

SCOMM

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meeting, house special committee on the permanent fund
city hall, kotzebue
september 17

py
date

present: Clark Gruening, chairman, Terry Gardiner, vice chairman,
Russ Meekins, Ernie Haugen, Rick Urion, member; Sen. Pat Rodey etc.

The meeting convened at 10 a.m. The first order
of business was public testimony.

Mr. Ed Bohnert, counselor with the University of
Alaska extension center, testified on sources of energy for the
Kotzebue area, including a windmill being installed at the extension
center. His testimony pointed to the high cost of petroleum-based
fuels in the Kotzebue region and the potential benefit of developing
alternative energy sources in that region.

Mr. Marty Straus, environmental planner for Menilik
(sp?) also testified on alternative energy sources, including a
pilot windmill at Kivikina (sp?), steam generation at Koñuk and
geothermal potential at Kotzebue. In answer to a question from
Rep. Gruening, Mr. Straus gave a brief outline of fisheries potential
in the Kotzebue region.

Mr. Chairlie Edwardsen, Washington representative of
the North Slope Borough, testified on management structure and
investment goals of the Permanent Fund. A transcript of Mr.
Edwardsen's testimony is attached.

Following a lunch break, Mr. John Schaeffer, president of NANA, testified on his corporation's experience and
investments it had made in within the region. The main investments
had been in a wildlife museum and jade processing operation in
Kotzebue. These, Mr. Schaeffer said, had been subsidized by the
corporation's profits in from other investments outside the region.

Rep. Gardiner presented the Renewable Resources
Development Fund subcommittee's first interim report (a copy
of the report is attached) and discussed the "leading edge" theory
and the subcommittee's work plan.

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Dr. Belden Daniels, committee consultant, presented his paper Models and Options for the Alaska Permanent Fund: Functions, Regionalization and Accountability. Discussion followed, during which Dr. Daniels pointed to the latter portion of the report which detailed accountability problems of existing development banking structures.

Rep. Gruening then moved that he would direct the committee staff to begin preparation of ~~xxxxxx~~ draft legislation structuring the Permanent Fund. The motion passed with unanimous consent. There followed discussion of the committee's schedule.

The meeting adjourned at 4:45 p.m.

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House Permanent Fund Committee Meeting
September 17, 1977
Kotzebue

Present: Clark Gruening, Chairman; Terry Gardiner, Vice Chairman; Ernie Haugen; Russ Meekins; Rick Urion; Pat Rodey, Senate Permanent Fund Vice Chairman.

GRUENING: Do we have somebody who would like to talk to us this morning on the Permanent Fund? I ran into a number of people last night, who indicated that they would come in at various times to talk to us. On a very informal basis, I think we're ready to take testimony as people come in. In Anchorage, there were a lot of people who were hesitant to talk to us, because they said, 'we don't have investment banking background.' We're not looking for that. We're kind of looking for the philosophy that people feel the Permanent Fund should have in terms of dealing with Alaska problems. We're not looking for technical advice at this point. We don't have any bill before us on how to structure the Permanent Fund. We're very much interested in what people, especially in the rural areas, think the Permanent Fund might do that would be relevant to them. If anyone has any comments or suggestions, we'll take them right now.

BOHNERT: I would like to make a comment. I have yet to understand the whole process. I'd like to encourage your interest in renewable resources. (inaudible)...tap our gold mines as cleaning out the shelf. I've seen those same strong drives, Im sure it's not the first time you've heard it, but it's my feeling in general.

GRUENING: That's a good comment. We have a Renewable Resources Subcommittee, that's looking into investments that could be handled either by the Permanent Fund or the Renewable Resources Development Fund, which is a dedication of 5% of oil revenues, as opposed to 25% the Permanent Fund has.

HAUGEN: Could I ask him a question?

Would you say that the development of energy sources to keep power on long term, low interest basis to communities-- do you feel that would be a good area to invest Permanent Fund earnings, the Fund be guaranteed to those communities that could draw a good power source like hydroelectric source developed?

BOHNERT: Yes, (inaudible) ...basic as energy. I do intend my comments to include developing energy sources. For example, energy is so basic that when the oil, just one of the sources, prices quadruple, an inflationary mechanism, there should be a way to have a long range development of sources through renewable energy plans. I strongly encourage this.

GRUENING: Sir, could you give your name and occupation?

HAUGEN: And why don't you come up to the table?

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BOHNERT: I'm Ed Bohnert. I am the University of Alaska program counsellor here. The Extension here--if you have a chance you should see it.

GRUENING: We did see it.

BOHNERT: (inaudible)

MEEKINS: Backing the windmill. In how long did you say?

BOHNERT: Probably 30 days. All it takes is natural power.

GRUENING: Just for the building?

BOHNERT: Yes, just for the building. That again is something we need.

HAUGEN: Have you discussed with--it's Rutherford, I understand who works--is he associated with or aware of what you're doing? Is this your own source of power to run your own facility?

BOHNERT: Well, it is but the source of money in the program is statewide. What we use for electricity in the building, I understand the supply is falling.

HAUGEN: How many khw's do you produce?

BOHNERT: I don't know the factors. With the interest I've got in this, I haven't got deeply into the windmills. It's on again, off again.

HAUGEN: We heard some interesting statements from Rutherford on wind power probably being one way to provide energy in some of the smaller areas. Of course, we're interested in the subject. In my opinion, the money has got to be paid back. If you take small communities in the Southeast and made it into all one problem, then the ability to finance it (inaudible). I don't personally believe the Fund should be deluded from the principal, and subsidize these things. I think you can have some kind of interest subsidy of something else, then over a long period of time it averages out so that the Fund (inaudible)..comparable to what they could invest in the private market of the whole (inaudible).

BOHNERT: (inaudible) ...the windmill is reaching out and gathering more data to have some practical or commercial resources. This is in demand.

HAUGEN: Are there any hydroelectric sites in this area--say within 50 miles?

BOHNERT: I understand--I'm not into that study totally--but I've heard that there are studies that have been made about hydroelectric sources. (inaudible)

HAUGEN: You don't know of any specific (inaudible)...

BOHNERT: No. I've not seen the data on that at all.

HAUGEN: The reason I asked is that it was presented as a new idea--one wire attracts (inaudible)...

GRUENING: You know, yesterday we had a tour of the museum. John Schaeffer showed us the jade operation. He gave us kind of an insight to investing opportunities in Kotzebue. He's probably taken the lead in it. Although these two examples are not incoming producing at this time, they are probably the closest thing to money making investments in Kotzebue, that we're aware of. Hopefully, he'll come by today.

The Fund being a loan program, we're anxious to know what relevance the Permanent Fund could have in this area, and what kind of criteria you have for a loan program that it deals with. I think there's some hesitation by rural people

about the relevance of the Permanent Fund. They see, I think, money going to Anchorage or to urban areas as (inaudible) I'm kind of interested to know whether people think there's some specific role the Permanent Fund can play.

BOHNERT: On the loan basis, we pay in realities too. Somewhere in a panel such as this, we could be considering there's a limit to the amount of oil and specifically to gas. To make sure we do our homework, probably will still have oil and gas to develop our own resources. You have to trade off (inaudible) and cost (inaudible)..availability. I think the (inaudible) is doing her homework be it data program probably more so than generation of electricity. I think when we get out here and get one running in Kotzebue and see the problems (inaudible)... We're talking about a billion dollar hydroelectric plant.

HAUGEN: \$30,000. Well how many khw's--you said you didn't know how many kw's that plant could produce.

BOHNERT: No. They never provided any of the information on the--it's non-public information. I'd say, figure, what's a house?

(inaudible)

HAUGEN: A thousand dollars a khw...(inadubile)

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STRAUS: The alternative energies we've been able to come up with over at (inaudible) are seen as (inaudible). Wind power, on the average, costs about \$3,000 (inaudible) to Anchorage per kw.

GRUENING: That's a one time cost?

STRAUS: Yes. To install a 15 kw windmill in Kivilina, we're talking of a cost 45 to 60,000. To install it in Kivilina would be mainly a research (inaudible)..to run the runway lights and city buildings. You're talking 130,000 total to install, purchase, get it up there, put it up. The whole package. Wind power is a (inaudible).

In the steam generation, we're looking at--to give you some comparative figures--(inaudible)...But steam generation we're looking at in Kobuk--Kobuk is a low population area--and therefore, we can get a small steam generator. A steam generator is strictly a steam engine to monitor boiling. Over any kind of combustible fuel is 60% more efficient than diesel.

HAUGEN: Do you have any coal or anything around there?

GRUENING: Just wood?

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STRAUS: Well, would you would not want to go with. The trick is this: Being 60% more efficient--presently Kobuk has more electricity--the cost to support two 25 diesel generators, normal generators, would cost a good \$25 per house per month. People would go broke trying to support that thing.

HAUGEN: Have you got a paper on laying all this stuff out?

STRAUS: I've written a paper to the state energy office with a cc to Community and Regional Affairs. (inaudible).

GRUENING: Please state your name for the record.

STRAUS: Marty Straus. (inaudible). A 50 kw generator steam generator, (inaudible) for income because, unfortunately, the only really decent ones right now are built over in Europe. This would run 30,000 pounds or 51,000 American dollars, as of a month ago. It would cost to monitor it, to install it, to get it up here--would be about \$100,000. A steam generator would bring electrical costs down using diesel fuel to \$60 per house per month. That is (inaudible) half of that. This is assuming that steam generator runs at 80% efficiency when everything is perfect so we assume that it's running at 70. Diesel generator only runs at 60% so let's assume that it's running at 40%, because of mechanical problems, breakdown, maintenance (inaudible). So we're approximately having also

here in Kotzebue, we have, according to Bob Forbes in the geophysical institute--he applied for a (inaudible), you have a geothermal project. The cost we are sitting on top of presently. It is not good for electrical uses. But it's good for heating. It was found when Standard Oil was over here drilling. They did not find oil. The water column came up at a higher temperature--it was 7,000 feet below ground, it came up to 6,000 feet. It climbed a column of 6,000 tons of heat within the surface. We're talking very little (inaudible).

GRUENING: What temperature?

STRAUS: The temperature variance Bob did not give us. He felt that they worked good enough--he told me the state of Alaska has been looking for a geothermal pocket of this type near a community that was hot enough. That's all that I can tell you at this time is that geophysical institute under the direction of Bob Forbes (inaudible) out of our pocket to justify the feasibility stuff they can get underground. It shows that it's feasible engineering wise, economically. They plan on going in and tapping some holes in the ground and pulling up some columns. As long as they tap holes in the ground, they might as well hook up. Those are the alternatives that we have found.

You start talking hydro, they have done studies--

Corps of Engineers did studies on Noatak and Kobuk for hydroelectric (inaudible). Hydroelectric and wind power in Southeast Alaska may be a good answer, in combination with solar, assuming it doesn't rain too much. You start talking hydroelectric here, the rivers do not have enough fall here.

HAUGEN: Are there any studies the Corps of Engineers has studied in areas and given a figure (inaudible) megawatts was in the (inaudible)?

STRAUS: They did a study that, unfortunately, I have not been able to find, that they claim that they could build a hydroelectric dam way up above Kobuk--almost to the headquarters of Kobuk River.

HAUGEN: How far away from here is that?

STRAUS: Kobuk is 90 air miles and we're talking about another 50 to 70 miles above Kobuk.

HAUGEN: 150 miles of transmission line. What's the rating of the site? Megawatts?

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STRAUS: I have never seen that. This is Corps of Engineers. From my work that I've done on that river and from what people relied on and from looking at the type dams have done in the past, it would be a very unwise move.

HAUGEN: I know there's a lot of chum salmon.

STRAUS: A lot of chum salmon, a lot of chee fish, a lot of mud shark, a lot of the food comes out of that river. A lot of the nutrient matter that feeds that river is going to be coming to the headquarters.

GRUENING: You mention the steam generators in relation to diesel.

STRAUS: Steam generators can burn any kind of combustible fuel; you can have a lot of (inaudible)...many times you do have coal--we have coal deposits here. We do have other fuel. The big push we're making for steam generators is the simple fact that even if we have to stay with diesel fuel, diesel fuel has jumped up in price, a 20% should be (inaudible)... If we don't come up with an alternative source for rural Alaska all over the state, when the energy goes, the people are going to freeze to death. I brought this out yesterday that we've taken a low energy society and made them into a high energy dependent society.

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GRUENING: So with a steam energy, you could chop wood for it?

STRAUS: If you start talking chopping wood for a whole village, you're going to end up with the problem of India and Africa stripping forests. You're talking just diesel or coal or methane, alcohol--

GARDINER: Is what you are saying the worst case possible is that we have to stick with oil, and even in that case, you're still going to steam for (inaudible)?

STRAUS: Yes. Because the efficiency of it is--your cost goes down about 50%. It's 50% more efficient approximately.

HAUGEN: How close to Kotzebue is this geothermal hole?

STRAUS: Kotzebue is sitting right on top of this geothermal hole.

HAUGEN: In other words, if you drilled right outside the building here, you'd hit that same pocket of geothermal...?

STRAUS: You would not necessarily want to drill right outside the building. But according to Forbes, you'd (inaudible).

HAUGEN: The point I'm trying to get out is that you first off you'd save tremendous transmission costs if you got outside of the populated area.

STRAUS: But our point that we've been working on is Kotzebue has ideals for keeping oil for heating, electrical use, because oil is used for both heating and electrical generation. We are paying, the last prices I saw, \$29.00 for a 55 gallon drum here in Kotzebue. That range is \$29.00 for a 55 gallon drum to \$86.00 for a 55 gallon drum. We pay 24¢ a kilowatt hour here in Kotzebue right now. Deering is paying \$60.00 per month per house, so they run one lightbulb or the entire village from that month. The school right now is the differential payment. Deering is not on AVAK. AVAK charge is we charge the school 33¢ per kilowatt hour and we charge you guys 4. AVAK is going up in its price constantly. Pretty soon AVAK is going to price rural Alaska out of electricity.

HAUGEN: Two percent, 50 year money.

STRAUS: Nick Landis of NANA did the cost benefit analysis. Assuming that we took a loan on a windmill, and a loan on a windmill, at this time, would not pay for itself.

HAUGEN: A grant?

STRAUS: To get a grant, we would start charging for the electricity, but the installation charges were linked by (inaudible).

URION: Can we charge for electricity?

STRAUS: We can charge for electricity. We'd be beating an end to the present existing wind system supplement. To start talking windmill in reality though, you're dealing with two problems: 1) the high cost of installation--we're talking \$3,000 for the (inaudible) kilowatt -- that will be Anchorage, just about double that almost. To put in two 60 kw windmills in Deering, that is 18,000 a piece--we're looking at about \$0,000 just to put in two multiple 60 kw generators.

GRUENING: Year round supply?

STRAUS: Deering and Kivilina are the only two in an area of (inaudible) wind velocity. Kotzebue doesn't have the wind.

BOHNERT: This will be our first windmill in the area. The source of information about the estimates of installation (inaudible) Fairbanks offices through Charles Neubert. He's the social director for planning, U of A, Fairbanks.

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RODEY: (inaudible)

STRAUS: Not that I know of. Anchorage used to have a (inaudible) membership years ago. They had a (inaudible) literally out in the Cook Inlet that used to supply electricity.

RODEY: (inaudible)...used to put off every now and then

MEEKINS: Is that what it was? I remember those days--every two days, you'd lose your power.

STRAUS: ...(inaudible)...Northwest, Ketchikan. There was a steam generation plant, a windmill plant of a mining camp down there in Southeast.

GARDINER: You see, Ketchikan Pulp Company uses (inaudible)... what they do is they take all the residue, bark, and make pulp out of it, then they combine that diesel and burn that whole mess. (inaudible)..produce all the electricity through steam generation. That they they just add in whatever petroleum they use to make it burn.

STRAUS: All of these methods presently, we're talking electrical. Technology is not here to start talking (inaudible)....

RODEY: If you couple geothermal with steam generation, (inaudible) using geothermal heat your water at the same 150°?
(inaudible)

STRAUS: The only cost analysis that I have (inaudible) is the steam generator. As I said it was 50% cost savings. The cost savings on geothermal generation I haven't seen any satisfactory figures to give you an answer to that.

RODEY: Would it require that it be handled by a certain amount of (inaudible) oil (inaudible)...

STRAUS: The complication of geothermal is this. It's mostly a question of how far your transmission line is and you've got to (inaudible).. up the hot water and you've got to readjust it. The copying system of this being any practice right now (inaudible)... I know that (inaudible) found economically to outdo their (inaudible) electrical heating generation.

GRUENING: What's the greatest use of electricity? Is it (inaudible)?

STRAUS: Lights, radios; all heating is done by oil presently in the entire region. Up river, they run oil and wood.

GRUENING: I know you're into the energy aspect, but in terms of, let's say, infrastructure is an investment potential that seems to benefit the region? Is it in energy or is it, this is kind of off the top of your head, but economic investments here that would seem to the problems of energy?

STRAUS: The only economic investment I've heard of, and Pat asked me this yesterday, and I had to admit, I have yet to see any indication that's going to get an economic base going there. The only investment I've heard of and have been able to see is with a fish hatchery, which would involve having (inaudible) thermal heat going. There is a small argicultural project going up in Ambler, but that's mainly for home gardeners at this stage. Eventually, the principal investigator (inaudible) has possibly turned into small commercial area (inaudible). Compared to local (inaudible) argiculture, we're growing up in a foreign country, we're talking on the normal two to three crops per year chance of making it. You lose one crop, you've got the other two to make your profit or break even on the one that makes it. Here you're talking one crop a year. The weather's against you; the odds are against you making a profit on it. (inaudible) is long term management of resources.

HAUGEN: This is what I'm interested in mainly. I personally know that there is a tremendous potential for chum salmon. In fact, one of the best fish is chum salmon in this state, in this area. You've got three or four, I don't know how many boats, fishing down in (inaudible). It's without a doubt, the finest product there is. I am amazed at how little the local people I've tried to talk to can tell me about that salmon resource. Hatcheries is a way to protect that resource. It really hasn't had heavy exploitation (inaudible). You don't need all that hot water and

all that stuff. The Japanese don't use it over Pakaiah.^{SP?}
Where I come from, that's all the economy we had in that town for 50 years. It looks to me as if the resource here or the magnitude is that a lot of people could make their living off fishing, for the entire year in one season. You can help nature keep a steady run here. A lot of people who wanted to could make their living that way. If the NANA Corporation is successful in this jade venture that they are into, it looks to me like, with the other things in the community, government and all, it could be a viable community. (inaudible)...

STRAUS: If the economic basis could be found and the jade operation is successful and the fish hatchery (inaudible).. I know NANA's been looking into it...

HAUGEN: Start with the natural runs. Has Fish and Game made any kind of study of the resource in this area?

POPE: I studied this last year. There's some kind of a cycle here that doesn't exist down in the lower part of the state, it's my understanding. Five years ago there was a lot of fish here and ten years ago and now there's not. (inaudible).. farther part of the curve and can't figure out why the curve exists.

HAUGEN: They probably overfished the run that came in.

POPE: No. They didn't overfish here. There's some kind of a (inaudible) ice packs, herring, the weather that doesn't seem to effect down...

HAUGEN: Did you say herring?

POPE: The ice pack is much lower down there than it is in the Bering Sea, than it is other years. It goes down (inaudible)... has an effect upon the salmon. The ice pack doesn't exist down in the Aleutians, down in Southeast. All we know right now is they're at the low part of the curve. So they are restricted.

HAUGEN: Have they got any history at all of the fishing in more than the last ten years?

POPE: Not really. They have some kind of a, not a recorded history. I don't think they did a lot of heavy harvesting (inaudible)..

STRAUS: It has only been before about ten years ago that it was not commercially viable to get out and do anything, because at first you were talking maybe 5 to 20¢ per pound, then you started talking 45 to 50¢ per pound. Now this year, it was 60¢ per pound. Now it's been a commercially possible market, because

the local costs have opened. It used to be the Outside guy would come in and often cut the prices. Nobody thought it was...(inaudible).

HAUGEN: When I started fishing those salmon, at 7¢ a piece. Not here but where I come from. The price this summer is just (inaudible)...

STRAUS: This is the first I found out the (inaudible) was more than regional up here. Also if you did start harvesting your fishery, I was talking to one of the (portion not taped)...

GRUENING: I was really impressed with the (inaudible) yesterday. I hadn't seen anything like it in the world, the United States, especially in Alaska.

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Statement of Charlie Edwardson

GRUENING: ~~Excuse me. Charlie, do you want to talk to us
at all?~~

EDWARDSON: ~~(inaudible)~~

GRUENING: ~~No. Can you do it now? Because we want to hear.
Come up to the table. We heard from some folks this morning.~~

EDWARDSON: The basic point of development in Alaska or any other place in the world is that somebody has always had to finance it--^{er} whatever, that's where it came from. All the way through the development of man, especially Western man, the only thing which did not change even when you went to war was the financial arrangements that were made at the time that war had commenced. The victor always had the financial institutions with him.

What does this have to do with ^{State of} Native Alaska? It has a lot to do with it. For the simple fact that prior accumulation had ^{had,} prior savings ~~invested~~ in certain individuals in Alaska, whether we like it or not. [The opportunity here that the state of Alaska has is not so much who is going to be a manager of this portfolio, but how is the citizen going to have a role in the financial infrastructure of his citizenship? This basically means ~~what~~ types of access will the citizen have? ~~lets~~ ^{is} although the standard of care and the standard of conduct for according and recording,

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I feel at this time, is quite sufficient, ~~if you were to~~
use ~~(inaudible)~~ and the thing that I would recommend very
heavily is the simplicity of a financial statement, not
its complexity. When the history repeats itself more
than once and it has it's own weight and its own inertia,
and when you look at society, it says who does the public
take care of? In the past, our history of our welfare
program in this country emerged from communities--that it
was communities that took care of a few marginary cautions,
and the cities and then they find the way to ^{a state program} ~~me~~. They say
~~(inaudible)~~. The most important thing and the potential
that the state of Alaska has is are we at the political
development in time, when capitalism can be a birthright?
Or are we going to selectively, through regulation, dis-
criminate and create a social elitist managerial class in
this state?

The ^{dynamics} ~~dynamometer~~ of a corporation ^{a tool are} ~~has to be cool~~ and still
is, probably ^{the} most creative tool that is available to man at
this time. The success allow ^{ed} capital ^{venture} ~~vengeance~~ in the
state of Alaska will depend upon acceptability--accept-
ability to the citizens. How does one arrive at this
point--~~is~~ the state legislature at this time is responsible
for the administration of the public good to all of its
citizens. What is the meaning of public good? The
meaning of public good means that you have a public manager.

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Although the public manager may be at fault in realignment of the economy by the political process, ~~dozen~~^{best} friends and ~~dozen~~^{best} relatives, is how our political economy in America has been social.

(Today that is no longer an acceptable mode. The gap in America, although we have recognized that there is poverty, ~~but hasn't~~^{is how does} one gets into that state of mind, that state of consciousness, which is totally intolerant ~~the way~~^{the way} that it has arrived in the past is that in an arrogant, organized society ~~(inaudible) coordinates~~^{emphasizes} that those that have the ability to be organized, to get organized, always come into par with the rest of society. / Not only do we see poverty of the mind in rural Alaska but poverty of organization. The state of Alaska, at this time, is one hell of a underdeveloped organization. We are charged with very little responsibility and obligation, yet we fail to give to our citizens the basic desires, basic needs. / How does this ^affect our citizens? The thing that is most pronounced is a very archaic administration. Very few groups of people in Alaska regulating the conduct of enterprise, and not only do we have ~~Constitutional~~ problems, but in order for our citizens to be fully endowed, this endowment must come from the ~~Constitutional~~ genesis of the people in Alaska. The current wealth in the state of Alaska is being handled haphazardly in the eyes of public good that if a ~~corporation~~ corporation can lease 'X' areas of land that the law, significant law, has already occurred, when ownership of

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the citizens gets wasted to few friendly corporations. In order for the Permanent Fund, I feel, to be successful in Alaska that the citizens that it's supposed to serve must have a propriety relationship to the Fund. Not only must the Governor be accountable, but all of its managers must be accountable too--all of its citizens--not just a ~~fin-~~ ^{elitist} managerial class who are able to shuffle the paper and foster more intolerable situations called ~~fin-~~ ^{corporate} ~~fascism~~ in this state.

The responsibility and the opportunity ^{is} to develop a portfolio of citizens with a capitalistic class, capitalistic mode. What we have done 200 years ago means no longer self-sufficient, that we must ^{then} ~~then~~ accept this greater right to capital--to all of our citizens. It's the total portfolio of this thing that whatever gets appropriated in the name of the public good must also have a proprietary class ^{meaning.} ~~meeting.~~ Direct ownership to that community, to that citizen at that village of Anchorage so that the citizen of Alaska will have a direct ^{law} ~~(inaudible)~~ of acquiring capital even though it may be an improvement in the community. How does one create enough administration for this? The first form of creativity--America is quite ^{ruralist} ~~America~~ in its capital financing ^{development.} ~~dissolves.~~

(We have had not had a change because the only experience that one follows throughout the world has been a multi-national bank. The banking model, I feel, is so tyrannical that it leaves us very ^{bad} ~~leaves~~ humanity in great

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masses behind. Therefore, it is very hard to fill the American image ~~up to~~ ^{else} where--throughout the world. The Permanent Fund in Alaska must have a character of a community; the community not feel elite^{ist} managers who are saying, 'we will now do it for you.' And this growth and this evolution, if you take a total fabric of the community in Alaska, the highest cost of any administration in Alaska is energy development. If we worry about what we are going to do about our natural resources, when is the state legislature or a would-be ~~(inaudible)~~ ^{Governor going to treat its citizens} why do great intentions as a producer not as a payer. Not until we are able to give a hope ~~to~~ ^{discontinue to} ~~(inaudible)~~ of all of our citizens in relationship to capital producing instruments by a Constitutional convention ~~(the present underclass society)~~ ^{the} ~~(not taped)~~ ...other class, whether it's black, white, Native is still growing at a rapid rate. We still mean that there is some fraudulence in our structure, in our system, which we can no longer shelter and leave it for the banks and the cooperate directors. The same conduct and the same potential for insider information of the insider run away with this type of portfolio are still too great, thus leaving the citizen back in its original ~~deplorable~~ ^{deplorable} historical state.

When you impose a limitation, such as ~~as~~ to own and acquire portfolio to those ~~(inaudible)~~ ^{capital-} producing infrastructures, that tells me that we are going to have that

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fault. That means that the very country, very state who
is probably incongruous with its natural resources and
had lost its managerial ^{decision} ~~(inaudible)~~ because Alaska has
lost its lease ^{hold} ~~(inaudible)~~. Does ^{now} ~~not~~ have a different
manager called Exxon Corporation ^{or Standard Oil of Sohio} ~~for its (inaudible)~~

insure

Who is not interested in how your community infrastruc-
ture ^{gets developed?} ~~is designed?~~ ^{whose vested interest is to} But who ~~is left to take into ink in~~
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in the business. The grand public fraud that has been committed by the public officials is self-denial while the state of Alaska is in the business. We are in the business of oil and gas. Why have we denied an appropriate conduct of our... and the necessary standard of care and conduct? When the state legislature must have a proprietary relationship to all of the wealth that state of Alaska has and the biggest problem of the past that the state of Alaska has failed, the state legislature has failed, to realize is that we can escape to the biggest bandit ^{in town} ~~around~~, the Commissioner of Natural Resources, who has the necessary technical infrastructure to give the resource away at the cheapest cost ^{possible} ~~(inaudible)~~ and therefore creating ^e ~~a~~ ^{thing} ~~(inaudible)~~ ^{for} ~~while~~ your people and class who already have. [It therefore makes socialism for the few possible and makes capitalism for the masses impossible. And how does one view its citizenship or is that no longer a sacred thing? Have we substituted a managerial class and put our citizens ^{at} ~~in~~ the back door--I feel ^{this} ~~is~~ very dangerous.

[There are controls and unless Alaska defines its communities, what type of community we are to have and who lives in that community, we are going to fail, and still have this type of greater population, dislocation. Once we develop an infrastructure where a citizen can always benefit, not in lieu of service, but in capital formation. I feel that the time has come where we must look at basic definitions and see if community-own^{ed} citizens' banks, infrastructures can be

developed. Then the chances for fraud, when one has inherited equal rights, diminish. Where accountability is too fine. When you are equal on paper, on statute ~~or~~ in the Constitution, that ~~is~~ ^{the} chances to find a basic violator are higher than the present format, that is you are administering the public good, which you can get away with and ^{rationalize} ~~(inaudible) lies~~ that under the prior proposal that the Tesoro had the best proposal, although it was bad, but it was still the best proposal, therefore, we had accepted a bad portfolio to start out with ^{with} all the structural problems and because that something has made, therefore, that this type of a public trust because socially ^{respectable} ~~acceptable~~ and correctable. ~~That~~ ^{is} the only way, I feel, that the state legislature must have a greater control on the proprietary of ^{this} ~~the~~ public resource and not making it into a class of public good where anybody in the Governor's Office, the Governor. ^{And} the chief executive of Alaska, at this time, is the largest single one-armed bandit in the state of Alaska. ^{this I} In light ^I would not seek to give higher sanction to the Governor. I would highly recommend to the state legislature that they ^{next} ~~set~~ a veto power in those classes of proprietorship of the management of all of the citizens' portfolio. The biggest problem that we have in this state is our chief executive does not know how to administer, not only that but we also have a place for the strongest ^{tyrant} ~~(inaudible)~~ in a democratic process to exist in Alaska is Governorship of Alaska. That there is no Governor in all the 50 states that has the power ^{that} our Governor has. It is amazing that practitioners

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~~that~~ of ~~the~~ office have not totally given our state to be topped ^{a/} by others, but it is, and I hear sounds that you must be ^{(11) stock to come in & manage} ~~is from the biggest voice,~~ of ~~(inaudible)~~, that the best experience ~~the~~ ~~(inaudible)~~ which I don't feel is the case. The best experience I know of and have always ^{vested} ~~(inaudible)~~ in the people that the proprietary of the Fund must directly back to the people not to any managerial groups and that none of the commissioners or the investors of this Fund should not serve in any other capacity but for the Fund to manage the portfolio of the citizens of this state. The chances of insider information, I'd say, ^{Native} is too high, too great. The concept of the Alaskan community must be clearly defined, otherwise that instead of--I see ^{in the technocrats'} ~~(inaudible)~~ hands, such as an investment portfolio from our biggest threat, apathy, that the chances of that experience are equally great. (So, therefore, I do not think that the exception of a rule just because the guide was successful in managing a portfolio in Peru creating corporate ^{fascism:} ~~(inaudible)~~ I feel the same advisor is equally dangerous to the state of Alaska, Milton Friedman. His experience is a classical one that one must not forget, that corporate fascism and corporate capitalism are the same when you have a very strong managerial chief running the portfolio. (I would suggest ~~to~~ a permanent committee in the state legislature whereby the legislature and the Governor achieve parity. Without that, that the Fund will still go to those few and friendly few unless that the populace have a majority ~~to~~ and have the control. I would not, I would have a majority of

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the citizens versus majority of man. I do not trust managers. That the conduct for legal managing has--is in the books--has always been ~~(inaudible)~~ ^{slammed.} And while limiting to capital-producing infrastructures in the state of Alaska that means that Alaskans arbitrarily ~~(inaudible)~~ have cut their nose off and say that I am, now that Alaskan wealth has changed managers overnight--that it is no longer ~~the~~ ^{top 500.} Permanent Fund; it is now back to the ~~(inaudible)~~ (The state of Alaska will be buying back, must buy back, and must invest its wealth on federal land, in the state of Alaska. The Permanent Fund must be prepared to find more oil in the outer continental shelf. It must make funds available, necessary so that all of the citizens can grow with the development of our country. If we cannot make--the state of Alaska, as you well know, we've got the coastline. But the coastline has been auctioned off to the largest multinational corporations already. It is because that the citizen has lost a proprietary relationship for that resource. It is because that the color is under public ~~good,~~ ^{good,} therefore, that the citizens do not have a direct relationship, ~~(inaudible)~~ ^{a primary} ~~no~~ relationship to that resource. If we develop a proprietary class for its citizens for state of Alaska in whatever development or investment at this time that I see chances of saving ourselves to the maximum benefit of all of our citizens, not just those who have the ability to be organized.

I am for controls. If the controls are to exclude citizens, as far as I am concerned, that is a unconstitutional assault, a very direct violation. The citizens' access to this resource, I would say, and the state legislature proprietary control--not the Governor. I would vest the proprietary of the Fund in the state legislature and go fight the Governor. ~~(inaudible) for them.~~ Thus it would make administration checks and balances a lot easier then. I would feel safer if Ernie would have more a say-so on the Permanent Fund than Hammond himself.

GRUENING: So would I. Charlie, thank you; can we ask a question or two?

EDWARDSON: Sure.

GRUENING: You mentioned the Alaska community having problems with the ~~(inaudible)~~ ^{corporations}. How do we define ~~it~~ ^{community} in a way that ~~includes everyone~~ ^(inaudible)? Should it include everyone in the world?

EDWARDSON: The most ~~is~~ significant development in defining community that is occurring throughout this world has occurred in Norway. The Norwegian government, at the time of development of the North Sea, the Norwegian government took the lowest denomination of sovereignty in Norway and examined it, lowest denominator of sovereignty and the best unit, ^{admin-}istering unit, known to Western man has been family. I would say it is high time in state of Alaska that we attempt ~~to~~

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to actualize in ourselves what is construction and maintenance of Alaskan family and what it means. I see a chance for the first time to develop an actuarial analysis of what constitutes an Alaskan family in this state and to arrive at parity. If state of Alaska is to remain intact, its citizens must have parity and the citizens of state of Alaska should only accept parity, not dislocation.

(This means parity in construction, parity in service, which means it may cost more. It may appear to cost more, but in the long run, if you have parity, it has a high survival rate. The basic needs and the basic expenditures which we are going to have is still going to be energy. We ~~are~~ already know what those basic components of a community is.

This is 1977 and all of those charges and all of those assumptions of responsibility have not been met, therefore, leaving the state very vulnerable to internal attack ~~and~~ although it is beneficial to another segment of the community called lawyers, That the dislocation of its parity of services still is intolerable and with equal access and to arrive at parity, then I say that if this type of dislocation occurs, further occurs, that I see a disemigration of Alaskan society. Not just Native but total disemigration of heavy regionalism. Regionalism occurs structurally because of numbers, because of the nature of administration of public good gets executed in that fashion because there is no proprietary relationship. If you ^{have} proprietary relationship in equity, you will have justice.

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(RODEY: Charlie, what sort of intervention do you think is appropriate in the economy of the Northwest by the Permanent Fund?

(EDWARDSON: I cannot speak for ^{the} Northwest. I can speak for what we see in the Arctic. I see the chances of international development in Alaska. Not because of Alaskan resources. State of Alaska has underexamined its strategic location in the universe. State of Alaska is in ~~in~~ probably the best ~~(inaudible)~~ location and let's examine strategic positioning of international trade and put Alaska in the Arctic Ocean. If we are to, say, I would propose for the sake of conversation, I am now going into a submarine transportation business, nuclear subs with very large capacity. Maybe all I need is ~~one or two~~ ~~(inaudible)~~. The 21 day savings, 21 day transportation costs are closing the gap in the Pacific Ocean. The value of Alaska's position in international commerce and the lack of facilitating the hook-up. What happened to Alaska in 1951 ~~was~~ revolutionized the whole commerce of the world. What happened in Alaska in 1951 was the first SAS trans-polar flight occurred. Over ^{night} that, say, 22 hours of flying time all over the world that instead of 26 at that time, they made it to 11 hours.

When you put this, state of Alaska is already in the transportation business. When you take a look at the marine development, our potential, as I see it in Alaska is not so much the land but the estuaries. The greatest bread basket in the world, if we were to keep our estuaries halfway clean, halfway decent, is Alaska in the protein business. And the scale, the present archaic scale of how we used to ~~feel~~ view

Alaska ~~had~~ how it is presently viewed at this time is totally unacceptable. We must develop a psychology for who we are, where we are from, and state of Alaska, as I see it at this time, can get into a international commerce, international trade of not going through Panama, not crossing Atlantic Ocean, not crossing Pacific Ocean, not crossing Indian Ocean, but crossing our own ocean where it cuts down traffic as long as 23 days. These 23 days savings is sufficient capital saving to go into that type of development but in terms of our community that the citizens in the street must become an owner to a community based infrastructure.

I feel that by getting these numbers--you know, we play number games--we all have a bad habit of that, and it has limitations and what state of Alaska needs at this time is an actuarial analysis of its citizens. With an actuarial analysis, we will learn from this incidence of disease, standard of care where our community vulnerabilities are.

If you have healthy people, we also will have healthy economy. If your people are sick, if your citizens are sick, your economy will also be sick. There are two financing models which I feel should be looked at--is amazingly well is Hydro Quebec. Hydro Quebec is the world's largest utility company. I would like to see state of Alaska come into that class of proprietorship--selling power to the world. Hydro Quebec is so successful that it can finance the government. It is the only situation that I know signs the bonds of a government--than the government signing a bond for Hydro Quebec. So when a state that is already in the business, if they really want to become

experienced, the Hydro Quebec model is very good. On our oil and gas activity, a KOBO leasing model is very good. That is a financing technique where investors ^{pool} pool--like you and I pool our monies together and get an outer continental shelf lease. It is a little more complicated than that, but it is a direct line where a non-technical development can get into oil and gas business without buying any ~~(inaudible)~~, without ~~buying unnecessary overhead.~~

HAUGEN: Where do you have access to the two models you are suggesting--Hydro Quebec and KOBO?

EDWARDSON: I can make them available to the Committee. I don't have them here with me. I got them at ^{Washington} ~~(inaudible)~~, so I will be going back probably around the 24th.

HAUGEN: Will our staff be able to acquire them through you?

EDWARDSON: Sure. And the other model that is quite interesting is U.S. Steel in Ontario. Why that is interesting is U.S. Steel provides the coal and Ontario provides ^{power} ~~(inaudible)~~ to U.S. Steel. It is a very interesting model in terms of financing large scale ^{industrial} ~~(inaudible)~~ activities and also financing power so Ontario and U.S. Steel financing techniques has lots of flexibilitiies. It warrants attention. Ontario and U.S. Steel are in the power business. It may work very well in this state because there are some areas where there is a lot of coal and mining industry, as we all know, is well. One of the things, one of the bad policies

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we got a lot of bad habits in our government. We have even had to become practitioners of bad habit especially in large scale energy development (~~inaudible~~). We have a psychological problem that we must take something to the community and the best type of development, as I see it, is at the resources and not taking the community and, which I was happy to hear, it was realized by Fairbanks that the community infrastructure, the social governmental capital to provide sewer and water was more expensive than all of the total (~~inaudible~~), that the secondary community infrastructure got worn and it still will be burdensome. The state legislature will still have to pump in more sewer and water. This is why that I always suspect portfolio managers ~~by~~ (~~inaudible~~) and always suspect bankers. So if I was in the state legislature, man, I would go after the power that the Governor has and vest it in the people, vest it in the state legislature, that is probably the most significant fact that the Permanent Fund Committee can have to have a portfolio run by citizens who do not have loyalties to prior practice, that the chances of an investment banker being loyal and his chances of loyalty will not change ^{but} will have an expeditious intercourse with that ~~commitment~~ ^{prior practice} (~~inaudible~~). I feel it in Alaska has proven itself to be continuing practice and have not seen to exist but now that I see instead of what used to be for people now (~~inaudible~~).

GRUENING: Thank you, Charlie. ~~It is lunch time. John will talk to us at 1:30.~~

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STATEMENT--CHARLIE EDWARDSON
Kotzebue City Hall

September 17, 1977
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EDWARDSON: The basic point of development in Alaska or any other place in the world is that somebody has always had to finance it--wherever, that's where it came from. All the way through the development of man, especially Western man, the only thing which did not change even when you went to war was the financial arrangements that were made at the time that war had commenced. The victor always had the financial institutions with him.

What does this have to do with state of Alaska? It has a lot to do with it. For the simple fact that prior accumulation had, prior savings had, vested in certain individuals in Alaska, whether we like it or not.

The opportunity here that the state of Alaska has is not so much who is going to be a manager of this portfolio, but how is the citizen going to have a role in the financial infrastructure of his citizenship? This basically means what types of access will the citizen have?

Although the standard of care and the standard of conduct for according and recording, I feel at this time, is quite sufficient, the thing that I would recommend very heavily is the simplicity of a financial statement, not its complexity.

When the history repeats itself more than once and it has its own weight and its own inertia, and when you look at society, it says who does the public take care of? In the past, our history of our welfare program in this country emerged from

communities--that it was communities that took care of a few marginaly cautions, and the cities and then they find the way to a state program. The most important thing and the potential that the state of Alaska has is are we at the political development in time when capitalism can be a birth-right? Or are we going to selectively, through regulation, discriminate and create a social elitist managerial class in this state?

The dynamics of a corporation as a tool are, and still is, probably the most creative tool that is available to man at this time. The success allowed capital venture in the state of Alaska will depend upon acceptability--acceptability to the citizens.

How does one arrive at this point--the state legislature at this time is responsible for the administration of the public good to all of its citizens. What is the meaning of public good? The meaning of public good means that you have a public manager. Although the public manager may be at fault in realignment of the economy by the political process, best friends and best relatives, is how our political economy in America has been social.

Today that is no longer an acceptable mode. The gap in America--although we have recognized that there is poverty--is how one gets into that state of mind, that state of consciousness, which is totally intolerant. The way that it has arrived in the past is that in an arrogant,

organized society that those that have the ability to be organized, to get organized, always come into par with the rest of society.

Not only do we see poverty of the mind in rural Alaska but poverty of organization. The state of Alaska, at this time, is one hell of an underdeveloped organization. We are charged with very little responsibility and obligation, yet we fail to give to our citizens the basic desires, basic needs.

How does this affect our citizens? The thing that is most pronounced is a very archaic administration. Very few groups of people in Alaska regulating the conduct of enterprise, and not only do we have constitutional problems, but in order for our citizens to be fully endowed, this endowment must come from the constitutional genesis of the people in Alaska. The current wealth in the state of Alaska is being handled haphazardly in the eyes of the public good that if a corporation can lease 'X' areas of land that the loss, significant loss, has already occurred, when ownership of the citizens gets wasted to few friendly corporations.

In order for the Permanent Fund, I feel, to be successful in Alaska the citizens that it's supposed to serve must have a propriety relationship to the fund. Not only must the governor be accountable, but all of its managers must be accountable to all of its citizens, not just an elitist managerial class who are able to shuffle the paper and foster more intolerable situations called corporate fascism in this state.

The responsibility and the opportunity is to develop a portfolio of citizens with a capitalistic class, capitalistic mode. What we have done 200 years ago means no longer self-sufficient, that we must then accept this greater right to capital--to all of our citizens. It's the total portfolio of this thing that whatever gets appropriated in the name of the public good must also have a proprietary class meaning. Direct ownership to that community, to that citizen at that village of Anchorage so that the citizen of Alaska will have a direct law of acquiring capital even though it may be an improvement in the community. How does one create enough administration for this? The first form of creativity--America is quite ruralist in its capital financing development.

We have had not had a change because the only experience that one follows throughout the world has been a multi-national bank. The banking model, I feel, is so tyrannical that it leaves us very bad, leaves humanity in great masses behind. Therefore, it is very hard to fill the American image elsewhere--throughout the world.

The Permanent Fund in Alaska must have a character of a community; the community not feel elitist managers who are saying, 'we will now do it for you.' And this growth and this evolution, if you take a total fabric of the community in Alaska, the highest cost of any administration in Alaska is energy development. If we worry about what we are going to do about our natural resources, when is the state

legislature or a would-be governor going to treat its citizens as a producer not as a payer. Not until we are able to give a hope to all of our citizens in relationship to capital producing instruments by a constitutional convention. The present underclass society, the other class, whether it's black, white, Native is still growing at a rapid rate. We still mean that there is some fraudulence in our structure, in our system, which we can no longer shelter and leave it for the banks and the corporate directors. The same conduct and the same potential for insider information of the insider run away with this type of portfolio are still too great, thus leaving the citizen back in his original deplorable state.

When you impose a limitation, such as to own and acquire portfolio to those capital producing infrastructures, that tells me that we are going to have that fault. That means that the very country, very state who is probably incongruous with its natural resources and had lost its managerial decision because Alaska has lost its lease hold does now have a different manager called Exxon Corporation or Standard Oil of Sohio who is not interested in how your community infrastructure gets developed. But whose vested interest is to ensure the political weakness of the capital producing infrastructure? And the experience of this model is done already in the North Slope Borough. We should make conditions upon the state leases,

that no oil company, no U.S. corporation or any other corporation go after the taxing authority of this municipality.

Otherwise those that have ability to be organized make a policy mobilized field and thus leaves a great gap of poverty in Alaska. Although it was done in a fashion of public good. The greatest weakness of our annual appropriations and the fallacy is that under the designs of public good, those that always have the access to further reach the benefits.

So the nature of the plan, unlike any other state, the state of Alaska need not to lease these resources. But it can buy back at least other land. The Permanent Fund, as I view it at this time, can be that holding company that the state of Alaska has for all of its citizens in a proprietary class, making all of its citizens capitalists to gaining those benefits which the federal government is going to lease the land anyway.

So the state of Alaska is in the business. The grand public fraud that has been committed by the public officials is self-denial while the state of Alaska is in the business. We are in the business of oil and gas. Why have we denied an appropriate conduct of our...and the necessary standard of care and conduct? When the state legislature must have a proprietary relationship to all of the wealth that state of Alaska has and the biggest problem of the past that the state of Alaska has failed to realize is that we can escape to the biggest bandit in town,

the Commissioner of Natural Resources, who has the necessary technical infrastructure to give the resource away at the cheapest cost possible and therefore create a thing for your people and class who already have.

It therefore makes socialism for the few possible and makes capitalism for the masses impossible. And how does one view its citizenship or is that no longer a sacred thing? Have we substituted a managerial class and put our citizens at the back door--I feel this is very dangerous.

There are controls and unless Alaska defines its communities, what type of community we are to have and who lives in that community, we are going to fail, and still have this type of greater population, dislocation. Once we develop an infrastructure where a citizen can always benefit, not in lieu of service, but in capital formation. I feel that the time has come where we must look at basic definitions and see if community-owned citizens' banks, infrastructures can be developed. Then the chances for fraud, when one has inherited equal rights, diminish. Where accountability is too fine. When you are equal on paper, on statute or in the constitution, that the chances to find a basic violator are higher than the present format, that is you are administering the public good, which you can get away with and rationalize that under the prior proposal that the Tesoro had the best proposal, although it was bad, but it was still the

best proposal, therefore, we had accepted a bad portfolio to start out with, with all the structural problems and because that something has made, therefore, that this type of a public trust because socially respectable and correctable.

The only way, I feel, is that the state legislature must have a greater control on the proprietary of this public resource and not making it into a class of public good where anybody in the governor's office, the governor. And the chief executive of Alaska, at this time, is the largest single one-armed bandit in the state of Alaska. In this light I would not seek to give higher sanction to the governor.

I would highly recommend to the state legislature that they would vest a veto power in those classes of proprietorship of the management of all of the citizens' portfolio. The biggest problem that we have in this state is our chief executive does not know how to administer, not only that but we also have a place for the strongest tyrant in a democratic process to exist in Alaska is governorship of Alaska. That there is no governor in all the 50 states that has the powers that our governor has. It is amazing that practitioners of that office have not totally given our state to be tapped by others, but it is, and I hear sounds that you must be of stock to come in and manage, that the best experience is from the biggest voice, which I don't feel is the case. The best experience I know of and have always vested in the people

that the proprietary of the fund must go directly back to the people not to any managerial groups and that none of the commissioners or the investors of this fund should not serve in any other capacity but for the fund to manage the portfolio of the citizens of this state. The chances of insider information, I'd say, is too high, too great. The concept of the Alaskan Native community must be clearly defined, otherwise that instead of--I see if your procedure becomes in the technocrats' hands, such as an investment portfolio from our biggest threat, apathy, that the chances of that experience are equally great.

So, therefore, I do not think that the exception of a rule just because the guide was successful in managing a portfolio in Peru creating corporate fascism. I feel the same advisor is equally dangerous to the state of Alaska, Milton Friedman. His experience is a classical one that one must not forget, that corporate fascism and corporate capitalism are the same when you have a very strong managerial chief running the portfolio.

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the books--has always been slammed. And while limiting to capital-producing infrastructures in the state of Alaska that means that Alaskans arbitrarily have cut their noses off and say that I am, now that Alaskan wealth has changed managers overnight--that it is no longer the Permanent Fund; it is now back to the top 500.

The state of Alaska will be buying back, must buy back, and must invest its wealth on federal lands in the state of Alaska. The Permanent Fund must be prepared to find more oil in the outer continental shelf. It must make funds available, necessary so that all of the citizens can grow with the development of our country. If we cannot make--the state of Alaska, as you well know, we've got the coastline. But the coastline has been auctioned off to the largest multi-national corporations already. It is because that the citizen has lost a proprietary relationship for that resource. It is because that the color is under public good, therefore, that the citizens do not have a direct relationship, a primary relationship to that resource. If we develop a proprietary class for its citizens for state of Alaska in whatever development or investment at this time that I see chances of saving ourselves to the maximum benefit of all of our citizens, not just those who have the ability to be organized.

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assault, a very direct violation. The citizens' access to this resource, I would say, and the state legislature proprietary control--not the governor. I would vest the proprietary of the fund in the state legislature and go fight the governor. Thus it would make administration checks and balances a lot easier then. I would feel safer if Ernie would have more a say-so on the Permanent Fund than Hammond himself.

GRUENING: So would I. Charlie, thank you; can we ask a question or two?

EDWARDSON: Sure.

GRUENING: You mentioned the Alaska community having problems with the corporations. How do we define community in a way that includes everyone? Should it include everyone in the world?

EDWARDSON: The most significant development in defining community that is occurring throughout this world has occurred in Norway. The Norwegian government, at the time of development of the North Sea, the Norwegian government took the lowest denomination of sovereignty in Norway and examined it, lowest denominator of sovereignty and the best unit,

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good gets executed in that fashion because there is no proprietary relationship. If you have proprietary relationship in equity, you will have justice.

RODEY: Charlie, what sort of intervention do you think is appropriate in the economy of the Northwest by the Permanent Fund?

EDWARDSON: I cannot speak for the Northwest. I can speak for what we see in the Arctic. I see the chances of international development in Alaska. Not because of Alaskan resources. State of Alaska has underexamined its strategic location in the universe. State of Alaska is in probably the best location and let's examine strategic positioning of international trade and put Alaska in the Arctic Ocean. If we are to, say, I would propose for the sake of conversation, I am now going into a submarine transportation business, nuclear subs with very large capacity. Maybe all I need is one or two. The 21-day savings, 21-day transportation costs are closing the gap in the Pacific Ocean. The value of Alaska's position in international commerce and the lack of facilitating the hook-up. What happened to Alaska in 1951 has revolutionized the whole commerce of the world? What happened to Alaska in 1951 was the first SAS trans-polar flight occurred. Overnight that, say 22 hours of flying time all over the world that instead of 26 at that time, they made it to 11 hours.

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We must develop a psychology for who we are, where we are from, and state of Alaska, as I see it at this time, can get into an international commerce, international trade of not going through Panama, not crossing Atlantic Ocean, not crossing Pacific Ocean, not crossing Indian Ocean, but crossing our own ocean where it cuts down traffic as long as 23 days. This 23-day savings is sufficient capital saving to go into that type of development but in terms of our community that the citizens in the street must become an owner to a community based infrastructure.

I feel that by getting these numbers--you know, we play number games--we all have a bad habit of that, and it has limitations and what state of Alaska needs at this time is an actuarial analysis of its citizens. With an actuarial analysis, we will learn from this incidence of disease, standard of care where our community vulnerabilities are.

If you have healthy people, we also will have healthy economy. If your people are sick, if your citizens are sick, your economy will also be sick. There are two financing models which I feel should be looked at--is amazingly well is Hydro Quebec. Hydro Quebec is the world's largest utility company. I would like to see state of Alaska come into that class of proprietorship--selling power to the world. Hydro Quebec is so successful that it can finance the government. It is the only situation that I know signs the bonds of a government--than the government signing a bond for Hydro Quebec. So when a state that is already in the business, if they really want to become experienced, the Hydro Quebec model is very good. On our oil and gas activity, a KOB0 leasing model is very good. That is a financing technique where investors pool--like you and I pool our monies together and get an outer continental shelf lease. It is a little more complicated than that, but it is a direct line where a non-technical development can get into oil and gas business without buying unnecessary overhead.

HAUGEN: Where do you have access to the two models you are suggesting--Hydro Quebec and KOB0?

EDWARDSON: I can make them available to the committee. I don't have them here with me. I got them at Washington, so I will be going back probably around the 24th.

HAUGEN: Will our staff be able to acquire them through you?

EDWARDSON: Sure. And the other model that is quite interesting is U.S. Steel in Ontario. Why that is interesting is U.S. Steel provides the coal and Ontario provides power to U.S. Steel. It is a very interesting model in terms of financing large scale industrial activities and also financing power so Ontario and U.S. Steel financing techniques have lots of flexibilities. It warrants attention. Ontario and U.S. Steel are in the power business. It may work very well in this state because there are some areas where there is a lot of coal and mining industry, as we all know, is well. One of the things, one of the bad policies we got a lot of bad habits in our government. We have even had to become practitioners of bad habit especially in large scale energy development.

We have a psychological problem that we must take something to the community and the best type of development, as I see it, is at the resources and not taking the community and, which I was happy to hear, it was realized by Fairbanks that the community infrastructure, the social governmental capital to provide sewer and water was more expensive than all of the total, that the secondary community infrastructure got work and it still will be burdensome. The state legislature will still have to pump in more sewer and water. This is why that

I always suspect portfolio managers and always suspect bankers. So if I was in the state legislature, man, I would go after the power that the governor has and vest it in the people, vest it in the state legislature, that is probably the most significant fact that the permanent fund committee can have to have a portfolio run by citizens who do not have loyalties to prior practice, that the chances of an investment banker being loyal and his chances of loyalty will not change but will have an expeditious intercourse with that prior practice. I feel it in Alaska has proven itself to be continuing practice and have not seen to exist but now that I see instead of what used to be for people now.

GRUENING: Thank you, Charlie.