

SCOMM

9:202

Fund Should Help All Alaskans, Panel Says

By PATTI EPPLER
Times Staff Writer

Kicking off a series of statewide public discussions on the uses of Alaska's permanent fund, two Outside economists and a five-man citizen's panel yesterday debated the many ways the fund should be used but agreed that the benefit of all Alaskans should be the main goal.

Dr. Barbara Bergman of the University of Maryland and Dr. Donald Gordon of Simon Fraser University in British Columbia were asked by the House Permanent Fund Committee to evaluate the issues involved with the fund and present their views on management of the fund.

Members of the citizens' panel were John Havelock, former state attorney general; Dr. George Rogers, former economist from the Institute of Social and Economic Research; Jamie Love, director of the Alaska Public Interest Research Group; Tim Bradner, an oil industry consultant, and Dr. John Lindauer, chancellor of the University of Alaska, Anchorage.

Ms. Bergman, considered to be a liberal in the field of economics, outlined three courses of action fund managers could take. The first she termed the "spend it as fast as you get it" approach, involving spending the money as soon as it came in and seeking new sources of revenue when oil-related revenues ran out.

The "gilt edge" approach would call for investment of the capital in markets in the Lower 48 and use the income gleaned from those investments in Alaska.

A third approach would be to use the fund as a development fund which would broaden the tax base in Alaska, she said, adding that the income from this approach would not be as big as from the "gilt edge" approach. "I would argue caution for the development fund approach," she said.

"The idea of the permanent fund is to preserve resources for future generations. You have to make sure the grandchildren are taken care of," Ms. Bergman said, likening the situation to that of managing the funds for a

family. "The real guts of the thing is the benefits and costs to groups of individuals . . . They all have different values."

Gordon said he was "intrigued by the suggestion of the governor to pass out the income to the people." He discussed advantages and disadvantages of a development bank, using money from the fund to stabilize the economy and use of the money so it benefits Alaskans.

"If you don't find a way to benefit Alaska, you might as well write a check to Jimmy Carter because that's where it's going," he said.

"I was struck by the awesome responsibility of those who are to decide what is going to happen with the permanent fund and the oil revenues," he said. "I think it's a very tricky problem and largely a legal one."

Members of the citizens' panel expressed opinions on uses of the fund from the point of view of what is needed in Alaska. Love said he thought proper management of the fund might be a problem and advocated public inter-

vention in the program when necessary.

Making sure the programs are doing what was intended should be a major concern of fund managers as well as the "fiscal integrity" of the fund, Love said. Distribution of the money should not be based on politics, he said.

Lindauer said he was concerned about distribution of the fund's income but was equally concerned about investment of the money by the state. He suggested loaning it to private lending institutions including banks and credit unions at a low interest rate so those institutions could in turn re-lend it to the public at comparably low interest rates.

"The goal . . . is to directly benefit today's Alaskan to have a better quality of life and standard of living," he said.

The permanent fund committee is scheduled to conduct a second public meetings on uses of the fund Thursday in Anchorage. Other meetings are planned for Juneau, Fairbanks and Kotzebue.

Permanent Challenge

(Editor's note: the following opinion is reprinted from the Fairbanks Daily News-Miner.)

We could loan the money out to Alaskans. That would give us a greater benefit and could yield the same or better earnings if managed properly, but that's a big "if." Handled in that way, Alaska's Permanent Fund could become something like the Teamsters Union Central States and Western Pension Fund, with political cronies giving out loans at a loss to those with pull while meritorious projects are thrust aside.

Even if the fund is handled honestly we run into serious questions about this use. Should the state loan money out in competition with private banks? Should the Permanent Fund money be risked on ventures the private banks or bond buyers won't touch, simply because the ventures are Alaskan developments?

Most would answer "no" to these two questions, but there may be legitimate areas where the Permanent Fund can fill legitimate needs of Alaskans that banks do not. Many of us have faced problems getting certain types of construction or collateral common in the North, and we should certainly communicate these to the legislature when they ask for suggestions about the Permanent Fund.

After all, Alaskan Natives felt their needs are different enough that they had to create their own bank through a partnership of Native regional corporations, and Anchorage feminists just started their own credit union to handle what they feel are their own special problems. Why can't the Permanent Fund be the special banker for all Alaskans?

Legislation now under consideration would require half the royalties and other applicable revenues to be paid into the fund. This would be twice the minimum payment required by the constitution and would give at least \$2.5 billion to the fund by 1985.

It would break the fund's spending down to at least 40 per cent for high-grade securities, up to 30 per cent for developing private enterprise projects in Alaska and up to 30 per cent for community development projects.

This sounds like a good starting point. The payments into the fund should be as high as possible, to discourage more state government growth and leave the most money left over after the oil revenues dry up. A large block of it should be required to go into secure investments, but at least some should remain available for innovative Alaskan projects and special problems of our state.

We need to participate fully in these decisions and in the governor's appointment of the boards that will oversee the investments. The Permanent Fund can be a second \$900 million fiasco in greater proportions, or it can be the key to the stable economy of which all Alaskans dream. Only we can decide.

A permanent challenge. The only thing really permanent about the Permanent Fund is the challenge for Alaskans to make the policy decisions and oversee its management.

The fund was created by a vote of the people last year, and is already collecting oil royalties while the state government works in various directions to decide its longterm organization. It has already collected \$4 million and earned about \$45,000 in interest from a savings account and U.S. Treasury notes.

If only the minimum payment of one-quarter of our oil lease royalties is put into the fund it will reach \$1.3 billion in the next seven years. If more money is earned through new oil lease sales or if the legislature puts more than the minimum proportion into the fund, it could grow to several times that in the same time.

But once all this cash is in the bank, what do we do with it? That's what two interim legislative committees are working on this summer, and they will be asking for guidance soon from the general public.

We could just take all that cash and invest it in some safe venture, if safe ventures exist anymore with some of the banking practices we've heard about of late. That would keep the Permanent Fund intact and give us a sizable income, but it would not give us the maximum benefit from our oil earnings.

When the state received \$900 million from the 1969 North Slope oil lease sale, this path was taken. Much of the money went into municipal bonds on the West Coast while Alaskans were trying for loans to develop pipeline-related businesses. Finally the investments were liquidated over about five years to increase the size of our state government, and a \$6 million loss was realized on the investments.

Aug 30 1977

House and senate split on permanent fund

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By G. MICHAEL HARRISON
Associated Press Writer

ANCHORAGE (AP) — Sharp differences in philosophy surfaced here Monday between the House and Senate permanent fund committees over how to comply with identical mandates to draft legislation for managing the fund.

In progress reports presented to the Legislative Council, the House committee announced it will conduct a series of fall public hearings as a prerequisite to drafting proposed legislation while the Senate panel outlined plans that call for limited public participation.

The interim reports reflected differences which have been building ever since the two panels were created by the 1977 Legislature with the House committee opting for high public visibility and the Senate

panel maintaining a low profile.

The House committee chaired by Rep. Clark Gruening, D-Anchorage, has announced all its meetings well in advance, but the Senate committee chaired by Sen. George Rohman, D-Bethel, has conducted its business without any public notice.

The philosophical differences were graphically illustrated during the Legislative Council meeting as Rohman and other Senate committee members slipped out of the room for an unannounced meeting.

A committee employee described the gathering as a "closed, informal meeting" and said she had no idea where it was being held.

The House committee plans called for a symposium of economists in Anchorage Sept. 10 and public hearings in Fairbanks, Sept. 14, Anchorage Sept.

15 and Kotzebue Sept. 16. A formal committee meeting was scheduled for Sept. 17 in Anchorage.

Mike Doogan, staff director of the House panel, said other public hearings would be scheduled in October and the committee planned to begin drafting its recommendation to the Legislature in November.

In its symposium, liberal economist Barbara Bergman of the University of Maryland and conservative Donald Gordon of Simon Fraser University in British Columbia will present opposing views on management of the fund which is projected to total \$2 billion by 1985.

The House committee also told the council, which manages legislative affairs between sessions, that it has mailed out about 1,500 questionnaires to political and community lead-

ers around the state.

The House panel said it has hired two consultants, Dr. Arlon Tussing of the University of Alaska and Dr. Beldon Daniels of Harvard University for about \$30,000.

In contrast, the Senate Committee said it was relying heavily on contracts, including one single pact with a Juneau consultant which totals \$115,000.

In its progress report, the Senate committee said it would draft recommendations after studying loan programs in Alaska and other states and mail questionnaires to financial institutions, rural and Native organizations, chamber of commerce members and mortgage bankers.

The Senate panel also said it would inventory capital improvement needs of Alaska communities and project per-

manent fund revenues through 1985.

Some have urged that income from the permanent fund, which is composed of 25 per cent of state petroleum royalties, be invested in high-yield, low-risk securities in traditional money markets outside Alaska.

Others, however, have recommended that the permanent fund should be loaned to Alaskans for business ventures or to municipalities in the state.

In another report, Robert Merritt, a consultant to the legislature's telecommunications committee, complained about the reliability of earth stations provided by California Microwave Inc. for the state's satellite demonstration project.

Merritt reported that the earth stations are failing after about 1,000 hours.

"This is totally unacceptable

and I have suggested that we may have to consider legal action if dramatic improvement is not immediately forthcoming," Merritt said in his report. "At the present rate of failure every piece will be recycled in six months."

Merritt said the Governor's Office of Telecommunications wants to place instruments in several bush earth stations to provide a continuing measure of performance, but has run into problems with RCA Alascom.

"At this time RCA management has not agreed to support the testing program," Merritt said. "In fact, they have not replied to letters asking for their position concerning the program."

Alaska Inc. unconstitutional?

Alaska, Inc., Gov. Jay Hammond's plan to pay oil-wealth dividends to Alaskans based on length of residency, is probably unconstitutional, Legislative Counsel Richard Bradley says in a recent opinion. His analysis, prepared at the request of Sen. Chancy Croft, D-Anchorage, strikes at the heart of Hammond's plan: durational residency. As outlined in legislation submitted by his office, Hammond's plan would issue shares in "Alaska, Inc." on the basis of five-year residency periods.

That's the same approach the state tried with Alaska hire, Bradley says, and the Supreme Court of Alaska slapped that down resoundingly just two months ago.

But it's not quite the same, says Atty. Gen. Avrum Gross. Although he concedes the question is "extremely close," and likely will require a lawsuit to settle, Gross says there is a distinction between a fundamental right such as employment and the "accustomed benefit" of a state dividend check. That difference might negate the apparent restriction imposed by the Alaska Hire decision, Gross says.

Applying these principles (of the Alaska Hire decision) to Alaska, Inc., it seems that Alaska, Inc. fails the test, Bradley, a former assistant attorney general, wrote Aug. 5. "It seems clear that Alaska, Inc. violates the equal protection clauses of federal and state constitutions."

Gross, however, said that while the U.S. Supreme Court has knocked down durational residency restrictions for such "fundamental and expected rights" as welfare or employment opportunity, it is not clear that a benefit such as Alaska, Inc. payments would be treated the same.

Restrictions based on residency generally have been disallowed by courts because they are a barrier to free travel between the states, Gross said. "The question then

would be whether a person in Washington State would be inhibited from moving to Alaska because he would not get a dividend for five years. I think not, since he hadn't been getting a dividend in Washington anyhow," Gross said.

The debate probably is an opening round in the developing battle between Croft and Hammond. Croft, who served as president of the Senate in the Ninth Alaska Legislature, is an all-but-announced candidate for governor. If he won the Democratic nomination, there is a good chance he would face Hammond in the general election, and Alaska, Inc. likely would be a campaign issue.

The plan submitted by Hammond (it is actually House Bill 525, and doesn't call itself "Alaska, Inc.") would mandate that one-half the earnings of the mineral royalties, bonuses and lease payments which are earmarked for the Permanent Fund be divided among eligible Alaskans.

Under that proposal, Alaskans would receive a share of Alaska, Inc. for each qualifying five years of residency beginning Jan. 1, 1974. The first payments would then be made Dec. 31, 1979. Each share would pay an annual dividend equal to one-half the Permanent Fund earnings, divided by the number of qualified shareholders.

The bill provides several tests of residency including:

— The individual must be registered to vote in Alaska.

— The individual (or parent) must have filed an income tax return for the year preceding application; and,

— The individual must have been physically present in Alaska for more than one-half the year preceding application, with exceptions for post-secondary education, military service and the like.

Hammond lists the goals of Alaska, Inc. in HB525 as being the use of natural

resources for the maximum benefit of citizens; promotion of a stable residential population; and involvement of citizens in state budgeting by providing them a direct personal interest in how the money is spent.

To be constitutional under the Alaska Supreme Court ruling in the Alaska Hire case, Bradley says, the plan must show it is "the least drastic" program which can meet those goals. Because it disfavors those who have not been in the state for five years, he said, the plan must conform to that "least

drastical" doctrine. Since the operation of Alaska, Inc. will substantially disfavor individuals who have only paid taxes or resided in Alaska for shorter terms, without being the drastic means available to the state in order for citizen participation in the Permanent Fund, it seems clear that Alaska, Inc. fails the Alaska Hire test and violates the equal protection clauses of the federal and state constitutions," Bradley wrote.

— Howard Weaver

ALASKA CLIPPING SERVICE

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Eagle River, Ak

SEP 8 1977

Permanent Fund Symposium Set 31

Area residents are invited to attend a symposium on the goals of the Permanent Fund to be held Saturday at 9 a.m. in the Alaska Room of the Anchorage-Westward Hilton.

The symposium will discuss potential uses for permanent fund moneys and will feature evaluations of two economists, Dr. Don Gordon of the University in Vancouver, and Dr. Barbara Bergman from the University of Maryland.

Members of a citizen's panel will question the two economists, who represent divergent conservative-liberal viewpoints. The public is also invited to question the economists during the discussion.

LASKA CLIPPING SERVICE

Ketchikan Daily
News
Ketchikan, Ak

AUG 11 1977

Legislative control threat
ANCHORAGE (AP) — An agreement to pay a Juneau consultant \$115,000 to recommend how to set up the Alaska Permanent Fund may not give the Legislature sufficient control over the matter, says Sen. at Rodey, D-Anchorage.

ALASKA CLIPPING SERVICE

Southeast Alaska
Empire
Juneau, Alaska

SEP 12 1977 31

Permanent Fund

ANCHORAGE (AP) — In the first of a series of public discussions about the future of the permanent fund, two economists and a five-person citizens panel agreed the fund should be administered to help all Alaskans. Dr. Barbara Bergman of the University of Maryland, one of two consultants asked by the House Permanent Fund Committee to evaluate possible uses of the fund, said there are three courses of action.

She said the courses include the "spend it as fast as you get it" approach and then searching for other sources of revenue as oil income runs out. The "gill edge" approach would call for investment of the fund in markets in the lower 48 and then using revenue from these investments for projects in Alaska.

A third approach would be to use the fund for development, which would broaden the state's tax base and provide caution in attempting this kind of use of the fund.

ALASKA CLIPPING
SERVICE

Anchorage Daily
News
Anchorage, Ak

AUG 29 1977

ALASKA CLIPPING
SERVICE

Anchorage Daily
News
Anchorage, Ak

AUG 12 1977

Rader quits permanent fund seat

JUNEAU (AP) — Senate President John Rader has resigned his seat on the Senate Permanent Fund Committee, capitol sources said today.

Rader, D-Anchorage, has appointed Sen. Frank Ferguson, D-Kotzebue, to replace him on the committee, the sources added.

The sources said Rader, who suffers from a rare bladder ulcer, resigned because of a planned out-of-state hospital appointment

which probably would interfere with his committee duties.

Neither Rader, Ferguson nor Sen. George Hohman, D-Bethel and chairman of the Senate committee, could be reached for comment.

Along with a like House committee, the Senate panel has been given the responsibility to draft legislation for submission to the 1978 session on management of the Alaska Permanent Fund.

Created by voters last year, the

Permanent Fund is composed of at least 25 per cent of state oil and gas royalties and is expected to total \$5 billion by 1985.

Debate over who will control the fund and what the money will be used for will be one of the major issues in 1978 election-year Legislature.

Rader's resignation and Ferguson's appointment gives rural interests a one-vote majority on the five-member Senate panel.

Permanent fund in search of answers

By PAUL NUSSBAUM
Daily News Staff Writer

Remember the Alaska Permanent Fund?

You know, the golden goose that is to lay golden eggs as long as the oil and gas hold out. The savings account to take the bust out of boom. The magic wand that will turn disappearing petroleum into everlasting renewable resources.

ALL THINGS TO all people, the brand new permanent fund has more than \$4 million in it, with about \$45,000 generated in interest in its first five months of existence.

And nobody knows what to do with it.

The fund created by Alaska voters last year to lock up at least 25 per cent of oil and gas royalties and bonuses is one of the hottest items to come along since statehood, and the legislature in 1978 will spend much of its time debating where the money should go and who should handle it. In the four months left before the opening of the legislative session, the shadowy suggestions for the multi-billion dollar fund are to solidify into a bill — or a handful of bills — that the lawmakers can mold into a final permanent fund.

BECAUSE OF THE vast amounts of money involved (by 1985 the fund will have about \$2 billion if the amount placed in it remains at the minimum 25 per cent), the future of the permanent fund has come in for a lot of high-level political attention, both in the administration and the legislature.

Two legislative committees, with about \$360,000 between them, are going their separate ways to bring proposals to the legislature. Gov. Jay S. Hammond's administration is being tugged two ways as the Department of Revenue and the Division of Policy Development and Planning each want the lead role in handling the executive's permanent fund strategy.

Contracts have been signed, consultants hired, and reports filed. Big-name economists, ranging from liberal John Kenneth Galbraith to conservative Milton Friedman have been wooed.

BUT FOR ALL THAT, a year after the August, 1976, election which created the fund, most people in Alaska know little more about the growing treasure chest than they did when they voted almost 9-1 for it.

Should the money, which by law must be income-producing, be socked away in high-yield, low-risk securities in traditional money markets Outside? Should the money be doled out to residents as loans for businesses or homes? Should the money go to hard-pressed municipalities, either as loans or as guarantees on conventional bonds, to give the cities low-interest money for new buildings, parks and streets? Should the money be spent on loans to build dams, solar energy projects or other sources of energy against the day when oil and gas are gone? Should the money be loaned to develop new industry in the state, with an emphasis on renewable resources?

The questions are easy; it's the answers that are hard to come by.

IN ITS HUNT FOR SOLUTIONS, the Senate Perma-

nent Fund Committee has hired a Juneau consulting firm for \$115,000 to provide basic research and recommendations, and two smaller contracts for a total of about \$20,000 have been prepared to provide information about needs of rural Alaska and the need for money to rehabilitate state fisheries.

The House Permanent Fund Committee paid about \$11,000 for early reports from Massachusetts financier Belden Daniels and Arlon Tussing of the University of Alaska's Institute of Social and Economic Research (ISER). The committee has since signed a new contract with Daniels, with a maximum price tag of \$19,500, and struck a deal with Department of Revenue to have the administration pay for another study by ISER. The administration will also pay about \$90,000 for a "sectoral analysis" of Alaska's economy.

The disagreements and overlapping jurisdiction "shouldn't break down into petty problems . . . but that doesn't mean they won't," House committee chairman Rep. Clark Gruening, D-Anchorage, said. "It could break down into kind of a power struggle, but it would be far better that differences revolve around philosophical differences rather than (personal) attacks, and I don't see any of that now. If debate surfaces, that's good . . . these issues should be out in public."

APPARENTLY, THE PUBLIC is about to get its shot at the permanent fund. On Sept. 10, two economists will lead a discussion in Anchorage on the goals of the fund, and public hearings on the fund's use will be held in Fairbanks Sept. 14, in Anchorage Sept. 15, in Kotzebue Sept. 16

(Continued on page 2)

Daily
News
Special
Report



Legislative panels busy in interim

By PAUL NUSSBAUM
Daily News Staff Writer

The myriad committees charged with conducting legislative business and preparing legislation for the 1978 state legislature have submitted initial reports outlining summer activities and plans for the fall.

The legislature gave its interim arm, the Legislative Council, \$1.5 million, primarily for interim activities. This is how some of the interim committees are spending their money:

—**PERMANENT FUND.** The House and Senate each have an interim committee to study proposals for the future of the fund which is expected to total at least \$2 billion by 1985. The two committees are the stars of the interim panels, with about \$370,000 between them.

The Senate committee has contracted with Dupere and Associates Inc., a Juneau consulting firm, for \$115,000, to conduct a comprehensive examination of existing capital needs in Alaska and what traditional financial institutions are doing to meet the needs. Questionnaires have been sent or are to be sent to 15 banks and financial institutions, 87 village councils, 200 village corporations, 12 regional corporations, 10 agricultural policy task force members, 138 miners and mining companies, 44 fishing associations, 176 Alaska business license holders, and 750 Chamber of Commerce members. The committee is also seeking mortgage information from the Governmental National Mortgage Association, cost of living and construction tables from the state Department of Labor, and general loan information from the other 49 states. In addition, the consultant and the committee will study existing loan programs within the state, with an eye toward streamlining the programs through the permanent fund.

Two other contracts, for a total of about \$20,000, have been granted to

examine the implications of increasing foreign investment in the bottomfish industry off Alaska's shores and the potential for using permanent fund money to aid Alaska fishermen and cooperatives, as well as for assistance from the Alaska Native Foundation in conducting research.

The House committee has mailed 1,500 brochures to residents, outlining possible uses for the permanent fund and asking for suggestions. The committee will conduct a symposium in Anchorage on Sept. 10, and hearings on goals of the fund in Anchorage, Fairbanks, Kotzebue and Juneau.

Contracts with two consultants for a maximum of \$13,000 produced preliminary reports from Dr. Arlon Tussing of the University of Alaska's Institute for Social and Economic Research and Dr. Belden Daniels of Harvard University's Department of City and Regional Planning.

Daniels has been given a second contract for a maximum of \$19,500 to examine the structure of existing development banks, to study ways of regionalizing the permanent fund, and to examine options for insuring public accountability of the fund.

The House committee and the Department of Revenue are in the final stages of two other contracts, with consultant Arthur D. Little of San Francisco for a sectoral analysis of the Alaska economy, and with the Institute for Social and Economic Research for projections of what might happen to the permanent fund money under several possible uses of the principal and interest of the fund.

And the House committee with the legislative Finance Committees are contracting with two other consulting firms for management and financial advice. The firms, Price Waterhouse and Co., and White Weld and Co., are the same consultants which worked closely with the state Investment Advisory Committee,

the panel which did most of the work that resulted in an Alaska Permanent Fund bill introduced in the legislature late last session.

Under the House committee, a subcommittee on renewable resources has been formed under Rep. Terry Gardiner, D-Ketchikan, to study what should be done with a different permanent fund that was adopted by the 1974 legislature—the renewable resources fund. That committee has \$30,000 earmarked for its use.

—**CORRECTIONS.** Designed to study the need for a pre-sentencing jail in Anchorage, the committee chaired by Rep. Russ Meekins, D-Anchorage, has expanded its focus to include examination of current facilities. Additional proposed jails that will be studied by the committee include a juvenile center in Fairbanks for long-term offenders, or the expansion of the McLaughlin Youth Center in Anchorage, a juvenile detention center in Fairbanks for short-term care of up to 20 youths, jails for adults and juveniles in Juneau, an adult pre-sentence jail in Ketchikan, and a women's prison in Anchorage.

The committee is also planning to examine broader corrections issues such as co-ed jails, restitution of victims by inmates, and employment of inmates to perform services or produce products for state government or private industry.

RESOURCES. The committee chaired by Rep. Alvin Osterback, D-Sand Point, will devote most of its time before the opening of the legislature next January to examining the potential for increased participation by Alaska fishermen in the bottom fish industry.

In September, the committee will conduct hearings in Sand Point, Dutch Harbor and Kodiak on the bottom fish issue, and in October will carry its hearings to Ketchikan, Petersburg, Juneau and Cordova.

The committee was given an additional \$7,000 Monday by the Legislative Council to pay for increased travel and staff costs.

—**INSURANCE.** Chaired by Rep. Joe McKinnon, D-Anchorage, the interim insurance committee has spent most of its time studying potential legislation on no-fault automobile insurance. The committee is also charged with examining

Permanent Fund Plans In Works

By JON MATTHEWS
Times Staff Writer

Every Alaskan would be all of eight cents richer today under Gov. Hammond's Alaska Inc. proposal to share income from the state permanent fund, members of the House special committee on the fund quipped yesterday.

The legislators met Friday and yesterday in Anchorage as part of their preliminary planning of the fund, which now contains about \$4 million from Cook Inlet oil and gas royalties and has earned \$43,000 in interest.

That interest, if divided up, amounts to just pennies for each Alaskan.

But the permanent fund — authorized by voters to hold at least 25 per cent of oil and gas royalties and bonus payments — will eventually swell into the billions with the flow of North Slope crude.

How the income from the fund will be used and its structure are big issues to be weighed by the legislature and the administration in the coming months.

Flexibility and security should be two key words for the state permanent fund, said Rep. Clark Gruening, D-Anchorage and chairman of the House special committee.

Gruening said yesterday he has learned that the fund should be liquid enough so as not to hamper specific uses of the state money, and that its investment in and out of the state could avoid an "all the eggs in one basket" dilemma should Alaska's economy take a downturn.

Gruening said the committee, which heard the advice of two economic consultants Friday, has seen the vulnerability of the fund to pipeline problems and fluctuations in oil pricing.

He said while certain large investments from the fund in Alaska might just be replacing what banks already do, there appear to be excellent opportunities for smaller investments in the state.

Cooperation between the legislature and the administration would give the state "the best of all possible worlds" in setting up the fund, said Jim Edenso, deputy commissioner of revenue for treasury.

Edenso yesterday urged the legislators to examine all the alternatives in evaluating directions for the fund.

Committee member Russ Meekins, D-Anchorage, said he was concerned that the information used in mapping out the course of the fund be highly organized, so that the state doesn't "build the airport, then the road and then the dock."

4—Anchorage Daily News, Monday, July 25, 1977

Policy profiles

Spending the 900-mile cookie jar

By JOHN HAVELOCK

The permanent fund is established, so the theory goes, to put capital behind the formation of a new, renewable resource-based economy so that when the oil and gas run out, the state will have a permanent renewable economy to support the people.

A pipeline route through Alaska from Prudhoe Bay to Prince William Sound is sought so an economy of petrochemicals and cheap energy industry can be built on what? Cheap gas of course.

THOUGH THE THEORETICAL foundations of these state policies are at war with one another, they bear a common thread: that public wealth should be used to fuel big time, private enterprise.

No day goes by on the Last Frontier that some Alaska political or economic notable does not blast "government giveaways" or "handouts." The Great Land is acclaimed as a last bastion of free enterprise and rugged individualism. Milton Friedman (surely the least helpful economist to visit Alaska since statehood), warns us of our advanced state of creeping socialism, knowing he is in one of the last ballrooms in America where such politico-economics will be greeted with heartfelt enthusiasm.

These same good folk who cheer for Milton have had much to say about pipeline routings, the disposition of state owned oil and gas coming through the lines and policies to be followed in investing the state's tax revenue from the privately owned portion.

ABHORRENCE OF government spending runs high in a state whose economic backbone has always been government spending. There isn't a substantial fortune in Alaska not indebted to it. As those who contemplate the dollar can plainly see, the next round of fortune building will also depend on government spending. The profits to be made from diverting the state's return from oil and gas sales and taxes into private capital are only exceeded by the gain to be had by getting a hand on the state's oil and gas resources themselves.

A decade ago we used to hear a lot of talk about investing in human resources: better health care, recreational opportunity, education, housing, public transportation, crime prevention, special aid to the handicapped: the old, the poor, the black.

Remember the two Alaskas? One rich, urban, well educated, white, the other poor, rural and brown? The second one is still there and still poor.



personal government getting involved is much more questionable.

THE STATE IS NOW urged by the defenders of capitalism that its principle business is not meeting public sector needs but guaranteeing a hundred years of broad economic prosperity. The state, as the provider to the public sector, has a special point of view and goal that is something more particular and not as broad as general economic prosperity. The institutional perspective of state government on the general state economy is one of maximum state revenue from resource revenue to meet social needs for minimum population growth. Yet the push for state leadership in a general economic policy has forced it into quite a different attitude.

For instance, the state government has been dragged into the gas pipeline route issue by private enterprise in support of a proposal with effects opposed to the state's institutional interests.

In the dedicated fund, the state is nurturing a pretty little baby monkey that can grow up to be a state-run gorilla with a fat finger in every economic enterprise in the state.

With a policy development effort no thicker than an oil slick, the state is marching off to sell (or has sold) its royalty oil and gas through negotiated deals to obtain general economic effects, such as "local processing" and political influence on routing decisions, effects which do not necessarily reflect a thoughtful consensus of state opinion.

NOW SOME WILL welcome the embrace of such interested state intervention in the economy. Those who have a knack for obtaining government loans and subsidies and negotiated purchases will no doubt become very wealthy. For others, the natural free enterprise growth of Alaska is fast enough without subsidizing it from the public treasury by spending beyond that necessary incident to meeting public sector needs.

In the public debate of the past few years we have heard little about those needs. Public sector spending has been decried almost as a loathsome activity, at least as a necessary evil. The scene has been set to switch the flow of state revenue directly to private sector while public needs stagnate.

There is a cycle to such trends in public favor. We will come back to traditional priorities of governmental activity. But in the meantime, the traditional beneficiaries of government activity are losing out.

Pair Of Consultants To Give Reports On Permanent Fund

Two consultants are scheduled to present reports on varying aspects of the permanent fund when the House Special Committee on the Alaska Permanent Fund meets next week in Anchorage.

The reports will be given by Arlon Tussing, a University of Alaska economist, and Belden Daniels, a development specialist from Boston.

Tussing's report, done through the university's Institute of Social and Economic Research, will concentrate on several areas:

- The efficiency of capital markets in Alaska today.

- The extent to which permanent fund outlays would expand the state's tax base and diversify the economy.

- The investment and growth implications would be under four or five alternative management approaches for the fund.

- The impacts of out-of-state permanent fund investments compared to in-state investments.

- The implications of using the fund for social purposes.

- The use of the permanent fund to stabilize the state's economy, to increase rural employment through cottage industries.

- The analytical or policy issues which the committee should investigate in depth.

According to the contract, Daniels's work will address areas in-

cluding suggested methods for managing the permanent fund which will assist community and rural economic development, regionalization of permanent fund capital investments and stable regional economies, refinements which would be made in the fund, problems which have occurred with such funds elsewhere and suggested methods for fund management which could stimulate development in small communities without major distortions in the state or local economy.

Tussing's contract is for \$6,000, while Daniels's is for \$5,000, plus up to \$2,000 for expenses and an appearance before the committee.

The committee also will hear Revenue Commissioner Sterling Gallagher give a report on current permanent fund investments, state Rep. Clark Gruening, D-Anchorage, said. Gruening is chairman of the House permanent fund committee.

Also on the agenda are a discussion of permanent fund proposals and the committee's interim budget.

ALASKA CLIPPING SERVICE

Anchorage Daily Times
Anchorage, Ak.

AUG 10 1977

Rader Quits Fund Panel

JUNEAU (AP) — Senate President John Rader has resigned his seat on the Senate Permanent Fund Committee, capitol sources said today.

Rader, D-Anchorage, has appointed Sen. Frank Ferguson, D-Kotzebue, to replace him on the committee, the sources added.

The sources said Rader, who suffers from a rare bladder ulcer, resigned because of a planned out-of-state hospital appointment which probably would interfere with his committee duties.

Neither Rader, Ferguson nor Sen. George Hohman, D-Bethel and chairman of the Senate committee, could be reached for comment.

Rader is out of state now.

Along with a like House committee, the Senate panel has been given the responsibility to draft legislation for submission to the 1978 session on management of the Alaska Permanent Fund.

Created by voters last year, the permanent fund is composed of at least 25 per cent of state oil and gas royalties and is expected to total \$5 billion by 1985.

Debate over who will control the fund and what the money will be used for will be one of the major issues in 1978 election-year legislature.

Rader's resignation and Ferguson's appointment gives rural interests a one-vote majority on the five-member Senate panel. In addition to Hohman and Ferguson, the committee also includes Senate Finance Chairman John Sackett, R-Galena. The other two members are Sens. Patrick Rodey, D-Anchorage, and Bill Sumner, R-Anchorage.

Permanent fund should help Alaskan residents

ANCHORAGE (AP) — In the first of a series of public discussions about the future of the permanent fund, two economists and a five-person citizens panel agreed the fund should be administered to help all Alaskans.

Dr. Barbara Bergman of the University of Maryland, one of two consultants asked by the House Permanent Fund Committee to evaluate possible uses of the fund, said there are three courses of action.

She said the courses include the "spend it as fast as you get it" approach and then searching for other sources of revenue as oil income runs out. The "gilt edge" approach would call for investment of the fund in markets in the lower 48 and then using revenue from these investments for projects in Alaska.

A third approach would be to use the fund for development, which would broaden the state's tax base. She urged caution in attempting this kind of use of the fund.

"The idea of the permanent fund is to preserve resources for future generations. You

have to make sure the grandchildren are taken care of." She said it's a lot like managing a family. "The real guts of the thing is the benefits and costs to groups of individuals ... They all have different values."

Dr. Donald Gordon of Simon Fraser University, the second consulting economist, said he was intrigued by Gov. Hammond's "Alaska Inc." proposal "to pass out the income to the people."

He added, "If you don't find a way to benefit Alaska, you might as well write a check to Jimmy Carter because that's where it's going."

Gordon noted, "I was struck by the awesome responsibility of those who are to decide what is going to happen with the permanent fund and the oil revenues. I think it's a very tricky problem and largely a legal one."

The permanent fund committee has scheduled a second hearing Thursday in Anchorage with hearings to follow in Juneau, Fairbanks and Kotzebue.

Ketchikan Daily News
Ketchikan, AK

SEP 10 1977

Lack of control in Senate 'fund' study?

By PAUL NUSSBAUM
Daily News Staff Writer

An agreement to pay a Juneau consulting firm \$115,000 this year to give the state Senate recommendations on how to set up the new Alaska Permanent Fund has raised eyebrows of some state politicians who say the arrangement takes away legislative control.

The Senate's special committee on the permanent fund will pay Dupere and Associates Inc. \$115,000 to "provide the committee with the basic research and policy recommendations to be presented to the Senate," the contract with the consulting firm says.

THREE assistants to committee chairman Sen. George Hohman, D-Bethel, will work for Dupere in putting together the recommendations. Rob Kocsis, who served as Hohman's administrative assistant to the Senate Judiciary Committee; Ward Sattler, who was Hohman's permanent fund assistant, and Don Burleson, who was Hohman's assistant for the Legislative Budget and Audit Committee, are to fill the three

consultant-researcher positions called for in the contract with Dupere.

Each of the three will be paid about \$15 per hour, which Hohman said was "roughly comparable" to the salaries they drew as top legislative aides.

The contract was unanimously approved by the five members of the Senate committee at a recent unpublicized meeting of the panel. The only member of the committee who is not part of the ruling coalition of conservative Democrats and Republicans in the Senate, Anchorage Democrat Sen. Pat Rodey, said he was worried about "contracting work that should be done with a great deal of legislative control to a contractor without direct control by the legislature.

"IT'S TOO easy to allow special interest groups to formulate state policy if you use this approach," Rodey said.

Asked why he didn't oppose the contract at the committee meeting, Rodey said it was clear to him the necessary three votes had been rounded up to approve the contract. The other committee

members are Senate president John Roder, D-Anchorage; Bill Sumner, R-Anchorage, and John Sackett, R-Galena.

Hohman, one of three Democrats in the Senate coalition and one of the most powerful leaders in the organizational hierarchy, said the contract with Dupere will not prevent personal involvement by the committee.

"OUR intention is to hold hearings. The contract does not exclude that kind of contract," Hohman said from his Juneau office Friday. "The reason we went with Dupere is that state government has been criticized in the past for going Outside for expertise. Dupere has been involved with local governments in Alaska for 16 years."

Robert J. Dupere, president of the consulting firm, is the financial consultant for the North Slope Borough and was the main mover in a recent bond sale of about \$50 million for the borough.

A separate \$11,700 contract with the Alaska Native Foundation has been approved by the committee, and a third pact for less than \$10,000

(Continued on Page 2)



Sen. George Hohman

● Lack of control

(Continued from Page 1)

to study how state fisheries could be helped by the permanent fund is in the works. The three separate contracts, along with incidental committee expenses for staff and travel costs, will eat up most of the \$185,000 budgeted for the Senate committee.

THE CONTRACT with the Native Foundation is designed to give the

committee access to a study being made with the federal government to determine financial needs of rural areas of the state.

A separate House committee on the permanent fund, with an identical \$185,000 budget, is still studying ways to spend most of the money, but much of it is likely to be earmarked for hearings around the

state on proposed uses of the permanent fund.

The fund was authorized by Alaska voters last year to set aside at least 25 per cent of oil and gas royalties and bonuses into a savings account for the state.

All-Alaska
Weekly
Fairbanks, Ak
AUG 19 1977

Facing Up to the Future

By Gov Jay Hammond 31

In Defense of "Alaska, Inc."

Of course, there have been objections raised to the "Alaska, Inc." concept. I was reluctant to float it out because I knew it would be vulnerable politically. Yet, the more I have considered the objections raised and explored possible alternatives, the more I have become convinced it may be the only means by which we can possibly once more begin to "pay our way."

Among the main objections I have heard raised is the suggestion that to pay dividends directly to Alaskan shareholders would pander to the public's "greed." But even if such would be the case, would it not be refreshing to have the public's so-called "greed" working to suppress the growth of government and state budgets to counter special interest "greed?" Of course, one man's presumed "need" becomes the other fellow's "greed." Regardless of the terminology, it would be interesting to have the modifying influence of the public's "greed" or "need" countering that of special interests or the pork barrel process. Another objection has been that such a program would create pressure from the public to exploit our resources at a less than prudent pace. But those pressures could not be worse than the pressures we are faced with now. It would be much easier to resist public pressures to lease out all our oil lands as quickly as possible simply to achieve a larger dividend than it is under the present circumstances to resist putting up new oil leases each time the growth of government demands an increase in revenues. Such was the case when I took over this administration. Faced with a \$200 million shortfall, I had little choice but to cast around for some immediate revenues. Obviously, I could not double the income tax. The only thing I could assuredly do was to find another oil province to lease and hope we could raise enough money. Thus, I was almost compelled to put up the Beaufort Sea leases simply to meet the state's payroll, despite the fact the time was not the most auspicious nor the price potentially top dollar. That's a lousy way to be forced to do business. However, unless we shift to funding government from appropriate tax dollars it's only a matter of time before this governor or the next will be forced to start selling lands to pay off the help.

Some have suggested that if you believe that all Alaskans should share equally in our non-renewable resource wealth, perhaps we should simply sell it all and disperse shares directly to Alaskans rather than placing that wealth into a permanent fund. I disagree most emphatically. That wealth does not belong to simply those of this generation. It belongs to Alaskans now and in the future.

Some have said the program would be difficult to administer and would lead to fraud and litigation. By using an affidavit attached to one's income tax return, we not only will increase the number of income tax filings but simplify the process of application. Moreover, it is unlikely that many will be inclined to cheat if they are made aware that if by so doing they would foreclose the opportunity to ever again participate in the program. Since initially all who qualified would receive but one modest share, it is unlikely there'd be much inducement for an individual to jeopardize his potential long-term earnings by perjuring himself. An additional safeguard could be structured into the act by simply requiring that applicants must submit, upon demand, evidence supporting their contended qualifications. Such evidence might consist of affidavits from two prospective shareholders who, if found to have perjured themselves, would also lose forevermore prospective benefits. Procedures such as these would certainly cut down on the potential for abuse.

While dispensing dividend checks to Alaskans may seem unusual, if one thinks about it, no matter how we use state monies, they are dispersed in "dividends" from a gigantic people's owned business corporation we could call "Alaska, Inc." If we use the money to cut taxes, a "dividend" is granted taxpayers. Use it to expand services; recipients of these services receive a "dividend." If we use it for municipal revenue sharing, "dividends" are conveyed to municipal dwellers.

While some investment earnings from "nest egg" wealth in the Permanent Fund could and will no doubt be used for the above purposes, all such "dividends" are selectively dispersed. What about the individual who lives outside a municipality? Or who makes too little income to pay taxes? Or who receives no welfare benefits and few, if any, state services? Does not he also deserve a "dividend" from that wealth which belongs to all Alaskans? Perhaps the only way he can ever expect to see a share of that wealth is if he actually receives a dividend check. Perhaps we should take a page from the Native Land Claims Act. The Natives foresaw that the only way some of their corporate shareholders might see any part of their wealth was to distribute a portion in the form of a direct dividend check. However, they are distributing a portion of their capital nest egg wealth. I propose something far more modest: a distribution not of the "nest egg" wealth itself but a part of its earnings.

It seems to me that no matter how we use the income from our "nest egg" wealth, a major objective should be to see that at least a portion of it is distributed equitably. Should someone come forth with a more equitable means of assuring that all Alaskans can have a "piece of the action" than direct dividend checks, I welcome that information. To date nobody has.

Some say municipal revenue sharing's the way we should go. I don't think most Alaskans agree. However, there's an easy way to find out. Let people exercise local option. Should they elect to have all dividends go to the municipality rather than to themselves, so be it. However, I suspect most would like to have a chance to decide for themselves how they would spend at least a small part of their wealth rather than leave all of such decisions up to elected officials.

Polls have shown that confidence in the way public monies are spent is inversely proportionate to the distance you remove those monies from the public's control. Thus, the public has least confidence that the federal government spends their money wisely. Somewhat more confidence in state government; and far more in local government since they at least have those who will spend it within their arms length. "However, if you really want my dollars spent wisely," says the average citizen, "let me say where they are spent." I think it's high time we listened.

House Panel To Seek Views On Use Of Permanent Fund

The House Permanent Fund Committee plans to go all out in the next few months to find out what Alaskans want their new permanent fund to accomplish. The panel's aim is to come up with proposed legislation by December.

The state administration has introduced a bill for setting up the fund, which followed months of meetings and hearings by the Permanent Fund Advisory Committee.

But the legislature intends to do its own research and both the House and the Senate have \$185,000 to spend on consultants to help them. By January, it is likely that in addition to the administration's bill, there will be a House bill and a Senate bill.

The House committee this week intends to mail out 2,000 brochures to Alaskans giving the background of the permanent fund and its objectives. The brochures include a series of seven questions, which the committee is asking people to answer and mail in.

The questionnaires ask suggestions for types of investments and ask what would be the objectives of those investments — as well as what objectives would be avoided.

Other questions ask which groups would benefit from those suggested investments and what groups are likely to oppose it.

In addition, the questionnaire asks suggestions for management of the fund.

Three other questions concerning the permanent fund have been proposed to be included in the Alaska Public Forum, at meetings to be held throughout the state this fall.

These questions ask how much money should go into the fund, whether investments should be emphasized within the state or Outside and which renewable resources

should the fund be used to encourage.

The Growth Policy Council, which oversees the public forum, is to consider the questions, as well as proposed forum questions on other topics, at meetings today and tomorrow at the Captain Cook Hotel.

The House committee doesn't intend to leave the public hearings to the state administration, however. It is planning its own series of public meetings this fall, beginning with a proposed symposium in early September.

Economist John Kenneth Galbraith was invited to speak at the symposium, but yesterday he declined. House committee staffer Mike Doogan said Galbraith indicated he would like to testify at a legislative hearing in Juneau on permanent fund legislation.

Public discussions on the permanent fund are set for Sept. 14 in Fairbanks, Sept. 15 in Anchorage, Sept. 16 in Kotzebue and Oct. 21 in Juneau.

The House committee plans work sessions Nov. 11 and 12 and Dec. 8 and 9, and by the last meeting, "We hope to have whatever bill or bills will be introduced in January," Doogan said.

The committee has signed a \$19,500 contract with Harvard Professor Belden Daniels to prepare a series of reports on other public development corporations, such as the Canada Development Corp. and Connecticut Development Authority, among others.

In addition, Daniels is to report on ways to regionalize the permanent fund and options "for insuring public accountability."

Another contract is being worked out with the University of Alaska's Institute for Social and Economic Research to come up with computer models of what the impact of various permanent fund investments would be on Alaska, in terms of employment and other factors.

Balance Is Nearly \$4 Million

The Alaska Permanent Fund, which came into being Feb. 22, now has a balance of nearly \$4 million, and has earned \$43,000 in interest, according to Deputy Commissioner of Revenue Jim Edenso. That income is solely from Cook Inlet oil and gas production.

Edenso reported on the permanent fund yesterday at a meeting of the House Permanent Fund Committee. He said a little over \$3 million has been invested in U. S. treasury notes, and another \$928,259.21 is in a savings account at the Bank of America, earning 5 per cent interest compounded daily.

The money is kept in a savings account until \$1 to \$1.5 million has accumulated to buy securities.

The legislature is considering bills to establish the structure and management of the Permanent Fund, which was authorized by the voters in a constitutional amendment. Until the decision is made, 25 per cent of the state's income from oil and gas royalties and bonuses will go into the fund and will be invested by the Department of Revenue.

Edenso said legislators had agreed to cooperate with the state administration in setting up the fund, "but they haven't been."

The House committee heard reports Friday from two consultants — University of Alaska economist Arlon Tussing and Harvard University professor Belden Daniels. Edenso said he had not been informed of either contract until he read about them in the newspaper.

The contract with Tussing, through the University of Alaska's Institute of Social and Economic Research, is for \$6,000. Daniels' contract is for \$7,000, including travel and expenses.

The Governor's Permanent Fund Advisory Committee spent several months last fall studying the structure and management of the fund and hired consultants from Price Waterhouse auditing firm and White Weld Co., international investment bankers, as well as local economist Robert Richards, before coming up with proposed legislation. Edenso said the legislature apparently wanted to "do their own thing" by hiring their own consultants.

Consultants See Aid To Small Business

By SUSAN ANDREWS
Times Staff Writer

The worldwide problem of financing for small and medium-sized businesses, especially in small and rural communities, is an area where Alaska's permanent fund could be useful, according to two consultants to the House Permanent Fund Committee.

Harvard University professor Belden Daniels said at a meeting here Friday that Alaska's regional native corporations are a unique resource, and he suggested that the permanent fund be regionalized to deal with the native corporations.

University of Alaska economist Arlon Tussing said "there is no need and no useful function for permanent fund investment in major industrial or commercial enterprise in Alaska, unless there are grounds to subsidize that enterprise."

He said he has been able to identify only one function in which a new public financing source might function better than the private capital market, and that is in providing commercial credit and financing of small and medium scale industrial and commercial enterprises, in small communities and rural areas.

Tussing's report appears to recommend investing the permanent fund outside Alaska. He says that making capital more readily availa-

ble at lower rates to Alaska enterprise generally could increase investment in all sectors of the state's economy, but there is no reason to believe it would lead to economic diversification or geographic dispersion, if that is a desirable objective.

"Lower capital costs would likely have their biggest impact precisely where development would proceed most rapidly in any event," he said.

Daniels agreed there is private money available for large scale enterprises, and he said the state should ask why it is asked to provide equity or debt guarantees that could be handled by the marketplace. On the other hand, he said the state may want to intervene to change ownership in large ventures already in operation. That has happened in Canada, he said, where the Canada Development Corporation, created in 1971, now has assets of \$1 billion and owns a number of formerly foreign-owned, large-scale enterprises.

Daniels said he is "overwhelmed by the size and scope" of Alaska's permanent fund.

The permanent fund is potentially one of the largest development banks in the world, Daniels said, and will be one of the largest investment banks. "It has got to have the best management money can buy."

"You are faced with an absolutely unique situation," Daniels said. "There is nothing comparable

in Asia, Europe or the U. S. You have an extraordinary combination of resources in such a vast area with a low population."

Daniels urged caution on the part of Alaska policymakers.

"It is important to recognize the very real limits of the capacity of any state government to influence economic development within its boundaries," he said.

And he told them not to anticipate too much impact from the Permanent Fund. The state's general fund is more important to the overall economic development of the state than the permanent fund. By providing docks, for example, the general fund makes a fish processing industry possible.

"The punchline," he said, "is that you have the opportunity of enormous scale, either to waste or husband economic resources."

Daniels said he recommends no less than 40 per cent of the fund be invested in securities, and no more than 30 per cent in community development loans and loans to private businesses.

Daniels, who teaches development financing at Harvard, has been active in putting together both foreign and U. S. development banks.

No development bank, or financial intermediary, can create economic activity that isn't there origi-

nally, Daniels said. Such banks only operate on the supply side. "If there is no market, if costs are too high, the permanent fund won't help."

As an example, he cited the petrochemical industry. He said costs are too high in Alaska for products to be competitive on the worldwide market. "That may change," he added, "but there is nothing the permanent fund can do to lower costs to compete."

Subsidies are not the issue, Daniels declared. "Start by not subsidizing. Insist on market returns."

The only exception he recommended is for joint ventures with regional native corporations, where he recommends "differential costs to compensate for opportunity costs which would rightly lead them to invest outside the corporation."

Daniels recommended "regionalizing" part of the fund, with regional subsidiaries "operating under very strong direction from the fund's central management."

Daniels said planning is important to the success of the permanent fund, and there must be coordination between the permanent fund and the general fund. A fine start has been made, in House Bills 298 and 300, and

the issue now is to build on that start, with some method of coordinating the private market, the executive and legislative branches of government and the users.

Tussing told the committee that the permanent fund should not be used to finance a gas pipeline to tidewater.

Tussing, who advocates a gas pipeline through Canada, said a trans-Alaska gas line is "an idea — a vision which has become a religious thing in this state."

"North Slope gas should not go to tidewater," he said. "There is a lot of exploration to be done in Lower Cook Inlet and the Gulf of Alaska, and there are present uncommitted reserves in Cook Inlet."

A tidewater to Fairbanks gas line is more likely to carry gas north than south, he said.

He does not anticipate petrochemical industry as a result of a pipeline to tidewater. "There is no evidence that major gas using industries are waiting to be established in southern Alaska. Any sacrifice the state makes now in revenues or permanent fund earnings has to be assured of an awfully big reward in 25 years."

Policies will determine how much money made

The payoff that Alaska's Permanent Fund will provide for the state will come in the form of earnings from the fund's investments.

How large those earnings will be depends on the investment policies chosen by the legislature. The legislature could select high-yield investments to maximize profits or it could concentrate on investments that don't yield as high a profit, but provide other benefits, such as more jobs, a stronger economy or a cheaper source of fuel.

According to the constitutional amendment approved by the voters last fall, earnings from the fund's investments can be used for any purpose designated by the legislature, unlike the money that accumulates in the Permanent Fund itself, which must be placed in income-producing investments.

At meetings of the Alaska Public Forum this year and in late 1976, participants said the three top priorities for Permanent Fund earnings should be to reduce taxes, to make loans to develop renewable resource industries and to return it to the Permanent Fund for reinvestment.

Gov. Jay Hammond has proposed that half of the fund's earnings be distributed directly to Alaskan residents as dividend checks. According to Hammond, such a system would make the public more aware of how the state is spending its money and whether wise decisions are being made. Under Hammond's plan, residents who have been in the state for a minimum of five years would be made "shareholders" in the program he calls "Alaska, Inc."

The dividends "could more than offset the additional costs to most Alaskans now here of appropriate taxes to which we must begin to shift if we ever hope to start paying as we go," Hammond said.

The governor said the proposal is just a "blueprint," and adds that he would support other methods of equitably disbursing part of the fund's earnings.

The concept of Alaska, Inc. "is to permit us to do something that doesn't obligate us to give everybody and his brother who might want to come up here, an immediate piece of that pie."

Some legislators have said the fund could be used to reduce or even

eliminate taxes and have called Alaska, Inc. "a complicated way to reduce taxes or give a tax rebate."

Clark Gruening, D-Anchorage, chairman of the House Special Committee on the Permanent Fund, said the use of earnings from the fund is not the most important subject being discussed now. More attention should be given to what the fund's investment policies should be, he said.

It won't be until the 1980s that the Permanent Fund's investments start to produce a large amount of income for the state, he said.

Gruening also said the fund will never be large enough to eliminate personal taxes, but it could be used to produce a tax break. To replace the amount the state now collects in taxes from individuals, the fund would have to contain \$10 billion and earn 10 per cent interest, he said.

Other members of the House committee have taken the same position on uses of Permanent Fund earnings, choosing instead to concentrate on how the money should be invested to produce income for the state.

Legislative Hearings Bypass Capital City

House lawmakers have planned dozens of legislative hearings, meetings and symposiums this fall to gain citizen reaction on pending legislation. Few of the sessions, however, have been scheduled in the state's capital.

Lawmakers, who will be returning to Juneau Jan. 10 to open the second session of the tenth legislature, are skirting the capital this fall as the solicit comments from Ketchikan to Barrow and Sand Point to Fort Yukon on topics ranging from subsistence hunting to time zone changes.

The interim's most active committee, the House panel on the Alaska Permanent Fund, will be meeting in Juneau Oct. 21-22 to discuss the goals for the fund. The House committee, chaired by Rep. Clark Gruening, D-Anchorage, will hold the two-day hearings designed to gain citizen comments about the workings of the fund established by a constitutional amendment passed by voters last November.

Gruening, who will be chairing a permanent fund symposium this weekend in Anchorage, plans to draft his own version of a permanent fund bill late this fall for submission to lawmakers in January. The bill will compete with permanent fund legislation introduced by Gov. Jay Hammond earlier this year.

On Sept. 15, the Legislative Board of Retirement Benefits will meet in Juneau for a 9:30 a.m. meeting and Rep. Al Osterback, D-Sand Point, has scheduled one of seven planned symposiums on bottom fishing for Juneau Oct. 6. Rep. Lisa Rudd, D-Anchorage, will move her interim committee on taxation in unorganized boroughs to Juneau Nov. 2 for a

hearing on a bill requiring building permits for shore facilities.

Rep. Nels Anderson, D-Dillingham, also will visit Juneau Dec. 9 gathering testimony on subsistence hunting and fishing regulations for potential changes in legislation next session.

The state's Steering Council for Alaska Lands, chaired by Rep. Steve Cowper, D-Fairbanks, will skip Juneau with its meetings on the d-2 lands issue. That joint House-Senate committee is holding most of its meetings in Anchorage.

Rep. Charles Parr, D-Fairbanks, also will be waiting until January to get local reaction on a packet of bills calling for the reorganization of the University of Alaska. He will be holding hearings on the bills in Fairbanks, Kodiak and Anchorage in early October.

House State Affairs Committee Chairman Bob Bradley, D-Anchorage, will conduct hearings on his bill to limit the number of state employees and on resolutions calling for a unicameral legislature and on a bill calling for Southeast to move into the Yukon time zone. The hearings are scheduled for Ketchikan and Fairbanks next month.

Lawmakers also are scheduled to journey to Kodiak for a telecommunication hearing chaired by Rep. Fred Brown, D-Fairbanks; slated to go to northern parts of the state for hearings on bilingual education programs, chaired by Rep. Thelma Buchholdt, D-Anchorage; to Sitka for hydroelectric power hearings, chaired by Gruening; and to Delta Junction for hearings on a property tax bill for unorganized boroughs, chaired by Rudd.

ALASKA CLIPPING
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KODIAK MIRROR
Kodiak, Ak

AUG 10 1977

Rader leaves Permanent Fund board

JUNEAU (AP) — Senate President John Rader has resigned his seat on the Senate Permanent Fund Committee, capital sources said today.

Rader, D-Anchorage, has appointed Sen. Frank Ferguson, D-Kotzebue, to replace him on the committee, the sources added.

The sources said Rader, who

suffers from a rare bladder ulcer, resigned because of a planned out-of-state hospital appointment which probably would interfere with his committee duties.

Neither Rader, Ferguson nor Sen. George Hohman, D-Bethel and chairman of the Senate committee, could be reached for comment.

Along with a like House committee, the Senate panel has been given the responsibility to draft legislation for submission to the 1978 session on management of the Alaska Permanent Fund.

Created by voters last year, the Permanent Fund is composed of at least 25 per cent of state oil and gas royalties and is expected to total \$5 billion by 1985.

Debate over who will control the fund and what the money will be used for will be one of the major issues in 1978 election-year Legislature.

Rader's resignation and Ferguson's appointment give rural interests a one-vote majority on the five-member Senate panel. In addition to Hohman and Ferguson, the committee also includes Senate Finance Chairman John Sackett, R-Galena. The other two members are Sens. Patrick Rodey, D-Anchorage, and Bill Sumner, R-Anchorage.

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Southeast Alaska
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Juneau, Alaska

AUG 11 1977

Rader Resigns Seat On Senate Fund Panel

By The Associated Press

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ALASKA CLIPPING SERVICE

Fairbanks
News Miner
Fairbanks, Ak

AUG 30 1977

Permanent Fund committees diverge

By G. MICHAEL HARMON
Associated Press Writer

ANCHORAGE—Sharp differences in philosophy surfaced here Monday between the House and Senate permanent fund committees over how to comply with identical mandates to draft legislation for managing the fund.

In progress reports presented to the Legislative Council, the House committee announced it will conduct a series of fall public hearings as a prerequisite to drafting proposed legislation while the Senate panel

outlined plans that call for limited public participation.

The interim reports reflected differences which have been building ever since the two panels were created by the 1977 Legislature with the House committee opting for high public visibility and the Senate panel maintaining a low profile.

The House committee chaired by Rep. Clark Gruening, D-Anchorage, has announced all its meetings well in advance, but the Senate committee chaired by Sen. George Hohnman,

D-Ethel, has conducted its business without any public notice.

The philosophical differences were graphically illustrated during the Legislative Council meeting as Hohnman and other Senate committee members slipped out of the room for an unannounced meeting.

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(See, PERMANENT, page 5)

ALASKA CLIPPING SERVICE

Southeast Alaska
Empire
Juneau, Alaska

AUG 1 1977

Legislator Upset With Fund³¹ Advisor

ANCHORAGE (AP) — An agreement to pay a Juneau consultant \$115,000 to recommend how to set up the Alaska Permanent Fund may not give the Legislature sufficient control over the matter, says Sen. Pat Rodey, D-Anchorage.

Rodey, a member of the Senate's special committee on the permanent fund, said it's "too easy to allow special interest groups to formulate state policy if you use this approach."

But the committee's chairman, Sen. George Hohnman, D-Ethel, says Rodey's concerns

are not justified.

The committee will pay Dupere and Associates, Inc., to provide the committee with the basic research and policy recommendations to be presented to the Senate.

Three Hohnman assistants will work with Dupere, Hohnman said.

He said the contract will not prevent personal involvement by the committee.

"Our intention is to hold hearings," Hohnman said.

He said the Dupere firm was chosen for the study because it has 18 years of Alaskan experience.

SEP 12 1977

Suggestions vary for state's nest egg plans

By PAUL NUSSBAUM
Daily News Staff Writer

If Saturday's blue-ribbon symposium on the Alaska Permanent Fund proved anything, it is that there is precious little agreement on what should be done with the state's nest egg.

Four legislators, two prominent economists, and five specially selected panelists from around the state led a discussion on what the permanent fund should or shouldn't do, and by the time everyone had said his piece, conflicting suggestions ranging from abolition of the fund to state-owned oil companies to fund-operated development banks had been aired.

THE PERMANENT FUND, created last year by an overwhelming majority of state voters, now has about \$7 million in it from oil revenues, and it has generated about \$70,000 in interest. If the fund continued to be funded with 25 percent of petroleum leases and royalties, as it is now, the state savings account will have about \$2 billion in it by 1995, according to current projections. In its efforts to come up with a workable plan for managing and investing the money, the state legislature set up two committees to find out what the public wants and needs and to report back to the Legislature in January with proposed legislation.

The House Committee on the Permanent Fund Saturday kicked off its poll of public opinion with a symposium that attracted about 40 persons — including a number of legislators and representatives of the federal administration — to the Anchorage Wardman-Hilton.

By the time the session was over, it was clear that the permanent

fund, popular though the concept of a savings account is, means many different things to Alaskans.

"THIS THING is driving a wedge between people," one committee staff member said after listening to hours of debate over the amount of money that should be placed in the fund, where it should be invested, and how it should be spread among residents. "It is splitting the state into armed camps."

Dr. Don Gordon, a professor of economics at Simon Fraser University in British Columbia and one of two Outside economists brought to the state for the symposium, told the gathering, "If you regard these resources as morally belonging to Alaskans, you should find some way to distribute the benefits to the people you consider Alaskans; otherwise, you might as well write a check for the full \$3 billion and send it to Jimmy Carter, because that's where it's going to go." The \$3 billion is the amount projected to be in the permanent fund by 1995 if all oil and gas royalties and leases were committed to the fund, rather than the current 25 percent.

And University of Maryland economist Dr. Barbara Bergman warned that the state cannot expect to use the permanent fund to generate the highest possible interest returns if it also expected to use the fund for economy — diversifying investments in Alaska.

"YOU'RE GIVING up something in either case," she said. "You have to ask who gets the benefits and who pays the costs."

Rep. Clark Gruening, chairman of the House Permanent Fund Committee, also noted problems built into subsidizing business or individual loans in Alaska with the permanent fund.

"To the extent to which the permanent fund becomes involved in the Alaska economy, the problem of distributing the subsidy equitably becomes greater," Gruening said. The Anchorage Democrat said using the state's general fund to set up special loan programs to meet special needs — as is done with a number of state loan programs now — might be wiser than using permanent fund money for that purpose.

UNIVERSITY OF Alaska

Anchorage chancellor John Lindauer, a member of the five-man panel, recommended giving Permanent Fund money to existing banks and financial institutions in Alaska at low interest rates for the banks to use in making low-interest loans to state residents "in special areas, such as housing."

Lindauer argued against making direct loans from the permanent fund, saying such loans would be too likely to attract bad risks, while good loan prospects would continue to go to traditional lenders.

Fellow panelist Tim Bradner, representing British Petroleum, warned that rural residents of the state are leary of the permanent fund, and he shared the fear that the fund which was designed to protect money for all state residents may end up dividing Alaska citizens, instead.

"The permanent fund will divide the state politically. There are differences of direction between urban Alaskans and rural Alaskans," Bradner said. "Rural Alaskans see the permanent fund as more of an urban benefit — they are worried that the fund may shortchange current programs for the rural areas."

Bradner and Lindauer were joined on the panel by Juneau economist Dr. George Rogers, former Atty. Gen. John Havelock, and Alaska Public Interest Research Group director James Love. Legislators on the program with Gruening were fellow House Democrats Russ Meekins and Bill Miles and Anchorage Democratic Sen. Pat Roddy, vice chairman of the Senate Permanent Fund Committee.

House and Senate of Alaska fund management

ANCHORAGE — Sharp differences in philosophy surfaced here Monday between the House and Senate permanent fund committees over how to comply with identical mandates to draft legislation for managing the fund.

In progress reports presented to the Legislative Council, the House committee announced it will conduct a series of fall public hearings as a prerequisite to drafting proposed legislation while the Senate panel outlined plans that call for limited public participation.

The interim reports reflected differences which have been building ever since the two panels were created by the 1977 Legislature with the House committee opting for high public visibility and the Senate panel maintaining a low profile.

The House committee chaired by Rep. Clark Gruening, D-Anchorage, has announced all its meetings well in advance, but the Senate committee chaired by Sen. George Hohman, D-Bethel, has conducted its business without

any public notice.

The philosophical differences were graphically illustrated during the Legislative Council meeting as Hohman and other Senate committee members slipped out of the room for an unannounced meeting.

A committee employee described the gathering as a "closed, informal meeting" and said she had no idea where it was being held.

The House committee plans called for a symposium of economists in Anchorage Sept. 10 and public hearings in Fairbanks, Sept. 11, Anchorage Sept. 15 and Kotzebue Sept. 16. A formal committee meeting was scheduled for Sept. 17 in Anchorage.

Mike Daogen, staff director of the House panel, said other public hearings would be scheduled in

October and the committee planned to begin drafting its recommendation to the Legislature in November.

In its symposium, liberal economist Barbara Bergman of the University of Maryland and conservative Donald Gordon of Simon Fraser University in British Columbia will present opposing views on management of the fund which is projected to total \$2 billion by 1993.

The House committee also told the council, which manages legislative affairs between sessions, that it has mailed out about 1,500 questionnaires to political and community leaders around the state.

The House panel said it has hired two consultants, Dr. Arlen Tunsing of the University of Alaska and Dr. Deldon Daniels of Harvard University for about \$50,000.

In contrast, the Senate Committee said it was relying heavily on contracts, including one single pact with a Juneau consultant which totals \$115,000.

In its progress report, the Senate committee said it would draft recommendations after studying loan programs in Alaska and other states and mail questionnaires to financial institutions, rural and Native organizations, chamber of commerce members and mortgage bankers.

The Senate panel also said it would inventory capital improvement needs of Alaska communities and project permanent fund revenues through 1993.

Some have urged that income from the permanent fund, which is composed of 25 percent of state petroleum royalties, be invested in high-yield, low-risk securities in traditional money markets outside Alaska.

Others, however, have recommended that the per-

manent fund should be loaned to Alaska for business ventures or to municipalities in the state.

In another report, Robert Merritt, a consultant to the legislature's telecommunications committee, complained about the reliability of earth stations provided by California Microwave Inc. for the state's satellite demonstration project.

Merritt reported that the earth stations are failing after about 1,200 hours.

"This is totally unacceptable

and I have suggested that we may have to consider legal action if dramatic improvement is not immediately forthcoming," Merritt said in his report. "At the present rate of failure every piece will be recycled in six months."

Merritt said the Governor's Office of Telecommunications wants to place instruments at several bush earth stations to provide a continuing measure of performance, but has run into problems with RCA Alascom.

"At this time RCA management

has not agreed to support the testing program," Merritt said. "In fact, they have not replied to letters requesting a reply to letters asking for their position concerning the program."

In council votes, lawmakers boosted the budget of the Interim Resources Committee by \$7,000 for increased travel requirements and appropriated \$10,000 for an emergency study of the tourist impact on Skagway from completion of the Carcross-Skagway highway.

ALASKA
SENATE
KODIAK
KODIAK, ALASKA

Interim conference committees

Planners for fund meet today

A special legislative committee charged with drawing up a plan for the future of Alaska's permanent fund opens two days of meetings today, ready to examine proposals which differ sharply from those introduced during the 1977 legislative session.

The House Special Committee on the Permanent Fund will meet for the first time since the legislature ended at 1:30 p.m. in the jury room of the Alaska Court Building.

A 22-PAGE booklet prepared for public distribution outlines a cautious willingness to junk earlier proposals for a management body in favor of giving more control of the nest egg directly to the legislature.

"The two critical management questions are: How much control over policy should be delegated by the legislature to another agency or agencies?" the pamphlet asks. "To what extent will the managers in those agencies be accountable to the people of Alaska, either directly or through their elected officials?"

A plan introduced by Gov. Jay S. Hammond during the legislative session would have set up a sort of development bank to manage the permanent fund, with members appointed by the governor and confirmed by the legislature.

ALREADY, much of the debate seems certain to revolve around whether the governor or the legislature should have more control of the investment of the billions that will flow into the fund as a constitutionally mandated portion from oil and gas royalties and bonus sales.

Two consultants hired by the House committee will present studies during the two-day session. Alaska economist Dr. Arlon Tussing of the Institute of Social and Economic Research at the University of Alaska will unveil a 36-page study which concludes that permanent fund loans to business in the state will not diversify the economy unless subsidies are provided.

And Belden Daniels, a Massachusetts finance and development specialist, will warn the committee to be careful about setting up a development bank approach to the permanent fund.

7-16-77 Daily Permanent fund uses explored

The new Alaska Permanent Fund, which is expected to house at least \$1.8 billion by 1985, should not be used to supplant traditional banking institutions in the state and should be considered as one arm of a comprehensive, coordinated state financial plan, two economic consultants told legislators Friday.

In the first meeting of the legislative committees designed to put together a plan for structuring the permanent fund and its use, legislators were warned not to expect the permanent fund to solve Alaska's economic future by itself.

"THE EYE OF the legislature ought to be much more on how much money goes into the permanent fund and a little less on what kind of investment portfolio it has," University of Alaska economist Arlon Tussing told the House Special Committee on the Permanent Fund Friday. "The most effective use of the permanent fund is to control what is available in the general fund."

And Massachusetts banking expert Belden Daniels said in a prepared report the permanent fund "represents a unique and bold opportunity to rethink not only the function of a state government as a stimulator of overall economic activity, but also the very structure of state government as a public enterprise."

Daniels, like Tussing, urged that the permanent fund not be viewed by itself, but be examined as part of the overall financial picture for Alaska.

STATE VOTERS last year authorized the establishment of a permanent fund which will hold at least 25 per cent of oil and gas royalties and bonus payments. The money is to be invested in money-making projects, with the interest to be funneled back into the general fund or used in any other manner eventually chosen by the legislature.

How to set up the permanent fund, and what uses to make of the money in the fund will be major issues in the 1978 legislature, as well as in the remaining 5½ months before the legislators return to Juneau.

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2 permanent funds?

31

Legislators mull plan to split state's nest egg

By PAUL NUSSBAUM
Daily News Staff Writer

The Alaska Permanent Fund, faced with demands to loan money for state development while at the same time earning the highest possible return, may be split into separate funds to satisfy both goals.

One proposal being considered by a special House committee on the permanent fund would set up a trust fund and a development fund. The trust fund would be designed to make high-return, safe investments with its chief goal high income for the state savings account. The development fund, on the other hand, would concentrate on investments in Alaska — such as home loans or major local improvements.

BRAINSTORMING after a public hearing in

Anchorage Thursday, members of the House Committee on the Permanent Fund and committee consultant Belden Daniels refined the split fund notion into a proposal that is likely to be the basis for legislation presented to state lawmakers early next year.

Demands on Alaska's Permanent Fund, expected to hold at least \$2 billion from oil royalties and bonuses by 1993, could turn the state nest egg into a huge pork barrel for pet projects if legislation for its management is not carefully drawn, legislators fear. Testimony Wednesday in Fairbanks, and Thursday in Anchorage showed little consensus among state residents, and the House committee is likely to hear a similarly wide range of suggestions when it travels to Kotzebue Friday for more public hearings.

"I think the pit is bottomless," committee chairman Rep. Clark Gruening, D - Anchorage, said after Thursday's hearing. Gruening has consistently stressed that many of the demands on the permanent fund would more properly be met by the state's general fund and existing loan programs.

A DEVELOPMENT bank — to meet these kinds of demands — could be set up with an initial grant from the trust fund, the committee decided. A portion of the permanent fund could be dedicated each year to the development fund until the development fund had \$100 million in it. It would not go into the money-losing business until it had that much cash, according to the proposal considered Thursday by committee members.

(Continued on Page 7)

ALASKA CLIPPING
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Anchorage Daily
News
Anchorage, Ak

SEP 16 1977

State's nest egg may be split

(Continued from Page 1)

bers. One of the key worries of legislators is that the two funds be separated so that money from the proposed trust fund is not siphoned directly into the development fund.

"We're talking about building this house with a thick wall in the middle. If we're not satisfied with that, we can build two different houses," committee aide Mike Deegan said.

GRUENING SAID the committee hopes to have draft legislation prepared by October 20, when the panel holds its final public hearing in Juneau.

Under the split-fund proposal under consideration by the committee the trust fund could be managed by three separate professional investment companies. After a given period, say five years, the per-

formance of the investors would be assessed, and the company with the poorest record of managing the state's trust fund would be replaced.

The question of who watches the investors, though, is a worrisome one for the lawmakers preparing permanent fund legislation. Legislators are leery of placing all control in the hands of the executive branch, and the outcome may be a new standing committee in the legislature to share review responsibilities with the administration.

WHAT HAPPENS to the income

produced by investment of the Permanent Fund — either by the proposed trust fund or the proposed development fund?

Legislators face at least three possible answers: Put the interest the fund earns back into the Permanent Fund; put the interest into the state general fund, or distribute the interest among state residents. Gov. Jay S. Hammond is pushing for distribution of "dividends" from a so-called Alaska, Inc., with residents who meet as-yet-unspecified residency requirements eligible for payments every year from the fund.

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Anchorage Daily

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Anchorage, Ak.

SEP 1 0 1977

State Fund Could Invest In Utilities

The possibility of state permanent fund investment in private utilities within Alaska was discussed here Thursday at a meeting of state revenue officials and representatives of private utility associations.

Also present was Dave Rose, Anchorage assemblyman and head of the Anchorage municipal bond bank.

Jim Edenso, deputy commissioner of revenue, who called the meeting, said he anticipates one more such meeting early in October. The Revenue Department is preparing a report on utilities as possible investment opportunities, to be presented at a Southeastern Hydro Power Conference at Sitka Oct. 13 and 14.

Edenso said the utilities have been asked to give the state an outline of their estimated capital requirements over the next 10 years.

Dams are a separate issue, Edenso said. "We will be meeting with the Alaska Power Authority on that subject."

Edenso said he is trying to meet with many different interest groups to come up with suggested goals of the permanent fund, which had a balance of \$7 million at the end of August. The fund now is derived from 25 per cent of the state's income

from oil and gas royalties and bonuses. The legislature can increase the percentage of contribution.

"We will look at community-type, local investments as well as private sector investments," Edenso said.

Rep. Clark Gruening's House Permanent Fund Committee is holding a series of public discussions on the fund, beginning with one today at the Anchorage Westward Hilton. Edenso said his department now has a good relationship with the legislative committee. "We are exchanging ideas and information very well," he added.

Sen. George Hohman's Permanent Fund Committee has hired Bob DuPere as its consultant. Lombard and Wall, a New York firm, is a subcontractor reviewing the state treasury division's operations and how the division now is managing the state's investment program, including interim management of the permanent fund.

Several state departments are

contributing to the study of objectives of the permanent fund, Edenso said, including Commerce and Economic Development, Labor and the division of policy development and planning.

The administration already has introduced a permanent fund bill, and bills will probably be introduced in both the House and Senate next session.

SOUTHEAST ALASKA
EMPIRE
JUNEAU, ALASKA

AUG 30 1977

Split Personalities

By G. MICHAEL HARMON
Associated Press Writer

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a Permanent Fund?

questionnaires to political and community leaders around the state.

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Readers write...

DAILY NEWS 9/21/71

Permanent trust

Dear Editor:

An idea originating in the House Committee on the Permanent Fund to have a "trust fund" and a "development fund" makes good sense. The discussion of this idea among committee members last Thursday after hearing testimony in Fairbanks and Anchorage seems to me to be more significant than all the ideas proposed for use of permanent fund money—even though I testified, too, and thought what I said was pretty good.

The committee idea honors the core concept of the permanent fund: to handle funds available from transforming wealth in barrels of oil into dollars so as to produce the effect of a perpetual non-diminished renewable resource.

The wording of the constitutional provision that no less than a quarter of certain petroleum revenues shall be saved states only that "... the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments" It is a question of interpretation as to how far we can go below handling the money to produce the highest possible return and still be consistent with the basic economic intent of the permanent fund.

I have been engaged in vigorous debate over a public policy to foster individual independence. A key feature of

this seems to be to make low interest easy term loans to the "little people" such as homesteader-farmers, dad and mom sawmills, or one family seafood canneries, for example. Assuming a strong favorable public sentiment in this direction, should one per cent interest loans be available if this is what it would take to permit making "a decent living" in the face of the economic handicaps of smallness? Whatever might be said in support of the social purpose intended, I suggest it could reasonably be contended that such a program would violate the intent of the permanent fund.

If the foregoing view is not essentially sound, the Legislature could decide to lend communities one-tenth of one per cent interest money to build havens for battered wives. It can be said that this is a good social purpose. So is art.

The basis for the permanent fund is essentially economic, i.e., to help strengthen the viability of the society. In the absence of language in the law indicating that the productivity of the fund can be watered down at will to serve an endless variety of social purposes we certainly shouldn't leave the doors wide open in this direction.

There are undoubtedly some investments to be made at less than maximum return that will be good risks to produce favorable economic results over the life of a loan. A hydro-electric power project may be an example. To illustrate: Assume the Prudhoe Bay oil at the current \$14.60 a barrel means that diesel fuel to generate electricity is 4 cents per KWH. If the price of oil goes up an average of 6 per cent a year, the price per barrel in 12 years is \$29.20 and the diesel fuel cost is 8 cents per KWH. If the hydro project needs a low interest rate on money to build now and compete with diesel generated power, the interest rate can be escalated 100 per cent in 12 years and the hydroelectric production can still be on a par with diesel power. This is an oversimplification but it indicates a basis of reasoning as to economic justification.

If an enterprise needs money value concessions permanently in order to stay in business, it would appear that the balance sheet with the state is in the red, that is, the enterprise can't pay its bill toward the cost of public services for the people that its operation accounts for. It is difficult to see any justification for investment of permanent fund money at a low interest rate, or for any other money value concession in such a situation. This is, of course, a generalization that won't fit every case as there are so many calculations involved in determining whether there is an overall economic balance.

We can be grateful to the Permanent Fund Committee members for their common sense efforts to insulate Permanent Fund monies committed to the basic economic purpose of producing the best return possible from a "development fund." There might be \$100 million set aside in the development fund out of about \$2 billion in the "trust fund" part of permanent fund money in 1985. This figure is being discussed by the committee.

I think the \$2 billion is far less than the overall permanent fund saving can and should total by 1985. There will be ample revenues beyond current normal needs to accomplish this. I suggest that the people with all sorts of proposals for permanent fund investments should make a concerted effort to persuade the Legislature to increase the amount set aside from certain petroleum revenues far above the 25 per cent required by law. This can be more productive in the long run than just advocating favorite purposes, which may be high risk and the returns very low.

The "development fund" idea will permit a manageable departure from strict adherence to economic purity in permanent fund policy. Operating within a cautiously established limit for the development fund we can, in four or five years, measure how well the overall public good is being served by various investments.

Harold E. Pomeroy

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FRONTIERSMAN
Palmer, Alaska

SEP 8 1977

Symposium to discuss Permanent Fund goals

A symposium on the goals of the Permanent Fund will be held in Anchorage on Saturday, Sept. 10. The symposium is a joint effort of the Alaska Humanities Forum and the House Permanent Fund Committee, and will begin at 9 a.m. in the Alaska room of the Anchorage Westward Hilton.

Permanent Fund Committee Chairman Clark Gruening says the purpose of the symposium is to discuss the various potential uses for the Permanent Fund money and the implications of those used.

Taking part in the symposium will be two renowned economists who have been evaluating the issues involved with the Permanent Fund.

Presenting the conservative economic viewpoint will be Dr. Don Gordon, a U.S. and Canadian legislative advisor and professor of economics at Simon Fraser University, in Vancouver, British Columbia. On the liberal side, economist Dr. Barbara Borgman from the University of Maryland will give her evaluation of the Permanent Fund's prospects.

On hand to question the two economists will be a citizens' panel of local residents already involved in shaping the future of the Permanent Fund.

The public will be invited to make comments and ask questions during the discussion.

Outside Economists To Lead Permanent Fund Discussion

Two Outside economists will discuss possible uses of Alaska's permanent fund at a symposium here Saturday in the Alaska Room of the Anchorage Westward Hilton Hotel.

The day-long session, open to the public, is co-sponsored by the House Permanent Fund Committee and the

Alaska Humanities Forum.

Coming from the University of Maryland will be economist Barbara Bergman, and here from Simon Fraser University in British Columbia will be economist Donald Gordon.

Following their presentations, a

citizens' panel will give its comments on the suggestions for the permanent fund.

Panel members will include John Havelock, former state attorney general; Dr. John Lindauer, an economist and chancellor of the University of Alaska, Anchorage; Jamie Love, executive director of the Alaska Public Interest Research Group, and George Rogers, economist formerly with the University of Alaska's Institute for Social and Economic Research and now retired. A fifth member is still to be named.

The speakers also will answer questions from the audience. Mike Doogan, committee staff member, said the aim is to have "as little formal structure and as much discussion as possible."

The symposium is the first in a series of House committee-sponsored public discussions on alternative uses of the permanent fund. Additional public meetings are set for Sept. 14 in Fairbanks and Sept. 15 in Anchorage.

The Anchorage meeting will begin at 10 a.m. in Room 402 of the Boney Memorial Court Building.

On Sept. 16, the House committee plans a public hearing in Kotzebue, with a committee meeting to follow on Sept. 17.

State Net Of Slope \$9 Billion

The state is likely to earn nearly \$9 billion from North Slope oil and gas production over the next seven years, with total revenues of \$14.6 billion, under a "medium income-medium expense" model prepared by the state Legislative Affairs Agency.

The study shows that if 100 per cent of oil and gas royalties and bonuses collected between 1978 and 1985 went into the new Permanent Fund, the general fund would still have a surplus of \$1.5 billion by the end of fiscal year 1985.

Estimates of state revenues based on low, medium and high income and expense models were presented yesterday to the House Permanent Fund Committee, which is considering what percentage of royalties and bonuses should go into the permanent fund.

Under the low income-high cost model, North Slope income would be \$5.7 billion between 1978 and 1985. A third model, with high income-low expenditures, shows income from the North Slope at \$11.7 billion during the seven-year period.

The income estimates are conservative estimates because they are based on Prudhoe Bay production of 1.2 million barrels a day from 1978 through 1985.

Suggestions vary for state's nest egg plans

By PAUL NUSSEBAUM
Daily News Staff Writer

If Saturday's blue-ribbon symposium on the Alaska Permanent Fund proved anything, it is that there is precious little agreement on what should be done with the state's nest egg.

Four legislators, two prominent economists, and five specially selected panelists from around the state led a discussion on what the permanent fund should or shouldn't do, and by the time everyone had said his piece, conflicting suggestions ranging from abolition of the fund to state-owned oil companies to fund-operated development banks had been aired.

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fund, popular though the concept of a savings account is, means many different things to Alaskans.

"**THIS THING** is driving a wedge between people," one committee staff member said after listening to hours of debate over the amount of money that should be placed in the fund, where it should be invested, and how it should be spread among residents. "It is splitting the state into armed camps."

Dr. Don Gordon, a professor of economics at Simon Fraser University in British Columbia and one of two Outside economists brought to the state for the symposium, told the gathering, "If you regard these resources as morally belonging to Alaskans, you should find some way to distribute the benefits to the people you consider Alaskans; otherwise, you might as well write a check for the full \$8 billion and send it to Jimmy Carter, because that's where it's going to go." The \$8 billion is the amount projected to be in the permanent fund by 1985 if all oil and gas royalties and leases were committed to the fund, rather than the current 25 per cent.

And University of Maryland economist Dr. Barbara Bergman warned that the state cannot expect to use the permanent fund to generate the highest possible interest revenue if it also expected to use the fund for economy-diversifying investments in Alaska.

"**YOU'RE GIVING** up something in either case," she said. "You have to see who gets the benefits and who pays the costs."

Rep. Clark Gruening, chairman of the House Permanent Fund Committee, also noted problems built into subsidizing business or individual loans in Alaska with the permanent fund.

"To the extent to which the permanent fund becomes involved in the Alaska economy, the problem of distributing the subsidy equitably becomes greater," Gruening said. The Anchorage Democrat said using the state's general fund to set up special loan programs to meet special needs — as is done with a number of state loan programs now — might be wiser than using permanent fund money for that purpose.

UNIVERSITY OF Alaska

Anchorage chancellor John Lindauer, a member of the five-man panel, recommended giving Permanent Fund money to existing banks and financial institutions in Alaska at low interest rates for the banks to use in making low-interest loans to state residents "in special areas, such as housing."

Lindauer argued against making direct loans from the permanent fund, saying such loans would be too likely to attract bad risks, while good loan prospects would continue to go to traditional lenders.

Fellow panelist Tim Bradner, representing British Petroleum, warned that rural residents of the state are leery of the permanent fund, and he shared the fear that the fund which was designed to protect money for all state residents may end up dividing Alaska citizens, instead.

"The permanent fund will divide the state politically. There are differences of direction between urban Alaskans and rural Alaskans," Bradner said. "Rural Alaskans see the permanent fund as more of an urban benefit — they are worried that the fund may shortchange current programs for the rural areas."

Bradner and Lindauer were joined on the panel by Juneau economist Dr. George Rogers, former Atty. Gen. John Havelock, and Alaska Public Interest Research Group director James Love. Legislators on the program with Gruening were fellow House Democrats Russ Meekins and Bill Miles and Anchorage Democratic Sen. Pat Rodey, vice chairman of the Senate Permanent Fund Committee.

PF news clips

Development options are topic of symposium

Both the opportunities and the problems associated with future economic development in Anchorage will be discussed at a symposium at the University of Alaska Performing Arts Center Tuesday.

Sponsored by the Anchorage Economic Development Commission, the symposium on "Economic Development Options for Anchorage" will feature such speakers as former Commissioner of Commerce and Economic Development Tony Motley, former Gov. Walter Hickel, and President of the Alaska Federation of Natives Byron Mallot. Economist Bob Richards and Dr. Howard Slack, vice-president and resident

manager of Atlantic Richfield Co., will also participate in the event.

Sessions will begin at 8:30 a.m. and last all day. The public is invited.

The agenda for the symposium, which will be moderated by Dr. Hayden Green of the university, includes:

—8:30 a.m. Opening remarks by Mayor George Sullivan;

—9:30 to noon. A panel discussion on the future of the major sectors of the Alaska economy featuring Slack, Motley and Mallot;

—1:30 p.m. An Outside view of Anchorage development options and potentials, featuring Dr. Charles Leven, director of the Institute of

Urban and Regional Studies at Washington University;

—2:15 p.m. The response of the business sector to the future growth potential, featuring Hickel;

—3 p.m. A panel discussion on policy suggestions for the future growth of Anchorage. Participants will include Dr. Garth Jones of the university's division of business, Dr. Will Jacobs, a historian at the university, Dr. Kerry Feldman, an urban anthropologist at the university, Peg Tileston of the Alaska Center for the Environment, Mike Meehan, Planning Director for the Municipality of Anchorage, Dick Eakins, director of the Division of Economic Enterprise, and Dr. Charles Leven.

A public discussion at 4:30 p.m. will conclude the all-day event.

ALASKA CLIPPING
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Ketchikan Daily
News
Ketchikan, Ak

AUG 11 1977

Rader resigns seat

JUNEAU (AP) — Senate pointed Sen. Frank Ferguson, President John Rader has resigned his seat on the Senate Permanent Fund Committee, the sources capitol sources said today.

Rader, D-Anchorage, has ap-

The sources said Rader, who suffers from a rare bladder ulcer, resigned because of a planned out-of-state hospital appointment which probably would interfere with his committee duties.

Neither Rader, Ferguson nor Sen. George Hohman, D-Bethel and chairman of the Senate committee, could be reached for comment.

Along with a like House committee, the Senate panel has been given the responsibility to draft legislation for submission to the 1978 session on management of the Alaska Permanent Fund.

ALASKA CLIPPI

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Anchorage Dai
Times

Anchorage, Ak

AUG 18 1977

House Panel To Seek Views On Use Of Permanent Fund

The House Permanent Fund Committee plans to go all out in the next few months to find out what Alaskans want their new permanent fund to accomplish. The panel's aim is to come up with proposed legislation by December.

The state administration has introduced a bill for setting up the fund, which followed months of meetings and hearings by the Permanent Fund Advisory Committee.

But the legislature intends to do its own research and both the House and the Senate have \$185,000 to spend on consultants to help them. By January, it is likely that in addition to the administration's bill, there will be a House bill and a Senate bill.

The House committee this week intends to mail out 2,000 brochures to Alaskans giving the background of the permanent fund and its objectives. The brochures include a series of seven questions, which the committee is asking people to answer and mail in.

The questionnaires ask suggestions for types of investments and ask what would be the objectives of those investments — as well as what objectives would be avoided.

Other questions ask which groups would benefit from those suggested investments and what groups are likely to oppose it.

In addition, the questionnaire asks suggestions for management of the fund.

Three other questions concerning the permanent fund have been proposed to be included in the Alaska Public Forum, at meetings to be held throughout the state this fall.

These questions ask how much money should go into the fund, whether investments should be emphasized within the state or Outside and which renewable resources

should the fund be used to encourage.

The Growth Policy Council, which oversees the public forum, is to consider the questions, as well as proposed forum questions on other topics, at meetings today and tomorrow at the Captain Cook Hotel.

The House committee doesn't intend to leave the public hearings to the state administration, however. It is planning its own series of public meetings this fall, beginning with a proposed symposium in early September.

Economist John Kenneth Galbraith was invited to speak at the symposium, but yesterday he declined. House committee staffer Mike Doogan said Galbraith indicated he would like to testify at a legislative hearing in Juneau on permanent fund legislation.

Public discussions on the permanent fund are set for Sept. 14 in Fairbanks, Sept. 15 in Anchorage, Sept. 16 in Kotzebue and Oct. 21 in Juneau.

The House committee plans work sessions Nov. 11 and 12 and Dec. 8 and 9, and by the last meeting, "We hope to have whatever bill or bills will be introduced in January," Doogan said.

The committee has signed a \$19,500 contract with Harvard Professor Benden Daniels to prepare a series of reports on other public development corporations, such as the Canada Development Corp. and Connecticut Development Authority, among others.

In addition, Daniels is to report on ways to regionalize the permanent fund and options "for insuring public accountability."

Another contract is being worked out with the University of Alaska's Institute for Social and Economic Research to come up with computer models of what the impact of various permanent fund investments would be on Alaska, in terms of employment and other factors.

Local Residents Offer Permanent Fund Ideas

Anchorage residents yesterday urged the House Permanent Fund Committee to consider investing the new fund in power projects, agriculture, cultural facilities and the arts.

People in Fairbanks, testifying at a hearing Wednesday, suggested projects ranging from collecting artifacts to studying the bowhead whale.

Only Harold E. Pomeroy from Kenai presented ideas that appear to agree with several committee members' thinking: that the permanent fund should not become another general fund, and the emphasis should be on conservation of the principle and earning the highest possible earnings from investments.

As oil wealth declines, Pomeroy said, the permanent fund will bear the responsibility of supplementing the general fund through income from its investments, "barring some unpredictable windfall."

Based on his observation since the organization of the Kenai Peninsula Borough, Pomeroy told the committee, it is "pure illusion" to think that economic expansion will cure unemployment.

"The pressure newcomers just never lets up. New enterprises and

increased economic activity seem to offer enough attraction to keep the pressure on."

Whatever policy the state may pursue that stimulates economic development, Pomeroy said, it should be done without the expectation that it will lead to full employment or even reduce unemployment.

Pomeroy said probably the most important statement in the House committee's preliminary report is, "If no in-state opportunities exist, the permanent fund cannot create them."

In other words, he said, "If the requisite conditions for economic viability are not present, the state cannot buy them. Further, as a general proposition, if requisite conditions are present, money is available and the state need not go into the financing business separately.

"This of course excludes some social purpose which might be deemed worthy," he added. "Any action in this direction should be based on a clearcut identification of the results to be produced and the costs involved."

Petroleum revenues are a "central reality" to which the state must relate thinking and projections for

the future, Pomeroy said. "The significance is in the sheer magnitude of money."

"At the present rate of oil production from the giant (by Outside standards) Cook Inlet-Kenai Peninsula field, it would take 150 years to produce as much oil and gas as will flow from Prudhoe Bay in about 20 years."

The state is now disbursing close to \$1,000 per person per year more than it takes in, exclusive of petroleum revenues, he said.

State Rep. Joe Orsini, R-Anchorage, who was concerned about accountability for management of the permanent fund, suggested here yesterday morning that the fund's managers be elected. That suggestion was greeted with less than enthusiasm by other legislators. "Do we need a second legislature?" state Rep. Clark Gruening, the committee chairman, asked.

Betzi Woodman suggested that the income from the permanent fund be used to construct cultural facilities, and Paul Brown wanted the fund to be used for the arts and to encourage private businesses to beautify the cities.

Marjorie Wooster said she hopes the state will stress the development

of agriculture over the next 10 to 15 years. "Alaska is in a delicate position, with nearly all its food shipped it," she said. The permanent fund could help establish processing and marketing facilities.

Gruening asked her if she believes that Matanuska Valley products could compete with products shipped in, given adequate capital.

"We may be forced into feeding ourselves by the energy crisis," she replied.

Rep. Kuss Meekins D-Anchorage, said according to testimony presented in Fairbanks, Alaska agriculture now could feed 4 percent of the state's population. Ms. Wooster said that could be increased to 15 to 20 percent, "with stimulation."

Meekins pointed out that the state's already-existing Renewable Resources Development Fund might be more appropriate for providing loans to agriculture.

Gruening said 12 of 31 state loan programs on the books are active, and last year they loaned \$115 million.

"People voted intuitively for something different," the Anchorage Democrat said, when they voted to establish the permanent fund.

The House committee is moving toward a trust approach to the fund, Gruening said, and its proposed legislation is to be ready by December.

The administration's bill, by contrast, is "more liberal," Meekins said, and would make the permanent fund a development bank.

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House, Senate panels differ on fund plans³¹

By The Associated Press

Sharp differences in philosophy surfaced here Monday between the House and Senate permanent fund committees over how to comply with identical mandates to draft legislation for managing the fund.

In progress reports presented to the Legislative Council, the House committee announced it will conduct a series of fall public hearings as a prerequisite to drafting proposed legislation while the Senate panel outlined plans that call for limited public participation.

The interim reports reflected differences which have been building ever since the two panels were created by the 1977 Legislature with the House committee opting for high public visibility and the Senate panel maintaining a low profile.

The House committee chaired by Rep. Clark Gruening, D-Anchorage, has announced all its meetings well in advance, but the Senate committee chaired by Sen. George Lehman, D-Etchem, has conducted its business without any public notice.

The philosophical differences were graphically illustrated during the Legislative Council session.

House committee members clipped out the term for an "unannounced" meeting.

A committee member suggested the panel should have a "public hearing" and "not a closed-door session" from which the public is excluded.

The House committee plans called for a symposium of economists in Anchorage Sept. 10 and public hearings in Fairbanks, Sept. 14, Anchorage Sept. 15 and Kotzebue Sept. 16. A formal committee meeting was scheduled for Sept. 17 in Anchorage.

The House committee also told the council, which manages legislative affairs between sessions, that it has mailed out about 1,500 questionnaires to political and community leaders around the state.

The House panel said it has hired two consultants, Dr. Arlen Tussing of the University of Alaska and Dr. Gordon Daniels of Harvard University for about \$30,000.

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Ketchikan Daily
News
Ketchikan, Ak

SEP 1 0 1977

Symposium today in Anchorage on fund

31

ANCHORAGE (AP) — A symposium on the goals of Alaska's Permanent Fund is scheduled Saturday by the Alaska Humanities Forum and the House Permanent Fund Committee, officials said.

Committee chairman Clark Gruening said the symposium will examine various potential uses for the state funds and the implications of those uses.

Two economists who have been evaluating the issues will take part in the discussion Saturday. Dr. Don Gordon, a U.S. and Canadian legislative advisor and a professor of economics at Simon Fraser University in British Columbia, will present the conservative viewpoint, a release from the committee stated. Dr. Barbara Bergman of the University of Maryland will present the liberal side of the issue.

A panel of local citizens will question the two economists. Panel members will include Dr. George Rogers, former economist from the Institute of Social and Economic Research; director John Havelock of the University of Alaska's Criminal

Justice Center; Chancellor Dr. John Lindauer of the UA-Anchorage; director Jamie Love of the Alaska Public Interest Research Group, and a member of the State Investment Advisory Committee.

The public is invited to join that discussion.

A series of public meetings is scheduled by the committee after the symposium. Sessions

are scheduled in Fairbanks on Sept. 14, in Anchorage on Sept. 15, and in Kotzebue on Sept. 13 and 17. A hearing in Juneau is scheduled on Oct. 21.

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Fairbanks
News Miner
Fairbanks, Ak

AUG 10 1977

Rader resigns Fund panel seat

JUNEAU (AP)—Senate President John Rader has resigned his seat on the Senate Permanent Fund Committee, capitol sources said today.

Rader, D-Anchorage, has appointed Sen. Frank Ferguson, D-Kotzebue, to replace him on the committee, the sources added.

The sources said Rader, who suffers from a rare bladder ulcer, resigned because of a planned out-of-state hospital appointment which probably would interfere with his committee duties.

Neither Rader, Ferguson nor Sen. George Hohman, D-Bethel and chairman of the Senate committee, could be reached for comment.

Along with a like House committee, the Senate panel has been given the responsibility to draft legislation for submission to the 1978 session on management of the Alaska Permanent Fund.

Created by voters last year, the Permanent Fund is composed of at least 25 per cent of state oil and gas royalties and is expected to total \$5 billion by 1985.

Anchorage Daily

Times

Anchorage, Ak.

SEP 14 1977

**A Public Hearing on the
Goals of the Permanent Fund
will be held**

**Thursday, Sept. 15, 1977
10 A.M.-5 P.M.**

**Room 402
State Court Building
303 K Street**

Sponsored by the House of Permanent Fund

ALASKA CLIPPING

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Anchorage Daily

Times

Anchorage, Ak.

SEP 15 1977

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Anchorage Daily
News
Anchorage, Ak

SEP 10 1977

**Permanent
Fund meeting**

A symposium on the goals of Alaska's Permanent Fund is scheduled today by the Alaska Humanities Forum and the House Permanent Fund Committee, officials said.

Committee chairman Clark Gruening said the symposium at the Anchorage Westward - Hilton Hotel will examine various potential uses for the state funds and the implications of those uses.

Two economists who have been evaluating the issues will take part in the discussion Saturday. Dr. Don Gordon, a U.S. and Canadian legislative advisor and a professor of economics at Simon Fraser University in British Columbia, will present the conservative viewpoint, a release from the committee stated. Dr. Barbara Bergman of the University of Maryland will present the liberal side of the issue.

ALASKA CLIPP
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All-Alaska
Weekly
Fairbanks, :

AUG 19 1977

Rader Resigns

Sen. Frank Ferguson (D-Kotzebue) has been appointed by Senate President John Rader to take his seat on the Senate Permanent Fund Committee.

Sources said Rader, who suffers from a rare bladder ulcer, resigned because of a planned out-of-state hospital appointment which would interfere with his committee duties.

The Permanent Fund Committee was created by voters last year. The fund is composed of at least 25% of the state oil and gas royalties and is expected to total \$5 billion by 1985.

One of the major issues of the 1978 election year legislature is expected to be a debate over who will control the fund and what the money will be used for. Rader's resignation and Ferguson's appointment gives rural interests one-vote member senate panel.

SEP 7 1977

A permanent challenge

A permanent challenge Anyone who thinks Alaska's new Permanent Fund is just a big statewide savings account should read again the three-part series of articles the Daily News-Miner featured last week, especially the last article Saturday. The only thing really permanent about the fund is the challenge for Alaskans to make the policy decisions and oversee its management.

The fund was created by a vote of the people last year, and is already collecting oil royalties while the state government works in various directions to decide its long-term organization. It has already collected \$4 million and earned about \$45,000 in interest from a savings account and U.S. Treasury notes.

If only the minimum payment of one-quarter of our oil lease royalties is put into the fund it will reach \$1.3 billion in the next seven years. If more money is earned through new oil lease sales or if the legislature puts more than the minimum proportion into the fund, it could grow to several times that in the same time.

But once all this cash is in the bank, what do we do with it? That's what two interim legislative committees are working on this summer, and they will be asking for guidance soon from the general public.

We could just take all that cash and invest it in some safe venture, if safe ventures exist anymore with some of the banking practices we've heard about of late. That would keep the Permanent Fund intact and give us a sizable income, but it would not give us the maximum benefit from our oil earnings.

When the state received \$900 million from the 1969 North Slope oil lease sale, this path was taken. Much of the money went into municipal bonds on the West Coast while Alaskans were crying for loans to develop pipeline-related businesses. Finally the investments were liquidated over about five years to increase the size of our state government, and a \$6 million loss was realized on the investments.

We could loan the money out to Alaskans. That would give us a greater benefit and could yield the same or better earnings if managed properly, but that's a big "if". Handled in that way, Alaska's Permanent Fund could become something like the Teamsters Union Central States and Western Pension Fund, with political cronies giving out loans at a loss to those with pull while meritorious projects are thrust aside.

Even if the fund is handled honestly we run into serious questions about this use. Should the state loan money out in competition with private banks? Should the Permanent Fund money be risked on ventures the private banks or bond buyers won't touch, simply because the ventures are Alaskan developments?

Most would answer "no" to these two questions, but there may be legitimate areas where the Permanent Fund can fill legitimate needs of Alaskans that banks do not. Many of us have faced problems getting certain types of construction or collateral common in the North, and we should certainly communicate these to the legislature when they ask for suggestions about the Permanent Fund.

After all, Alaskan Natives felt their needs are different enough that they had to create their own bank through a partnership of Native regional corporations, and Anchorage feminists just started their own credit union to handle what they feel are their own special problems. Why can't the Permanent Fund be the special banker for all Alaskans?

Legislation now under consideration would require half the royalties and other applicable revenues to be paid into the fund. This would be twice the minimum payment required by the constitution and would give at least \$2.5 billion to the fund by 1985.

It would break the fund's spending down to at least 40 per cent for high-grade securities, up to 30 per cent for developing private enterprise projects in Alaska and up to 30 per cent for community development projects.

This sounds like a good starting point. The payments into the fund should be as high as possible, to discourage more state government growth and leave the most money left over after the oil revenues dry up. A large block of it should be required to go into secure investments, but at least some should remain available for innovative Alaskan projects and special problems of our state.

We need to participate fully in these decisions and in the governor's appointment of the boards that will oversee the investments. The Permanent Fund can be a second \$900 million fiasco in greater proportions, or it can be the key to the stable economy of which all Alaskans dream. Only we can decide.

Pipeline construction is over and a new Alaska is teetering on the edge of the last frontier; a perilous and unavoidable leap to civilization.

Like it or not, a critical economic development phase is upon us. Vast open spaces, a comfortably small population, expansive constitutional freedoms, native corporations, petrodollars and a permanent fund render the the 49th state inextricably susceptible to rapid growth momentum. Our leader should be making decisive efforts to prolong the good times and minimize the adverse consequences of age. Regrettably, he isn't.

High charged, irresponsible and prematurely destructive growth patterns have heretofore prevailed outside — witness the great crisis of the American city; the plight of Americans who have unnecessarily suffered as a result of myopic and insensitive industrial expansion; the shocking level of overall governmental indifference to the cumulative impacts of conventional western progress. The mistakes are indelibly apparent; the lessons compelling.

Alaska, in its infancy as a developing state with a proud tradition of aggressive individualism, is in the enviable position to take these historical lessons seriously and systematically facilitate the creation of a new phase in social-political history; a careful blend of traditional free enterprise values of productivity, efficiency and creativity and contemporary notions of short and long term social, economic and environmental equity; a form of capitalism with a conscience; responsible progress.

The scope of Alaska's new economic future will largely depend directly and indirectly on the use and development of our immense but finite non-renewable resource base. Consequently, state leaders, in order to meet their new transition obligations, have a primary responsibility to actively insure the intelligent and equitable fertilization of this central economic unit for the benefit of all Alaskans.

The Permanent Fund, a sort of economic planning commission, takes a crucial first step by recognizing one simple reality. Non-renewable resources ultimately disappear; and with them substantial state earnings. Without adequately preparing for this eventuality, the state of Alaska risks hard times down the line. The Permanent Fund is a neat tool designed to stimulate a timely transition to a new and stable economy. It is a brilliant idea which provides us with a convenient and flexible stimulus for enlightened and diversified development policy.

At the bottom line, the Permanent Fund was established to rationally maximize the local value of Alaska's non-renewable resources. Another means of maximizing this value is through state involvement in feasible resource related industries.

To date, Alaska receives a relatively small percentage of potential resource revenues. It could get more. State ownership of a gas pipeline for example might net Alaska significant additional profits. State sponsored petrochemical facilities could also generously increase the revenue value of our oil.

Somebody is going to do these things. There is no reason why this state cannot design an efficient and relatively independent management organization that works compatibility for state government under the umbrella of state sovereignty.

In any case, few can argue against careful evaluation of these ideas and others designed to rationally and equitably foster and sustain our new economy. Now. Before it's too late.

Dynamic leaders must set the pace for responsible progress and translate the ideas into a tangible working program. Unfortunately, our leader, who looks and talks like a combination Thor, Moses, Paul Bunyan and every man's sage father, acts like father's wayward brother.

Uncle Jay, constitutionally the strongest state chief executive in the country, has given us a Department of Transportation and little else. His 'no growth' leadership which can be more accurately described as 'no policy' leadership, is irresolute, ineffective and fundamentally ambiguous. Ironically, this is particularly true of his handling of those crucial non-renewable resource questions.

Take D-2. As far as I'm concerned any congressional turnarounds should be attributed not to Hammond, but to the plain spoken outrage expressed this summer by hundreds of Alaskans to John Seiberling and Morris Udall.

The now hopeless push for El Paso has also been unjustifiably mishandled by the administration — an administration which could have built the line itself and eliminated the confusion.

And greatest woe of all, the state, a uniquely situated energy consumer and producer, has done virtually nothing in substantive response to pending and pervasive Carter energy policy. Only thanks to Representative Bill Miles and the state's Energy Policy Committee is Alaska developing a formal, albeit last second response to the Carters plans' significant to potentially adverse impacts on Alaska.

There you have it — a relatively undeveloped, resource rich state with a fairy tale future and an elected leader who has persistently failed to demonstrate an ability to get us there. Something is wrong.

Alaskans have been fortuitously granted a rare opportunity in contemporary American society. While everyone else is picking up their pieces, we're putting ours together for the first time. We do not have to make the same mistakes. But someone has to point the way. After 3 years of talk and no action, Jay Hammond has definitively proved that he is not the one.

We desperately need authoritative guidance at this critical phase in our history. We need someone to rationally defuse traditional historical patterns; someone to conscientiously span the awesome gap between frontier and developing Alaska; someone to stridently lead us over the bridge and into the future.

Bob Bradley is a rural business developer and state representative from East Anchorage (Mountain View, Muldoon, Eagle River and Chugiak). He is presently chairman of the House State Affairs Committee.

Anchorage Daily Times
Anchorage, Ak.

SEP 8 1977



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The Bottom Line by Rep. Bob Bradley



ALASKA FORUM

Permanent fund and its potential

By HAROLD POMEROY

I have searched John Havelock's "Policy Profiles" article entitled, "Can State Be Saved By Investment," for some special wisdom as to how best to handle the extraordinary volume of state revenue from oil and gas.

One aspect on which I agree with John is the "policy debate": "... it has been absorbed by false opposition of 'development' and 'conservation,' neither of which are necessarily the most critical policy concepts..." Take the subject of "diversification." There is a persistent hope that somehow there is something the state can do to impart economic viability to some potential enterprises not profitable on their own. The hope is that somehow the permanent fund may have magic.

IF AN UNDERTAKING isn't competitive on its own in the markets the state cannot create viability by supplying capital or investing directly. (Electric power may have to be excepted due to special economic features in the field of energy.)

There is not a lack of capital for prospective enterprises that can show economic feasibility. A potential development will occur when the probability of making a go of it is good. Thus a policy to supply or not supply permanent fund money is not critical to a question about "development" or "conservation." The question arises only if there is consideration of a policy to "buy" development with permanent subsidies to undertakings that would be sub-marginal.

It is pertinent to refer to Prudhoe Bay. When Alaska started producing oil from the Kenai Peninsula the price per barrel was about \$2.70. The federal government has now permitted Prudhoe Bay oil to be priced at about \$14.60 per barrel, the highest world market figure for imported oil. This is to account for the high costs to produce and get the oil to market. If the Arabs hadn't decided the value of oil is far higher than it had been selling for until recently, Prudhoe Bay would have been a financial disaster — and there would have been nothing the state could have done to create economic feasibility.

The writer is Harold Pomeroy, former chairman of the Kenai Peninsula Borough who now is a member of the governor's growth policy council.

AS TO CAPITAL it is worth noting that Sohio, though relatively of modest size, had \$6.2 billion invested in Prudhoe Bay and the pipeline before the oil reached Valdez.

When the world market for copper, fluorite and other hard rock minerals goes high enough for these products to be economically feasible to produce and market the capital will be available to proceed. The same applies to most other potential developments.

As for the rest of what John said: Our situation as to oil and gas revenue is so extraordinary as to be beyond experience. How extraordinary? If total oil production is 1.6 million barrels per day or more, our revenue per person per year may reach \$3,000 to \$4,000. Saudi Arabia's is around \$4,000 per person a year. Of course Saudi Arabia is "rolling in wealth" relative to Alaska as our consumption per person (goods and services) may be 30 to 40 times that in Saudi Arabia. If the volume of revenue we will be receiving were to be enjoyed in Texas it would amount to about \$100 per person a year. Ours will be about 30 times as much.

Our situation, however, is unique; it can be compared to nothing elsewhere. Studying a "permanent fund" elsewhere has very little pertinence for us. We need to proceed from our unique conditions.

IT ISN'T VERY useful to compare our state expenditures to elsewhere. Disbursements to local governments to help pay for local services such as police, fire and streets are substantial; the state pays about 90 per cent of the cost of schools, far greater than in other states except

Hawaii which pays 100 per cent. Because of our geography, size and other extraordinary features government costs far more than it does per unit of service or the average in other states.

It is a sobering fact that the state is disbursing about 2½ times as much per person a year as normal taxes pay for. The difference comes from oil revenues, presently about \$400 million per year — \$1,000 per person.

There is no geographical information to support the hope there may be another Prudhoe Bay or several fields equalling Prudhoe Bay. Future discoveries may give us production of 170,000 barrels a day (about the current production from the "giant" Cook Inlet fields and Swanson River) to as much as 300,000 barrels a day.

Yes, John, I am one of those persons who asks, "Will someone please explain to me, what will we do when the money runs out?"

WE SHOULD CONSIDER some extraordinary steps so that the gap between normal tax revenues and expenditures 20 to 25 years hence can be less than now. If we don't, normal taxes will likely have to be paralyzingly high, or services slashed disastrously, or both.

I am moderately optimistic. We will have the means to endow ourselves handsomely from oil and gas revenues without strapping ourselves in the interim. The permanent fund is required to be a minimum of 25 per cent of PART of our extraordinary oil and gas revenues; this is about 13 per cent or ALL of such revenues. We can endow ourselves with a fund of \$20 billion by the late 1990s — including saving the interest too. The income, plus normal taxes (increased consistent with inflation), plus 200,000 to 300,000 barrels of oil a day brought into production before the mid-1990s can see us in acceptable financial shape. Hopefully good production from Beaufort Sea — federal and state — and from "Pet 4," will keep the pipeline at high flow well beyond 2000.

Moving in the direction indicated will be encouraging for potential investors in a variety of future productive enterprises. We are a young population producing babies at a brisk rate in excess of the other states. There are many fathers and mothers who would like to think infants growing up now won't have to migrate thousands of miles to make a living later.

And so, John, the policy debate is really as to whether we should live it up now in confidence the future can take care of itself — or try to shape the future.

2 permanent funds?

Anchorage Daily News
Vol. XXXI, No. 217
September 16, 1977

Legislators mull plan to split state's nest egg

By PAUL NUSSBAUM
Daily News Staff Writer

The Alaska Permanent Fund, faced with demands to loan money for in-state development while at the same time earning the highest possible return, may be split into separate funds to satisfy both goals.

One proposal being considered by a special House committee on the permanent fund would set up a trust fund and a development fund. The trust fund would be designed to make high-return, safe investments with its chief goal high income for the state savings account. The development fund, on the other hand, would concentrate on investments in Alaska — such as home loans or major local improvements.

BRAINSTORMING after a public hearing in

Anchorage Thursday, members of the House Committee on the Permanent Fund and committee consultant Belden Daniels refined the split fund notion into a proposal that is likely to be the basis for legislation presented to state lawmakers early next year.

Demands on Alaska's Permanent Fund, expected to hold at least \$2 billion from oil royalties and bonuses by 1985, could turn the state nest egg into a huge pork barrel for pet projects if legislation for its management is not carefully drawn, legislators fear. Testimony Wednesday in Fairbanks, and Thursday in Anchorage showed little consensus among state residents, and the House committee is likely to hear a similarly wide range of suggestions when it travels to Kotzebue Friday for more public hearings.

"I think the pit is bottomless," committee chairman Rep. Clark Gruening, D - Anchorage, said after Thursday's hearing. Gruening has consistently stressed that many of the demands on the permanent fund would more properly be met by the state's general fund and existing loan programs.

A DEVELOPMENT bank — to meet those kinds of demands — could be set up with an initial grant from the trust fund, the committee decided. A portion of the permanent fund could be dedicated each year to the development fund until the development fund had \$100 million in it. It would not go into the money-lending business until it had that much cash, according to the proposal considered Thursday by committee mem-

(Continued on Page 2)

• State's nest egg may be split

(Continued from Page 1)

bers.

One of the key worries of legislators is that the two funds be separated so that money from the proposed trust fund is not siphoned directly into the development fund.

"We're talking about building this house with a thick wall in the middle. If we're not satisfied with that, we can build two different houses," committee aide Mike Doogan said.

GRUENING SAID the committee hopes to have draft legislation prepared by October 20, when the panel holds its final public hearing in Juneau.

Under the split-fund proposal under consideration by the committee, the trust fund could be managed by three separate professional investment companies. After a given period, say five years, the per-

formance of the investors would be assessed, and the company with the poorest record of managing the state's trust fund would be replaced.

The question of who watches the investors, though, is a worrisome one for the lawmakers preparing permanent fund legislation. Legislators are leery of placing all control in the hands of the executive branch, and the outcome may be a new standing committee in the legislature to share review responsibilities with the administration.

WHAT HAPPENS to the income

produced by investment of the Permanent Fund — either by the proposed trust fund or the proposed development fund?

Legislators face at least three possible answers: Put the interest the fund earns back into the Permanent Fund; put the interest into the state general fund, or distribute the interest among state residents. Gov. Jay S. Hammond is pushing for distribution of "dividends" from a so-called Alaska, Inc., with residents who meet as-yet-unspecified residency requirements eligible for payments every year from the fund.

Atlantic Richfield Co., a principal North Slope producer, says it anticipates trans-Alaska pipeline throughput will be increased to 1.5 million barrels per day sometime in 1980. That is the maximum production predicted for the Sadlerochit, the producing formation for the Prudhoe Bay field.

Additional reserves would have to be proved and developed for the pipeline to reach its maximum capacity of 2 million barrels a day.

For purposes of the study, the agency used a long-term trans-Alaska pipeline tariff of \$4.90, and a Lower 48 transportation charge of \$2 a barrel in 1978 and \$2.50 a barrel after that.

It assumed that North Slope producers will transfer income and profits away from the wellhead and into transportation or other areas which are less heavily taxed, an assumption that has yet to be proved.

However, Atlantic Richfield Co.'s vice president in charge of transportation, Lodwick Cook, said in Anchorage Thursday that his company will not "play games" with tanker tariffs. He said he expects them to stay with published estimates of 75 to 80 cents a barrel. "We recognize the state can increase taxes."

State income from royalties and severance taxes is based on the wellhead value of oil and gas. The wellhead price of oil is calculated by subtracting transportation charges from the market price.

Under the medium income-medium expenditure model, the state will earn \$8,695.7 billion from North Slope revenue between 1978 and 1985.

Permanent Fund has earned \$27,019

JUNEAU — The Alaska Permanent Fund has earned \$27,019 in interest since it became effective last February, the state Revenue Department announced Wednesday. By this time next year, the fund will exceed \$90 million and will total \$2 billion by 1985, said Deputy Revenue Commissioner Jim Edenso. Income earned on the fund so far has come mainly from U.S. Treasury obligations and bank savings accounts managed by the Department of Revenue on a temporary basis until the Legislature establishes a permanent management system. Currently, one-fourth of Alaska's income from petroleum royalties and federal mineral revenue sharing payments are going into the Permanent Fund.

DURING THE PAST decade, the disappointment of aroused expectations nationally, some real programmatic failures, and ideological counter-attack have put human resource advocates on the defensive. With the adoption of the Settlement Act, most Alaskans, with a sigh of relief, have pronounced the two Alaskas problem "solved."

Americans are a people of short-lived enthusiasms. When poverty, prejudice, ignorance, crime do not dissolve in a couple of years under a shower of good intentions and a sprinkle of cash, we declare the war over and go home.

But sure the economic true believers, most of all, should recognize that the meeting of these needs, and not supportive involvement in the general economy, is the principle, legitimate end of state government policy. Federal guarantees of some level of prosperity, full employment, etc. are now commonplace. Though a constitutional invention of the recent past, the economic responsibility of the federal government is well established. Federal power over banking and the money supply, national fiscal policies, interstate commerce, immigration, and a host of other mechanisms makes this a necessary and sometimes effective role. But there is no direct analogue to state government. The ability to carry through is drastically reduced. The desirability of the more

Carpenter doubts aid of Fund to Interior

By AP and News-Miner

ANCHORAGE—Interior Alaska may get the short end of the stick when it comes to receiving benefits from the state's Permanent Fund, according to

Rep. Larry Carpenter, R-Fairbanks.

During a break from a day-long symposium on goals of the potential multi-billion dollar fund here Saturday, Carpenter told the News-Miner that so far the discussion on investments for the fund has centered on such renewable resources as fishing and agriculture.

These should be strengthened, but for the Interior to get any real benefits from the fund, investments are going to have to be made in non-renewable resources, such as mining, too, Carpenter said.

Today he said, "The whole thrust of the Permanent Fund debate so far has been toward the fashionable thought that we ought to use our non-renewable revenues to strengthen our renewable resources and that's not a thought that's going to do Interior Alaskans a great deal of good in a practical manner."

"Aside from oil and gas, our future lies in hard rock mining," he added.

The symposium was the first in a series of meetings scheduled by the House Permanent Fund Committee about the future of the fund.

On Wednesday the committee will hold a day-long public hearing in Fairbanks on the question of Permanent Fund goals. The hearing is to begin at 10:30 a.m. in the Borough Offices on Fifth Avenue and continue until 5 p.m.

Carpenter said that now is the time for Fairbanksans to become involved with the issue because they can have some impact on how the fund is structured and how the state is going to use the billions of dollars that will accumulate in it.

At Saturday's meeting two economists and a five-member citizen's panel agreed that the fund should be administered to help all Alaskans.

Dr. Barbara Bergman, of the University of Maryland, one of two consultants asked by the House committee to evaluate possible uses of the fund, said there are three possibilities.

The state could spend its oil money as fast as it can and then look for alternate sources of revenue when the oil runs out, or the state could invest the money in Lower 48 markets and use the revenue from those investments for projects in the state. A third approach would be to use the fund for development that would broaden the state's tax base.

She urged caution in trying that type of use for the fund.

"The idea of the Permanent Fund is to preserve resources for future generations. You have to make sure the grandchildren are taken care of," she said.

Dr. Donald Gordon, of Simon Fraser University, the other consulting economist, said he is intrigued by Gov. Jay Hammond's Alaska Inc. proposal to pass out some of the income from the fund to residents of the state.

He added, "If you don't find a way to benefit Alaska, you might as well write a check to Jimmy Carter because that's where it's going."

Gordon said, "I was struck by the awesome responsibility of those who are to decide what is going to happen with the Permanent Fund and the oil revenues. I think it's a very tricky problem and largely a legal one."

Resides Wednesday's hearing

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

Top Economist Hits At Energy Policy

By ANDY FALETTTO
Times Staff Writer

President Carter's energy policy is a disaster which will lead to the eventual nationalization of production, distribution and importation of energy, Nobel Laureate economist Dr. Milton Friedman said here this morning.

"Carter's energy program as sent to Congress provides very large government control of private activity in the oil industry," Friedman said. "It proposes heavy taxes on gas and crude oil which shall in large part be used by the Energy Research and Development Administration to stimulate production and crude oil exploration. However, once this large bureaucracy is established there is no aspect out of which it will keep it hands," Friedman said.

"As I have said, there are misconceptions of the Carter program. It contains tough rhetoric but it is mild substantive. The real error was first establishing a department of energy," Friedman said.

"Once such a department is established, given power and becomes a large bureaucracy it works full time to expand and extend its control, making it more powerful and the most harmful of all government departments," Friedman said.

Historically, the energy crisis was produced by price fixing in 1954 and more recently in 1973 by crude oil price fixing after the Arab oil embargo, Friedman told the Times.

"The result discouraged production and encouraged consumption," Friedman said. "People do not realize that the price of gasoline is lower today, when adjusted for inflation, than 20-years ago, and we pay a \$3 subsidy on every barrel imported from OPEC (Organization of Petroleum Exporting Countries)," Friedman said.

The way to right this, he said, is to eliminate gas and crude oil controls and allow the market to work to encourage production, distribution and consumption.

The Carter program does propose higher prices but proposes to use only one blade of the scissors, because higher prices produced by taxes discourage consumption, but give no incentive for added production, Friedman said.

"It is incredible of people in general that they will turn over production, distribution and importation of energy to the same bureaucrats who run the post office and railroads," Friedman said.



PRIZE-WINNING ECONOMIST MILTON FRIEDMAN
'No Incentive For Added Production'

Credit Union Strategy Talks Draw Two Young Alaskans

Special To The Times

MADISON, Wis. — Two Alaskans were among the 120 young people who attended the eighth annual Youth Marketing Conference aimed at attracting more young people to credit unions.

Representing Alaska were L.A. "Tim" Rogers Jr. of the Alaska Municipal Employees Federal Credit Union and Lynn A. Schreiber of the Alaska School Employees Federal Credit Union.

The conference is jointly sponsored by the Credit Union National Association (Cuna) and the credit union's movement's insurance affiliate, the Cuna Mutual Group, as a development of the Youth Program.

The Youth Program was formed 10 years ago to attract young credit union members. It has helped to reduce the average age of credit union members from 42 to 37 years. During the past 10 years, the number of new credit union members under the age of 18 grew by 120 per cent.

During the three-day conference, marketing ideas and materials were presented to participants to help them implement youth promotion projects in their states to attract and serve more youth credit union members.

Sessions this year also were aimed at keeping the youth representatives well informed and covered such credit union activities

as new insurance programs, marketing techniques and other cooperative projects.

Legislators Agree On Sorry Session

By PATTI EPLER
Times Staff Writer

Two Anchorage legislators yesterday traded thoughts and mild insults about the 1977 legislative session but both agreed on one thing — the session accomplished very little.

"I've found my mind is a total blank after 141 days of doing nothing," Rep. Rick Urion, R-Anchorage, told the noon meeting of the Alaska Press Club.

Sen. Chancy Croft, D-Anchorage, cited three aspects of the session

that he thought significant — a lack of direction, a sense of complete frustration and the problems involved in passing the budget.

"There was no real sense of direction," Croft said. "In one sense it was very democratic with a just a few incidents of arbitration."

A sense of complete frustration resulted from the inability of the administration to implement programs set up by the legislature, he said.

The administration could have provided a workable solution to some problems but instead left them to be solved by the legislature, Croft said.

The handling of both the proposed budget and the budget that eventually passed was not good, he said.

"You can't approach a responsible budget with ad hoc decisions," said Croft.

Urion said he thought the legislature's most significant accomplishment was the adoption of new uniform rules by the joint session. One of the most important changes now requires a roll call vote to be taken on free conference committee decisions, he said.

"The session did reflect some of the will of the people," Urion said, citing the homestead bill as an example. "The majority of the people wanted to see some lands put into private use," he said.

Urion briefly discussed a few important problems that were dealt with by the legislature including state land leases, the gas and oil severance tax, oil spill liability and funding for Anchorage Community College.

^{Daily News/ 7/8-77} A concession on d-2 lands?

By G. MICHAEL HARMON
Associated Press Writer

JUNEAU — Legislation to set aside 114 million acres of Alaska lands for national parks, wildlife refuges and wilderness areas will be amended to permit continued mineral exploration and even mining "where there is a determined national need," Rep. John Seiberling said Thursday.

Seiberling, D-Ohio and chairman of the Interior Subcommittee on General Oversight and Alaska Lands, said he would incorporate the amendments when his panel begins working sessions this fall on the controversial Alaska d-2 lands legislation by Rep. Morris Udall, D-Ariz.

"We intend to come up with a bill that will permit continued mineral surveys and continued exploration and development of those resources where there is a determined national need even if it's in a wilderness or a park," Seiberling said.

Seiberling made the comments during a day-long public hearing in the capital city, the second of three hearings being conducted by his subcommittee in Southeast Alaska.

Vern Wiggins of Anchorage, secretary of the pro-development Citizens for the Management of Alaska Lands (CMAL), said Seiberling's statement "appears to be a major concession," but added that "amendment in subcommittee is a long way from passage."

Wiggins said such amendments were bound to be opposed by what he called "extremist preservation



Seiberling

interests" which support the Udall bill.

Like Tuesday's hearing in Sitka, the Juneau session before a standing-room-only crowd of 600 was dominated by opponents of the Udall legislation who said it would cost thousands of jobs in the mining and timber industries in Southeast Alaska.

Pickets denounced the Udall bill as "a threat to working men" and Seiberling as a "flat tire."

Seiberling, however, characterized much of the hostile testimony and demonstrations as part of an effort by CMAL-financed corporate interests to mislead Alaska citizens.

"My impression is the people in Alaska . . . have been sold a bill of goods by vested corporate interests," Seiberling said. "Alaska has been subjected to a tremendous amount of propaganda by CMAL and the industry and corporate groups."

Seiberling called the allegation that the Udall bill would cause the loss of jobs "a phony issue," contending that the legislation "allows plenty of margin for the expansion of the economic base on federal lands."

"There has been a lot of scare talk from people whose interests are selfish in my view," Seiberling said.

Seiberling said he had been told "by some people who work for Alaska Lumber and Pulp that they were told that if they didn't go out and testify it could mean the loss of their jobs."

A spokesman for the Wilderness Society told The Daily News late Thursday that Seiberling had said the testimony at the Juneau hearing split about 50-50 pro and con the Udall bill. The spokesman said most of the witnesses opposed to the bill testified early in the hearing, leaving Udall proponents bringing up the rear. Most of the news media representatives had left the hearing by the time favorable testimony was heard, he said.

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Province hopes to keep status

Alberta leads search for alternative fuels

By TOM KENNEDY

(c) 1977, Christian Science Monitor

CALGARY, Alberta — It is no coincidence that Alberta, Canada's energy storehouse, is in the forefront of the research efforts now under way here to identify and, if possible, develop alternative sources of fuel supplies.

The mushrooming activities sponsored by the various levels of government and the private business sector — pursuing objectives alone or in joint ventures — include some pretty unusual undertakings. These efforts include experiments in producing energy from wood and even sawdust, the extraction of deadly methane gas from coal seams, and schemes to harness prairie solar power and energy from the strong winds that sweep down from the Rocky Mountains.

ONE SENIOR provincial civil servant noted that Alberta stands to lose the most — in terms of revenues, employment, and political clout — if "we just stand around and do nothing but wring our hands in despair until the wells run dry."

The threat of a growing deficiency in conventional energy supplies is very real for both Alberta and the Canadian federal government.

Oil has been particularly significant to the Alberta government. This year, for instance, Alberta is expected to collect more than \$3 billion in oil revenues.

SWELLING petroleum royalties have made Alberta the only Canadian provincial government running a budget surplus. Also, Alberta is the only region to show minimal unemployment and continuing high-gear economic activity in contrast to the recession experienced elsewhere on the domestic

scene.

So, in order to remain a dominant factor on the domestic political stage, Alberta must find alternatives to its rapidly depleting crude oil and natural gas reserves.

The Alberta government has recently earmarked almost \$100 million for initial research into ways to increase the efficiency of existing energy production. The government would like to see, for instance, greater productivity in existing coal mines. It also is investigating the potential of coal gasification.

THE FEDERAL budget for energy research is some \$138 million for the current fiscal year and it is expected to rise to about \$250 million in 1978-79. The federally sponsored programs tend to complement the Alberta objectives with a special emphasis on energy conservation.

In addition, the private sector is estimated to be spending at least \$100 million annually on related experiments with the bulk of the funds going to the numerous oil sands projects.

Provincial money will finance important but as yet modest field experiments with coal gasification, hydrocarbon synthesis to win synthetic oil from coal deposits, and efforts to determine the potential of Alberta's vast forests as a renewable source of energy and feedstock for possible petrochemical application.

ACCORDING to experts, Alberta's forests currently grow some 477 million cubic feet of poplar each year, virtually none of which is used. At 23 pounds dry weight per cubic foot, this volume of wood constitutes a perpetually renewing energy source of about 5.5 million tons a year releasing some 18 million BTUs of

heating value with every ton of poplar burned. These experts point out that there are also large amounts of planer and sawmill waste as sawdust, bark, and shavings from mills using spruce and pine, "practically all of which is wasted."

Meanwhile, some private industry experts rank the potential of the recently commenced coal demethanation trials as a possible source of large scale energy production ahead of that of the oil shales or even the oil sands.

The private financial commitment to develop commercial alternative energy sources could run into hundreds of millions of dollars annually if corporate researchers achieve a break-through in a given area of studies and experiments.

THE PROVINCIAL funding of energy research programs is expected to show a corresponding increase in the years ahead as the search for alternative energy forms develops into an industry in its own right. Most of the expenditures and activities are expected to be conducted within Alberta.

Actually, the Alberta government spends much more than is evident at first glance on energy research programs through a system of royalty reductions to encourage enhanced recovery methods in existing oil fields.

Provincial revenues that will be foregone in 1977 in the interest of more efficient production practices along with drilling incentives to further encourage the exploration of conventional energy sources are estimated at about \$300 million.

The combined Canadian energy research and development related budgets amount to some \$850 million. That figure will be augmented, experts forecast, by annual 30 to 35 per cent increases over the next five years.

Capital Panel Pleases Juneau Lawmakers

Times Juneau Bureau

JUNEAU — Juneau state lawmakers and other community leaders are united in their approval of Gov. Jay Hammond's appointments to the Capital Site Planning Commission.

"I think they're all fine. It's a pretty good commission," said House Majority Leader Mike Miller, D-Juneau. Miller particularly praised Lee Coffman, president of Alaska Federal Savings and Loan's Juneau branch, as a "fine, respectable type."

Coffman was appointed to fulfill the legislature's requirement that one member have a background in

finance or economics, Hammond has said. Coffman was Hammond's only appointee from Juneau. Juneau Mayor Bill Overstreet was named to the commission by lawmakers, but he designated William Corbus of Juneau, an engineer and former member of the Capital Site Selection Commission, to sit in his place.

Miller added that the legislature's appointment of Anchorage Democrat Rep. Bob Bradley and Sen. Ed Willis as non-voting members was "the logical choices. At least one of them had to come from Anchorage," he said.

Rep. Jim Duncan, D-Juneau, said he doesn't know the persons appointed from Fairbanks or Anchorage, but he said the commission has "a balance you would expect under the circumstances."

Duncan was concerned about Hammond's original list of appointees but said he was pleased with the final list. Sources close to the commission said Hammond originally intended to appoint a Willow resident with close ties to capital move proponent Frank Harris of Anchorage and that capital move opponents vehemently objected.

The commission is composed of "people who will be pretty rational," Duncan said. "They are people with experience," he said, citing that Corbus and Anchorage's Arliss Sturgulewski were on the Capital Site Selection Committee.

Sen. Bill Ray, D-Juneau and perhaps the leading legislative opponent of the capital move, said he had talked with Hammond before the appointments were made but that he had made no recommendations.

Overstreet said there are several commission members he hasn't met but that persons he has talked with say the appointees are all "fair-minded people."

Alyeska fights Valdez pickets

Alyeska Pipeline Service Co. has filed two charges with the National Labor Relations Board here Thursday as picketing at the Valdez terminal kept more than half of the 2,700 construction workers off the job.

The pipeline company is charging the Alaska Petroleum Joint Crafts Council with secondary boycott activities, and with unfair labor practices.

The Joint Crafts Council is seeking to force a pipeline maintenance contractor, Ahtna-Chugach-Voss, to unionize its employees.

Pickets appeared at the terminal Wednesday around noon, and the substantial numbers of workers stayed off the job throughout Thursday, Alyeska officials said.

In its complaint to the NLRB, Alyeska charges that since the target is Ahtna-Chugach-Voss, picketing against Alyeska at the terminal constitutes a secondary boycott, and is illegal.

A separate charge alleges that the "picketing and coercing" of contractor employees at Valdez violates a federal labor law which says contractors and employees have the right to vote on whether to join labor unions.

A/Time
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7-8-77

Pipeline shutdown threatened

WASHINGTON (AP) — Companies which own the trans-Alaska pipeline said Monday they might have to shut it down if the Interstate Commerce Commission does not approve their rates for transporting oil.

"If the rates are suspended we'll be sitting with an inoperable pipeline," Richard J. Flynn, an Exxon attorney, told the ICC.

"If this pipeline stops, you're going to have an 800-mile-long cannon," added John Landsdale, representing Sohio.

But a Justice Department attorney, Donald A. Kaplan, told the ICC the companies were bluffing, saying their stockholders and debtors would not allow a shutdown.

He said that "quite clearly" the commission has a right to suspend the rates and should do it. "A suspension order would give the companies their lead to file lawful rates," he said.

The eight oil companies have filed tariffs ranging

from \$6.04 to \$6.44 a barrel for carrying oil from Alaska's North Slope to Valdez.

The state of Alaska, the Justice Department, the ICC's Bureau of Investigation and Enforcement and the Arctic Slope Regional Corporation protested the rates as too high and asked the ICC to suspend them.

Both sides presented their cases Monday before the commission, which will rule on the tariffs Tuesday.

The companies questioned the ICC's legal rights to suspend so-called "initial tariffs" and said it would be unlawful for the commission to set an interim tariff while an investigation determined whether the original rates were justified.

Company attorneys said if the tariffs — which are to go into effect at various dates starting Thursday — are suspended, there would be no choice but to shut down the pipeline. The companies, they argued, would have no tariff with which to operate.

Oil began flowing into the 800-mile line last week, but the first barrels will not reach Valdez until next month.

"Under its suspension powers the commission options are limited to permitting the rates filed to go into effect or suspending such rates," Flynn said. "It has no power to prescribe a different rate without a full hearing."

"Accordingly if the rates are suspended, the carriers will be deprived of revenues (in excess of \$7 million per day of full operation) during the period of the commission's investigation."

In addition, he said, the companies and oil producers would incur a very sizeable expense of maintaining the pipeline and facilities on a standby basis.

"If the oil does not flow through the pipeline, financial losses will also be experienced in respect to the vessels now scheduled to call at Valdez," Flynn said. "West coast refineries also would be seriously affected."

John M. Cleary, an attorney representing the state of

Alaska, said the rates filed by the companies are unlawful and said it is his legal opinion the ICC has the right to suspend them.

"I find it far-fetched that the companies feel the commission doesn't have the power to suspend," he said. "It is the purpose of the commission to stop unlawfulness."

"They've threatened no service," Cleary said. "But they can follow traditional commission standards and file lower rates" while the ICC conducts an investigation.

Alaska previously contended the rates should range between \$3.59 and \$4.42 a barrel. It also has charged the companies with mismanagement which resulted in massive cost overruns on the pipeline.

The Justice Department contended the proposed rate schedule would give the companies a windfall of \$900 million a year in excess profits.

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Alaska Sen. Ted Stevens (R) addressed Wrangell students at an assembly Wednesday, Aug. 31, the first day of school. Stevens was in Wrangell on a one-day stopover last week. In the background is Wrangell high school principal Dick Hansen. (Sentinel photo)

Stevens speaks on D-2, hydro power

(Continued from page 1) school gym and told students, "Never in the history of Alaska has education been more important for young Alaskans."

He told his audience, "The problems we are dealing with now are the problems that will eventually involve the judgment

of your generation—you need all the education you can get. Make certain Alaska has the future it should have."

The D-2 issue hangs over Alaska's future, Stevens said, and in his interview with the Sentinel, he added, "The biggest problem we've got in the Senate... is so far only five senators have been here to look at" Alaska and proposed D-2 lands.

Stevens expects the House to vote on D-2 legislation late this year or early next, and he accused Cong. Morris Udall (D-Az.), who introduced the most widely publicized D-2 bill, of "using shock treatment."

"In the House it probably is more of an environmental mark on the wall," Stevens said, calling D-2 legislation "a quick and easy environmental support bill."

But, in the Senate, he said, he will try to make the D-2 issue a vote on the Alaska lifestyle. He said environmentalist pressures are not as great in the Senate as in the House because senators face reelection every six years, rather than every two years as in the House.

He predicted a "close vote" on Udall's bill in the House committee, and said Sen. Henry Jackson (D-Wash.) is the "key" in the

Senate, because it is Jackson's committee that will first tackle D-2 legislation.

Stevens said the issue of preserving Alaska's lifestyles and the limited accessibility to wilderness areas will make senators "more disposed to listen" to opposition to large withdrawals of land under a D-2 bill.

He said much of Alaska already is wilderness, regardless of what title it is given by the government.

Stevens, who serves as minority whip in the Senate, said "federal people think we (Alaskans) are rich" and

this view hampers his work in obtaining federal funds for Alaska.

He said local power authorities, such as the Thomas Bay Power Commission, which is seeking a hydroelectric power site for Wrangell and Petersburg, should look to the state for funding.

He said "our job is to get federal approval for the dams" from various agencies, because the chances of obtaining federal monetary aid are not very good.

Stevens said the state could use its permanent fund to guarantee loans for hydroelectric development.

Stevens says lifestyle is real D-2 issue

Alaska's Republican Sen. Ted Stevens visited Wrangell last week, and in a Sentinel interview said if he has his way in the Senate the D-2 land selections vote will be a "vote on the Alaska lifestyle."

The senator said the big question is "how will it (D-2 land withdrawals) affect the lifestyles of Alaskans."

He questioned limits D-2 legislation could place on the use of boats and airplanes and hunting in

Alaska.

Section 17 D-2 of the Alaska Native Claims Settlement Act requires the federal government to select approximately 80 million acres—or more—of lands in Alaska to be set aside as national forests, parks, wild and scenic rivers, wildlife refuges or wilderness areas.

And although the act set a December, 1978, deadline for action on D-2 lands selections, Stevens said "nothing is absolute about December, 1978."

He said if Congress fails to pass a D-2 land selection bill prior to the deadline, the Secretary of the Interior would make D-2 selections, which then would be valid until Congress passed a final land selection bill.

The senator, in Wrangell for 24 hours as part of a tour throughout the state, attended the Tuesday, Aug. 30, luncheon meeting of the Wrangell chamber of commerce, gave a luncheon address, and a Tuesday evening buffet dinner hosted by the Wrangell Republican Women's Club.

Stevens, traveling with aide Jack Quisenberry, of Juneau, also taped a Tuesday radio interview for KSTK and a television interview at Wrangell high school, shown over Wrangell TV Cable Wednesday evening.

The senator Wednesday morning addressed a Wrangell schools opening day assembly at the high

(Continued on page 9)

Hammond's 'Alaska Inc.' *tradename already taken*

If Gov. Jay S. Hammond wants to register the name for his plan to give state residents a piece of Alaska's oil wealth, he'll have to come up with something different than Alaska Inc.

A spokesman for the state Division of Banking, Securities and Corporations says "Alaska Inc." can't be registered because it too closely resembles the name of an Anchorage general contracting firm, Alaska Corp., 4503 Spenard Road.

"We couldn't let him use it . . . everybody would think it was the Anchorage company," the spokesman said. She said state law forbids use of a registered name that is "deceptively" similar to any other already in use.

Hammond has not tried to register Alaska Inc. as the formal name for his plan to give residents shares in the Alaska permanent fund and provide dividends in cash to residents.



Rep. Al Osterback of Sand Point

Bush leader raps Malone

JUNEAU (AP) — The leader of the bush caucus in the House Tuesday criticized House Speaker Hugh Malone for his end-of-the-session warning to bush lawmakers to get back into the fold.

And Rep. Al Osterback, D-Sand Point and chairman of the bush caucus, hinted that chances for a Native-Republican coalition are increasing although he said he still personally is opposed.

"The bush has got some power for the first time," Osterback said. "Malone's warning us isn't sound when he doesn't have the numbers."

The six bush Democrats in the House hold the key to a possible reorganization next session that would put Republicans in power via a Native-Republican coalition.

Osterback said that a meeting of the bush caucus scheduled for August in Anchorage could bring a showdown.

Osterback claimed credit for thwarting a coalition attempt during the recent session, and said he and two other rural lawmakers refuse to budge when some others were willing to bolt their party caucus.

But Osterback, who just returned from Seattle where he flew immediately after the session, said he was "rather surprised to see that the the leadership found it necessary to warn the bush that we had better get back into the rank."

After adjournment Malone said the House leadership had just about run out of patience with bush lawmakers.

"Members of our caucus have kind of reached the limits of what we are willing to put up with," Malone said. "I don't think things can continue as they are next session. Either the bush is going to agree to support us on typical Democratic issues or they will have to agree to support the Republicans."

Malone said urban Democrats were upset with bush lawmakers who had defected Democratic ranks on several key issues during the session, most notably to support a Republican-backed workmen's compensation bill that cut benefits about 17 per cent.

"Months before workmen's comp camp up I told the leadership that the issue was going to turn out to be a political football and that they should try to get the issue on the floor before tempers flared," Osterback said. "We could have put out a good bill but they held it until the last and that was wrong. I told them that all along."

Investment board member questions gas financing

A member of the state Investment Advisory Board has questioned the appropriateness of a state proposal to guarantee financing for a trans-Alaska natural gas pipeline from the Alaska permanent fund.

In a letter to state Revenue Commissioner Sterling Gallagher, James Love—who is also the executive director of the Alaska Public Interest Research Group—said the proposed financing guarantee should not have been made without consultation with the Investment Advisory Board and the

general public.

"I CANNOT imagine an investment decision more important than what you are apparently proposing for the gas pipeline; yet to my knowledge you have completely bypassed the State Investment Advisory Board, which is given statutory responsibility to advise the commissioner in the formulation of investment policy and (which) was recently asked by Governor Hammond to provide input on the establishment of the Permanent Fund," Love wrote.

Gallagher proposed that part of

the permanent fund, as much as \$750 million or more, be used to guarantee financing for the pipeline project proposed by El Paso Natural Gas Co.

"I realize that it is currently very popular to boost the El Paso route for the natural gas pipeline, and that your proposal for a state loan guarantee is intended to increase the chances of that route being selected," Love wrote. "But even well-intended enthusiasm should not preclude a careful public examination of the pros and cons of such a proposal."

NEWS 7-1-77 Sen. Stevens introduces d-2 land bill

WASHINGTON (AP) — Republican Sen. Ted Stevens introduced his long-awaited d-2 lands bill Thursday, saying it represented a "true consensus of the vast majority of Alaskans."

The legislation would set aside 25 million acres within the four existing federal systems and place an additional 58 million acres in a state-federal cooperative management system which would be open to development.

Despite Stevens' claim that the bill represented an Alaska consensus, Democratic Sen. Mike Gravel declined to cosponsor the measure although voicing support for the cooperative management concept.

The bill is an outgrowth of a series of meetings dating back to last year between Stevens, Gravel, Gov. Jay S. Hammond and Republican Congressman Don Young.

Stevens introduced it as an alternative to the House legislation by Rep. Morris Udall, D-Ariz., to set aside 114 million acres of Alaska lands in national parks, wildlife refuges, forests and wild and scenic rivers.

Stevens said his legislation was better than the Udall approach because the cooperative management system would "provide protection for complete ecosystems."

If massive amounts of d-2 lands are locked up in existing federal systems, Stevens said development pressures on state and Native lands will be too great to withstand.

NEWS 6-28-77 Tax credit okayed for insulation

WASHINGTON (AP) — The House Ways and Means Committee approved a tax credit of up to \$400 Monday for persons who insulate and weatherize their existing homes. A tax credit of up to \$2,150 was voted for those who use the sun or wind as an energy source.

And, agreeing with President Carter that there can be no national energy policy without sacrifice, the committee voted to repeal the income-tax deduction for state and local gasoline taxes.

If upheld by Congress, elimination of the deduction would mean a tax increase averaging \$38 for 18.6 million couples or individuals — all of whom itemize deductions — in 1978. The tax hike would be double that figure by 1985.

The committee, in the final stage of work on Carter's energy-tax proposals, approved, 20 to 17, a modified version of the home-insulation credit recommended by the President.

A person could reduce his income tax by up to \$400 by installing better insulation, storm windows and doors, a more-efficient furnace burner, a clock thermostat or similar energy-saving equipment.

The credit would be for 20 per cent of the first \$2,000 of expenditures between April 20, 1977, and the end of 1982. The tax break would be available only for additions to an existing home — whether owned or rented.

Jobless rate at 20-year high

J U N E A U (AP)—Alaska's current 15.4 per cent unemployment rate is the highest in nearly 20 years, and state Labor Department officials say they don't expect any decline for several months.

Labor Department research analyst Chris Miller said the official 15.4 per cent rate reported for April, the last month for which figures are available, underestimates the true rate.

He said the actual rate is 16.9 per cent. The state is required to adjust its figures to conform with national totals, Miller said, and the adjustment usually results in a slightly lower figure.

The last year unemployment in Alaska exceeded 16.9 per cent was in 1958, according to labor department records. The current national rate is just under seven per cent.

Deputy Labor Commissioner Bill Spear

attributed much of the unemployment to layoffs accompanying completion of the trans-Alaska oil pipeline.

"I would expect it (unemployment) to remain high for the rest of the year," he said.

Summer, traditionally has been the time when the jobless rate in Alaska dropped as seasonal work such as construction and fishing picked up.

But the labor department's May issue of "Alaska Economic Trends" paints a gloomy picture of the job market for the next few months.

"It should be pointed out that the seasonal increases in employment experienced in recent years will not occur this year," the report states.

"Not only will there be just a modest increase in seasonal employment this summer, but as the pipeline is completed in early summer there will

be a mass layoff of workers almost similar to that experienced during the months of October, November and December of 1976."

The report goes on to predict unemployment probably will increase slightly this summer.

Meanwhile, the amount Alaska pays out for unemployment benefits also is on the increase.

In 1975 the state paid \$9.3 million in interstate payments — money paid to claimants who file from outside the state based on wages they earned in Alaska. In 1976 the amount increased to \$19.7 million.

Intrastate payments — those made to people living within the state — also are on the increase. In 1975 the state paid \$19.6 million, compared to \$29.7 million in 1976.

Pipeline tariff battle before ICC Monday

DEWS, 6-25-77

By ROSEMARY SHINOHARA
Daily News Staff Writer

Oil company lawyers are preparing to defend tariffs proposed by the pipeline owner companies before the Interstate Commerce Commission in Washington Monday, while in Fairbanks, a state consultant began poring through records of a major pipeline contractor Friday.

The pipeline owner companies, challenged by the state of Alaska, the U.S. Justice Department, the ICC staff, and an Alaska Native corporation, have taken a strong stand supporting their tariff proposals in written testimony before the ICC.

THE PARTIES square off for oral

arguments in Washington Monday, and the ICC is expected to make a decision by Thursday.

The eight owner companies have all filed tariffs of more than \$6, higher than the "worst case" estimate that had been made by the state of Alaska. The state will make its royalties and severance tax revenues based on the wellhead price of Prudhoe Bay oil, and the wellhead price drops as the tariff fees rise.

Each of the four parties that protested the \$6-plus tariffs, including the state, suggested tariffs that ranged about \$2 lower than those proposed.

The oil companies reacted

strongly in written responses to the suggestion that the ICC should set tariffs lower.

The Interstate Commerce Commission and the state of Alaska are sponsoring separate pre-tariff investigations of costs of the oil line.

While the ICC study is expected to continue for several months, the Alaska Pipeline Commission special counsel is pushing to wrap up its report within about three weeks.

The state commission's special counsel, Terry Lenzner, completed a preliminary report about two weeks ago. But Lenzner's staff has just begun looking through records of Bechtel Inc., a major contractor.

View from Wall Street

Oil rush has few winners

Editorial, from the Wall Street Journal

Oil is finally flowing through the Alaskan pipeline but the promise this event once held for American consumers has been eroded by the market rigging politics of energy. Much of the bonanza will be reaped by a select few.

The big winner is the state of Alaska and its 400,000 citizens. Its taxes on the oil will yield nearly \$1 billion in annual revenues, or about \$2,500 for every citizen. No wonder Alaskans are so hard put to find ways to spend the money that they are planning a new state capital, along the lines of Brasilia, between Fairbanks and Anchorage.

The U.S. maritime industry will come in for a share. Under the Jones Act U.S. coastal cargoes must move in U.S. ships with U.S. crews. Moving oil from Valdez, the lower terminus of the pipeline, to Long Beach or other U.S. ports, is considered coastal shipping. The price: about twice the going rate for tankers elsewhere in the world.

California may benefit. It is dickering for larger allocations of natural gas from other gas producing states in return for letting the Alaskan oil move through Long Beach in large quantities for shipment by pipeline to Texas refineries.

Environmentalists have won a psychic victory, although we would gather it is not as large as they would have liked. They succeeded in getting much of the pipeline built above ground to protect the Arctic permafrost at some considerable cost. There are elaborate devices to quickly detect leaks. Other equipment at the terminals controls vapor emissions. And of

course, there are those underpasses at numerous points so moose and reindeer will not be inconvenienced.

The combination of environmental controls, inflation and capacity expansions helped raise the cost of the pipeline project to a final \$8 billion from the \$900 million originally estimated in 1969. That does not include a further \$1.3 billion in capitalized interest costs.

And finally, the oil companies themselves will earn the kind of after tax return deemed fair and just on their sizable investment. They are asking 14 per cent. The ICC, which is taking up their pipeline tariff requests just now, is making grumbling noises, threatening a deep investigation of the pipeline's costs, etc. If the ICC trims the tariff below the \$6-plus a barrel the companies want, the beneficiary, once again, will be the state of Alaska.

It works this way: federal bureaucrats have told the companies they can deliver Alaskan oil to the Lower 48 at \$14 a barrel, roughly the cost of foreign oil. If the companies are forced to charge less for pipeline transportation, it will only mean that the bookkeeping price for oil at the wellhead will rise correspondingly. It is on this price that Alaska levies its taxes. If Alaska can chip the pipeline tariff down \$1 it will make an extra 25 cents a barrel. That's another \$100 million a year. Maybe it could build two new state capitals.

Now, it might be argued that the fault for all this boodling with a resource that we are supposed to think of as scarce lies not with the Alaskans, or the environmentalists or the seamen's unions, but with the Arabs. It is the Arabs, is it not, who set the marginal price of

oil and thus provide the umbrella for all the skimming, including their own?

Indeed, there is a cartel. But it seems a little odd that U.S. energy policies seem designed to perpetuate this state of affairs rather than wreck it. Instead of taking advantage of the fact that the OPEC nations now have become highly dependent on their oil revenues and thus vulnerable to pressures on their cartel from new non-cartel sources, the U.S. seems intent on preventing any such pressure.

Certainly, that pressure won't come from Alaskan oil. Not only have the built-in and to some degree unnecessary costs and taxes raised fixed costs to a figure not far below the price to be charged, but there still is no rational policy for dealing with the logistics of getting the oil to markets. There is limited refinery capacity for this type of crude on the West Coast, and independent producers there worry that, as the price control schemes work out, the effect may be to displace not imports but heavy crude from California. There even has been some talk of closing down the government's Elk Hills production to make room for Alaskan oil. And the government is trying to decide whether to allow the oil companies to ship some Alaskan oil to Japan if they can't find ways to get it to Lower 48 refineries.

All of this, no doubt, is part of the federal government's strategy for conserving energy. It also is a good strategy for unnecessarily depriving Americans of energy for their homes and jobs and wasting a lot of money to boot. The 1977 Alaskan oil rush, like the 1896 gold rush, has only a very few real winners.

Big battle at land hearings

JUNEAU (AP)—Conservationists and development-alists are gearing up for what promises to be a major battle when a congressional subcommittee takes testimony here on Alaska wilderness legislation.

Public hearings by the House Interior Committee's Subcommittee on General Oversight and Alaska Lands will be held in three Southeast Alaska cities—Juneau, Ketchikan and Sitka—during the first week of July.

Congressmen also will also spend

a day and a night in Angoon, a small community on Admiralty Island. The town's 400 residents have requested that their island be preserved as wilderness.

Testimony at the hearings primarily will focus on a bill by Arizona Rep. Morris Udall.

The Udall bill would place 114 million acres of Alaska, including about 4.4 million in Southeast's Tongass National Forest, in the four national preservation systems:

national parks, national forest, wildlife refuges and wild and scenic rivers.

The bill would classify a number of areas as wilderness.

In both Sitka and Ketchikan, where the timber industry is a prime source of employment, large numbers of witnesses have registered to testify against the wilderness proposal by Arizona Rep. Morris Udall.

But in Juneau, it appears that the hearing may be a draw. Both conservationists and developmentalists are mounting strong drives to organize support for their causes.

The Citizens for Management of Alaska's Lands (CMAL) have run full-page ads in the Juneau newspaper urging residents to testify, and the Juneau Chamber of Commerce also is drumming up support.

Chamber Executive Director Helda Boucher said about 60 or 70 people have signed up on the chamber's list to testify.

Alaska financing of pipeline eyed

JUNEAU (AP) — State Revenue Commissioner Sterling Gallagher says the possibility of Alaska financing part of a trans-Alaska gasline is "quite attractive" in California and may help win support there.

Gallagher just returned from a round of discussions in California with members of that state's utilities commission and several natural gas supply companies on the possibility of Alaska helping to finance construction of a natural gasline.

Gallagher said Alaska is trying to use the financing possibility as a wedge to pick up support in California for Alaska's favored route, the El Paso route.

El Paso proposes a gasline that would parallel the trans-Alaska oil pipeline and would connect with a tanker transportation system.

Two of the companies Gallagher met with are members of the Arctic Gas consortium which proposes a trans-Canada gasline.

**ALASKA PEST CONTROL
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337-4151

Panel okays guzzling tax

WASHINGTON (AP) — The House Ways and Means Committee shot down a series of amendments Friday to end up with the same tax on gas-guzzling cars it had approved 15 days earlier.

Assuming Congress accepts the committee's proposal — and there is no guarantee of that — the net result would be a tax beginning in 1979 on cars that fall more than three or four miles per gallon below fuel-efficiency standards already written into law.

The experts say only one U.S. car, the top-of-the-line Chrysler New Yorker, would be subject to the tax in 1979 because every other model will get 15 miles per gallon or more. The buyer of the \$10,000 New Yorker would pay a tax of \$339.

Beginning in 1980, however, there is a chance that other U.S. cars might fall short of the standards. The four American manufacturers have expressed varying degrees of optimism about whether the standards can be met. The 1977 average for all U.S. models is 17.7 mpg.

In model year 1980, the target would be 20 mpg but cars getting 17, 18 or 19 mpg would not be taxed; the tax would start at 16 mpg (\$249) and range up to \$666 for a 12 mpg model.

By 1985, when the tax would be fully effective, the manufacturers would be required by existing law to average 27.5 mpg for their full fleet of cars.

But a person could buy a car getting as low as 23.5 mpg and still pay no gas-guzzler tax. A model that averaged only 23 would face a \$397 tax; the maximum would be \$3,856 on a 12.5 mpg car.

Reps. Martha Keys, D-Kan., and Charles Rangel, D-N.Y., tried to stiffen the tax that the committee had approved on June 9. Several mem-

bers who on Thursday indicated they favored such a move backed down, apparently fearing that any change might given opponents a better chance to kill the tax.

The Keys amendment, a compromise between Carter's proposal and the committee position, was defeated 19 to 3. Rangel sought to return to Carter's stiffer tax, which would have begun on 1978 models. He lost 20 to 8.

The gas-guzzler tax — which would be paid by car buyers — is different from the fines for manufacturers whose cars fail to meet the federal standards.

Beginning with 1978 models, a manufacturer whose entire fleet of new cars fails to meet the efficiency

standards already in the law would face fines as high as several hundred million dollars.

For example, if Chrysler's entire line of Chrysler, Dodge and Plymouth cars averages only 17 mpg in 1978 — 1 mpg below the target — the company would be liable for a fine of \$50 for each of the 1.6 million cars it is expected to produce during the year.

The fine would be assessed even against the Chrysler models that far exceed the target.

Meanwhile, the House energy subcommittee completed work after a week's debate on another phase of the President's program, to encourage utility and industrial use of coal.

NEWS 6/25/11

Udall bill to be focus

News 6/25/77

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NEWS 6/27/77

Hammond: oil tariffs too high

NEW YORK (AP) — If Alaska does not receive the amount of royalties it expects from the oil pipeline, the state would raise taxes to make up the difference, Gov. Jay S. Hammond said Sunday.

He said that the tariffs now proposed by the oil companies to move the oil 800 miles from the Arctic Ocean to the port of Valdez, if approved, would constitute gouging.

The oil companies have requested anywhere from \$6.04 to \$6.44 for moving a barrel of oil.

Hammond, interviewed in Juneau last week for the ABC "Issues and Answers" program, was asked what tariff he thought would be fair.

"A dollar less," the governor said, adding he thought the reasoning behind the companies' request might be, "Ask for the moon and you may reach it."

Hammond said he believed the tariff proposals would be reduced, but if not there would be "virtually no recourse but to" raise state taxes on oil production.

"Otherwise we could find that oil

development in Alaska has been a collective negative rather than an asset to the state ... One cent additional charge for pipeline tariff costs the state of Alaska \$1 million a year ... We would adjust the taxes to try to make up that differential."

The governor put no total dollar amount on the revenue expected, but said the state now is "dependent for 61 per cent of state government funding on the oil, much of it borrowed from future revenue."

He reiterated that he favors construction of a natural gas pipeline parallel to the oil pipeline.

"We have built up substantial population increases and state service levels that now, with the termination of (work on) the oil pipeline leaves numbers of people unemployed that I'd like to take care of with another project to pick up the slack and sustain the economy, so we don't have a boom and bust syndrome."

He said he thought the Alaskan route would be faster and easier than an alternate route through Canada.

6—Anchorage Daily News, Wednesday, June 29, 1977

Hammond says no state subsidy for business

By PAUL NUSSBAUM
Daily News Staff Writer

In a speech to the Anchorage Chamber of Commerce, Gov. Jay S. Hammond has reiterated his position that any new business projects in the state must not expect subsidies from state government.

Beginning two weeks in Anchorage as part of his efforts to bring the governor's office closer to the electorate, Hammond was to have met Tuesday with the Anchorage Assembly and School Board.

In his luncheon address to the chamber Monday, Hammond hammered away at his oft-repeated themes—putting a lid on a growing state budget, limiting state dependency on oil revenues, and requiring the business and industrial community to pay its own way.

"I suppose we could pay people \$200 a day to come to Alaska to look for gold, and the business community would say, 'Hammond is going like gangbusters. . . look what

he's doing for the economy.' That in effect is what's been happening."

Hammond said his administration will "support only growth that requires no subsidy."

The governor, who for the second summer in a row is moving his office to several Alaska cities, repeated to the chamber a charge he leveled at the media in a morning press conference.

He blamed the media for focusing on differences—rather than on the points of agreement—among Alaska's four top elected officials on the issue of d-2 lands.

Hammond told those attending a press conference here that the media is focusing on the departure of U.S. Sen. Mike Gravel, rather than on the agreements reached by Hammond, Gravel, U.S. Sen. Ted Stevens and U.S. Rep. Don Young.

Hammond said the media was more interested in discussing the 10 per cent of the d-2 plan on which the four disagree, rather than on the 90 per cent on which they agree.

Rose Friedman's Economics Include More Than Home

BY CONNIE GODWIN
Women's World Editor

The "odd jobs" that Rose Director Friedman did when she was a young-married before World War II didn't fall into the traditional housewifely categories of sewing or taking in ironing.

An economist with graduate degrees and the wife of Nobel Prize-winner Dr. Milton Friedman, her "odd jobs" were in the area of studies and research for government agencies, universities or the bible of economists, the American Economics Review.

In Alaska for the first time, accompanying her husband who was keynote speaker yesterday for a conference on business issues sponsored by the Alaska Pacific Bank, she said her views of economics and those of her husband "don't vary, and with good reason. Those of us who came out of (the University of Chicago School of Economics) there did not pick up the Keynesian philosophy. We didn't have the same attitudes as they did at both Cambridges."

Mrs. Friedman's interest in economics was kindled by her brother Aaron Director, nine years her senior and a Yale graduate, who later became the economist for the University of Chicago School of Law. "He had to work his way through Yale and he found it a struggle," she said, "so when I came along he said 'You won't have to work your way through school.'"

From Portland, Ore., Mrs. Friedman went to Reed College for her first two undergraduate years, then on to Chicago, where she met her husband while both were doing graduate studies.

The youngest of five children of Portland clothing retailer Sam Director, Mrs. Friedman said, "We were really very poor, Milton and I have said that if we were born in the 1970s, our parents would be in the poverty class."

Studying economics in the 1930s meant classrooms full of men and "maybe only one other girl," Mrs. Friedman said. Her aspirations were to teach, she said, and added that even today, while there are more women going into such areas as stock market analysis, it's not the most popular field for women.

"And a woman married to another academic then fell under a nepotism rule. It never occurred to me to get a job in some close-by place."

"I considered my first job my home and children," she said, but in-

dicated that she maintained close touch with the world of economics through colleagues, friends and her husband and found avenues for her talents during the early New Deal years in the burgeoning interest in economic research.

She participated in "the first major study of how people spend money," she said. "Now they ask them questions on what they would purchase," indicating a difference in the study of consumption economics that has evolved.

The Friedmans' theory of economics is basically conservative. She laughed when she said that one of Dr. Friedman's famous quotes is, "There's no such thing as a free lunch." Another says, in effect, "If you want to do good, do it with your own money."

The announcement of the awarding of the Nobel prize came on Oct. 14 last year, while Dr. Friedman was on a trip to Detroit. Mrs. Friedman was awakened by a friend at 6:30 a.m. with the telephone message of the honor "and it was a hectic day after that, dealing with reporters and all the things my husband might have had to do had he been in Chicago."

Dr. Friedman's Detroit trip was in conjunction with the state of Michigan's constitutional amendments to limit taxation ("a growing trend"). "While he knew the amendment was getting coverage, he wondered 'This much?'" she said with a smile.

The reporters' questions of "How do you feel?" gave him a clue that there was something more than the amendment on their minds.

The Friedmans traveled to Stockholm Dec. 10 to accept the award. Their son and daughter — David, an assistant professor of economics at Virginia Polytechnic Institute, and Janet, a San Francisco lawyer — were pleased, she said, "But we're not a very excitable family."

David, a Harvard graduate who has a doctorate in physics because "we brainwashed him; we weren't very subtle," found that economics was his first love, ("we made a mistake") and changed to that field after a stint as a Columbia University research associate.

Like his father and mother, David is an author. "The Machinery of Freedom" is his book, and "he has such great enthusiasm for his work now," his proud mother said. "He's a wonderful teacher, just like his father."

The Friedmans live the spring



MRS. MILTON FRIEDMAN
'There Are No Saints'



'Shared Responsibility'

and summer months in Fairlee, Vt., and have just recently changed their winter residence to San Francisco where they found a home on Russian Hill, to Mrs. Friedman's delight. Her husband now is with the Hoover Institute at Stanford University.

After a North Slope trip today and an Alaska fishing trip on the weekend, they will go on to Switzerland, the Scandinavian countries ("I'm getting my wish to do the Norwegian fjords. And at such an ideal time."), and Jerusalem.

"Our gardens are going to be ruined before we get back," she said. But they will return to their Vermont home in mid-July because their 5-year-old grandson will visit from San Francisco.

In discussing economic theory with unschooled listeners, Mrs. Friedman said one of the "big questions today, in an economic sense and in another sense, is the growing size of government."

"I've been reading some of your state's reports and in Alaska that's so true," she said. "Just look at the number of people you're supporting in these government jobs."

Another pet issue with Mrs. Friedman is that of the minimum wage.

"An employer doesn't have to hire if the employees aren't worth the hire," she said. "People without an understanding of economics can see that."

On the energy problem, and the government regulation of oil and gas prices, she said "You'd have to be either a moron or a saint" to sell the raw materials for less than it cost to get them out of the ground.

"And we don't have saints," she said.

Shared responsibility has been a way of life for the Friedmans, the petite economist said. "From the beginning, when we were both working on our (doctoral) dissertations, whoever happened to be free did the typing."

She said "In almost 30 years, neither one of us has said, 'That's your work.'"

She added that in an academic family, where hours are often more flexible, the chances for sharing in child rearing and domestic responsibilities were greater.

And just like other first-time visitors, her question of her hosts at the bank when her interview was over, was "And tell me what would be best to wear to dinner tonight?"

The Anchorage Times Women's World



ECONOMIST DISCUSSES THEORIES

Rose Friedman, an economist whose husband is Nobel Prize-winner Dr. Milton Friedman, laughs as she hears one of the quotes attributed to her husband, "There's no such thing as a free lunch." (Times Photos By Alice Puster)

Hammond Says Odds Are Better

Gov. Jay Hammond says he wouldn't have given the all-Alaska gasline route more than a 20-80 chance a year ago, but the odds have "substantially improved" and now he rates chances of approval at "better than 50-50."

However, he said if Canadian native land claims were removed as an impediment, he believes the odds would drop back to 20-80.

If there were no native claims problems in Canada, Hammond said the "attitudes, commitments and perceptions in Washington," as well as the momentum which has been generated, are such that there is no question but a gas line would have been a Canadian route.

The Berger Commission report "didn't advance the Arctic Gas line," he said, although he wouldn't go so far as to say it had killed the project. "The same elements in Canada which opposed the Arctic Gas route are now opposing the Alcan," the route down the Alaska Highway.

"If an oil pipeline through Alaska made sense," Hammond said, "then a gas line is doubled in spades."

The "major impediments" to a Canadian route now are much more than an oil line would have encountered. Gov. Jerry Brown of California has lately been "more amenable, more agreeable to the El Paso project than he had been," Hammond commented. "I'm not saying he is supporting it."

Hammond said he isn't interested in giving the state's gas away to gain California's support, but on the other hand, a "solidly secure" underwriting by Alaska of regasification facilities in California, needed for the El Paso Alaska project, could reduce interest costs and hence reduce the cost to the consumer, making the all-Alaska route more attractive in terms of costs.

He said Tenneco "has done a good job in New England," generating support for the all-Alaska line. Tenneco will purchase 50 per cent of the state's Prudhoe Bay royalty gas if the all-Alaska route is selected.

Hammond, in Anchorage yesterday to address a economic seminar, had a pre-lunch chat with the Nobel Prize economist, Dr. Milton Friedman, who Hammond said had read all five of Hammond's articles urging creation of Alaska, Inc. (The articles were published in The Anchorage

Times last month.)

Friedman said Hammond's approach -- to give all the state's residents a share in petroleum wealth and then tax them to support new state services -- was reasonable, but would not alone curb the growth of government, as the example of other states without oil income has demonstrated.

Friedman advocates also a constitutional amendment which would limit government expenditures to a percentage of per capita income. Hammond said he intends to take a hard look at such a referendum in Alaska, although he said the likelihood of its passage here is questionable.

Hammond had just returned from Washington, D. C., and a meeting with President Jimmy Carter to urge the president to select the all-Alaska route.

Hammond said he wasn't in a position to say whether he had convinced the President. "You'll have to ask those who were with me for an assessment of my performance," he said. But he said he was impressed by Carter's knowledge of the gas line question.

"He had obviously done his homework," the governor said.

Hammond said he found Carter to be a very casual man, "smaller in life than I expected."

There was some small talk, as well as talk of the big issues, during which the President asked Hammond if Alaskans didn't worry about him flying around in a single engine Cessna 170. Hammond said he told him "Some people encourage it!"

Hammond related to Carter the first time he talked to the President on the telephone. It was after Carter's election but before his inauguration, and when a voice said "Hello," Hammond said, "Hello, Governor -- or do I call you Mr. President-elect?"

The voice replied, "You call me the operator. Your party will be on the line in a moment."

As Hammond waited, he said to himself aloud, "Idiot!" And at that moment, the future president said "Hello."

The governor also said he was surprised at the small stature of the President. "He looks so large on television," Hammond said.

Oil Tariff Requests Are Dangerous, Attorney Claims

By BETTY MILLS
Times Washington Bureau

TIMES 6/27/77

WASHINGTON — John Cleary, Washington attorney for the State of Alaska, told the Interstate Commerce Commission today that the rates proposed by the eight trans-Alaska pipeline owners "are clearly and manifestly unlawful."

In oral arguments before the nine-member commission, Cleary said the rates proposed by the eight companies — ranging from \$6.04 to \$6.44 a barrel — would cause "irreparable injury to the public interest . . . by retarding the development of other known petroleum reserves."

Cleary said the rates would cause additional irreparable injury through higher petroleum costs passed on to consumers at the gas pump.

The commission scheduled an all-day session today to hear oral arguments from the pipeline companies and the four parties protesting the rates — the state, the Justice Department, the Arctic Slope Regional Corp. and the Interstate Commerce Commission's Bureau of Investigations and Enforcement.

The commission has scheduled a closed-door conference tomorrow to decide what to do in the tariff case. Four options are open to the commission: allow the rates to go into effect as filed, allow the rates to go into effect but conduct an investigation into their lawfulness, suspend the rates pending the outcome of an investigation or order a lower rate pending the outcome of the investi-

gation into the higher rate proposals.

Cleary told the commission the eight pipeline companies "have displayed an arrogant insensitivity to the law. You must suspend this proceeding to prevent unlawfulness."

Cleary argued for a rate of about \$3.87 a barrel, which would produce an annual rate of return to the pipeline owners of no more than 8 per cent.

Cleary said suspension of the proposed rates would not mean an end of service on the pipeline, despite threats by the companies. He said court action may be required to settle the matter.

The state owns a one-eighth share of the North Slope oil, and a higher tariff rate means lower revenues for the state. The state's severance tax on North Slope oil is based on well-head value, which is reduced by higher transportation costs.

In their opening arguments, the pipeline company attorneys argued in favor of their proposed rates and said suspension of the proceeding would be detrimental to the public interest.

Richard Flynn, representing Exxon, said the commission has no power to impose lower rates without a full public hearing.

"All we're deciding now is if the pipeline can go ahead," said Flynn. "If the commission does suspend the rates, we are sitting with an inoperable pipeline."

Robert Jordan of Atlantic Richfield Co., in response to questions from several commissioners, argued that the system was not a "low-risk pipeline."

"This has been a very risky venture. This is not your nice, easy pipeline over the flat country of Texas," Jordan said.

John Landsdale, representing Sohio, termed Alaska "one of the wealthiest states in the union" and said the state will not suffer if the companies proposed rates are allowed to take effect.

"The State of Alaska's legislature has neither been backward nor slow in looking out for the states interest," Landsdale said. "Believe me, Alaska is going to be rolling in (money)."

'War' looms on state funding

By PAUL NUSSBAUM
Daily News Staff Writer

Gov. Jay S. Hammond and the state legislature are on a collision course over control of state funds, and Hammond's budget chief Thursday invited a legislative committee to take the governor to court to settle the dispute.

"It sort of looks like the governor may be declaring open war on us," House Finance Committee Chairman Rep. Steve Cowper, D-Fairbanks, said Thursday after the legislature's Budget and Audit Committee met behind closed doors with state Budget and Management director Ron Lind.

THE 1977 legislature passed a law forbidding the governor to transfer money between appropriation items without approval of the Budget and Audit Committee. The same bill prohibits the governor from creating new positions in state government

not authorized by the legislature. Hammond vetoed the bill, contending it is unconstitutional, but the legislature overrode his veto by a resounding 57-0 vote.

In the closed meeting with the Budget and Audit Committee Thursday, Lind told the committee that the governor would go ahead and use some federal funds to create new positions, if necessary, despite the new law.

"The governor wants to get this resolved," Lind said after the meeting. He said he hoped the committee would take the issue to court at once, but if it wanted to wait until Hammond provoked a suit by creating new positions, the governor likely would do so.

THE legislature and Hammond are already embroiled in a suit over the power of the governor to transfer funds without legislative authority. That suit, filed in the

name of former Anchorage Legislator Ramona Kelley and other members of the 1976 Budget and Audit committee, will probably be amended to include the new confrontation between the executive and legislative branches.

Budget and Audit Committee Chairman, Sen. George Hohman, D-Bethel, said Thursday the committee will probably decide what action to take sometime next month.

At the heart of the dispute, which has been growing for years, is control of the state's money. The legislature contends the budget it approves cannot be juggled by the governor without approval of the legislature, through the Budget and Audit Committee. The governor, on the other hand, says the day-to-day realities of government prevent the legislature from knowing exactly what to provide funding for and that transfers are therefore necessary.



Cowper

Times 6/27

Energy Proposal Will Hurt Consumers, Charges Report

WASHINGTON (AP) — President Carter's energy plan will cost the average American family at least an additional \$200 in 1978 and up to \$2,000 in 1985, says the Consumer Federation of America.

The organization's energy team issued a report yesterday charging Carter's plan would transfer money from consumers to energy producers, largely the oil companies, and allow those companies to increase their control over the nation's fuels.

It said that instead of seeking to cut public demand for energy by raising fuel prices to match those set by the Organization of Petroleum-

Exporting Countries (Opec), the foreign oil cartel, the United States should adopt mandatory fuel-saving standards and should break up the major energy companies.

The task force was headed by Lee C. White, a former chairman of the Federal Power Commission. The group objected to Carter's plan to raise natural gas prices from their power commission-set ceilings to a higher price more nearly matching the cost of an equivalent amount of oil.

It said the "just and reasonable" standard for natural gas price regulation based on production costs, "if enforced by a fair-minded Federal Power Commission," would protect consumers and allow gas producers an adequate profit.

The task force said the White House has not provided any information on natural gas production costs which would justify the proposed price increases.

Consumers Seem More Confident

ANN ARBOR, Mich. (AP) — Consumer confidence has climbed to its highest level in 4½ years, despite concerns about the Carter Admin-

ALASKA CLIPPING
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Anchorage Daily
Times
Anchorage, Ak.
SEP 9 1977

A Symposium on Goals of Permanent Fund will be held

**September 10th
9:00 A.M.**

**In the Alaska Room at
Anchorage Westward Hilton**

**Sponsored by Humanities Forum
and
The House Permanent Fund Comm.**

Investors plan 'pioneer city'

FAIRBANKS (AP) — A group of 19 Fairbanks investors has announced plans to build a new town with pioneer flavor on the site of the old Chena Hot Springs resort.

They say the town will be self-contained, with shopping areas, restaurants, craft houses, lodge facilities and various activity areas.

Commercial buildings will be log and frame structures.

The developers refuse to say how much they paid for the 400-acre site 63 miles northeast of Fairbanks or how much they plan to spend on development.

Standards On Mileage Proposed

WASHINGTON (AP) — The Carter administration is proposing new automobile mileage standards, maintaining they could eventually save 10 billion gallons of fuel a year.

The standards, announced yesterday by Transportation Secretary Brock Adams, go beyond those already approved by Congress.

Under the new standards, passenger automobiles manufactured in the United States would have to achieve an average fuel economy of 22 miles per gallon in 1981 model cars, 24 m.p.g. in 1982, 26 m.p.g. in 1983 and 27 m.p.g. in 1984.

The Department of Transportation said the standards mean cars will have to be smaller and lighter, with most engines having four or six cylinders, not eight.

Congress has set standards of 10, 19 and 20 m.p.g. for model years 1978, 1979 and 1980, and a long-range standard of 27.5 m.p.g. by 1985.

Adams revealed the new standards on CBS-TV's "Face the Nation" and in a news release.

"These standards ensure that the American public will have available in the next decade cars that have good fuel economy, improved safety, and low emissions," he said.

"Cars built in the early 1980s to meet these standards should save the new car owner about \$1,000 over the life of the vehicle, compared with those being manufactured today," Adams said.

High Tariffs May Force Up Oil Taxes

NEW YORK (AP) — Alaska's Gov. Jay Hammond says the money the oil companies now want for moving oil through the pipeline constitutes gouging and could force the state to raise oil taxes.

The oil companies have requested from \$6.04 to \$8.44 for moving a barrel of oil 800 miles from the Arctic Ocean on Alaska's North Slope to the ice-free port of Valdez.

Asked what tariff he thought would be fair, Hammond told ABC-TV's "Issues and Answers" show, "A dollar less." The governor said he

thought the reasoning behind the companies' request might be, "Ask for the moon and you may reach it."

Hammond said he believed the tariff proposals would be reduced, but if not there would be "virtually no recourse" but to raise state taxes on oil production.

"Otherwise we could find that oil development in Alaska has been a collective negative rather than an asset to the state."

One cent additional charge for pipeline tariff costs the State of Alaska \$1 million a year. "We would adjust the taxes to

try to make up that differential."

The governor put no total dollar amount on the anticipated revenue but said Alaska now is "dependent for 51 per cent of state government funding on the oil industry or it borrowed from future revenue."

He reiterated his preference for construction of a natural gas pipeline parallel to the oil pipeline.

"We have built up substantial population increases and state service levels that now, with the termination of (work on) the oil pipeline, leaves numbers of people unemployed."

2—Anchorage Daily News, Friday, June 24, 1977

Mortgage fund found nearly depleted

The acting director of the Alaska Housing Finance Corp. (AHFC) said Thursday that the public corporation didn't have much choice when it cut back the volume of its loans.

Of an original \$100 million mortgage fund, Elma Johnson said, the AHFC had a potential \$19 million left for financing through July, 1978.

AHFC ANNOUNCED this week that it would have to put the reins on lending to stave off total depletion of the mortgage fund. As a secondary market which purchases mortgage loans from

local lenders, AHFC currently finances nearly half of the homes in Anchorage. The cutbacks are expected to affect the ability of low and moderate income families to acquire property.

Johnson said that of the \$100 million in bonds that could be sold, \$35 million have been marketed and the funds dispersed, \$48 million were just sold and the money has yet to be received by AHFC — money which is already committed.

With \$610,000 of the \$2 million appropriation remaining, AHFC could market bonds totaling \$29

million more.

JOHNSON, HOWEVER, says that of this amount, \$10 million is already committed, leaving only \$19 million for the next year.

If the current rate of AHFC loan commitments were continued — and they average \$16 million per month — the remaining funds would be depleted in less than one-and-one-half months.

"It's a difficult situation," said Johnson. "The market has increased at such a great volume. It's different from any other year."

Rodey Warns Of 'Zero' Oil

State Sen. Pat Rodey, D-Anchorage, told Bartlett Democrats yesterday he favors an increased floor price for Alaskan oil.

Rodey, in a noon address, told partisan club members he agrees with a theory recently offered by Nobel economist Dr. Milton Friedman concerning the oil cartel future.

Friedman told businessmen last week the cartel can not be expected to last permanently because of economic, political and historic differences among member nations.

Rodey said if a break-up does occur, the price of oil could drop, creating proportional revenue decreases that would send legislators scrambling to guarantee minimum income for the state's permanent fund.

Rodey said Alaska could be put in the position of having oil with "zero value." Raising the minimum price for oil above current limits, increased 12 per cent during the 10th legislature's first session, would assure a stable tax base from which to continue state projects, he said.

In a critique of the legislative session, Rodey told Democrats a voter registration veto by Gov. Jay S. Hammond is a "disgrace" that ful-

fills an administration desire to keep a small electorate base.

The Spenard senator said he disagrees with the contention that prerogative eliminates voter fraud. "In my opinion, it increases the chances," Rodey said.

In Juneau, legislative battle lines are being drawn over the issue of local home rule binding arbitration. Rodey said the question of whether binding arbitration can pass the legislature and get on a referendum ballot for local voter consideration will be a "hot issue" facing the 10th legislature's second session.

Another issue that could draw blood is the gross receipts tax bill. Rodey said the House failed to pass a repeal by one vote and the chance of it coming up again exists. "The bill is unfair because it does not tax profits extracted along the traditional lines of income. There are no sound arguments against repeal," he said.

The bill setting a mandatory three-day sentence for drunken driving was left in committee. "I was sorry to see it stay there," Rodey said. "It is a desirable piece of legislation that would restore faith in the system of justice."

Medical malpractice legislation, a bill Rodey helped write, is awaiting judiciary committee action.

"The bill is good, except for the mandatory fiscal soundness feature imposed by Gov. Hammond. It will take some prodding to get it out of committee and a struggle to get past the Southeast delegation because of the rate structure. But, there is tremendous interest from Anchorage physicians because they handle the actuaries themselves by repurchas-

ing the indemnity," Rodey said.

Two bills drew fire, one, the mobile home tie-in bill, he called a threat to free enterprise. The other, liquor tax increase, he called one of many attempts to find simple solutions to complex problems.

Another Rodey project, Spenard road improvements, was reportedly a waiting action by Gov. Hammond. Rodey said he had submitted a \$300,000 seal coating proposal based on an environmental study linking air pollution with dust from unpaved roads in the Spenard area. Rodey said the bill has a "good chance" of remaining within the state's budget.

Rodey also said homeowners could look forward to property tax relief when revenue sharing funds

are used to retire school bond obligations in 1978. He said this could reduce property taxes by as much as 2 mills and reduce total school budgets by as much as 10 per cent.

"This year property tax complaints have been the most frequent objection to government," Rodey said. "Rates have gone up at a fantastic rate, causing a great resistance to government. Hopefully, with school boards' holding spending levels, 100 per cent state school financing can be achieved."

Concerning his consideration of a race with Congressman Don Young, Rodey said he is still thinking, and would "have to consult with family, parents and a lot of Democrats," before announcing.

Demo squabble resurfaces

News 6/25

An intraparty squabble that hounded state House Democrats during much of the 1977 legislature resurfaced in a recent angry letter to House Speaker Hugu Malone from Dillingham Democrat Nels Anderson.

Anderson, a member of the so-called Bush Caucus made up of rural representatives, blasted Malone for publicly accusing Bush Democrats of joining with Republicans on several key issues last session.

"IF YOU CONTINUE to make irresponsible statements to the press without first discussing your complaints with the Bush, I believe you will unintentionally drive the rural community away from the Democratic party," Anderson wrote in a letter dated last Monday.

"Your criticism of the Bush Caucus is uncalled for since you were told by several Bush members what their priorities were. Their political deals were forged by your continuous resistance to calls for help," Anderson said.

The rural Democrats are the key to maintaining the House's Democratic organization, because without the five Bush Democrats, the party does not have a majority in the House. Disputes between rural and urban Democrats this year, especially over workmen's compensation legislation, prompted rumors of a possible coalition between Republicans and Bush Democrats in the House.

IN AN INTERVIEW after the end of the legislative session, Malone said members of the Democratic caucus "have kind of reached the limits of what we are willing to put up with."

"Liberal-urban Democrats and Bush Democrats agree that you and your close-mouthed group played all your cards too close to the chest," Anderson wrote Malone. "You never gave any of us loyal Democrats a chance to feel as though we were a part of the leadership ... I'm afraid your penchant for secrecy alienated many fine Democrats."

EDITORIAL PAGE

The Anchorage Times

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Associate Editor
General Manager

CLINTON T. ANDREW
Managing Editor

Monday, June 1

DR. MILTON FRIEDMAN has cited specifics that should warn Alaskans that they have gone down the wrong track by:

1. Depending on present oil prices in building state budgets and developing programs,

2. Setting up an obstacle course for new businesses that want to become established, and

3. Becoming the most socialistic state in all the 50 states.

What are we going to do about it?

GOV. JAY HAMMOND has pointed out that the state is spending \$1,750 per capita each year and that \$1,065 of it comes from oil revenues. He is under pressure to call a special legislative session so that still more taxes can be levied on oil — which would make the state still more dependent on oil.

Instead of heeding what the eminent economist has told us, some of our leaders are apparently going further down the wrong track.

AT THE SAME TIME, there are those who foresee huge surpluses of money in the future and have sold Alaskans the idea of creating a permanent fund so as to keep the money safe from the spending habits of the annual legislative sessions. This fund is to syphon off half the flood of oil dollars that the leaders have said is about to inundate the state treasury.

Dr. Friedman indicated that these programs are resting on an insecure foundation. Today's high prices on oil are not here to stay because the Opec cartel will break up. With any downward trend, Alaska's revenues would shrink drastically.

THE GOVERNOR is promoting interest in a program that he calls Alaska, Inc. It would pay cash dividends to Alaskans, thus disposing of the surplus money that is expected to come from oil. This idea is hard to square up with Dr. Friedman's prediction that Opec will fall and oil prices will tumble. There might be no cash to draw on.

At the same time, the governor sometimes mentions the need for broadening the state's economic base so that it will not be dependent upon the oil industry alone. It's a good idea and wins approval generally, but when enterprising people try to start a new business in Alaska they find it difficult to comply with state requirements.

Dr. Friedman said the state's booklet on how to start a new business sets up an obstacle course that either discourages new business or makes it unlikely that it can ever get approvals in the form of permits and licenses that the state requires. He said the booklet is devoid of any semblance of welcome to a new enterprise.

THESE ARE ALL challenges and opportunities for Alaska. The only problem is that they make no sensible pattern. They conflict with each other. If the governor were to try to lead the way to pursue such a variety of programs he would have to mount his horse and ride off in all directions.

One fact that overshadows all other considerations is the crying need for strong and effective leadership. The governor is the man who should provide it. He, by virtue of the powers of his office, can do more than any other one man to unravel these conflicts so as to direct state service and development programs down a track to sound and desirable goals. He should be encouraged to do so.

Alaska can't broaden the economic base to share the burdens now borne by the oil industry and also discourage new enterprises from starting.

Our state government cannot survive as it exists today if oil prices drop and the revenues shrink.

We can't put half the oil revenues in a permanent fund if they are going to be insufficient for day-to-day survival.

A CONSTRUCTIVE suggestion made by Dr. Friedman was for a constitutional amendment that would limit the percentage of a person's income that the government could spend.

Such amendments have been proposed to the people in California and Michigan but have not been rejected at the polls. But the vote was so close that it is expected the proposals are not dead.

Such an amendment in Alaska, if tied to personal income, would limit expenditures without regard to the price of oil, severance taxes or the oil industry.

One big difficulty in trying for such an amendment in Alaska is the fact that the state has already gained national distinction as the most socialistic of all the 50 states. Dr. Friedman noted that 39 per cent of the state's wage earners are employed by government, a proportion higher than that in any other state.

The ambivalent pressures for both higher and lower spending, and both more and less development, must be relieved. As long as we cry and spend and cry and spend there is no prospect of reaching any desirable goal. The governor is doing most of the crying while the legislature keeps boosting the budgets and increasing the spending.

The governor can break this cycle if he will. A ground swell of public pressure to do so would likely give him the encouragement he needs.



Little Faith In Government

By Thomas E. Kelly 31

AT THE TURN of the century a sage once wrote, "It is so much easier to assume that to prove; it is so much less painful to believe than to doubt." The first independent clause holds true as ever today; the second woefully has disappeared from our lifestyles.

Everybody is becoming a doubter. Most people don't believe what they read or hear and in some instances find it difficult to believe what they see.

Things are becoming so complex and confusing these days, particularly as relates to natural resources, that John Q. Public has every right to be skeptical.

TAKE ALASKA as a case in point.

As the governor runs around the state this beautiful summer taking his administration "to the people" he tells us to except some "belt-tightening" in the 1978-79 budget because of a projected shortfall of \$100 million in revenues. The reason — because the pipeline volume didn't come up to snuff.

At the same time the Department of Revenue keeps forecasting a budget surplus of \$10 billion-plus dollars by 1985, most of which will be committed to the Permanent Fund. Who could have dreamed that one pump station out of 14 could have thrown all short-term projections out of gear?

It is also difficult to figure how the pipeline production will soar from 530,000 barrels today to the projected 1.2 million barrels as soon as pump station 8 is repaired.

Take the federal government as another case.

In April of this year the President made an impassioned plea to conserve energy as he proposed his unworkable, unattainable National Energy Plan to convince people that a genuine energy crisis exists. Today, oil stocks are plummeting because of a glut on the market of crude and refined products resulting from North Slope oil, in part, and the fact that the American people believed Jimmy and cut down traveling so much.

The energy crisis is as real as ever but the simple economic principle of supply and demand seems to elude our leaders. Supply and demand involves assessment of source, market and transportation made in a timely manner — not chaotic stop-gap regulation.

FOLLOWING on the heels of these paradoxical incidents that, in truth, are only for the moment, comes the darkest spectre of all in the form of proposed new legislation that will insure that nothing in the energy and natural resource fields will ever be worthy of belief.

The Gulf of Alaska — the number

2 most prospective new frontier for new oil and gas reserves that many believed would stave off the imminent domestic energy shortages — has about had the course. "Oh goody!" exclaims the Hammond administration at the revised schedule of OCS lease sales offshore Alaska that promises many years' delay in exploration efforts.

The U.S. House is in the final stages of deliberating a bill (HR 1614), Outer Continental Shelf Lands Act Amendments of 1977 (a similar bill, SB 9, already passed the Senate), which will undoubtedly further delay oil and gas exploration and development on the OCS.

THE BILL, if enacted or compromised with the Senate version will:

1. Increase the nation's dependence on foreign oil imports by delaying petroleum exploration and development on the OCS.

2. Create massive governmental involvement in every aspect of developing new oil and gas reserves, which assures further delay.

3. Set up a federal oil and gas company (FOGCO) — a major leap forward to socialism as an American way of life.

Carter's energy plan, embodied in HR 8444, is making headway through the U.S. House but hopefully will be emasculated before the final law is passed. It does nothing to solve energy problems under a needed national energy program. You don't save your way out of an energy problem. It is no more than a punitive tax bill which fails miserably to cope with the future of this country.

SO WHAT HAVE WE? Disbelief in every sector of this country. Everybody is either in one polarized camp or another. Everybody speaks with "forked tongue" and who is right?

A little understanding of how we came to be as we are — the most powerful, prosperous nation in the history of the world — should be a reflection of all citizens. It didn't come by what we are doing now. Not perfect by any means, but our past system provided the best for most. When the governed believe in government it will succeed. Otherwise it is disaster.

We have too much government and too little faith or belief in what it is doing. Come on, folks — let's change it and we can before it is too late. Only the people as a whole can do it.

Tom Kelly, former commissioner of natural resources, is a consultant specializing in Alaska resources. He is a past president of the Anchorage School Board and is president-elect of the Chamber of Commerce.

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Anchorage Daily
Times
Anchorage, Ak.

AUG 28 1977

Oil Industry Threatens Pullout If Tax Passes

NEW YORK (AP) — President Carter's energy proposal now before Congress includes a tax that would force much of the \$40-billion petrochemical industry out of the country, industry spokesmen warn.

And that would mean the loss of many of the 390,000 American jobs now directly related to the industry, the spokesmen say.

Administration spokesmen refuse to comment directly on the industry threat. But they say the industry is going to be damaged anyway, if not by higher taxes — aimed at conservation — then by a scarcity of petroleum, the major raw material of petrochemicals. The policy does not "attempt to appease one interest or another," a spokesman said.

The main petrochemical-industry objections are to Carter's proposed tax on oil at the well and an additional

tax on major industrial users of oil. The industry says the taxes would raise costs so much that foreign competitors would have an advantage.

The consumer would pay more in any case, either for more expensive foreign products or for domestic products whose prices would be increased to offset the new taxes.

Under the President's plan, the first tax, a \$3 levy, would bring prices up to the world level by 1980; the "user" tax — applied primarily to the petrochemical industry — would start at 90 cents a barrel in 1979 and increase to \$3 by 1985.

But the petrochemical industry says the taxes, currently being considered by the House Ways and Means Committee, would increase "feedstock" costs from \$3 below world price levels now to \$3 above the levels by

1985. Feedstock is oil that is used as a raw material in a refinery or petrochemical plant.

"The question is: What do you do if you're non-competitive?" said Robert Mitchell, executive vice president of Celanese Corp. "The first thing is that we lose our export markets (\$10 billion of the \$40 billion in annual sales). Then, the foreign competitor can compete in the U.S."

"This positive impact on our nation's balance of trade would be lost over the next few years as the Carter taxes phase in," said Ronald S. Wishart, director of energy policy for Union Carbide. "... In place of oil imports, we might be importing more chemicals as well as other energy-intensive products such as steel and aluminum."

How would the dozens of U.S. petrochemical firms react?

"Given a free world for investment purposes," Mitchell said, "what will evolve is a shift of the petrochemical industry — assuming a degree of political stability — to the Mideast."

An industry spokesman said firms might simply abandon their American plants if they found that "it was not economically beneficial to run them."

But Jim Bishop, an administration spokesman, added that if Carter's conservation-designed proposals are not accepted, the industry soon will have to deal with critical shortages of raw materials — a problem every bit as serious as increased taxes.

Officials said there are no plans to protect the industry by imposing quotas on imports of petrochemical products.

Bonds Should Prove Sound Investments

Bonds issued by the state of Alaska, its authorities and political subdivisions "represent secure investments," in the view of John Nuveen and Co. Inc., investment advisors.

"State and local governments will have access to a large and growing wealth base to finance the need for public facilities," Nuveen says in a new study of Alaska's future.

"Social and economic dynamics indicate that the state's general obligation debt will soon carry a higher investment rating.

"Alaska and its municipalities enjoy the unique position of improving credits, and consequently represent one of the potential growth areas in municipal finance."

"Without question, oil and natural gas will be the 49th state's leading products for the next quarter-century.

"Public and private revenue generated from this will support development of a broader-based economy, all of which are to be essential parts of Alaska's future.

"Impetus and momentum are necessary to the maintenance of eco-

nomic expansion," the report points out.

"For Alaska, oil and gas have provided this impetus. The momentum generated by both public and private investment in the state is impressive.

"Although the pace of growth may slacken as pipeline construction wanes, the pause will scarcely be noticed because plans are now being drawn and capital investments made for similar gigantic undertakings."

Among such undertakings Nuveen cites:

- Development of oil and gas on Alaska's outer continental shelf.

- Construction of a natural gas pipeline from the North Slope.

- Building of a rail link with the transcontinental railroads of Canada and the Lower 48.

- Construction of the multi-billion dollar Susitna hydroelectric project.

- Permanent fund and native corporation investments.

- Development of the state's coal and copper resources.

(See Page C4, Col. 1)

d-2 land plan, spending top issues--Hammond

By JEAN KIZER

Associated Press Writer

JUNEAU — The time has not yet come when Alaska can assess whether oil development has been beneficial to the state, Gov. Jay Hammond said Tuesday.

"Two much more fundamental issues" face the state now — management of Alaska's d-2 lands and government spending fueled by non-renewable resource dollars, Hammond told a gathering of Southeast Alaska conservationists.

"And unless those issues are resolved," Hammond said, "oil development may have turned out to be catastrophic."

Hammond, who drew support from various environ-

mental groups during his 1974 election campaign, urged conservationists to "keep an open mind" about the d-2 lands issue and to avoid supporting Arizona Congressman Morris Udall's bill except as a last resort.

Udall's proposal calls for nearly 116 million acres of federal land in Alaska to be immediately preserved for national parks and other wilderness areas. His bill has the support of most national environmental groups and also many in Alaska.

Hammond favors a cooperative state-federal land use planning approach. He and the two Republicans in Alaska's Congressional delegation have proposed to designate 25 million acres for national parks and wilderness areas.

Another 55 million acres would be placed under the cooperative management of the state and federal governments under Hammond's plan.

"I do not need to tell you the importance of the d-2 issue to Alaska, nor of the tremendous impact the decision we make today will have on our children."

"But conservationists are really missing the bet unless they try to structure something around cooperative land use management," Hammond said.

Hammond said he has been asked how he could align himself with Rep. Don Young on an issue like land use, and he acknowledged that he and Young view their proposal as a means to reach different goals. Hammond also said he is "torn" on the point of only designating 25

million acres for instant wilderness areas.

The second issue Hammond said faces Alaska is the use of non-recurring oil dollars to finance a growing state bureaucracy.

Unless the state stops depleting its non-renewable resource wealth to pay the ongoing expenses of government, "we will be forced into crash development of other non-renewable resources to pay the bills" once North Slope oil revenue is gone, Hammond said.

As an example, Hammond said when he stepped into the governor's chair "I looked at a \$200 million dollar hole in the budget." The easy way out of that kind of situation, he said, is to lease state land without regard to whether its development is appropriate.

Natives' Finances, Land May Aid Development

Alaska's newly-formed native regional corporations control a large pool of capital which may be used for development of Alaska's natural resources, according to a study of Alaska's economic future prepared by the John Nuveen Co.

"With approximately \$600 million in cash remaining to be invested and 40 million acres of land to be developed, two conclusions can be reached," the study says:

— "Some of the corporations are destined to rank in the top 500 companies in America.

— "Native investments will continue to act as a stimulus to the Alaskan economy in years ahead."

Natives — including an estimated 60,000 Eskimos, Indians and Aleuts — comprise 15 per cent of the population, the report says.

The Alaska Native Claims Settlement Act of 1971 provides for the creation of 13 regional corporations, whose members have common heritage and common interests. In addition, some 200 village corporations were recognized by the act.

The native corporations are to receive nearly \$1 billion as settlement, including \$500 million from the state of Alaska as a portion of oil, gas and mineral royalties.

The act also gave the natives the right to select 44 million acres of land, including subsurface rights to be controlled by the regional corporations, which must share 70 per cent of all revenues with the other 11 regions within Alaska. The 13th region, composed of natives living in the Lower 48, will not share in that 70 per cent.

The corporations are responsible for managing the money and the land for their stockholders, who are prohibited from selling their stock until 1991.

"Thus far, \$300 million has been distributed to the native corporations," the Nuveen report says. "If present activity can be considered a harbinger of the future, the corporations will exert a significant impact on Alaska's economy.

"Approximately \$150 million has

been invested and the approach is generally careful and conservative."

Some of the regional corporations' major projects as outlined by the Nuveen study include:

— Establishment of the United Bank of Alaska, a joint venture of several regional corporations.

— Creation of Alaska Consolidated Shipping, a joint venture of six regional corporations with SeaTrain, a New York-based shipping company, to bid on the purchase, refining and transporting of Alaska's one-eighth royalty share of Prudhoe Bay oil.

— Construction projects on the trans-Alaska pipeline totaling \$150 million.

— Construction of a \$25 million hotel in Anchorage.

— Purchase of one of the state's two largest hotels, the Anchorage Westward Hilton, for \$18 million.

— Purchase of Peter Pan, a major Seattle-based fish processing company.

— Construction of a 90,000-square foot office building in Anchorage.

There are others not mentioned in the report, including Callista corporation's development of a new residential area, Settlers Bay, west of Anchorage, including the construction of a lodge and golf course.

Nuveen says "Native corporate investments have already touched nearly every segment of the Alaskan economy: banking, hotels, oil exploration, construction, real estate, fishing, timber and transportation."

Lawsuits and bureaucratic delays have held up transfer of most of the natives' land selections from the federal government, "but landholdings will be extensive," Nuveen said.

"Doyon Ltd., for example, with 8,800 shareholders, will soon surpass Weyerhaeuser as the world's largest private landowner, with some 12 million acres ranging across the heart of interior Alaska."

Native corporations, expecting to occupy rich oil and gas basins, have already signed exploration agreements with major oil companies.

Oil Industry Threatens Pullout If Tax Passes

NEW YORK (AP) — President Carter's energy proposal now before Congress includes a tax that would force much of the \$40-billion petrochemical industry out of the country, industry spokesmen warn.

And that would mean the loss of many of the 390,000 American jobs now directly related to the industry, the spokesmen say.

Administration spokesmen refuse to comment directly on the industry threat. But they say the industry is going to be damaged anyway, if not by higher taxes — aimed at conservation — then by a scarcity of petroleum, the major raw material of petrochemicals. The policy does not "attempt to appease one interest or another," a spokesman said.

The main petrochemical-industry objections are to Carter's proposed tax on oil at the well and an additional

tax on major industrial users of oil. The industry says the taxes would raise costs so much that foreign competitors would have an advantage.

The consumer would pay more in any case, either for more expensive foreign products or for domestic products whose prices would be increased to offset the new taxes.

Under the President's plan, the first tax, a \$3 levy, would bring prices up to the world level by 1980; the "user" tax — applied primarily to the petrochemical industry — would start at 90 cents a barrel in 1979 and increase to \$3 by 1985.

But the petrochemical industry says the taxes, currently being considered by the House Ways and Means Committee, would increase "feedstock" costs from \$3 below world price levels now to \$3 above the levels by

1985. Feedstock is oil that is used as a raw material in a refinery or petrochemical plant.

"The question is: What do you do if you're non-competitive?" said Robert Mitchell, executive vice president of Celanese Corp. "The first thing is that we lose our export markets (\$10 billion of the \$40 billion in annual sales). Then, the foreign competitor can compete in the U.S."

"This positive impact on our nation's balance of trade would be lost over the next few years as the Carter taxes phase in," said Ronald S. Wishart, director of energy policy for Union Carbide. "... In place of oil imports, we might be importing more chemicals as well as other energy-intensive products such as steel and aluminum."

How would the dozens of U.S. petrochemical firms react?

"Given a free world for investment purposes," Mitchell said, "what will evolve is a shift of the petrochemical industry — assuming a degree of political stability — to the Mideast."

An industry spokesman said firms might simply abandon their American plants if they found that "it was not economically beneficial to run them."

But Jim Bishop, an administration spokesman, added that if Carter's conservation-designed proposals are not accepted, the industry soon will have to deal with critical shortages of raw materials — a problem every bit as serious as increased taxes.

Officials said there are no plans to protect the industry by imposing quotas on imports of petrochemical products.

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