

HB

1013

(7)

# COMMITTEE REPORT

## HOUSE

4/21/80

FURTHER: FINANCE

Date: 4-22-80

Mr. Speaker:

The Committee on STATE AFFAIRS has had NB 1013

"An Act making a special appropriation to the Department of Commerce and Economic Development for a loan to the White Pass and Yukon Corporation for upgrade of the White Pass and Yukon route; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for \_\_\_\_\_  same title  
 new title
- and recommends \_\_\_\_\_
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

**MEMBERS SIGNING  
DO PASS**

[Signature]

Terry Martin

[Signature]

[Signature]

[Signature]

[Signature]

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**MEMBERS HAVING  
OTHER RECOMMENDATIONS:**

[Signature]

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[Signature]

CHAIRMAN

FY '80 LWCF Local Projects

Sponsor	Project	LWCF	Bond Fund
Division of Parks	SCORP	\$ 48,700	
Division of Parks	Chena Rec.	275,400	
Division of Parks	Chugach Visitor	225,000	
Division of Parks	Cohoe Wayside	162,820	
Division of Parks	Silver King	129,200	
Division of Parks	Kachemak Acq.	100,000	
		<u>\$941,120</u>	

LOCAL PROJECTS

ADF&G	Rifle Range	75,000	
Anchorage	Fish Creek Amend.	126,880	funded
Anchorage	Lynn Ary	75,000	
Anchorage	Taylor & Tarwater	175,000	
Anchorage	Cheney Dev.	50,000	
Anchorage	Huffman	235,000	
Anchorage	Seppala	50,000	
Anchorage	Creekside	75,000	
Anchorage	Hamilton	20,000	
Barrow	Outdoor Recreation	96,500	48,250
Cordova	Nirvana	56,000	28,000
Cordova	Harborview	49,400	
Craig	Tot-Lots	14,500	7,250
English Bay	Recreation Area	25,000	12,500
Haines	Tlingit Amend.	2,500	funded
Homer	Sportsfield	15,000	
Ketchikan	Dudley Amend.	41,093	funded
Mat-Su	Butte Trail	14,040	
Mat-Su	Field Shelters	21,924	
Mat-Su	Houston Camper	17,763	8,881.50
Mat-Su	Lazy Mt. Trail	36,244	
Mat-Su	Storage Building	20,800	
Mat-Su	Talkeenta Park	12,818	
Mat-Su	Tot-Lot	2,500	
Mat-Su	Palmer Multi-Use	20,800	
Mat-Su	Trapper Creek	12,142	
Mat-Su	Wasilla Lake	46,800	23,400
Mat-Su	Wasilla Townsite	15,600	7,800
Nome	Recreation Area	55,055	13,169*
Nulato	Recreation	12,500	6,250
Port Graham	Alcut Baseball	18,200	9,100
Saxman	Playground	10,000	5,000
Valdez	Neighborhood Park	30,000	
Wrangell	Baseball	13,350	6,675
Yakutat	Recreation Area	99,580	24,895*
		<u>\$1,641,989</u>	<u>\$201,170.50</u>

Not to be funded at this time:

Mat-Su	West Park		
Delt. Jet.	Bike Trail		
Anchorage	London Est.	\$2,442,161	FY 80

Denali Funding:

Bethel	Outdoor Rec. Ph II	\$165,000	Denali Development
Craig	Camper Park		from FY 79
Mat-Su	Four Tot-Lots		apportionment
Mat-Su	Wasilla Historic Park		balance
Port. Peninsula	Kibishi Ph II		

\*Bond Funding is less than 50% of LWCF funding.

*Robert J. Fisher*  
 Alternate State Liaison Officer

November 16, 1979  
 (Date)



# Alaska State Legislature

## House of Representatives

### Committee on State Affairs

Pouch V  
State Capitol  
Juneau, Alaska 99811

Official Business

Reel #41 - Side 1 - 1172  
April 16, 1980 1:30 p.m. - Wednesday

Present: Miller, Martin, Eliason, Gardiner, Fuller, Parker  
Absent: Metcalfe

Special hearing with Division of Parks regarding federal cuts in National Historic Preservation Grant Program.

Testifying: William S. Hanable, State Historic Preservation Officer

Mr. Hanable presented a brief overview of the cut that was made by the federal government in the National Historic Preservation Grant Program on April 1, 1980. Usually in October the state starts making preparation for grants and in March receives notification of the hard figures which will be available for the state. This year notification was given in March that funds were available and the state notified applicants that their proposals were approved. On April 1 the federal government by direction of President Carter froze many federal grant programs. At this time the state was notified that any grants not already under agreement were not to be funded. This amounted to \$367,000 lost to the state. The Planning and Survey grants were under one blanket agreement with the state from which sub-grants were made. The Planning and Survey grants do not require architectural plans to be pre-filed before money is made available. However, the individual project grants require architectural plans to be filed and approved before receiving grant funds. This resulted in these projects being left without funds. Some of these individuals had already incurred expenses in getting the architectural plans drawn up and some had borrowed money for the matching 50 per cent required for these grants. This left the projects only funded by the 50 per cent matching.

Funds under agreement	\$365,000	planning and survey grants
Funds cut	\$367,000	individual projects

Mr. Hanable would not recommend funding by individual project, as this would not allow for those projects going a little bit over or under. The list which is attached to his (Mr. Hanable's) letter is the priority list.

It was decided to send a committee bill up to finance. One objection was noted -- Rep. Martin objected on the grounds that it would set a dangerous precedent for funding all federal programs which may be cut in the future.

DO PASS: Miller, Eliason, Parker, Gardiner, Fuller  
DO NOT PASS: Martin

# STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

274-4676

619 Warehouse Dr., Suite 210  
Anchorage, Alaska 99501

## DEPARTMENT OF NATURAL RESOURCES

DIVISION OF PARKS

April 15, 1980

Re: 3800-80

Honorable Mike Miller  
Chairman, House State Affairs Committee  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Representative Miller:

I appreciate the invitation to report to your committee on the National Historic Preservation Fund grant program in Alaska.

Since 1969, Alaska has received over \$2,000,000 in federal dollars from the Fund for historic site identification and restoration. Those dollars have been allocated to 119 projects with a total value of over \$4,100,000. Project allocations have ranged from Ketchikan to Barrow and from Kennecott to Atka. Eighty percent of the projects have been in the local government and private sectors. Twenty percent have been State projects.

Twenty-five applicants requested over 1.9 million dollars for development projects in 1980. Alaska's allocation from the federal fund--for development uses--in 1980 was \$367,000. The State Historic Sites Advisory Committee allocated the available money to 15 applicants. On April first, President Carter's budget cuts pulled the rug from under them. Although the State had received documents from the U. S. Department of the Interior advising that Alaska would receive \$367,000 in development funds for historic preservation projects in 1980, the money was withdrawn due to the budget cuts.

Quite apart from the fact that the funds were to be used to stabilize significant historical buildings, and that stabilization must now be delayed indefinitely, the withdrawal of funds is also resulting in personal hardship for Alaskans. Many of the grant applicants spent considerable time and money in developing their requests for the federal funds; and, after we had notified them that the Historic Sites Advisory Committee had assigned funds to their projects, spent even more money on architectural fees and so forth. At least one prospective recipient of the grant dollars is now--having needed "front" money for her project--face! with a bank loan at 19½% interest for total project costs.

Honorable Mi'e Miller  
April 15, 1980  
page 2

A mechanism exists by which the Legislature can provide relief for these 15 Alaskans. AS 41.35.040 authorizes State grants for privately owned historic sites, to be used for stabilization and restoration. An appropriation to the Department of Natural Resources for that purpose could do two things: (1) assist the Alaskans who were adversely impacted by the Presidential cuts in the federal grant program; (2) help to preserve the Historic buildings in question.

If the Legislature chooses to make such an appropriation, the State Historic Sites Advisory Committee--which is charged with allocating AS 41.35.040 funds to specific projects--has pledged to assign the appropriation dollars to those 15 applicants who had the rug pulled from under them by President Carter.

Because of that pledge, and because our experience has been that nearly every project will require some change, I recommend that an appropriation, if made, be written as a total dollar amount to the AS 41.35.040 grant program, rather than specifying particular projects. This will allow some flexibility as plans change, while assuring that the Alaskans hurt by the federal action are assisted.

Thank you.

Sincerely,



William S. Hanable, Chairman  
State Historic Sites Advisory Committee

WSH:at

enclosure

cc: Members, House State Affairs Committee  
Alaska State Legislature

PROJECTS WHICH WERE ALLOCATED, BUT HAVE LOST FEDERAL MATCHING  
GRANT FUNDS DUE TO PRESIDENT CARTER'S BUDGET CUTS

<u>Project</u>	<u>Owner</u>	<u>Historical Significance</u>
Pact Train Inn, Skagway, Phase III (\$29,000 received in FY 78, \$115,000 received in FY 80) continued stabili- zation of structure; foundation work, roofing.	Mrs. Shelia Brena Skagway	Built in 1908, this is one of the dominant architectural features of the Skagway Historic District.
Dedmar's/Keller Curio Shop, Skagway Tentative prior approval to begin work. \$34,775 for foundation, heating, insulation, and roofing, Architectural planning.	Ms. Barbara Kalen Skagway	Built in 1897 this originally housed the studio of W. A. Hegg, famous photographer.
Seattle Hotel, Skagway \$5,042 for window repair and replacement of siding.	Mr. Steven Jaklitsch Skagway	An early gold rush building, this is one of several smaller commercial structures which contribute to the historical character of Skagway.
Rainey/Skarland Cabin \$4,160 for exterior repair, roof replace- ment and insulation, fire alarm installation.	University of Alaska Fairbanks	This small cabin was built for noted anthropologist Froelich Rainey, and since then has housed many of his pro- fessional colleagues who have contrib- uted to history.
Red Onion Curio Shop \$8,025 for architectural planning, sprinkler system, wiring, heater installation.	Ms. Janice Wrentmore Skagway	An early Skagway saloon, this colorful structure is being restored by its owner.
McCarthy Powerhouse, Phase II \$11,385 for structural repairs, roof window, wall repairs.	Haven Holsapple Hondo Rast and Co. Hamilton, Montana	Built to increase production of the Motherlode Mine before its takeover by giant Kennecott, this was the first and only powerplant at McCarthy.
Independence Mine Stabilization, \$75,500 Architectural planning, historical research, emergency stabilization. (Special approval secured for use of donated value of property over two year period.	Alaska Division of Parks Anchorage	The second largest gold lode mine operation in Alaska, this extensive complex has been given to the State for development as an historical park.

ProjectOwnerHistorical Significance

Chitina Tin Shop  
\$25,070 for architectural planning,  
structural engineering, and emergency  
stabilization. Tentative prior approval secured.

Mr. Art Koeninger, Owner  
Chitina

Originally constructed to supply tin  
ware for the great Kennecott Mines to  
the east, this building now serves as  
a small craft shop.

Knik Museum, Phase II, \$39,790 for roof  
repair, weather damage, foundation work.

Matanuska-Susitna Borough  
Palmer

At first a roadhouse on the Iditarod  
Trail, this is now a dog mushing museum.

Kennecott #8, Richards  
\$4,500 for repair, interior.

Chris R. Richards  
Kennecott via Glenallen

Among the many buildings surviving from  
the Kennecott copper operation, these are  
in private ownership today, held by  
owners who value their historical  
character.

Kennecott #38, Doherty/Sloan, \$3,769 for  
roof repair, foundation replacement,  
transportation.

J. B. Doherty/Susan Sloan  
Kennecott via Glenallen

" " "

Kennecott #79, Kirkwood, \$9,897 for  
roofing, foundation, paint and rebuilding  
front steps.

Richard W. Kirkwood  
Kennecott via Glenallen

" " "

St. Peter's See House, Phase II, \$669  
for emergency wiring.

St. Peter's Church  
Episcopal Bishopric  
of Alaska

Planned and partially built as the  
attractive parish and first headquarters  
of the Episcopalian church in Alaska by  
the renowned Bishop Peter Trimble Rowe.

McCarthy General Store, Phase III  
\$12,675 for plumbing, wiring,  
shelving, painting.

Sally Gibert  
Anchorage

Pioneer meatmarket, hardware and general  
store, this was a major commercial  
structure in the Kennecott mines  
satellite city of McCarthy.

St. Michael's Cath. Reconstruction,  
Phase V, \$26,750 for icon restoration,  
inventory, evaluation.

St. Michael's Cathedral  
Bishopric of Sitka  
and Alaska  
Orthodox Church in  
America

Smoke damaged by the tragic 1966 fire  
which destroyed the original St. Michael's  
Cathedral at Sitka, these icons will be  
the finishing reconstruction project  
after their preservation treatment.

Total - \$367,007

TELEGRAM

APR 83 4: 23

02149 ANCHORAGE ALASKA 03 04-83 325P AST

PMS THE RED ONION STABILIZATION

MS JANICE C WRENTMORE OWNER THE RED ONION

PO BOX 271 00691

SKAGWAY AK 99840

PRESIDENT CARTER HAS CUT NATIONAL HISTORIC PRESERVATION GRANT PROGRAM BY 16.5 MILLION DOLLARS. FEDERAL GOVERNMENT IS UNABLE TO HONOR PREVIOUS COMMITMENT OF GRANTS TO STATE. AS A RESULT, YOUR GRANT PROJECT OF DLRS6,025 FROM FY80 FUNDS CANNOT BE FUNDED.

IF YOU WISH TO CONTINUE APPLICATION ON CHANCE THAT CONGRESS MAY RESTORE FUNDS, PREVIOUS DEADLINES APPLY. MORE INFORMATION WILL FOLLOW BY MAIL WHEN AVAILABLE.

WILLIAM S HANABLE

STATE HISTORIC PRESERVATION OFFICER

# STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

## DEPARTMENT OF NATURAL RESOURCES

DIVISION OF PARKS

619 Warehouse Dr., Suite 210  
Anchorage, Alaska 99501

Re: 3800-80 Historic Preservation Grants-in-Aid Program  
The Red Onion Stabilization

Ms. Janice C. Wrentmore, Owner  
The Red Onion  
P.O. Box 271  
Skagway, Alaska 99840

Dear Ms. Wrentmore:

The Heritage Conservation and Recreation Service has notified us of Alaska's Fiscal Year 1980 apportionment under the Historic Preservation Grants-in-Aid Program.

Therefore, in accord with national preservation objectives and priorities recommended by the Historic Sites Advisory Committee, this document serves as notice that \$8,025 in Federal funding has been allocated for The Red Onion Stabilization under the Historic Preservation Grants-in-Aid Program.

Funding constraints of the Historic Preservation Grants-in-Aid Program demand plans and specifications required for project initiation be in our office as soon as possible. At the latest, plans and specifications must be in our office at the close of business, Friday afternoon, May 30, 1980. Under no circumstances can this deadline be extended.

The only costs that will be recoverable are those incurred after federal approval of plans and specifications and execution of the federal grant agreement.

Please contact us if you have questions.

Sincerely,

*William Hanable*  
William S. Hanable  
State Historic Preservation Officer

LSG clk

*not true if  
costs incurred prior to  
planning & construction fees*

Please note -

I already have incurred @ \$2000  
in architectural cost in order to comply  
with requests/requirements related to  
the commitment made to me for a grant.

Jan  
Wentmore

TELEGRAM

3 APR 80 4: 20

02149 ANCHORAGE ALASKA 03 04-83 325P AST

PMS THE RED ONION STABILIZATION

MS JANICE C WRENTMORE OWNER THE RED ONION

PO BOX 271 00691

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FOLLOW BY MAIL WHEN AVAILABLE.

WILLIAM S HANABLE

STATE HISTORIC PRESERVATION OFFICER

W/S

## 1980 GRANT PROGRAM STATUS

Ed Crittenden moved that the FY 1980 grant priorities be revised as follows:

Pack Train Inn	\$115,000	
Dedmons Photo	34,775	
Seattle Hotel	5,042	
Rainey Skarland Cabin	4,159	
Red Onion	8,025	
Eagle's Hall	5,350	(Planning Grant)
Golden North Hotel	6,150	(Planning Grant)
Fairbanks F.O.B	82,134	(Planning Grant)
Bergmann Hotel	24,893	(Planning Grant)
Independence Mine	183,500	
Knik Museum Ph II	80,663	
Chitina Tin Shop	25,070	
Wasilla Elementary School	4,642	
Kennicott #38	3,769	
McCarthy Powerhouse	11,385	
Knik Bar	37,657	
Kennicott #79	9,897	

Motion was seconded by Richard Engen, whose proxy vote was cast by Ed Crittenden. Committee approved the motion unanimously. Marian Johnson moved an amendment to delete Fairbanks F.O.B. because it had already been awarded a planning grant. Seconded by Richard Engen, Ed Crittenden casting the proxy vote. The amendment was approved unanimously.

Break for dinner: 4:45 p.m.

Reconvene: 7:30 p.m.

Committee members in attendance for the evening session were: Chairman William Hanable, Marian Johnson, Ed Crittenden, Renee Blahuta, Anne Shinkwin, Richard Engen, and Chris D'Arcy. Also present were Jan Wrentmore, Gerald Clark, Michael Kennedy, and Bob Mitchell.

### AMERICAN CEMETERY, KODIAK

Marian Johnson moved that the American Cemetery, Kodiak be determined to meet the criteria of eligibility under A.

Richard Engen seconded with criteria A qualified by D. Motion passed unanimously.

### HULL AK7256-BRISTOL BAY DOUBLE ENDER

Ed Crittenden moved that Hull AK7258 be determined to meet the criteria of eligibility under C. Seconded by Marian Johnson. Discussion followed. Voting on motion was: Ed Crittenden, Marian Johnson, Anne Shinkwin, in favor; Renee Blahuta, opposed. Richard Engen abstained. Richard Engen moved that nomination be tabled pending introduction of further information. Renee Blahuta seconded. Motion passed unanimously.

*from minutes of January, 1980  
meeting of Dist. Sites Adv. Committee*

STATE OF ALASKA  
THE LEGISLATURE

FOUCH V. STATE CAPITOL  
JUNEAU ALASKA 99801  
907 465 1800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 18, 1980

SUBJECT: Appropriation for a loan for the White Pass  
and Yukon Corporation (Work Order No. 8476)

TO: Representative Mike Miller  
Chairman, House State Affairs Committee

FROM: Tamara Brandt Cook *TBC*  
Legislative Counsel

Enclosed please find the appropriation you requested. I wish to point out that this appropriation raises a serious constitutional problem. Article IX, sec. 6 of the Alaska Constitution provides:

No tax shall be levied, or appropriation of public money made, or public property transferred, nor shall the public credit be used, except for a public purpose. (Emphasis added).

While it is true that "public purpose" is a term of great imprecision (DeArmond v. Alaska State Development Corporation, 376 P.2d 717 (Alaska 1962)), I feel that a good argument could be made that this appropriation does not serve a public purpose since it is for a loan to a private corporation, a foreign corporation at that.

Possible constitutional problems aside, this appropriation also seems to violate the provisions of AS 37.10.085:

FINANCIAL AID TO CORPORATIONS BY STATE OR POLITICAL SUBDIVISION. Neither the state or a political subdivision of the state may

(1) make a subscription to the capital stock of a corporation;

(2) lend its credit for the use of a corporation;  
or

(3) borrow money for the use of a corporation.

Representative Mike Miller  
Page 2  
April 18, 1980


The Supreme Court of Alaska has suggested that if significant controls and restrictions are imposed upon a corporation to insure the effectuation of the public purpose, a state or political subdivision may be able to provide financial aid to a corporation without violating AS 37.10.085. Wright v. City of Palmer, 468 P.2d 326 (Alaska 1970). However, it remains unclear what type of controls would have to be imposed before financial aid could be provided to a corporation without violating AS 37.10.085. It should be realized that the case cited above did not involve a direct loan to a private corporation, and maybe, a direct loan to a private corporation would never be found to be consistent with AS 37.10.085.

If I can be of any further assistance, please contact me.

TBC:ljb

Enclosure

Mike for what it's worth, here's an expanded version of the one I'm airing today... though it's more comprehensive (and will be published in the All-Alaska Weekly), there are, needless to say, huge gaps, and only a full reading of the entire report will truly suffice. This may be of some help in the meantime.

  
jon la rocca

White Pass - one

la rocca

] by JOE LA ROCCA [

[ JUNEAU - Both Gov. Jay Hammond and U.S. Sen. Mike Gravel have turned down the Canadian government's request for state or federal aid to the financially-troubled White Pass and Yukon Railway. But U.S. Sen. Ted Stevens is seeking a low or no-interest loan from the federal government to help keep the railroad, which employs most of Skagway's labor force, in ~~and~~ operation.

[ That's according to ~~the~~ the "Report of the Inquiry into the White Pass and Yukon Railway and other Surface ~~to~~ Transportation into and out of the Yukon" recently completed by the ~~the~~ Canadian Transport Commission <sup>(CTC)</sup>. It has concluded, among other things, that for the first time in its 80-year history, the ~~the~~ historic 110-mile railroad connecting Skagway and Whitehorse must immediately secure ~~it~~ up to \$15 million in government subsidies in the form of loans, or shut down its operations.

[ A copy of the two-volume report has just been received by Rep. Mike Miller, D-Juneau and chairman of the ~~the~~ House State Affairs Committee. Miller has scheduled a meeting for Thursday to consider ~~the~~ further a resolution co-sponsored by him and Rep. Jim Duncan, D-Juneau, proposing assistance to the railroad, in light of the CTC report's findings.

[ In a letter <sup>e</sup> to the CTC last December, Gov. Hammond said the state "does not feel it ~~appropriate~~ appropriate to participate with the Canadian government" in any plan to subsidize a foreign corporation. Sen. Gravel echoed ~~the~~ the governor's refusal, ~~the~~ while Sen. Stevens has introduced special legislation in Congress seeking a \$5 million interest-free loan.

[ While the White Pass and Yukon Railway is a privately-owned Canadian company based in Whitehorse <sup>and</sup> only 21 miles of its 110 miles of tracks <sup>lie</sup> within Alaska, three-fourths, or 169, of its 213 employees are residents of Skagway. Mayor Bob Messager told the State Affairs Committee recently that closure of the railroad would destroy Skagway, because virtually all of its 800 residents are directly or indirectly dependent ~~upon~~ for their livelihood ~~and~~ upon the half million dollar monthly payroll it provides.

According to the report, the Yukon territorial government has pledged a \$15 million ~~loan~~ conditional loan to the railroad, and is willing to advance whatever loan funds Sen. Stevens is eventually able to secure from Congress. ~~xxx~~

The report ~~also~~ says Gov. Hammond also ~~rejected~~ rejected the Canadian government's request to seek repeal of ~~the~~ Alaska's "five-man crew law," which requires five crew members to be aboard the train while it's ~~operating~~ operating within Alaska's borders.

Typically, ~~the~~ the five-man American crews run the train between Skagway and the Alaska-Canada border, where a three-man Canadian crew takes over for the stretch in Canada between Lake Bennett and Whitehorse.

The report says that Alaska is the only state in the nation with a five-man crew law. White Pass ~~and~~ officials claim that the requirement to maintain the two extra crew members costs them about half a million dollars per year.

The main purpose of the CTC report was to determine the current financial conditions of the White Pass railroad and its parent Co., Federal Industries, Ltd. of Winnipeg, and to recommend whether, and if so, what kind of ~~financial~~ government assistance should be provided.

In 1978, the railroad owners informed the Canadian federal government that, without financial assistance, the railway would be closed, but their appeal was rebuffed. Railroad officials later appealed to the Yukon territorial government for help, which has ~~recently~~ recently expressed fears that the system might indeed collapse and terminate the existence of the Yukon Territory's most vital ~~transportation~~ transportation link, unless government aid ~~is~~ <sup>were</sup> rendered.

That led to the Canadian Transport Commission's inquiry by two government railroad experts, Keith Thompson and Edward Weinberg, which was completed last month.

They reported, among other things, that while the White Pass has never received "a single penny of subsidy from any level of government" in its 80-years of existence, other ~~Canadian~~ Canadian railroads ~~were~~ were bestowed more than \$3 <sup>b</sup> billion in ~~xxx~~ government subsidies during the past 20 years.

Moreover, the report says, the railroad's financial difficulties were exacerbated by heavy government subsidies to the <sup>competing</sup> trucking industry in the form of <sup>massive</sup> road system improvements costing hundreds of millions of dollars which enabled truckers to take over some of the railway's most lucrative markets.

The report cites other factors which have brought the White Pass railway to the brink of ~~bankruptcy~~ bankruptcy, including "colossal ~~mismanagement~~ mismanagement" (which has recently been remedied), declining mineral production in the Yukon, frequent and prolonged miners' strikes, rising energy costs and decline of ~~the~~ Canadian currency against the U.S. dollar.

The biggest and most crippling blow came in 1978, when Cassiar ~~mining~~ Corp., a major customer of the White Pass for more than 20 years, closed its Clinton Creek mine near Dawson.

The loss of the southbound asbestos haul forced the White Pass to raise its freight rates by 230 percent, thus rendering it more vulnerable to competition from trucks, and reducing its revenues below operational ~~and~~ costs.

The CTC report says ~~that~~ "there are only two alternatives open to the White Pass Railway. Either it receives government assistance, or it will go bankrupt." Moreover, the report says, "the decline of the railway would bring about a concurrent, and probably irre<sup>e</sup>versible demise of the community of Skagway."

Said the report: "The subsidy-free performance to date of the White Pass Railway is nothing short of ~~amazing~~ <sup>(essential)</sup> astounding." It points out that continued operation of the railway is ~~essential~~ <sup>(essential)</sup> to the economic ~~development~~ <sup>development</sup> of the ~~Yukon Territory~~ Yukon Territory, and its potential as a ~~subsidy-free~~ free world supplier of ~~vital~~ vital industrial metals and other minerals.

Another ~~major~~ debilitating influence in recent years has been the foreign exchange factor favoring U.S. currency, <sup>cy</sup> currently around 17 percent. The White Pass <sup>P</sup> paid more than \$5½ million in wages to U.S. citizens in 1978 in U.S. dollars, ~~the~~

while the railway receives its revenues in Canadian dollars, thus suffering a monetary penalty of more than \$1 million annually. Some of the things <sup>(parent)</sup> the firm did to reduce its expenses was to dismiss nine senior executives, abandon their "palatial" offices in Vancouver, relocate its main offices in Whitehorse, and lay off 350 of its 1,000 employees.

The CTC report found no evidence to suggest that funds were bled from the White Pass to sustain other ~~its~~ subsidiaries, and determined that an interest-free loan of nearly \$150,000 to the <sup>(parent)</sup> company's president to purchase a home did not come from railway operations.

Contrary to public opinion in the Yukon, the report says, railway ~~its~~ rates for the movement of general cargo have been "extremely reasonable." Rate increases leading up to its present difficulties, the report said, have been significantly less than the increased costs of running the railway. According to the report, the railway geared its pricing policy to ~~a~~ securing freight, rather than to operating costs.

Increased competition, heavily subsidized by both the Canadian and Alaska governments, came from three directions. One was the establishment, <sup>an</sup> maintenance and continual upgrading of the Stewart-Cassiar Highway, which enabled a competing ~~trucking~~ trucking firm to snatch away from White Pass an important contract for hauling asbestos for Cassiar Mines; an increase in gross vehicle ~~weights~~ weights on both the Alaska and British Columbia highways which made trucking much more competitive by doubling payloads into the Yukon; and completion of the Skagway to Whitehorse Highway in 1978 by both <sup>(the)</sup> Alaska ~~and~~ and Canadian governments, which <sup>lost</sup> away an estimated 28,000 railroad passengers in ~~the~~ the summer of 1979.

One of the reasons the federal Canadian government reject <sup>ed</sup> the White Pass plea for assistance in 1978 was because it was generally believed then that a major source of potential new revenues <sup>would soon</sup> come from the ~~the~~ construction of the Yukon portions of the Alaska ~~the~~ Highway Gas ~~the~~ Pipeline ~~and~~ and the Dempster Highway lateral by Foothills Pipeline.

White pass - five

According to the CTC report, Foothills is planning to ship 415,000 tons of pipe and 40,000 tons of construction equipment and other materials to 38 stockpile and staging sites in the Yukon between 1981 and 1984, utilizing ~~various~~ five routes, including the White Pass. However, Foothills does not expect any substantial pipe ~~or other~~ or other tonnage to be moved by the White Pass for logistical ~~and~~ reasons. Truck movements are believed to be "considerably cheaper" than rail. Moreover, curves on (as well as docking facilities at Skagway) the railroad route are too restrictive to ~~be~~ accommodate pipe lengths. Foothills ~~also~~ also said Alaska's five-crew law is a contributing factor in making the White Pass route ~~un~~competitive with trucking.

The report ~~concludes~~ found that the White Pass will ~~not~~ not only enjoy very little benefit from pipeline construction, but will at the same time suffer as a result of the overall increase in ~~the~~ wages and inflation resulting ~~from~~ from it.

On assumption underlying the report's recommendation for government aid for the White Pass ~~is~~ is that the new Skagway-Whitehorse Highway will continue to be closed year-round to truck traffic. ~~Should~~ Should the Alaska and Canadian governments permit the road to be open year-round, the report says, "this would be tantamount to their having made a decision that the railway was no longer necessary for the Yukon, because it is clear that the opening of the road (year-round to truck traffic) ~~is~~ would most certainly bring about the extremely hurried demise of the railway." ~~It~~ Said the report, ~~"The opening of the road on a year-round basis would be synonymous with the economic destruction of the railway."~~ "The opening of the road on a year-round basis would be synonymous with the economic destruction of the railway." According to the report, the various levels of government have given assurances that the "Canadian portion of the road would not be opened to year-round traffic," ~~and~~ adding that "It is extremely difficult for a railway to ~~successfully~~ compete successfully with trucking operations when the trucks are able to travel on a road paid for out of public funds." The White Pass has suffered from competition from other modes whose own existence and continuing viability are assured only because of huge contributions from the public treasury," the report said.