and Puerto Rico/Virgin Islands and the mainland. The States of Alaska and Hawaii and the Commonwealth of Puerto Rico also expressed their views to the Commission on the integration question. The Bureau requested submissions from the affected carriers and met with the carriers both jointly and individually. The information and submissions forthcoming from the carriers did not embody any comprehensive proposals or fulfill the requirements for integration as set forth in the Second Report. Subsequently, our rate integration efforts became individualized for the different service points, beginning with Hawaii. Thus, we will trace the remainder of our progress and set forth our determinations separately.

#### Hawaii

In July, 1975, the Bureau met separately with HTC, AT&T and the State of Hawaii to determine the status of integrating MTS rates for Hawaii and to establish dates for implementation of integrated rate schedules. A tentative proposal was later submitted by AT&T and HTC. The State of Hawaii had previously filed a petition for declaratory ruling clarifying the procedures to be followed by domestic satellite carriers in fulfilling rate integration requirements for Hawaii. In our Memorandum Opinion and Order, FCC 75-1334 (released December 10, 1975), recon. denied, 57 FCC 2d 953 (1976), (Order) we considered the State of Hawaii's petition and stated that we would attempt to resolve rate integration questions prior to the actual filing of Section 214 applications for domestic satellite systems and would certainly resolve the issue prior to their grant. We also stated that the affected carriers for Alaska and Hawaii would be required to file specific and fully-supported proposals.

In accordance with that decision, in a January 15, 1976 letter (FCC 76-21) we directed AT&T and HTC to submit a formal MTS rate integration proposal for Hawaii within thirty days. The carriers were instructed to describe the proposal in full detail, including the rate structure and rate levels and charges, as well as to provide complete cost and economic justification and drafts of all tariff pages. Alternative proposals were to be provided; one to be fully implemented immediately and the other in three equal steps, the first becoming effective



Alaska

The Bureau met with AT&T in August, 1975 and with RCA Alascom in September, 1975 to determine the status of studies relating to integration of MTS rates to Alaska. Further discussions between AT&T and RCA Alascom were held with the purpose of negotiating a specific integration proposal. We acknowledged these negotiations in our Order of December 10, 1975 and also stated that the lack of adequate communications facilities to serve Alaska would likely necessitate a grant of interim operating authority prior to full resolution of the rate integration question. On December 2, 1975, the Bureau again met with the carriers to review the progress, at which time it was agreed that a specific proposal would be submitted by January 15, 1976.

Tariff revisions which AT&T and RCA Alascom termed Step I of MTS rate integration to Alaska were filed on January 29, 1976 and became effective March 29, 1976. The carriers and the Bureau met on March 30, 1976 to discuss development of a further proposal for Alaska integration. AT&T and RCA Alascom on April 27, 1976 submitted a joint letter containing a general proposal for implementation of Steps II and III rate integration, paralleling the Hawaii plan. Each step embodies an approximate one-third reduction in the rate disparity. Unlike the Hawaii proposal, however, the Alaska plan does not contain specific rate schedules or supporting materials for Steps II and III. In explanation of this difference, AT&T and RCA Alascom state that Step I for Alaska embodied more extensive structural changes than for Hawaii. Since the effects of these changes on traffic, revenues and costs is unknown, the carriers intend to determine and evaluate these effects by February, 1977. At that time, it is anticipated that AT&T and RCA Alascom will submit the details of their proposals for Steps II and III. AT&T and RCA Alascom propose to implement the second step in early 1978 and the third step in early 1980.



The State of Alaska considers the AT&T/RCA Alascom approach to be reasonable, but requests the Commission to establish a specific deadline for the submission of the plans for Steps II and III. The State also asks that the Commission require earlier implementation of the remaining steps if the Step I evaluation indicates such will not result in degradation of service. The State expresses an interest in having specific data compiled on the capacity of RCA Alascom's network and the costs of providing MTS.

It is our determination that the joint AT&T/RCA Alascom proposal for integration of MTS between the mainland and Alaska is acceptable, with several alterations. First, we are requiring AT&T and RCA Alascom to submit the results of their Step I studies and specific rate integration plans for the remaining steps by February 1, 1977. We will also expect these steps to be implemented at 18 month intervals, with Step II becoming effective by July 1, 1977 and Step III by January 1, 1979. We find no compelling reason to delay the implementation of these steps beyond the above dates. While we note that AT&T and RCA Alascom have not agreed on division of revenues for Steps II and III, we expect the carriers to commence negotiations on this subject immediately. Should we find it necessary to designate this issue for hearing, as in the case of Hawaii, we expect to complete the procedure in a timely fashion. Based on the above considerations, we are specifically conditioning the grant of the AT&T satellite facilities authorization upon the written submission by AT&T, before the authorization becomes effective, of its commitment to implement its MTS rate integration proposal for Alaska, as modified above. We are likewise requiring RCA Alascom to submit its commitment within 30 days from the release of this decision. In this regard, we remind RCA Alascom of its obligation to implement integration plans not only for MTS, but for all other services as well. The construction permits for the earth stations of RCA Alascom's satellite system serving Alaska were subject to the policies of the Second Report. In addition, RCA Alascom was given notice in the interim authorization of its domestic satellite system that any permanent authorization would be subject to the Commission's final decision.

We will not require any interim offering of WATS for Alaska for the same reasons we set forth with regard to Hawaii. However, when and if AT&T files a tariff replacing the present inward and outward WATS services, it shall include Alaska in such offering and our authorization herein will be so conditioned. We are not yet in a position to determine whether the RCA or the AT&T system will be regularly authorized to serve Alaska. Accordingly, we reemphasize the conditions imposed on all domestic satellite authorizations in Docket 16495 requiring full and prompt implementation of rate and service integration for Alaska. RCA Alascom's proposal for services other than MTS, filed on June 21, 1976, is not yet ripe for



Commission consideration. Therefore, we will defer any further order on other authorized services pending consideration of that proposal and any related pleadings. Since RCA Alascom already holds temporary authority to provide these services via its domestic satellite system, we are requiring the same commitment from RCA Alascom within 30 days for integration of all their services and charges.

Puerto Rico/Virgin Islands

In our Order of December 10, 1975, we noted that resolution of the rate integration question for Puerto Rico would likely be delayed because of the pendency of the proceeding in Docket No. 20598. That proceeding involves the question of the "appropriate local carrier" to own the Cayce earth station. All America Cables and Radio, Inc. (AAC&R) is seeking to acquire the ownership interest of COMSAT and the Puerto Rico Telephone Company (PRTC) claims that it, rather than AAC&R, is the "appropriate local carrier." PRTC initiated discussions with AT&T and AAC&R concerning integration in April, 1976. In a letter of May 21, 1976 to AT&T, AAC&R, PRTC and the Virgin Islands Telephone Company (VITELCO), the Bureau recognized the need for immediate negotiations among the parties for the purpose of submitting tentative proposals for MTS rate integration between the mainland and Puerto Rico and the Virgin Islands. Although the Bureau acknowledged that the outcome of Docket No. 20598 may have an effect on some details of the proposal for Puerto Rico, it stated that all the parties would be involved to some extent in providing MTS regardless of the disposition of the earth station ownership question and that the integration question should be resolved simultaneously. The Bureau directed the parties to report the progress of their negotiations to the Commission by July 1, 1976. We will direct the Bureau to assist in these negotiations to assure that proposals are timely developed or that any areas of disagreement are brought before us for resolution as soon as possible.

We are of the view that integration of MTS rates for Puerto Rico and the Virgin Islands should be accomplished as soon as practicable. We anticipate that the carriers will agree upon a proposal similar to those before us for Hawaii and Alaska. Although the carriers have not yet submitted a proposal, we envision a plan which would remove the rate disparity in two approximately equal steps, the first of which should become effective by July 1, 1977 and the second by January 1, 1979. We do not anticipate any departure from this schedule or goal, absent a strong showing of good cause. As with the other services and service locations, we are conditioning the subject authorization upon AT&T's written commitment to this principle. Any authorizations to use the

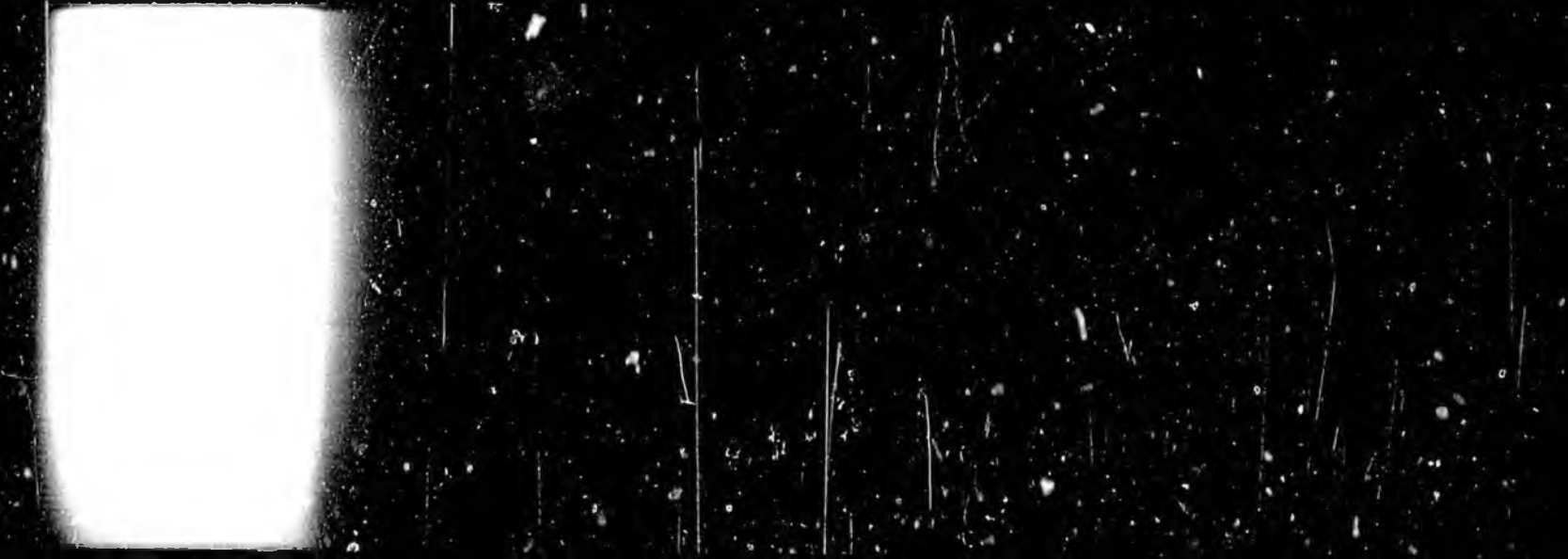


THE EFFECT ON RCA ALASCOM INTERSTATE  
REVENUES OF PHASE I AND PHASE II OF  
RATE INTEGRATION, ASSUMING EXISTING  
DIVISION OF REVENUES (99% OF REVENUES  
TO RCA ALASCOM; 1% OF REVENUES TO AT&T)

<u>Year</u>	<u>RCA Estimates<sup>1/</sup></u>		<u>ARPM<sup>3/</sup></u>	<u>AT&amp;T Estimates<sup>2/</sup></u>	
	<u>Msg. Vol.</u>	<u>RCA Settlement</u>		<u>Msg. Vol.</u>	<u>RCA Settlement</u>
	(in millions)			(in millions)	
1976			\$6.94	12.3	\$84.2
1977					
Step I			\$6.99	14.9	\$103.2
Step II	19.7	\$95.9	\$4.91	16.5	\$80.3
effect			\$5.90	15.7	\$91.8
1978	21.1	\$102.97	\$4.88	20.3	\$98.1

Thus, RCA's revenue projection for Phase II is even higher than AT&T's and both projections show that RCA will receive significantly more revenue per year during Phase II than it did during Phase I.

1. The figures shown for RCA are based upon the revenue projections submitted by RCA Alascom to the FCC in the rate integration meeting held in Washington, D. C., on January 26, 1977. The chart at page 19 of the RCA submission shows that RCA projects message volumes of 9.87 million (19.7 million - annualized) messages (\$69.4 ÷ \$7.03 per message) during the first six months of Phase II (the last six months of 1977) and 21.1 million messages (148.54 million ÷ \$7.03 per message) during 1978 -- the last twelve months of Phase II. The message volumes shown by RCA for both periods are higher than those used by AT&T in its rate integration proposal.
2. The figures shown for AT&T are taken directly from its rate integration proposal (Appx. B, Attach. B) submitted at the FCC rate integration meeting on January 26, 1977. Although AT&T projects lower message volumes than does RCA, its submission



(Footnote 2 continued)

still shows that RCA will receive higher annual settlements under Phase II during 1977 and 1978 than it did under Phase I during 1976. These higher settlements derive from the traffic growth and stimulation assumptions implicit in the January 26, 1977, RCA and AT&T submissions.

3. Average Revenue Per Message (ARPM) is taken from the January 26, 1977, AT&T rate integration proposal and was used to determine the RCA settlements during Phase II using RCA's projected message volumes.



# PHASE II RATE INTEGRATION IMPACT ON ALASKAN MTS.

(\$ MILLIONS)	6 MONTHS 1977	12 MONTHS 1978	18 MONTHS TOTAL
* ALASKA INTERSTATE SETTLEMENT @ \$7.03 (KEEP WHOLE)	69.4	148.54	217.94
GROSS MTS REVENUE PROJECTION	<u>(54.0)</u>	<u>(121.2)</u>	<u>(175.2)</u>
ATAT	40.1	28.1	
REVENUE DEFICIENCY	<u>15.24</u>	<u>27.34</u>	<u>42.58</u>

\* INCLUDES LOCAL CONNECTING COMPANY SETTLEMENTS

**DEFICIENCY**  
**\$42.58**  
**MILLIONS**





# Alaska Telephone Industry Task Force

SUITE 1509 • MACKAY BUILDING • ANCHORAGE, ALASKA 99501

(907) 276-3322

MEMBERS:

ALASKA PUBLIC UTILITIES COMMISSION  
GOVERNORS OFFICE OF TELECOMMUNICATIONS  
ALASKA TELEPHONE ASSOCIATION  
RCA ALASKA COMMUNICATIONS, INC.

March 28, 1977

Mr. Joe McKinnon  
House Commerce Committee  
Juneau, Alaska

Dear Mr. McKinnon:

The Alaska Telephone Industry Task Force has reviewed House Joint Resolution No. 32 with grave concern. While we support and encourage rate intergration at the earliest possible time, we believe if it is not done with caution and skill, the results could be disasterous for Alaska telephone users.

The promise of massively lower interstate rates is truly an intoxicating idea. This is especially true in Alaska, where so much business is done with the economic centers of the rest of our country. It is redundant to note that the high cost of transportation and communications in the business community is reflected in the price of all our goods and services and any reduction in costs would certainly be welcomed. Unfortunately, there are few true "give-a-ways" in this world, and interstate rate reduction is no exception. It is imperative that we Alaskans recognize the dangers here and not go in with eyes half closed; mesmerized by the promise of a savings that may not be realized.

Like the man who cuts off the top of the blanket and sews it on the bottom to make the blanket longer; lowering interstate rates without lowering interstate costs will simply increase intrastate rates the same amount. In this case, revenues needed to run the Alaskan telephone system remains unchanged before and after interstate rate reduction and any loss of revenues now received from the interstate caller must be made up by the intrastate caller.

If the Alaska rate payer made exactly the same amount of calls to the "Lower 48" that he makes to points within Alaska, and the cost of providing both services were the same, he would be as well off (but no



Mr. Joe McKinnon  
March 28, 1977  
Page Two

better) after rate intergration as he was before. To better understand this, assume that on the average I pay \$100.00 per month for the toll calls I make, and half of them terminate in Alaska, and half in the rest of the world. Therefore, it's reasonable to set rates so that half of my \$100.00 or \$50.00 each month goes for interstate toll charges and \$50.00 for intrastate charges. Also, assume the revenues needed to support the provision of telephone service is \$100,000,000 per year, of which \$50,000,000 is derived from interstate charges, and \$50,000,000 is derived from intrastate charges. Then, suppose that the FCC orders a \$30,000,000 reduction in rates for interstate charges in order to carry out its social policy of making interstate service available to our state at the same rates now enjoyed by our sister states. The costs have not been reduced by this social policy decision and the revenue needed to run the Alaska telephone system remains unchanged at \$100,000,000. In order to continue to receive the \$100,000,000 each year to keep the telephone system running, the intrastate rate must now be adjusted by the \$30,000,000 loss from the interstate billing. Now, instead of paying \$50.00 per month for interstate toll calls and \$50.00 per month for intrastate calls, I now pay \$20.00 and \$80.00 respectively. The total, however, remains at \$100.00 and I am no better or worse off.

Naturally, this example would only be valid if Alaskans truly made percisely the same calls outside the state that they make inside the state. This is hardly the case in reality and a more realistic example might be 80% of all calls terminating in Alaska and 20% outside. But, thanks to the historic method of setting rates as a function of airline distance, the interstate rates with its greater distances may generate \$80,000,000 and intrastate with its shorter distances might generate the remaining \$20,000,000 of the total revenue required. Unfortunately, the shift of \$30,000,000 now would be a 150% increased requirement on intrastate rates, and it is for this reason that we are so frightened by any plans to keep going forward with rate intergration before the Alaskan rate payer can be protected.

The key to understanding this issue is to realize that these three phases of rate reductions represent a social policy decision that ignores entirely what it costs to provide telephone service. In the "Lower 48", rate intergration works because the total national toll revenues are polled and divided among the industry as a function of their individual cost of service. The lower costs of serving urban areas generates surplus revenues which are utilized to serve the high cost of rural areas of America.



Mr. Joe McKinnon  
March 28, 1977  
Page Three

However, Alaska is a rural state entirely, and we have not yet expanded to the point where all Alaskans have basic telephone service. Even with current rates, we still need more revenues that we are now billing for interstate service. With each phase of rate reduction the deficiency will grow worse unless the FCC and the Bell System do for Alaska what has been done for every other state: Let us recover our fair cost of providing interstate service from the interstate revenue pool and not have to go to the Alaskan rate payers who are already overburdened with telephone charges as high as anywhere in the nation.

Our Task Force is deeply involved in the development of Alaska's interstate revenue requirement and expects to complete a statewide cost study before the end of the year. This must be done before Bell and the FCC will allow any improvement in Alaska's revenue retention. Further rate reduction before this study can be completed should be considered very carefully and possibly postponed until it can be completed.

Please be assured that we realize that the best interest of the telephone industry is consistent with an early intergration of rates and costs with the "Lower 48" and we are working for the earliest completion of our work. Already we have completed traffic studies on forty-one exchanges in the state and in April we begin financial analysis of sixteen operating companies. When this is complete we will couple the results with other "cost companies" in Alaska and prepare a total cost package for negotiations with the Bell System. Until these results are in, arbitrary rate reductions is equivalent to Russian roulette. We have waited twenty years for rate intergration. Can a few more months really make that much difference? In any case, I urge you to consider the matter carefully and make haste slowly.

I must apologize for the haste of this letter to your committee. Unfortunately, our work keeps me out of town a great deal. If for any reason you desire further conversation on this subject please contact me at your earliest convenience.

Yours very truly,  
ALASKA TELEPHONE INDUSTRY TASK FORCE

*Keith G. Ragsdale*

Keith G. Ragsdale  
Executive Director

KGR/ch



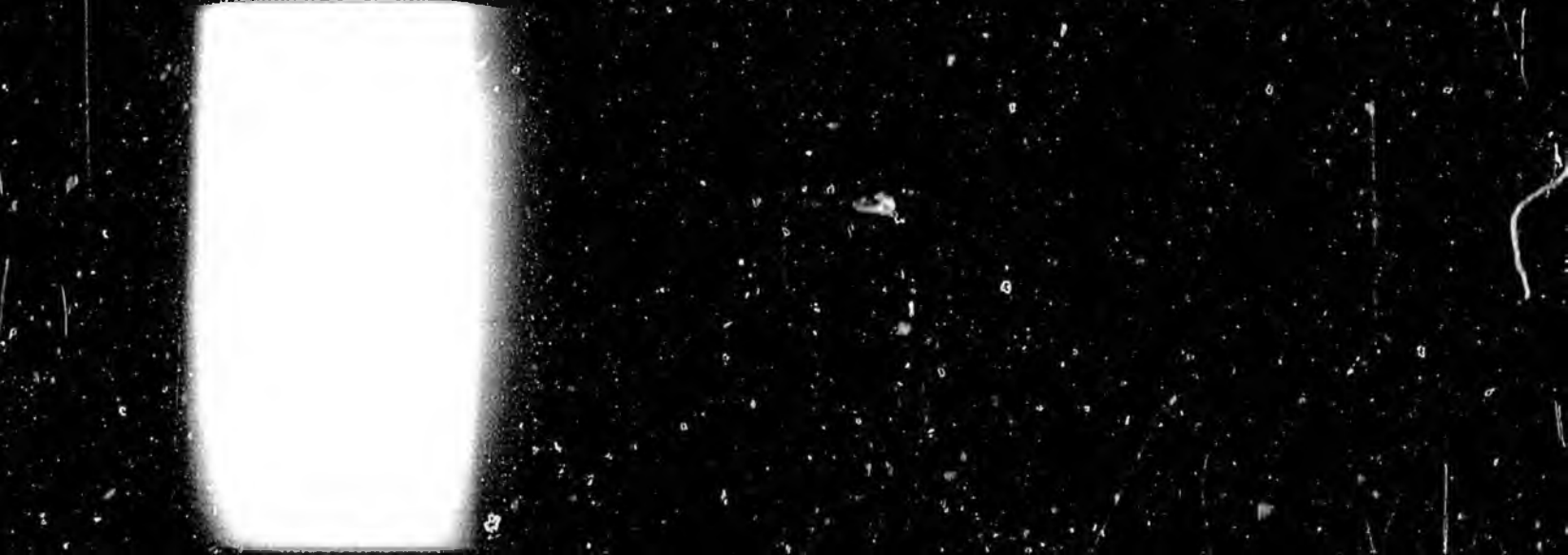
Notify George Shaginaw

Office of Telecommunications

HJR 32

Rate integration

Cindy McBurney



Adequate return on investment - What is rate of return

Phase I March 76 25.4%  
 Phase II July 1, 77 1/2 of remaining def.  
 Phase III Jan 1, 79 Remainder

7% = 30

Inter Intra

Satellite	60	15	12
Terrace	40	85	400

4  
30  
420

7/100  
30

Rate of return eating ~~30~~ mill <sup>12</sup> 5%

200 15%  
 10 million

7%

12 → 5  
 1/30

No phase II

11.9%

18.5 inv.  
 9.2

210 currently

300

10%

14%

12%  
 5%

30  
 7

14%

5/12

12  
 5

10/70

1

3