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Reported by: Louise K. Mizota CSR

1 MR. MCGINNIS: Mr. Chairman, I could very quickly
2 indicate by topic. I could summarize for you what the
3 topics, with the fact if there is someone who strongly
4 objects to any of those, there is no reason for the
5 subcommittee to unduly go into that. We think it broad
6 enough that they would be of interest. But they would be
7 summarized with maybe a phrase or so.

8 MS. PALMQUIST: There might be some additions other
9 people would have to add to Dr. McGinnis answer
10 recommendations.

11 THE MODERATOR: I hear the suggestion being made with
12 health and social services and afterward get back to the
13 other resources issues?

14 MR. ECKHOLM: It's my understanding that we're not
15 going to really get into a lot of detailed discussion, Mr.
16 McGinnis is going to.

17 MR. MCGINNIS: The same subcommittee would deal with
18 all of these. One committee would do all of them. Are

19 MS. SHROYER: We have that summary right here.

20 MR. ECKHOLM: Do you want to go over that right now?

21 MS. SHROYER: Why don't we skip the discussion since
22 we have what he wants to say in front of us.

23 MR. ECKHOLM: Everybody may or may not have read that.
24 There might be discrepancies.

25 MR. PERDUE: The idea of 15 minutes and 10 minutes

1 discussion is perfectly good. And go on to the next subject.
2 I think this falls right in line. If at the end of the 25
3 minutes you want to form a committee to meet with Dr.
4 McGinnis, that's perfectly legitimate.

5 We have a lot of topics to cover and time is
6 getting short and we should have had more time. But under
7 the circumstances, we had to live with it. I think the
8 formula is good, and I'd like to leave it at that.

9 THE MODERATOR: Okay. Good. Thank you.

10 MR. ECKHOLM: Dr. McGinnis, would you like to brief us?

11 MR. MCGINNIS: Is that what you'd like? How many of
12 you do not have a paper?

13 MR. POMEROY: Is it the one that says summary of
14 recommendations?

15 MR. MCGINNIS: Yes. That's right. They were all given
16 out. I don't have more.

17 I think there were some. While they're looking,
18 maybe to save time, Mr. Chairman, I could begin.

19 The first concept has to do with the public
20 policy of dramatic shift from the curative services to
21 education, health promotion as a priority.

22 The second one has to do with certain concepts
23 with regard to cost containment and a formula beyond which
24 costs should not be allowed to go in certain fields.

25 The third one has to do with the concept of

1 vesting more authority in local government and local
2 private nonprofit corporations and get away from the State
3 doing so much so for money.

4 Number four has to do with the idea of revenue
5 sharing funds available through State government with a
6 stronger voice of local governments in determining where
7 that money shall go as a priority in their regions. Now,
8 it's prescribed as to who gets what, what kind of
9 institution gets what and let the local government
10 determine that.

11 Number five has to do with the revision, possible
12 revision of all direct service health expenditures with the
13 emerging possibility of opting out of Medicaid totally and
14 build a program uniquely for Alaska, hopefully to head off
15 the scepter of national health insurance, which may not be
16 the best for our State. Substitute our own program of
17 health insurance without getting into the health insurance
18 issue.

19 Number six has to do with people above the profit
20 level but don't have a million dollar income and therefore
21 cannot afford all the costs in the field of catastrophic
22 illness.

23 Seven has to do with the possible revision of
24 reimbursement for physicians and hospitals, whether or not
25 the Medicaid program is continued or dropped. We feel that

1 had been improved and tightened to everybody's advantage.

2 Number eight again has to do with the disease
3 prevention and the ideas of singling out for early
4 attention tuberculosis, otitis media, alcoholism and drug
5 abuse.

6 Nine has to do with alternatives to expensive
7 institutional health care, and the possibility of having
8 doctors attached perhaps to hospitals and to clinics and so
9 forth who would help people in their homes and get back a
10 little bit to the old visiting doctor concept and try to
11 cut down expenses of institutionalization.

12 Ten has to do with an improved emergency response
13 system; the medics and so forth across the State.

14 Number 11 has to do with the enormous toll of
15 accidents in the State being the greatest cause of death
16 and expense and certain promotional and educational
17 programs with regard to accident prevention.

18 Number 12, top of Page 3, has to do with the
19 inclusion of mental illness as an illness and not
20 excludable under State programs and third-party payments as
21 though it were not an illness. So they ought to be required
22 to take mental illness, such as an appendectomy.

23 Number 13 has to do with the emphasis of
24 community mental health services API as 200 people who
25 served 5,445 people at community levels last year. And it

1 has to do with improving, funding better and doing more at
2 the community level in the mental health clinic concept.

3 Number 14 has to do with the financial impact of
4 improving the current payment for the Aid to Families with
5 Dependent Children Program. There are great inequities.
6 Two adults get about \$608; a mother and child gets \$350.
7 There's just a great disparity in those levels and that
8 ought to be addressed, in our view.

9 Number 15 has to do with with a redetermination
10 for certain elligibility for General Relief, and the
11 General Relief Medical Programs.

12 Number 16 has to do with the strong legislative
13 and executive pressure on the Federal Office of Management
14 and Budget with regard to the poverty guidelines in Alaska.
15 We are treated in Alaska as though the cost throughout the
16 State were exactly the same levels of cost all over, which
17 obviously is not true. And the thing is that with the right
18 kind of pressure we ought to be able to make some strong
19 case to the Office of Management and Budget by which we
20 could get some adjustments in the State, any of the rural
21 regions. For example, we know we have 200 percent in cost
22 above the national average. And yet we are not able to
23 adjust the poverty guidelines in the State. We want
24 attention to that.

25 Number 17 has to do with the legislative and

1 executive branches providing for an updated comprehensive
2 study of the status of the elderly. We had one about not
3 quite ten years ago. The time has come in our belief that
4 indeed we ought to detail a study on the total status of
5 elderly and their needs.

6 Number 18 has to do with Corrections Master Plan
7 or some reasonable variation of it, but the concept is
8 presented here that we now have spent tens of thousands,
9 and in the hundred thousand range for a comprehensive
10 master plan with regard to rehabilitation of offenders and
11 corrections. We'd like to see that given emphasis and not
12 put on a shelf and forgotten.

13 Nineteen has to do with alternative to street
14 crime and also the concept of new start centers in the
15 rehabilitation of offenders concept.

16 Twenty has to do with the public assistance money
17 transfer payment programs and the possibility of
18 co-locating the social services people and the public
19 assistance transfer people together so there's not that
20 dichotomy throughout the State.

21 Number 21 has to do with the adequate funding for
22 the private child care institutions. Since Alaska does not
23 operate any child care institution, unlike other states, we
24 lean on the private providers.

25 Number 22, and that's the last one, Mr. Chairman,

1 has to do with the support by the executive and legislature
2 branches of government by which the department would be
3 allowed to use a very small percentage of its total budget
4 for research and evaluation. Every major industry in the
5 nation today is in the 100,000 to two million range. Never
6 less than one percent on research and evaluation what we're
7 doing. We feel in the human services our budget alone this
8 year in our department is 200 million dollars. We believe
9 that a fraction of that, some fraction of one percent
10 should be devoted to research and evaluation on all we
11 ought to be doing.

12 That's 22 items, Mr. Chairman, fairly rapid.
13 That's the heart of these 22 recommendations.

14 Thank you.

15 MR. ECKHOLM: Thank you, Dr. McGinnis. I think it
16 would be appropriate if we were to accept your
17 recommendations now so that we move into railroad next. So
18 this appears we'd be railroading this through.

19 You've organized it very well, and they look nice.
20 I hope that we appoint a committee that's able to give this
21 serious attention and we don't limit our concerns to health
22 to these considerations, not just the ones that Dr.
23 McGinnis has outlined.

24 MR. POMEROY: Mr. Chairman, I do not doubt that people
25 of great competence prepared the report from which these

1 recommendations are made. But they're so extensive, so
2 diverse, they are so complex and so significant in a number
3 of directions that I don't think it's something that we
4 could do any more than just rubber stamp. We can't in an
5 evening or in two or three days go over this material.

6 I speak as a person who knows considerable about
7 this field. I would just like to say, Mr. Chairman, I was
8 California State Relief Administrator for a period in the
9 Depression. I've been National Director for Preparedness
10 for the American National Red Cross and have been in county
11 work, welfare. I know something about some of these things
12 here.

13 And I would consider that we could take almost
14 any one of two-thirds of them and the committee could work
15 all evening on it and it would be just poor business for us
16 to attempt to make a recommendation.

17 I just feel at a loss.

18 MS. PALMQUIST: Mr. Chairman, I also come from a
19 social work and administrative background, although I have
20 quite a few other interests.

21 But let me state that policy decisions, where we
22 -- the direction that we want to go doesn't mean that you
23 have to know all of the details of how a program is
24 administered. In other words, the technical procedures and
25 the workloads and so forth. You don't need to know about

1 that in order to make decisions.

2 I do have some alterations that I would like to
3 make in one or two items and to add some. And if that's
4 allowed in the committee, I would like to be able to serve
5 on the committee and to make my contribution there.

6 My main thought in regard to this is that, broad
7 as it is, it isn't quite sufficiently broad enough. We have
8 concerns such as how to -- which is not just a technical
9 approach, but how to accomplish some of these things which
10 gets right at the root of effectiveness from the standpoint
11 of policy.

12 And I could address that in one or two items.

13 MR. ECKHOLM: Mrs. Palmquist, if we could move on, I
14 think that probably the committee would be those people who
15 are interested in working on it. So we should do this as a
16 committee and then come back?

17 MR. MERDES: I think there's been an awful lot of
18 thought put into this. Possibly one way to approach it it
19 is to say maybe that we should recognize that fact and ask
20 that maybe a special committee of the legislature or
21 somebody go into the ones, for example, that would cost a
22 lot more than anybody here would think.

23 But I think the hard work that went into this and
24 the obvious organization ought to be recognized. And I
25 think again there, as far as I'm concerned, in the form of

1 an issue, it's something that's important and we should
2 address ourselves, too. But I agree with Harold in that you
3 simply don't have time to debate these. It should recognize
4 the fact that they're issues.

5 MR. ECKHOLM: Let's let a committee go over them and
6 see if there are any real big problems as a group. If other
7 people have health and social services issues as
8 recommendations, those should probably filter through that
9 committee and come back at the same time.

10 MR. HARVEY SAMUELSON: I feel there's been a lot of
11 thought given to this and I move for adoption of Mr.
12 McGinnis' recommendations. We don't have the time to fool
13 around all day.

14 MR. PERDUE: I second.

15 MS. SHROYER: I object. I don't think there's been
16 enough time for us to go through these, so I don't think we
17 can just blanket adopt these. I myself disagree with some
18 of these. I feel that some discussion from a subcommittee
19 or all of us needs to go into them. I don't think you can
20 have a blanket adoption.

21 MR. ECKHOLM: Mr. Samuelson.

22 MR. HARVEY SAMUELSON: We can accomplish your goal
23 by --

24 MR. MCGINNIS: Let me suggest on one thing. Each of
25 these recommendations have printed keys into the overall

1 paper. And there's much additional information, data back-up,
2 physical facts in the 60-page paper. And each of these is
3 keyed by page on where the other back-up is. That might be
4 helpful.

5 THE MODERATOR: Fred, I have a question. Aren't these
6 more detailed than what normally would come out of a
7 conference like this? I mean, I'm just asking you --

8 MR. MCGINNIS: If so, Mr. Chairman, and it could be
9 correct that it may be. I think the committee could strike
10 certain sentences and rephrase others so that it would be
11 in general policy statements and deal with that. But I
12 think each one of those would be subjected to a policy
13 formulation and get away from any particular detail. We try
14 to be rather general in the --

15 MR. ECKHOLM: Let's let the committee discuss it
16 and come back to us tonight with the recommendations.

17 MS. PALMQUIST: Mr. Chairman, I have the same feeling
18 that Rose, I think, expressed. And that is that we don't
19 want to lose our input into what's taking place in the
20 committee while we're gone. So I would like to propose that
21 whoever is interested form themselves into a committee to
22 go over these for the purposes of making recommendations
23 back to the body at 6:00 o'clock.

24 MR. ECKHOLM: At 8:00 o'clock. Let you work from --

25 MS. PALMQUIST: 6:00 to 8:00.

1 MR. ECKHOLM: Let's appoint a chairman and have the
2 chairman be responsible. Anybody who is interested in
3 working on it.

4 MS. PALMQUIST: I suggest Mr. McGinnis be the chairman.

5 MR. MCGINNIS: I think that would be a mistake. I
6 would be glad to be there to make comment, but I believe
7 this document, if it reflects your concerns, that it ought
8 to be of this group and let me just be a resource person,
9 if I may.

10 MS. SHROYER: I agree with Dr. McGinnis.

11 MR. ECKHOLM: If there is anyone who would be
12 interested in being the chairman of the committee.

13 MS. PALMQUIST: I would like to chair it. Let's see,
14 we have to give up this room before 6:00, right? What space
15 would be available for our work?

16 MR. ECKHOLM: We'll figure something out for you and
17 we'll get back to you.

18 MS. PALMQUIST: Announce it later.

19 MR. MCGINNIS: One last thing, Mr. Chairman, as far as
20 I'm concerned. Would it be possible as a procedure that if
21 there are those who did not hear your concern about this,
22 maybe they could write out on a piece of paper what they
23 want the committee to consider to Mrs. Palmquist. That
24 would insure that those ideas could indeed surface through
25 the committee.

1 MR. POMEROY: Mr. Chairman, I would like to make one
2 final comment, because I spoke so strongly about this. I
3 said obviously an enormous amount of work has gone into
4 this, and I know something of the work that has gone into
5 it. And it should be given the honor of some attention.

6 I will do all I can to dissuade this from being a
7 rubber stamp. And that's all it could be, is a rubber stamp.
8 There should be something said that would lift it up to the
9 level for consideration in the legislature by a special
10 committee, perhaps, because of the enormous amount of
11 significance that there is in this.

12 MR. ECKHOLM: I assume those people who are interested
13 at the time, we don't have to announce the time, they will
14 be interested at the time, and they will show up at the
15 committee.

16 MR. MERDES: Where will we meet?

17

18 MS. PALMQUIST: I'm on the legislative interim
19 committee and they have a package of bills down for me at
20 the Legislative Affairs office. So I need to excuse myself
21 now, but I'll be back.

22 THE MODERATOR: Do you need to have a showing of
23 people who are interested?

24 MS. PALMQUIST: I'll be back, and they can either
25 leave a slip here that -- as Eric says, they can just

1 show up at the committee.

2 MR. PERDUE: I have a question for Dr. McGinnis. Dr.
3 McGinnis, is the social welfare as far as the native and
4 the Caucasian under the same jurisdiction, or does the
5 federal government still have jurisdiction over the native
6 population?

7 MR. MCGINNIS: All those programs available to any
8 person in Alaska are available to all. There's certain
9 special programs that are still in existence, and also
10 through the Indian, also to the native, because of that
11 relation. Generally, the individual must be a citizen of
12 the United States and of the State to qualify. There is one
13 exception I can think of. Generally, the programs relate
14 to all.

15 MR. PERDUE: Maybe I can phrase that. How much
16 jurisdiction do you have of, say, somebody is violating or
17 misusing welfare funds? Who has the jurisdiction over that?

18 MR. MCGINNIS: It is a federal program, in the health
19 service and a State program.

20 MR. ECKHOLM: Could we move on now to timber? We'll
21 keep it down to --

22 MS. PORTER: I'm sorry. I couldn't avoid being absent.
23 What happened?

24 MR. ECKHOLM: Rose is the chairman of a subcommittee
25 that's going to meet starting at 6:00. And they're going to

1 report back to the group with the recommendations at 7:00.

2 THE MODERATOR: I did promise this gentleman. You had
3 something on alternate energy sources before we got off
4 energy. He said he might make a short --

5 MR. PETERSON: It's a little bit out of sight. It will
6 be a brief point that may have been overlooked in our
7 discussion.

8 Although the recommendations that were made do
9 crease alternate energy, there is no mention made of
10 support for small scale use, which I feel is something that
11 is fairly significant. There's much opportunity for this,
12 especially outside the larger cities. And there's also a
13 tremendous interest in small-scale use, which is shown, and
14 I think a good example of this is in the recent federal
15 program for alternate energy projects. Alaska had a per
16 capita response that was eight times that of any other
17 state. And I think we ought to indicate just how much
18 interest there is in this.

19 So for this reason I'd like to offer to the group
20 that the State should specifically encourage small scale
21 utilization of alternate energy resources. And this would
22 include individuals, families and small businesses.

23 Thank you.

24 THE MODERATOR: Okay.

25 MR. ECKHOLM: We have a recommendation, then, that the

1 State should -- could you reread the recommendations?

2 MR. PETERSON: Okay. Recommend that the State
3 encourage small-scale utilization of alternate energy
4 resources. This would include individuals, families and
5 small businesses.

6 MS. PORTER: Clarification. I forgot what I was going
7 to ask. I'm sorry. By small scale, are you talking about
8 generation, or how small scale?

9 MR. PETERSON: The term scale is difficult to define.
10 But when you talk about all the national energy, you're
11 talking about, for example, on large scale, hydroelectric
12 power projects, for, say, a community, or a region, whereas
13 this would address more of the individual or family size. I
14 know it's difficult to define, but that is basically what
15 we have been referring to.

16 MS. PORTER: You say encouragement. Do you mean
17 incentive? There's a difference between go out and do it
18 and -- you're talking about bucks.

19 MR. PETERSON: Yes. For example, low interest loans
20 and tax incentives and whatnot. But it should specifically
21 address, I think, the small scale use for subgroups as I
22 recommended. But if you don't specify that, a lot of times
23 it doesn't filter down to the individuals who could benefit.

24 MS. PILLIFANT: Were you aware that the federal
25 government has got a grant program??

1 MR. GRANT: Yes. I'm also aware of that. I might point
2 out there was 250 people that applied for that last time,
3 and 14 got it.

4 So there's a very small number that were able to
5 participate in that program. And that's one of the reasons
6 I'm bringing it up.

7 MR. MORGAN: I would like to emphasize that in the
8 villages, we are very much concerned with the use of small
9 scale-appropriate technology.

10 MR. GRANT: This would benefit rural areas a great deal,
11 I feel.

12 MR. MORGAN: We are doing something with that in
13 relation to local vegetable production.

14 MR. ECKHOLM: Is there any more discussion on the
15 recommendation?

16 MS. SCHIRMER: I'd like to encourage -- I mean to
17 propose that it be a recommendation of this group.

18 MR. HARTLE: As would I. Although I'd like to point
19 out that perhaps we should clarify, it just says
20 alternative energy, that perhaps we should specify
21 renewable here.

22 MR. PETERSON: I did not say renewable for a very
23 specific reason. Many people in the State are able to use
24 coal as an alternate fuel. If you say renewable, it would
25 automatically eliminate that.

1 MR. HARTLE: That's what I was talking about.

2 MR. ECKHOLM: Would you reread it once and we'll take
3 a vote on it.

4 MR. PETERSON: The recommendation is that the State
5 should specifically encourage small scale use of alternate
6 energy resources. And this would include, as I say,
7 families, businesses, and small businesses. The term
8 renewable is somewhat exclusive in there are several people
9 who could benefit if it was not excluded.

10 MR. ECKHOLM: Would it include individuals, families
11 and businesses?

12 MR. PETERSON: Right. You could include that and as a
13 result not eliminate other users.

14 MR. ECKHOLM: Is there anybody opposed to the
15 recommendation? Then it's adopted.

16 MR. PETERSON: Thank you.

17 THE MODERATOR: We've got timber, agriculture,
18 fisheries, in that order. Any objection to that?

19 MR. ECKHOLM: Let's go for a very short discussion on
20 timber, about 10 minutes or 15 minutes, and go into the
21 recommendation, if we can. Who expressed the interest in
22 timber?

23 MR. REAVES: I did. Unfortunately, I don't know
24 anything about the timber industry, and it wasn't mentioned,
25 and I feel it should be mentioned. Perhaps we could delay

1 this and have a member of one of the other groups who does
2 know something about the timber industry come before us and
3 expound on what is needed.

4 MR. ECKHOLM: John Schnabel is in our group. He didn't
5 show up, though, did he?

6 MR. REAVES: He's from "paint," isn't he?

7 MS. SCHIRMER: I feel somewhat in the same position,
8 and I feel one of the weaknesses of the group that we've
9 invited, or at least the group that came is that there is
10 very little, very few people who are knowledgeable in the
11 timber industry invited.

12 MR. ECKHOLM: The one who was invited was probably the
13 most knowledgeable in the State.

14 MS. SCHIRMER: That's right. I am from Wrangle and I am
15 surrounded by it and I know something about it from the --
16 you know, natural processes in my interest.

17 MR. ECKHOLM: Why don't we table this discussion for a
18 while and we'll send Kathrine around to find out what the
19 other groups have been doing and find out if there's any
20 resource person in the industry and other recommendations
21 that have been made and we'll come back.

22 MR. POMEROY: I have a suggestion that might be useful.
23 There is a report of domestic market for Alaska wood
24 products. It was commissioned by the Division of Economic
25 Enterprise, Mr. Webber's organization. It was completed

1 just in June, 1979.

2 It's brief. It is very good. It indicates what we
3 have in the resources throughout the State, the interior
4 and the southeast. And about all I could think of to say,
5 even if we were to discuss it for an hour or hear somebody,
6 would be to encourage the follow-up of this that in any way
7 feasibly can assist in the development for the domestic
8 market -- for the foreign market, we have no problem.
9 I'm saying that.

10 But it goes to the economics of how it can be
11 utilized. And maybe just something of that sort or to get
12 somebody here. But I do contribute that.

13 MR. SWANSON: If I might, from the audience.

14 For the record, I'm Mike Swanson.

15 Probably a little history here, I was probably
16 hatched on the firs up in Oregon, went through the timber
17 industry at that time, went through the sawmills, been a
18 sawmill owner and operator, worked through the woods and in
19 my years in Alaska in the territorial days when we were
20 trying to get some kind of an industry and we enticed the
21 federal government to institute the first pulp mills in
22 Alaska.

23 Maybe a little bit of history of what happened to
24 us and where we might go in the future. What is available
25 to us, I think, would be nice for the committee.

1 As many of you know, or some of you know, there
2 were three pulp mills designated in the State of Alaska.
3 The reason for that was that we did not want to sell our
4 timber to the State of Washington, thus taking all of our
5 economics out of the State. The federal government
6 authorized in Ketchikan, Sitka and Juneau for pulp mills
7 and utilized pulp mills. Probably southeastern Alaska has
8 the biggest single group of that species of timber, which
9 is hemlock and spruce, now utilized for pulp and timber,
10 some of the best Peter logs that we have which commands
11 \$600 a thousand on the market, coming into Alaska and
12 utilizing that timber.

13 Quite large area that was blocked out under the
14 D-2, the A-2, and anti-growth type things is going to focus
15 attention on to interior along the rivers the type of
16 timber that we haven't utilized before.

17 The interior, including the Yukon, the Kuskokwim,
18 the Tonga, have the largest timber in Alaska. John Golia,
19 who is the Forest Service man for the interior timber - and
20 I had the pleasure of working for him for about four years -
21 in his studies in catalogueing all of the resource,
22 renewable resource of timber in the interior, it might be
23 surprising to some of you to know that the interior could
24 produce on a total sustained yield basis, totally, on a 50-40
25 year cycle, pulp mills the same size that's in Sitka. Ten

1 of them.

2 Now, this is inventory information from the
3 Forest Service itself. And it's a total fact that these
4 things could happen. I'm not saying that we're going to
5 have ten pulp mills in the interior of Alaska. But we're
6 utilizing in the pulp industry much of the timber that we
7 call scrap. And around the corner somewhere we're going to
8 have to realize that we can utilize those things upon a
9 total sustained yield basis. I think during my tenure in
10 the legislature and serving on the resources committee, we
11 went into lots of opposition about the timber in
12 southeastern Alaska and the clear cutting and things like
13 that. It's pertinent that you should understand that ten
14 years ago, where the people logged, the growth is so thick
15 that you can't walk through it.

16 So, the reproduction, the reproduction in
17 southeastern Alaska and the logging places where they log
18 is utterly fantastic. I logged on below the Mendenhall
19 Glacier 30 years ago. The trees now in the area where we
20 logged now are in that area, and could be logged again.

21 I'd like to make one small point of a committee --
22 a lecture we heard this morning about the camp that took
23 care of youngsters that were problems.

24 I was a cook in a CC camp that worked in Oregon
25 in rehabilitation, pine forests in the "Ochico" and the "Mado"

1 National Forests.

2 I relate the two things that we might do in
3 Alaska is to take the type of CC that we instituted a
4 couple three or four years ago in the legislature, and
5 utilize those youngsters in a CC camp type thing that would
6 thin out the forest that we have the regrowth in Alaska
7 today.

8 It's really a pertinent thing now, much more,
9 because timber is one of the renewable resources that we're
10 going to take the nonrenewable resources money and
11 important it into that. That would be one of the categories
12 for the future.

13 I probably have said enough.

14 MR. REAVES: Are you saying that the primary handicap
15 or opposition to the timber industry within the State of
16 Alaska comes from environmentalists and conservation groups?
17 If so, say it.

18 MR. SWANSON: The withdrawals of areas, the withdrawals
19 of areas in southeastern Alaska is utterly fantastic, the
20 amount of waste in our timber industry that it's causing. I
21 can walk you through the timber and show you logs that are
22 six feet through that have fallen over that are solid, and
23 they're worth \$600 a thousand on the market and they've
24 already fallen over. So selective logging, you could log
25 anywhere and not hurt that forest. You could not hurt that

1 industry.

2 But what we do when we just close off mammoth
3 blocks, we're wasting it. And I hope that I've answered
4 your question.

5 MR. REAVES: What do you think we can do to circumvent
6 this problem? What action can we take?

7 MR. SWANSON: I think that the legislature did
8 spearhead an effort to utilize every bit of timber that we
9 have and not take it all. I don't mean just wipe it up,
10 because you open a real category. But if you selective cut
11 right the timber that's available to you, there's millions
12 and millions and millions of trees and timber that's usable
13 and not waste your forest.

14 MS. STRASSBURG: Mr. Swanson, isn't this tied in with
15 the way that they -- in the State of Washington, Cedar
16 Creek and Capitol Peak Forestry Camps are adjudicated
17 delinquents and children who are on probation. These
18 children are from 13 to 21 years old.

19 They work in forestry camps of the Black Hills.
20 This is their program similar to our wilderness thing we
21 saw this morning. And along with that, you have Port Gamble
22 and many of these other places on the coast where they've
23 done selective logging, from my own experience, since I
24 used to be involved in this sort of thing, they've got
25 selective logging for 50 years. They say now in the State

1 of Washington, man environmentalists say, "My God, don't
2 clear cut." The clear cutter, you clean up the piece of
3 ground, you take everything. And the next year you burn it
4 and get rid of the trash and get rid of the disease. The
5 third year you use your boys or your girls or whatever,
6 replant and replant trees that are a foot high so the deer
7 don't kill them before they get a chance to grow. Isn't
8 that similar?

9 MR. SWANSON: I related that program to the
10 presentation this morning of utilizing a category of our
11 human resources to a real good thing. Because the point was
12 made excellent by the lady this morning that you take a
13 youngster that's in trouble and as you get him away from
14 his city environment or his town environment and put him in
15 the forest, or put him out in the country, he has a chance
16 to lose all that thing that got him in trouble. He has a
17 chance to compensate, think, before he goes back in society.

18 And I think that our legislature would be remiss
19 if they didn't focus their attention on putting those
20 youngsters in that kind of a thing and specifically in our
21 forest where we can use them.

22 MS. STRASSBURG: But Mr. Swanson, also what you're
23 saying is this child, then, when he goes out to that forest
24 and actually accomplishes something, this then is a pride
25 thing. It's thought he's out there just to have a good time

1 and just to sing with the birds. He's out there to
2 accomplish something.

3 MR. HANSON: Yes. Thank you, Jack. I didn't mean to
4 take that much time.

5 THE MODERATOR: no. Thank you. I think Eric has been
6 trying to capsulize perhaps a couple of recommendations to
7 see what you think of it.

8 MR. ECKHOLM: Two recommendations: The first one was
9 the State encourage selective logging, not clear cutting,
10 on all State lands where it's commercially feasible and
11 consistent with other land use, but on all State lands
12 where it's commercially feasible.

13 And the second one was the State establish a
14 youth conservation corps to put young people to work in
15 forestry management. I don't think that's quite right. To
16 put young people to work.

17 MR. POMEROY: How much is it going to cost?

18 MS. STRASSBURG: It will pay for itself.

19 MR. HANSON: The State already has a program now. So
20 it would be just shifting the body from one area of results
21 to another.

22 MS. SCHIRMER: I'd like to put in a word for removing
23 that clear cutting word in there. I think there are times
24 when it's appropriate.

25 MR. ECKHOLM: I didn't know how, but Red was saying

1 that -- he said selected logging, not clear cutting.

2 MR. SWANSON: yes, I did. Two types of logging. I
3 tried to make the point that where we clear cut years ago,
4 it's coming up solid in almost that level, or whatever
5 level.

6 MS. SCHIRMER: There are some places where it's
7 appropriate.

8 MR. ECKHOLM: Yeah.

9 MR. SWANSON: But both methods should be used.

10 MR. HARTLE: I'd like to express the thought that I
11 think that it's too broad to say all State land where it's
12 commercially feasible. I find that too broad to be
13 acceptable. I could say more State land than we're now
14 doing, something like that. But to say all State land where
15 it's commercially feasible, that's unacceptably broad to me.

16 MR. ECKHOLM: We've got Keith Stump here, he's got
17 some experience in the timber industry.

18 MR. STUMP: Despite my name, I was for five years
19 public information director for the Alaska Loggers
20 Association. And I am a born and raised Ketchikan resident.
21 I don't know exactly what it is that you want for me, if
22 you want to ask me direct questions, or if you want me to
23 respond to your recommendation as it's stated now or
24 whatever. I'd be glad to do whatever.

25 MR. POMEROY: What aren't we doing that would better

1 utilize our timber?

2 MR. STUMP: Well, the major problem is of course the
3 ownership of the land, right now. In southeast Alaska, 88
4 percent of the timber comes from -- well, statewide, 88
5 percent of the timber comes from federal lands and is
6 regulated by the U.S. Forest Service. So what the State can
7 and can't do is very substantially affected or limited by
8 that constraint.

9 MR. POMEROY: As to what the State can do in its
10 acreage over which it has authority, what are we doing
11 poorly, or what's the timber industry doing poorly that we
12 could do better that the public could do something about?

13 MR. STUMP: Well, I think that the State program is
14 developing along some very good lines and some very good
15 directions with the State Forest Practices Act. I think
16 that, in action, we have, for example, in the Haines area,
17 where some -- the process of revitalizing the Haines
18 timber industry, specifically John Schnabel's mill, is
19 being severely hampered by delays, legal action or
20 threatened legal action by groups opposed to timber
21 harvesting.

22 I don't know exactly how deep you want to get
23 into that specific thing. But there is a problem there
24 because of the fact in this particular instance that you
25 have a mill that is -- well, since 1973, was facing real

1 problems in obtaining timber. And as such they began going
2 to the State legislature, to State agencies to get some
3 action so that they would have that resource, some resource
4 made available so they can continue to run their mill.

5 Well, it dragged on and on and they shut down the
6 mill for two years, another mill that was in Haines.
7 Alaska Forest Products, I believe, AFP, shut down not only
8 from a lack of timber, because it's not quite that simple,
9 it's also a matter of timber at a price that they could
10 afford. So that mill stopped its operations and sold all of
11 its equipment and moved out. Schnabel was down for over two
12 years, and you had a very severe depression within the
13 Haines area.

14 That's a specific situation. It does exist to
15 some degree in other areas throughout the State, but, for
16 the most part, I would not say that that characterizes the
17 entire State situation; okay?

18 I don't know if I can give you a really direct
19 answer as to what the State could do, except to try to
20 facilitate the timber sale process to facil'tate the
21 permitting processes that are required for putting together
22 timber sales.

23 And I think, for one thing, to avoid the kind of
24 statement that you have in this first recommendation, or
25 this one recommendation referring to clear cutting, because

1 I don't think that that is going to solve any problems, I
2 could get into that particular issue, too.

3 MR. REAVES: Do you think the sale of timber is
4 somewhat restricted by the environmental controls placed
5 upon the pulp mills?

6 MR. STUMP: I'm sorry. Would you try to explain that
7 just a little, and reword that a bit, because I was
8 confused.

9 MR. REAVES: Well, if the pulp mills are overly
10 restricted in the types of commissions that they can allow
11 and so forth, I would suspect that the guy out there
12 cutting timber wouldn't be able to sell it to the mill if
13 the mill has to close down because it's too costly to make
14 those changes, whatever they may be.

15 MR. STUMP: Again you're dealing with the federal
16 government, for the most part there. For example, in
17 Ketchikan, the Louisiana Pacific Corporation originally had
18 an acceptable pollution discharge program that was
19 acceptable to the State and was originally in the process
20 of being accepted by the federal government as a result.
21 But it's when the federal government changed their
22 regulations to nationwide limitations that you ran into the
23 problem in that particular instance.

24 And as such you've had some real questions of
25 whether or not that mill is going to continue with their

1 operations.

2 MR. ECKHOLM: We had a point from Red that I think
3 what red was saying is we have existing State timber
4 programs where they allow clear cutting and they allow
5 utilization, but then other programs take chunks of land
6 and rope it off. He says besides existing programs to allow
7 those to go on, but in all lands that we can go in and
8 selective log, and it would be consistent with
9 environmental use and we could use the forest even more
10 than we are and still protect the environment.

11 MR. STUMP: I think you have run into some real
12 dangers in trying to put into a policy statement something
13 selective as opposed to clear cut or patch cut logging.
14 Because those are biological issues. To try to make broad-
15 based statements dealing with it, you have some real
16 dangers.

17 For example, in Southeast Alaska, selective
18 logging would not be applicable from an economic reason on
19 hardly any land except a few alluvial flat areas.

20 Biologically it would be unacceptable from the
21 standpoint of blow-down, which is a major problem in the
22 shallow soil basin, you have had your coastal forest areas,
23 from the standpoint of disease infestation. You have a
24 large amount of -- I can't remember.

25 MS. SCHIRMER: Mistletoe.

1 MR. STUMP: Mistletoe. The problem is that if you
2 don't get rid of all of the trees with that, that it will
3 spread into the new trees coming up and will continue and
4 increase that infestation thwarting the growth.

5 So when you get into making recommendations that
6 deal with, really, what should be on the ground forester
7 technically determined decision, I think you're getting off
8 base.

9 MR. SWANSON: I tried to make the point, when I said
10 we had two different categories there are some areas we
11 could selective log, some areas we could clear cut. Just
12 like you said, there are some side hills that you can't
13 selective log. You can't get a machine up and down. But you
14 don't try to do them both in one spot. Whatever its terrain
15 adapts itself to, that's what you want to do. Utilization
16 is what I'm talking about.

17 MR. STUMP: Okay. I see what you're saying there, and
18 yes, you should always try to obtain the kind of logical,
19 biological and economically rational plan for the area.

20 For example, in the interior forests, the closest
21 process, the closest harvesting process to the natural
22 biological life cycle is clear cutting. It very similarly
23 or approximates, really, the natural fire basis for ending
24 of a forest cycle and beginning a new one.

25 MR. HARTLE: I'm afraid that we're getting too

1 specific with this and we can talk all day about clear
2 cutting versus other kinds. And something we would be able
3 to support is a recommendation that simply states that we
4 recommend improving our utilization or increasing our
5 utilization of the state's timber resources through
6 appropriate methods depending on biological and ecological
7 considerations. Does that make sense to the group?

8 MS. SCHIRMER: Yes. I think you put it very well.

9 MR. ECKHOLM: Could you go over that again, John?

10 MR. HARTLE: That we recommend that it be a policy of
11 the State of Alaska to increase our utilization of timber
12 resources with appropriate ecologically and biologically
13 considered techniques. Does that cover everybody's concern?

14 MR. POMEROY: Well, that's consistent, Mr. Chairman,
15 with development of resource, of a renewable resource.
16 That's consistent our whole idea, I think implicit in what
17 we're doing is to develop means of supporting Alaska that
18 isn't just oil.

19 MR. ECKHOLM: Let's vote on it. The recommendation is
20 that the State increase utilization of the timber resources
21 with appropriate ecological and biological techniques
22 wherever possible

23 MR. MORGAN: I'd like to change that to say biological
24 and culturally acceptable. Biologically, you cover
25 ecological.

1 MR. POMEROY: I don't know what that means.

2 MR. MORGAN: Culturally acceptable?

3 MR. MERDES: I think the language he has is good.

4 MR. POMEROY: I like it the way it was, and would so
5 move.

6 MR. REAVES: Second.

7 MR. HARTLE: I would make an addition of the word
8 cultural, culturally can be acceptable. It's going to make
9 it hard to pass the recommendation, though, if that happens.

10 MR. ECKHOLM: It would be --

11 MR. MORGAN: I'll withdraw the word from it.

12 MR. STUMP: I'm against in your group, but I think
13 economically would be a consideration involved, too. It is
14 by nature whenever it happens. But I think --

15 MR. ECKHOLM: That goes without saying.

16 MR. MERDES: You better say it.

17 MR. ECKHOLM: Utilization of -- where do you want
18 to --

19 MR. MERDES: Just put it in after biological, economic.

20 MR. ECKHOLM: Okay. Economical techniques.

21 MR. POMEROY: Is cultural in?

22 MR. MERDES: No. He left it out. Why don't you read it.

23 MR. ECKHOLM: Okay. That the State increase
24 utilization of timber resources with appropriate ecological,
25 biological and economic --

1 MR. MERDES: Considerations.

2 MR. ECKHOLM: -- considerations. Is anyone opposed to
3 the motion? Passed.

4 The second recommendation. The State establish a
5 youth conservation corps to put young people to work
6 maintaining forests and parks.

7 MS. SHROYER: I have a question. Both of the youth
8 conservation corps, are they both federally run, or isn't
9 one of them already State one. Because we have the ACC and
10 the YCC.

11 MS. SCHIRMER: They're both federal.

12 MR. MERDES: There's people that aren't youths that
13 would probably want to go into the forest, too.

14 MR. ECKHOLM: You're right. Sorry.

15 MS. SCHIRMER: How about just a conservation corps?

16 MR. ECKHOLM: All right. The recommendation is that
17 the State establishing a conservation corps to put people
18 to work maintaining State forests and parks.

19 MS. PORTER: It is already -- the State already does
20 that.

21 MR. ECKHOLM: It's a federal program, according to
22 Claus.

23 MS. PORTER: The State in State parks. The State hires
24 gobs of people every year to clean up all summer, to clean
25 up to do this, to pile wood.

1 MR. ECKHOLM: I threw in parks. Red was talking about
2 thinning forests.

3 MR. MERDES: I think Red is right. It applies to parks.
4 But he's expanding that. The State owns millions of acres
5 of forest land that's not a park.

6 MS. PORTER: I don't know. That really should fall into
7 the industry. Industry is going to do the harvesting,
8 unless the State is going to get into timber industry.

9 MR. ECKHOLM: The State may not be commercially
10 feasible unless it grows right. Thinning would encourage it
11 to grow right so at sometime it will be commercially
12 harvestable.

13 MR. STUMP: The reason the industry doesn't do that is
14 they don't own the land. They don't have the right to do
15 that. I think you're going to find it very hard put for a
16 corporation to say we're going to spend so much amount of
17 dollars that we don't know and we may not be able to
18 harvest, come the appropriate time.

19 MS. SCHIRMER: The forest service found it appropriate
20 to do on the federal land. And I think it's appropriate to
21 consider on the State land.

22 MS. PILLIFANT: How about the small sawmills? I heard
23 that the State has these large timbers sales which doesn't
24 put the timber within the grasp of the small businesses.

25 MR. ECKHOLM: Could we finish this recommendation

1 first, before we go on to that?

2 MS. PILLIFANT: Can't they clear the land?

3 MR. ECKHOLM: I think the point is thinning is
4 something you do before the land is commercially feasible.
5 So if I were a sawmill and I didn't own the land, I
6 wouldn't thin it, because it's not going to be harvestable
7 for 10 or 15 years. If the State did it, maybe you would
8 produce a better product so you would end up owning more --

9 MR. MOORE: We're talking about two things.
10 Southeastern is established, has a couple of mills. We're
11 talking about interior, where the industry is native. There
12 are a bunch of sawmills that have existed for a great many
13 years, and the last couple of years have many, many sales
14 or permits granted by the State for the harvest of fire
15 wood. So there's fairly intense utilization in the various
16 communities in the interior area, immediate vicinity. There
17 has been for a long time various sales that have taken care
18 adequately, I think, of the small sawmills. Fairbanks has
19 three or four.

20 MR. ECKHOLM: Schnabel's essentially is a small
21 operation.

22 MR. POMEROY: Mr. Chairman, the State has a policy to
23 do what is questioned down here. They are making small
24 sales.

25 MR. ECKHOLM: Is there any other discussion on the

1 conservation?

2 MR. MERDES: Read the motion.

3 MR. ECKHOLM: The State establish a conservation corps
4 to put people to work in forests and parks. And I had
5 especially thinning --

6 MR. SWANSON: In my talk, I was trying to relate that
7 to that special group of youngsters. And I think that
8 probably you could add that to your recommendation.

9 MS. PORTER: Eric, if I may, I think that program is
10 just totally different. The wilderness- or adventure-based
11 education, it's a totally different thing than just putting
12 people to work. If they just needed to work, they could
13 work anyway. But there is a life-saving kind of thing it's
14 a responsibility. It's a whole educational thing, not where
15 you're just sending them out to pick up sticks in a forest.

16 MR. ECKHOLM: I don't think anyone would deny working
17 18 hours a day is not a good experience for a kid.

18 MS. PORTER: But it's not adventure-based education.

19 MR. ECKHOLM: But it's not adventure-based education.
20 Is there any disagreement with the motion? Let's move on.
21 Are there any other recommendations?

22 MR. HARTLE: Yes. I have another recommendation. It
23 relates to an interior timber need that, as Claus Naske
24 mentioned, personal use of fire wood. I happen to know that
25 North Star Borough, they issue wood cutting permits for

1 people who need firewood. And two years ago they issued 400
2 permits, last year being 750, this past summer, 3200
3 permits.

4 So, in three summers it multiplied by a factor of
5 eight.

6 So I think that indicates a tremendous demand for
7 such things and I believe that the resource is there for
8 people to use it and that people are going to continue to
9 want to do so with these other considerations we've talked
10 about earlier. And I would put it in the form of a
11 recommendation simply that provision be made to meet this
12 demand.

13 MS. SHROYER: Excuse me. The State already has a
14 program for personal firewood use and cutting on State
15 lands.

16 MR. ECKHOLM: I'd like to back you up on that, John,
17 because I live in Juneau, and it's not State land, it's
18 federal land. But just the land they allow you to go in and
19 thin out, it isn't enough because of the people getting
20 into using wood again. I'd like to see the State put in
21 roads, logging roads, into areas around cities that have
22 timber available for personal use so that we increase the
23 accessibility of the people to get to the woods and not
24 just put in logging woods for people who want to
25 commercially harvest it.

1 MR. HARTLE: The recommendation should be, then, to
2 increase the provisions being made. Frieda is right. There
3 is provision, but I heat with wood in Fairbanks, and you
4 have to drive now many miles to get it. And that consumes a
5 lot of my time and energy and gasoline energy and so forth.
6 And I think that there are State lands -- I'm not
7 positive of this, and I'm sure it's not true in every area,
8 but in some areas, there are State lands that can be used
9 for that not now being used for this. And if there's a
10 priority -- that's all.

11 MS. SHROYER: I have a small problem with that
12 recommendation in that the public use of wood for that is
13 that private citizens don't know how to cut logs and they
14 leave stumps two, three feet high that are not only
15 dangerous for other people to go in, but also dangerous for
16 animals that go into the woods. And they don't allow for
17 forest regrowth. and I think that if we had a program for
18 public use that it would have to be regulated in order to
19 protect our forests.

20 MR. HARTLE: That can be in the provisions to be made.

21 MR. ECKHOLM: That's right. Regulations could be
22 enforced.

23 MR. HARTLE: Regulation of it, education on it, help
24 with it, a forester or a logger in town where you could
25 easily get help.

1 MR. NASKE: I think again you're talking about in
2 Fairbanks, North Star Borough is one example. You have
3 borough lands and you have State lands. The State has a
4 full program of giving permits and regulating the cutting
5 and telling you where to go and so forth.

6 I don't know about the North Star Borough because
7 the land transfers have just begun in that category. I
8 don't even know whether or not they have classified their
9 lands as to different uses. But the State does have a
10 program.

11 MR. PETERSON: I was just going to mention, Claus was
12 mentioning there was specific instructions on how to do
13 your cutting under the State program. So they're fairly
14 detailed on how to do it. I would I guess question the
15 hazards that this recommendation would present.

16 MR. ECKHOLM: The recommendation is the State increase
17 utilization of State timber for personal use.

18 MR. POMEROY: With no limitations? I have some problem
19 with this. I don't know what the limitations are on the
20 qualifications. Can a person go out and cut down a tree
21 only four inches in diameter and it's going to grow to 18?

22 MR. ECKHOLM: The way they have it now is just dead
23 fall. I don't think we ought to limit that to ourselves
24 here. I know in Anchorage they cut off area of the airport
25 and says, okay, here's a permit, you get a tree.

1 MR. POMEROY: I understand that. I think you've
2 answered my question. You will have timber that should grow;
3 going to be commercial value and worth more, and you got --
4 but if it is, if they have it in hand as to dead falls and
5 limitations, that's excellent.

6 MR. HARTLE: Also, for instance, when a road site is
7 cleared, I know that too often it gets put into a burn pile
8 and burned when it could be hauled away, people would
9 volunteer to haul it away.

10 MS. STRASSBURG: This is something being addressed by
11 the entire State, along the State and highways being built.
12 Ones who lived in Anchorage will remember a couple of years
13 ago when they widened some of the road. There were public
14 advertisements in the newspaper saying you may come to such
15 and such an area on such and such a day using the stuff
16 that was cut.

17 MS. SHROYER: I've seen those advertisements all over
18 the State, so I think that's taken care of already.

19 MR. NASKE: I think the recommendation is superfluous.

20 MR. ECKHOLM: That it's already being done?

21 MR. ECKHOLM: It's not being done enough in Juneau.

22 MS. SHROYER: Maybe there's something to take up with
23 your city.

24 MR. ECKHOLM: I'd say including access roads into new
25 areas.

1 MS. SHROYER: I have a real problem with general
2 public access, especially with roads and things. Because
3 you cannot have somebody sitting at the road making sure
4 that everybody who goes in there knows how to cut these
5 trees.

6 MR. ECKHOLM: We have regulations already.

7 MS. SHROYER: If you put in public access roads for
8 the purpose of cutting the wood, you have to have some way
9 to regulate it. And I just see too much leeway for
10 everybody who wants it is to use those roads and getting
11 the trees they want to and not knowing how to cut them down.

12 MR. PETERSON: I move that we read the recommendation
13 and make a vote on it.

14 MR. ECKHOLM: I added this including building access
15 roads because that's my personal bend. Is that okay with
16 the group?

17 The state increase utilization of State timber
18 for personal use, including building access roads.

19 MS. STRASSBURG: The access roads would also open it up
20 for getting down to the river so you can fish and you don't
21 have 1500 fishermen all in an acre on the Russian River.
22 This is one of the things.

23 MR. ECKHOLM: All those in favor of the motion say aye.

24 Anybody opposed?

25 MR. POMEROY: Yes. Opposed.

1 MR. ECKHOLM: Let's take a vote. All those in favor
2 raise your hands.

3 All those opposed.

4 Nine to six is what I've got here.

5 DELEGATE: It's seven.

6 MR. ECKHOLM: Nine to seven?

7 MR. STUMP: I don't know how relevant it is, and I am
8 a guest, but it cost approximately \$150,000 per mile of
9 road in Southeast Alaska. It's very, very expensive.

10 MR. POMEROY: Mr. Chairman, the reason I voted against
11 it is that reason and because of erosion, all kinds of
12 things that is a sweeping thing like that -- excuse me.
13 The vote has been taken.

14 MR. HARTLE: Can we back up and cancel the roads out
15 of that. I would go for that. If that would help people.

16 MS. SHROYER: I would support the amendment without
17 roads.

18 MR. POMEROY: I would support it without the roads.

19 MR. ECKHOLM: The motion is the State increase
20 utilization of State timber for personal use. All those in
21 favor of the motion say aye.

22 Opposed.

23 MS. SIMONDS: Get a workhorse.

24 MS. SHROYER: Mr. Chairman, I would like to make
25 another recommendation. I believe that this recommendation

1 may also fall under some that we made yesterday as far as
2 making money available on small business.

3 But talking to John Schnabel before, he mentioned
4 that a need for kiln-dried timber for local construction
5 use and that all of our timber goes to the states to get
6 processed for use in construction and then comes back to
7 Alaska and therefore our construction costs are a lot
8 higher. I'd like to see the timber made available at such a
9 price so that production and kiln-dried timber would be
10 available for local construction use. I don't know if we
11 can fit it into timber or go back to the --

12 MR. ECKHOLM: What's the argument?

13 MS. SHROYER: I'd like to see the timber available at
14 a better price to our local mills so that we can afford to
15 expand them.

16 MR. ECKHOLM: Why can't they afford to expand them now?

17 MR. NASKE: It's subsidizing the timber industry.

18 MS. STRASSBURG: One of the problems is we don't have
19 education to the consumer builder, because he doesn't
20 realize the cotton and birch, properly processed, is as
21 good as Washington fir, that is 99 percent hemlock. This
22 is one of the problems. We have not educated our builder in
23 Alaska to the value of our own local timbers.

24 MR. ECKHOLM: Doesn't it seem like an enterprising
25 young businessman could go out and do that?

1 MS. STRASSBURG: Probably.

2 MR. ECKHOLM: If you build a better product, you're
3 going to sell it, right?

4 MS. STRASSBURG: Right.

5 MR. POMEROY: I see the concern there, but I don't see
6 how it's management. The timber, it comes up, it's wet. We
7 don't give kiln-dried timber.

8 MR. ECKHOLM: We could maybe encourage the State to
9 come up with research.

10 MS. STRASSBURG: I would like to recommend that this
11 State encourage research into the use.

12 MS. SHROYER: I was offering it into discussion,
13 because I don't know how to write it either.

14 MR. NASKE: Fooling around with stumpage price, all
15 you're doing here, taking it out of Peter's pocket to pay
16 Paul. And, really, it's subsidizing.

17 MS. STRASSBURG: Will not need a lower stumpage price
18 for their timber.

19 THE MODERATOR: I sense we're getting about ready for
20 a break here. Keith wanted to make a recommendation of his
21 own?

22 MR. STUMP: Actually, I don't want to make a
23 recommendation, but perhaps out of what I'd like to say, a
24 concern within the general field of timber harvesting and
25 perhaps you'd like to make a recommendation based on that.

1 A major concern of all of us is the effect of the
2 timber harvesting activities on other resources, on the
3 fisheries, and on wildlife habitat. There's a tremendous
4 amount of emotionalized media-hyped information that is
5 based on insufficient amount of research, is based on
6 qualitative studies that do not have a way of providing the
7 necessary information to make sound political decisions.
8 Because it is eventually political when you get down to
9 government regulation of timber harvesting practices.

10 There's been a tremendous amount of opinion and
11 quantitative research saying the negative effect of timber
12 harvesting on fisheries, on fish runs. There's been very
13 little, if any, qualitative research, research that deals
14 with what has been the experience, how much effect actually
15 has there been on salmon production in areas that have been
16 logged, in comparison of areas that have not been.

17 I think that in the interests of not just the
18 timber industry, but fisheries and of habitat, that the
19 State direct more towards relevant research that deals with
20 quantitative impacts as opposed to qualitative, that
21 really do not seem to provide a sufficient research base,
22 at least in my mind it doesn't. There are other people who
23 say that it does. I grant you that.

24 But I think that if you were to have that you
25 would really, you can do a couple things. One, you would

1 decrease the furor of timber harvesting, which has an
2 extremely visible impact on resource, and is accused in
3 some instances of having more than just a physical impact.
4 At the same time you would be developing forest practices
5 braced on something that is more well substantiated and
6 more comfort related. Okay, if there is a possibility of a
7 negative effect from timber harvesting, how much of an
8 effect, and is it worthwhile to say make stream borders,
9 leave strips when you're losing a substantial amount of
10 some of your prime growing timber habitat.

11 MR. POMEROY: Don't impact statements come into this
12 somewhere?

13 MR. STUMP: They don't have the research, really; what
14 I'm getting at, to really make good decisions on that, I
15 just don't think.

16 MR. ECKHOLM: How long would it take to do such a
17 report?

18 MR. STUMP: Oh, you're your talking about a pretty
19 substantial undertaking, really, and it's not a short-term
20 deal, in order to come up with the kind of information
21 necessary. And, unfortunately, that has always been the
22 kind of process of delaying that kind of research until
23 sometime when we could do it. And then you end up getting
24 down in increased polarization.

25 MR. ECKHOLM: They have two recommendations. Then we

1 will discussit. The first is the State research developing
2 full utilization of State timber into finished timber
3 products.

4 MS. SHROYER: That would encompass what I said as well.

5 MR. ECKHOLM: Yes. Is there any questions or
6 disagreements about the recommendation?

7 MR. HARTLE: Will you say it again, please?

8 MR. ECKHOLM: State research developing utilization of
9 State timber into finished timber products.

10 THE MODERATOR: Research utilization, I think you mean.

11 MR. ECKHOLM: Research utilization of timber into
12 finished timber products.

13 MR. HARTLE: Is that the correct wording?

14 MR. POMEROY: What do we know about what's available
15 already? I have in my own files documents going back to
16 1947 on the utilization.

17 MR. ECKHOLM: Well, I think we're talking about what
18 you were saying, people aren't using the wood that we have
19 that's available because they don't know how to process it.
20 And we're not saying the State would get into the business
21 and do it, but just say here's how you do it.

22 MS. STRASSBURG: The whole thing is they don't realize
23 what we have here, they look out and say, gee that's a
24 little bitty birch tree. That isn't it as big as the alder
25 that I saw in Washington State. They don't realize that the

1 birch is equally as good a lumber if it's processed
2 properly as what you get out from the out-of-state areas
3 that do scrap mill.

4 MS. SCHIRMER: Isn't it about time we switch to another
5 one?

6 MR. PADDOCK: Before we switch to another one, I'd like
7 to add on this subject of utilization of local timbers.
8 This has long been the subject dear to the hearts of the
9 Forest Service people and the Juneau people, especially the
10 utilization of local timbers for unique uses, such as
11 finishing the interiors of bathrooms. This group formed a
12 society down there which was known as the Birch John
13 Society.

14 MR. ECKHOLM: The recommendation is that the State
15 research utilization of State timber into finished timber
16 products. Is there any opposition to the recommendation?
17 It's adopted.

18 The State produce a quantitative report of the
19 real effects of timber harvesting on other resources; the
20 recommendation of Mr. Stump.

21 MS. SHROYER: Hasn't there already been studies on
22 that?

23 MR. NASKE: There have been studies on everything. Only
24 historians know where they are.

25 MR. ECKHOLM: And Claus has got half of them.

1 Does anybody want to make that recommendation? He
2 suggested it.

3 MS. STRASSBURG: I think it's important. Because many,
4 many times, as he says, the media scares the general public
5 into thinking if you take the trees from this creek, all
6 the salmon is going to disappear, and it isn't always true.
7 The same thing with my statement a little while ago, and I
8 think it was misunderstood. Clear cutting, as I mentioned
9 it, is not always wrong, although the media and I'm not
10 criticizing any particular organization, many conservation
11 organizations have come out rabidly against clear cutting
12 in any case. Now, that isn't true.

13 By the same token, it isn't always a bad thought
14 to cut the trees up close to the stream. And this is
15 something that we need to know?

16 MR. HARTLE: I would agree with that. I want to be
17 careful that we don't say what the research is going to
18 show before we start it.

19 MR. SWANSON: May I add something here that might be
20 helpful. You got to realize that we're in the fourth year
21 now of the limited entry. Now, our fisheries are going down
22 and down and down and down. And they were blaming on to the
23 logger that he done this terrible thing and he ruined all
24 the fish streams. He was fishing out here in a mountain
25 with a creek. We were a limited entry that has taken the

1 away 200 miles from our shores. We're having the fish come
2 back now in fantastic amounts. If we could, if we are not
3 national enough to keep the foreigners out of here for
4 another two years, then we would have the full.

5 MR. ECKHOLM: Red, I hate to cut you off, but I'm
6 going to do it. Could we vote on the recommendation?

7 MR. POMEROY: I have the impression that there is a
8 substantial amount of first-quality attention being given
9 to this subject. For this reason, I vote against it.

10 MR. ECKHOLM: The recommendation is to produce a
11 quantitative report on the real effects of timber harvests
12 on other other resources. Is there any opposition to the
13 recommendation?

14 MR. POMEROY: Yes.

15 THE MODERATOR: Yes. I think it's superfluous. I think
16 Harold is right.

17 MR. ECKHOLM: Doesn't this guy work in the timber
18 industry that recommended it?

19 MR. MERDES: Let's vote on it.

20 MR. ECKHOLM: All those in favor raise their hands.
21 All those opposed. Passes.

22 Let's take a break. When we come back we'll deal
23 with agriculture. We went way to too long with this. We're
24 going to have to be a little briefer next time.

25 (A recess was taken.)

1 MR. ECKHOLM: I think it's time we started
2 rolling again. We should start again, I think.

3 We have a number of things, as you know, to keep
4 going on. We have one of the white paper authors with us in
5 the back, John Martin, who wrote the paper about Japanese
6 marketing. He had some specific recommendations in that
7 paper, and -- we've told him to limit his comments to
8 just three or four minutes if he couldn't and be very
9 specific about what his recommendations were. And get those
10 on the table and then we can go on and discuss other
11 aspects of fisheries.

12 John.

13 MR. MARTIN: As I mention in paper, I don't know how
14 many of you had a chance to look at it, but I've had some
15 experience writing about selling fish, as well as selling
16 fish. And I've looking at export in Alaska for the last 15
17 years to Japan. It's obvious that we sell the predominant
18 portion of our product to the Japanese. In some cases
19 because they're the only ones that buy certain products, in
20 other cases because they provide the most favorable price,
21 they've been paying higher prices that buyers in the us
22 U.S. and Europe have. In my estimation, and I'm by no means
23 the last word on this, we've become overdependent on the
24 market, whereas the market has become relative soft, and
25 the processors were not able to earn any margin at all on

1 principally the frozen salmon they process. So we're left
2 holding a huge volume of product and the same thing is
3 carried over into King crab with very few alternative
4 markets, currently developed markets in which to sell this
5 product.

6 One possible solution to this problem, as I
7 perceive it being a problem, is obviously to aggressively
8 pursue markets in the United States. There's no reason we
9 should discriminate against Americans, and in Europe, and
10 other areas so we're not so intimately tied to one
11 particular economy. And what's happened this year is what
12 the dislocations in international oil markets, with Japan
13 being entirely dependent on imported oil, the yen versus
14 dollar exchange rate is changed considerably. In
15 approximately 23 percent depreciation, yen versus the
16 dollar.

17 What that means is our exports are 23 percent
18 more expensive to Japanese. Coupled with their economic
19 slowdown it's a very unattractive export market from the
20 standpoint of the U.S. seafood producer. So in order to
21 develop U.S. markets elsewhere, one approach is to form an
22 association as I suggest in the paper. It's not the only
23 approach, certainly.

24 If you accept the fact that individual companies
25 may not have the wherewithal to go out and put on a billion

1 dollars campaign in the U.S., and go over to hustle the
2 West Germans, French, et cetera, principally for our frozen
3 salmon, which is the bulk of the value in this State,
4 talking about salmon steak. To keep it brief here, one of
5 the ideas you might kick around is the validity or the
6 usefulness of association of processors and marketers who
7 would proceed note in a generic sense, not on a brand by
8 brand basis, Alaskan seafood products, crab, salmon, to
9 raise the general level of consumer awareness, the general
10 level of demand so the individual companies will be
11 dividing up a larger pie in the American market, hence
12 being less tied to this one specific market area, Japan.

13 It's a very briefly encapsulated sketch of what I
14 guess was my principal recommendation. It's certainly not
15 the only situation to what may be a short-term problem, but
16 certainly if you look at the statistics, it's a large
17 percentage of our product that does go to Japan. There's no
18 question but we will always be trading with Japan and we
19 will always mutually benefit from that. But to think we can
20 exclusively trade there.

21 MR. ECKHOLM: Why limit it to just the high-value fish?
22 I hear that Americans don't eat bottom fish as a rule. Why
23 not develop a campaign so we got a bigger market of those,
24 too?

25 MR. MARTIN: They've got a big import market from

1 Iceland, Norway, Denmark.

2 MR. MERDES: That's the paradox, Japan gets it, then
3 they sell it back to the American market. I think we ought
4 to go into the American market.

5 MR. ECKHOLM: So it's like your Anita Bryant in
6 Florida selling oranges.

7 MR. MARTIN: A lot of our industries apply to this,
8 like fisheries, agriculture, fruit, dairies, et cetera,
9 have formed associations specifically addressed to this
10 problem.

11 MS. SCHIRMER: I wondered, is this information that you
12 gave us, are you making it available to the fish processors?

13 MR. MARTIN: Oh, certainly. In fact, to be perfectly
14 frank with you, we're trying to organize this association
15 and maybe it was a cheap shot to throw it in my paper here.

16 MS. SCHIRMER: It seems to me it's an appropriate thing
17 to do. I'm not sure it's an appropriate thing for the State
18 government to do, except that maybe it's appropriate that
19 they might try to facilitate it.

20 MR. MARTIN: We're looking to the State as a
21 capitalist. Given the State has not been historically
22 famous for cooperating in very great detail. We're hoping
23 that certainly the beneficiaries have to be in favor of it.

24 MR. ECKHOLM: I think another point -- I'm excited
25 about this one too, because I think next in Bristol Bay

1 we're going to have -- the processors don't care. The
2 processors are going to pack out as much as they can pack
3 out. They're going to be filled up. So they're going to
4 make up as much money as they possibly could, and do it a
5 lot cheaper than they usually do it. The fisherman are in
6 serious straits in Bristol Bay next year. We're looking at
7 a glut on red salmon in the markets now, looking at a
8 record catch and looking at fishermen watch millions of
9 fish rot.

10 THE MODERATOR: Excuse me.

11 MS. SHROYER: I'm sorry. Go ahead.

12 MS. PORTER: Well, if you read Larry Cotter's paper, he
13 addresses this problem. But our number one problem in the
14 nation and in the world and even with Japan is the bad name,
15 as an example, Bristol Bay salmon has. We have, as with
16 agriculture, no quality control. Now, we're giving them
17 bruised fish, fish that have been left in slime overnight
18 or two or three days or left out in the sun and they're
19 unusable. And of course they're not going to get money for
20 those.

21 And what we have is just a total lack of quality
22 control. Our people don't know how to handle that.

23 MR. ECKHOLM: In the King crab we have quality control.

24 MS. PORTER: In King crab you also have an industry
25 that has done their job advertising. When people think of

1 king crab, they also think of Alaska King crab because they
2 market it that way. But we cannot market it and stamp with
3 it Alaska, this is King crab, unless it's good, and we'll
4 never get a price out of the nation. We can't sell to a lot
5 of the European nations because we've got a bad product.
6 That's one of the reasons we don't get a lot of money.

7 I have no objections to not exclusively selling
8 to the Japanese, but I'll tell you, the Japanese have been
9 damned good to us they bought the fish when nobody else
10 wanted them, and particularly in Bristol Bay when you're
11 not going to get them out. In the Kuskokwim, they process
12 them on the ship.

13 THE MODERATOR: He said he'd like for the State to
14 stimulate a market for our fish. And you're saying we've
15 got to have quality control to market it.

16 MS. PORTER: I think it's very inappropriate for the
17 State to market our fish or to advertise our fish. I think
18 it is appropriate that an association be formed. It's
19 appropriate for the State through the Fisheries Department
20 to develop some kind of an education program that will
21 teach our fishermen how to handle the fish so that we get a
22 better quality and a better price.

23 MS. PILLIFANT: Yesterday I said when Jerry McCutchen
24 was talking, there is a committee that is working a quality
25 control on salmon and there is a committee of that

1 committee that is going to look at the education and
2 they're working right now. And they said exactly what you
3 did. They had hearings day before yesterday all day. So
4 it's going to happen. In other words.

5 MS. PORTER: It's critically important that it begin
6 almost immediately before the next fishing season because
7 our reputation is getting worse and worse.

8 MS. PILLIFANT: The report will be written hopefully
9 by the middle of March.

10 MS. PORTER: As far as the State marketing, I think
11 that's a very bum idea.

12 MR. ECKHOLM: I don't think what he recommend is the
13 State market it.

14 MR. HARVEY SAMUELSON: I being a Bristol Bay fisherman,
15 when you send garbage collectors to collect garbage --
16 that's exactly what they did this last summer. These guys
17 come up there with processors that never bought fish before.
18 An old time fisherman like myself, Dean Paddock, that
19 fellow over there, we got to take it on the chin. We take
20 care of our fish. But it's these garbage collectors that
21 the State has got to watch out for. Where that garbage
22 comes from, fishermen fishing with slightly no market. Last
23 summer they were trying to sell me fish for 25 cents apiece
24 with old, white gills.

25 I don't know. The State has got to come up with

1 some sort of program to monitor these fishermen.

2 MS. SHROYER: I'd like to just add on to that. The
3 reason why we do have the bad reputation in Europe is
4 because the processing plants not only buy our good fish
5 from our Alaskan fishermen, but also from what he called
6 the garbage collectors, the people from Seattle for the
7 most part, who don't use quality control and they buy all
8 of the fish together and they process it all together and
9 so that therefore the good fish is mixed with the bad fish.
10 And I'd just like to reemphasize quality control.

11 MR. POMEROY:

12 MR. HARVEY SAMUELSON: The canneries themselves, we
13 used to own Peter Pan. We sold it to Japan last year. We
14 had cases of botulism over in England. Two little tiny
15 cases of botulism. One can that had botulism and affected
16 two couples. People died, unfortunately.

17 But the only way they kept opening cans, opening
18 cans, and one day they took a can and put a 14-point saw
19 across it and do you mean indicated the can. Finally, they
20 done it on the 1400th can.

21 And they got records in the canneries, the Cook
22 records that supposed to sterilize these -- retort records
23 is what they call them. All the canneries have them.

24 So, when the can go market industry, it's been
25 the first known one for a good many, many, many years,

1 health authorities, the American health authorities
2 determined it happened during shipment. So, as for
3 controlling the fish in the canneries, that's all right.

4 THE MODERATOR: Do you agree with the proposition that,
5 if Alaska can create a larger market, albeit Japan, Europe,
6 United States, for its fish, that we will become much
7 richer from our fisheries?

8 MR. HARVEY SAMUELSON: Alaska needs a real good
9 advertising campaign.

10 THE MODERATOR: You think it's advertising? I mean, is
11 it more than advertising?

12 MR. HARVEY SAMUELSON: Advertising, along with the
13 industry.

14 MR. PADDOCK: I think when Harvey says advertising he's
15 talking about development of markets. Now, we've talked
16 about the King crab. I can remember when Wakefield
17 Fisheries were the only people who were advertising Alaskan
18 King crab. They were the first. And gradually others came
19 in and got on the band wagon and along the line they
20 developed the King crab Quality Control Board, which is a
21 State-regulated board.

22 I think we're in the formative stages of a salmon
23 quality control board, if not a fish quality control board.
24 And this is overdue. And the thing that has brought it
25 about is the trend from canned salmon to fish frozen in the

1 fresh frozen market, which was almost, to start with,
2 primarily in the Japanese market. For red salmon, it's
3 almost entirely a Japanese market.

4 MR. HARVEY SAMUELSON: That one can of salmon cost us
5 in excess of \$800,000 in legal fees and whatnot. And it
6 isn't over with yet. It's still going on. So that little
7 six and a half can of salmon is going to run probably two
8 million dollars or better.

9 MS. PILLIFANT: But they're not only talking about the
10 fishermen and quality control and how they handle their
11 salmon. They're talking about vessel quality control also
12 in how it's delivered to the tender and the tender to the
13 processor and that sort of thing.

14 So I do think that they're formulating a plan and
15 one of the primary things that they will be doing very
16 quickly will be education.

17 THE MODERATOR: My experience in this has been very
18 limited, that you got the canned salmon, which has got the
19 problem that you just talked about, one in a million cans
20 that have botulism. You've got the crab industry which
21 apparently is a very simple process. I've seen it, at least
22 it seemed simple to me, and they have got quality control.
23 You've got the salmon, which we're known for and it's your
24 garbage dealer, you say, comes from the fisherman until the
25 time it gets to the plant where is the damage done? It's

1 not in the plant itself?

2 MR. HARVEY SAMUELSON: It's the people that moved
3 in the last few years. The Japanese paid so much money for
4 fish regardless of what kind of grade it was. The year
5 before, this past year, we had a good run of fish all over
6 Western Alaska and they were buying any type of salmon as
7 long as it had scales on it. And some without scales, too.

8 MR. ECKHOLM: To give us a framework for our
9 discussion, I would imagine we're probably going to have to
10 spend a fair amount of time on fisheries, but that means
11 it's five after 4:00 right now. We probably should have
12 fisheries finished by the time we have to get out of here
13 at 4:30.

14 MR. POMEROY: Fisheries and bottom fishing may be our
15 greatest potential, outside of oil and gas. It's so complex
16 and there are so many aspects to it that we could discuss
17 it for three days. A dominant feature, however, is
18 economics. And I think we cannot jump into an idea that
19 covers just one aspect of it. And it gets right into
20 economics, which is we're going to try to develop a market
21 until we have a much better analysis and evaluation of the
22 economics of it so long as fish can be taken to Korea and
23 made into fish sticks and sold cheaper back in the United
24 States and we can sell them, it doesn't make anything --
25 has nothing to do with how much we advertise. And that's

1 the problem we're up ag nst.

2 THE MODERATOR: No. But it's a viable industry. People
3 will make money in that industry. There's no question about
4 it.

5 MR. POMEROY: It's a viable industry, yes.

6 THE MODERATOR: It isn't a question where it's being
7 sold, the industry will take care of that.

8 MR. POMEROY: Maybe.

9 MR. PADDOCK: There's a great deal of truth in what Mr.
10 Pomeroy says. But the reason they are able to take those
11 fish back to Korea and make fish sticks out of them, or
12 wherever, is that they are presently able to take these
13 fish from within Alaskan waters, within the 200-mile limit
14 and do it legally. Because of the catch 22 situation in the
15 fisheries conservation act of 1976, the 200-mile limit
16 thing, which says that as we move into the fishery, then
17 the foreign fisheries are phased out. The only trouble is,
18 as long as they're in it, they have got the market.

19 And we need some assistance in moving the foreign
20 effort out of the 200-mile zone. And this has been
21 suggested, amendments everybody suggested to the national
22 congress to accomplish this. We're almost four years into
23 the 200-mile limit now and we still haven't cracked the
24 market for high-volume, low-cost bottle fish, I prefer to
25 use the term white fish. And we may need some help on that.

1 And I think that this group could strongly endorse some
2 national assistance or assistance at the national level on
3 this.

4 Now, of course, I hope we get a chance to talk
5 about other ways and means of assisting Alaskans to get
6 into it.

7 Incidentally, we have a very excellent paper
8 submitted by Dick Whittaker, a former legislator, an
9 attorney of Ketchikan, which is in these supplemental
10 papers, which proposes an Alaskan Fisheries Corporation,
11 which is an amalgamation of fishermen and Alaskan
12 processors with assistance by the State to establish a
13 world-class fishing company, which would encompass
14 marketing.

15 And I've had a chance to read Dick's remarks very,
16 very quickly, but they are applying to the bottom fishery
17 essentially what John said about the salmon fishery,
18 develop new markets.

19 And I hope we get a chance to talk about that.

20 MR. ECKHOLM: Harold?

21 MR. POMEROY: I am not defeatist. I note, however, we
22 have to some extent a chicken-egg kind of situation. And I
23 could have said better what I said, which is we've got to
24 look at economics very carefully, and we've got to be ready
25 to provide those things which will help the industry itself.

1 We've already talked about infrastructure. That sort of a
2 thing.

3 So that we can edge into those areas where we can
4 then push with the product that we think is going to be
5 able to be competitive.

6 MS. STRASSBURG: I don't think that we're ever going to
7 be competitive selling fish and crab to the American
8 housewife as long as when she goes into the store canned
9 crab amounts to \$16 a pound as against \$5.89 for the
10 American goal of steak. That's one of the places where we
11 got to start. We got to get it down to a competitive price
12 where the housewife will buy it.

13 MR. ECKHOLM: I don't think we have any problem
14 selling crab at that price. Otherwise, it will be cheaper.

15 MS. STRASSBURG: I don't know. There's not many people
16 outside who will buy it.

17 MR. ECKHOLM: There's not very much crab that goes
18 unsold out of Alaska.

19 MS. STRASSBURG: That may be true. If we're going to
20 get it into the American market, we've got to get it in the
21 household.

22 MR. MERDES: I think we ought to summarize this and
23 articulate it into some kind of formula. I think we ought
24 to recommend that we phase out foreign and bottom fisheries
25 within one year and that we endeavor to create a market in

1 the United States -- in other words, it's chicken or the
2 egg. Somebody has got to cut it off at sometime. And I
3 think we ought to recommend to the legislature that that be
4 implemented by legislation.

5 MR. ECKHOLM: We're going to have a real difficult
6 time with that. Because we're talking about the feds.

7 MR. MERDES: I know you're talking about it, but I
8 think you got to have an overt policy by the State,
9 otherwise it's going to go on year after year after year.

10 MS. PORTER: We've got a very critical economic picture
11 here. We're looking at a multi-billion dollar industry.
12 Both in hering, salmon. One of the problems is we don't
13 have any processors here. We don't have any bottom fish
14 boat. We can't compete on the market. You must understand
15 that if we don't harvest those fish, someone else will.
16 Time is of the essence. If we don't harvest the salmon.

17 If they don't harvest the herring or the bottom
18 fish, some other country will, or Seattle fishermen will.
19 We are not set up at all, we have no onshore processing, we
20 have no sea processing. Those are the kinds of things we
21 need. This State is simply not geared up to help those
22 people in this State who want to get into that industry.
23 It's going to cost millions and millions of dollars, maybe
24 a billion, maybe more.

25 But this is a life-long industry for the State.

1 This is going to produce billions of dollars worth of
2 revenue for the State. Taxes and all of that.

3 It's just an incredible opportunity, but we're
4 going to blow it and we're going to blow it very soon.

5 We can ask the legislature to put a year limit on
6 it.

7 MR. MERDES: A time limit. Not a year. It might be
8 it's five.

9 MS. PORTER: We're not going to be geared up to do it.
10 The international people won't stand for that. If we don't
11 harvest it within that time, the foreign fishermen will
12 come in on you, or the west coast fishermen.

13 MR. POMEROY: I don't know how a recommendation should
14 be worded, but I contribute this additional thing: I would
15 be delighted to see our industrial development corporation
16 sell tax exempt bonds if you get away with it, and put up
17 the plants and lease them, then, to the operators to run
18 them; anything that would help in this direction to get us
19 going.

20 MS. PORTER: That very organization, as Jean Ray was
21 telling us yesterday, that it has a \$500,000 limit. We're
22 dealing in toothpicks. We need four-by-six's.

23 MR. POMEROY: Increase it.

24 MS. SHROYER: I was just -- a few of the
25 Scandinavian countries have expressed an interest to help

1 us improve our fisheries all the way through processing
2 from actual catch. I think a recommendation ought to be
3 around accepting that help, accepting their obvious
4 expertise. Their fish products are known throughout the
5 world as being excellent. I think we ought to look at that
6 and accept their help.

7 MR. POMEROY: Consider engaging their technical
8 assistance?

9 MS. SHROYER: Yes. They've offered it.

10 MR. PADDOCK: Mr. Chairman, we're already doing that
11 aggressively. I'm happy to see the response on the part of
12 the legislature last session. We now have a European office
13 in Denmark. This interchange has begun. Anybody that
14 attended the fish Expo in Seattle here a few weeks ago
15 couldn't help but have been impressed by the tremendous
16 participation by these European countries.

17 These companies' representatives are ready,
18 anxious and willing to help and we're anxious to use them.
19 But everything seems to be in a holding pattern here in
20 Alaska in spite of the fact that we have a program going.

21 Now, one of these papers - I can't remember who
22 the author was, one of these publicly submitted papers
23 made the statement that all the state's efforts thus far
24 really didn't amount to a hill of beans. Well, that may be
25 overstating it a little bit. Not a hell of a lot, as far as

1 the State push here. You're aware of the fact that the
2 State hires a consultant, he says it's going to be this way.
3 The feds hire a consultant, he says no, it's not going to
4 be that way. It's going to be catchers processing on the
5 high seas as opposed to land-based development.

6 And I suspect it may go that way to a larger
7 extent than it would unless Alaska jumps into the gap here.

8 And I wish that we'd had Mr. Whittaker's paper
9 early and in the book so that all of you could expose
10 yourselves to it, because I'm tremendously impressed with
11 it.

12 He makes a couple of points here. Foremost on
13 his mind is the problem of outside takeover.

14 I think we have the same situation here as an old
15 Bristol Bay man told me 25 years ago. He says, as far as
16 the residents of the Bay area are concerned, they didn't
17 care whether it comes from Anchorage or Seattle. In this
18 case, we don't care whether it comes from Seattle or Japan.
19 Very little differentiation. It's not going to benefit
20 Alaska to any extent unless it's an Alaska-based industry
21 in some form, at least. I don't think we're ever going to
22 totally divorce ourselves for a long time from going to
23 Seattle and getting a certain amount of services and
24 supplies until our infrastructure built up.

25 He also makes a statement here that I think is

1 worthy of consideration. He says that the prudent budgetary
2 surplus of the State has the potential of destroying Alaska
3 as we now know it.

4 And he suggests that the opportunity to get into
5 the fisheries would avoid what many of us consider as an
6 undesireable, a largely undersirable feature in the state's
7 development. He goes on and says a little later, it's an
8 act of fate that the fish are available at the same time
9 that Alaskan capital is also available.

10 Otherwise, we Alaskans would be relegated to
11 watching others, outsiders, foreigners, whatever you wish,
12 harvesting these fish.

13 This is very true.

14 MR. ECKHOLM: Hank, very quickly.

15 OSTROVSKY: My name is Hank Ostrovsky. I'm from
16 Bristol Bay, Naknek, Alaska. I'll be specific about the
17 Bristol Bay problem, and specifically about Naknek Kvichak.
18 The information that I have indicates for four major
19 institutional breakdowns --

20 MR. ECKHOLM: Hank, could you keep your comments
21 just to recommendations for action?

22 MR. OSTROVSKY: Yes. First you have to identify the
23 problems, then the recommendations can follow from that.

24 Now, the four major breakdowns in the institution
25 was in the processing, the transportation, the distribution

1 and the financing. Two institutional successes.
2 Institutional successes were the fishermen who caught the
3 fish, who had no trouble catching the fish and delivering
4 the fish, and the resource itself that did not fail. Now,
5 the financing of the capital equipment necessary for the
6 process was inadequate. This financing is supplied solely
7 from the Japanese, since the Japanese control 95 percent of
8 the processing and that the markets are actually going into
9 Japan at the control of Japan. So what you're looking at it
10 from the inadequate financing ever processing equipment,
11 which allows the waste to occur because the fish cannot be
12 processed.

13 For instance, when these have been entered into a
14 record at the Department of Fish and Game, there were 27
15 and a half million pounds of fish wasted. In a breakdown of
16 these two categories, about two and a half million fish,
17 which represents about 15 million pounds at a value of
18 about 16 and a half million dollars, were dumped by the
19 fisherman because they had no processing facilities.

20 MR. ECKHOLM: Hank, what would you recommend?

21 MR. OSTROVSKY: This is what we have to get,
22 institution breakdowns and at that point look how you can
23 finance adequately.

24 The permanent fund as originally conceived was to
25 create a banking mechanism by which the fishermen or the

1 production in Alaska could factor their resource into
2 market, say, Hamilton's system back 200 years ago when the
3 United States was looking for a banking system, they put
4 the fate and credit in the United States which wasn't very
5 great then. What they did, put the same resource --

6 MR. ECKHOLM: Hank, two more minutes.

7 MR. OSTROVSKY: Yes. -- association, financed by the
8 State of Alaska to assure that her producers can factor the
9 demand for that product into market, whether it be in Japan,
10 whether it be into Europe or whether it be into the United
11 States.

12 And to have any broker between that exchange
13 actually denegrates the capital gains that are available to
14 Alaska for distribution within our own economic system.

15 THE MODERATOR: Hank, let me ask you a question. I see
16 Ed Naughton there and Representative Ed Osterback. In this
17 financing, how do you see the role of the State money and
18 the federal money? Who is to play the role in this thing?

19 MR. NAUGHTON: My name is Ed Naughton. I am from
20 Anchorage.

21 I think what is really needed is when the State
22 of Alaska takes its package of money, its billion dollars
23 or whatever the amount is and looks for a place to deposit
24 it, if it's City Bank or if its Bank of America, or no
25 matter where it is, Chase Manhattan, that you go into that

1 bank and you say to the banker, "I have a billion dollars I
2 want to deposit somewhere. If I put it in your bank, what
3 will you do for Alaska?"

4 Now, until we get the big banks from the east
5 coast involved in the development of Alaska's fisheries,
6 we're really not going to have anything. Because the
7 history of Alaska's fisheries is that we are capital poor.
8 The reason we are capital poor is because the eastern
9 establishment pays no attention to us, beyond the pumping
10 money into First Bank and Ranier Bank in Seattle, those two
11 banks.

12 So if there's anything that Alaskan money, the
13 State government of Alaska can do, it's to lever capital
14 out of the eastern establishment for investment in Alaska.

15 But now, you jumped ahead on this whole story by
16 asking what we think about the financing. And I think that
17 there's something that everybody has to look very hard at
18 and in the cold light of day, and that is that the price in
19 the wholesale market for pollack blocks, when you're
20 talking bottom fish, which is what you're talking, the bulk.
21 It is sold in block form. The price for that today is 56
22 cents per pound.

23 Now, if you consider that you're going to go into
24 the American market, then you're talking fillet. You're not
25 going to sell anything by the fillet of that fish.

1 The recovery rate on bottom fish pollack is 18
2 percent. That means that you have to buy five and a half
3 pounds of raw fish to get one pound of salable product, for
4 which you will get 66 cents. It's going to cost you more
5 than six cents to ship from Alaska to the market. So you're
6 down to 60 cents.

7 I am in the bottom fish business, incidentally.

8 If you pay six cents a pound, which we have found
9 will attract American fishermen, but very few of them, so
10 that means that that is a viable price, but just barely so.

11 So you're going to pay 33 cents to get the raw
12 product. So, you see, you've got 40 cents, certainly, into
13 that pound of product before you've even processed it. That
14 18 percent recovery is depending upon your having stocks of
15 fish that will yield 18 percent.

16 MR. ECKHOLM: Ed, could you wrap it up into some
17 recommendations for us?

18 MR. NAUGHTON: I recommend you look very carefully how
19 you spend any money in the bottom fish industry. And if you
20 are not going to spend any money in the bottom fish
21 industry, leave it the hell alone. Because all the State or
22 any government could do for an industry is to regulate or
23 tax it. And that's certain death.

24 MR. MCGINNIS: Could I ask Ed one more? Do you feel
25 there's no obligation to the State with relation to

1 creation of new economic markets? Say, in China?

2 MR. NAUGHTON: That's the very thing that should be
3 done is creating markets.

4 MR. MCGINNIS: I heard you say stay the hell out of it.

5 MR. NAGHTON: That's why I said look very carefully
6 what you do.

7 MS. PORTER: Are they known? Ed Ed it's an person
8 company in joint venture with the Corrians.

9 MS. PORTER: They do a lot of bottom fishing?

10 MR. NAUGHTON: Yes.

11 MR. MCGINNIS: Mr. Chairman, could I say a quick word.
12 For eight years I sat as one of the four American
13 representatives on the International North Pacific
14 Fisheries Commission. We had many battles, the sea battles,
15 the Japanese questions, all the rest of it. One thing is
16 certain. More than any other individual on that commission
17 as a voice of the wilderness 20 years ago, I demanded they
18 do reserve on bottom fish as well as the exotic species of
19 salmon, halibut and crab. Back then just by wringing an arm
20 we did get a research program. Now we know more than we
21 ever would have known.

22 I find it inconceivable, to me there cannot be
23 enough ingenuity in the Yankee system and the American
24 system to find ways and means in these vast American
25 markets to make it viable. If we have the quality control

1 so it's a good product and proper promotion across the
2 world and then assistance to finance the enterprise, that
3 we can find ways to make it one of the glowing success
4 stories of the 1980's, and I hope the State can direct
5 itself in those three areas.

6 MS. RICHCREEK: One thing I'd like to mention, the
7 girl last night, I don't know her name, in Kodiaks, they
8 had tried to get money to build a cannery and had gone to
9 the legislature and 500,000 was the most they could get.
10 And everybody else turned her away. And I asked her what
11 were they trying for. She said two million.

12 MS. PORTER: As Ed suggested about the eastern thing, I
13 think that's just a dead loss. A lot of people just going
14 to be getting into the fishing industry aren't going to
15 qualify for an eastern bank loan. Eastern banks know very
16 little what's going on up here, particularly in fishing
17 areas. Geographically, if we're going to help the fishing
18 industry, start bottom fish and encourage herring and
19 better salmon, we're going to have to do it with State
20 bucks.

21 THE MODERATOR: I think Ed said what Belden Daniels
22 said. A billion dollars in an eastern bank will catch their
23 attention; they will even postpone their lunch. He means
24 that they'll get Seattle's attention and Seattle will come
25 up here, you see. The money will find its way if you've got

1 enough leverage.

2 MS. PORTER: That may be fine for other things. They
3 may want to do other investing in Alaska. As far as the
4 fishing is concerned, I think it's too critical an area to
5 leave it up to a haphazard method that the fishermen have
6 to go to the bank, any bank, for the bucks. The bank is
7 going to look at the past record, think it's just starting
8 up, it's not going to work. If the State is serious about
9 having the industry here, then I think we're going to have
10 to finance it initially, through State loans, whatever. But
11 get the processing here. There's no reason that we should
12 be buying Japanese-canned salmon or processed salmon or
13 frozen salmon or anything. We should be doing our own
14 processing, or a majority of it here in the State and
15 shipping it out.

16 MR. MERDES: I'm confused as to the recommendations.
17 What do the bottom fishing people want?

18 MS. PORTER: Money.

19 MR. ECKHOLM: I'd like to ask some of the fishermen,
20 is there really a shortage of capital for viable economic
21 products? Is it really that hard to get money if you've got
22 a --

23 MR. NAUGHTON: The way you do your factory contracts
24 for your fish. This is the way the whole financing systems,
25 within the fisheries or any product, works. The product is

1 the value. The contract for that product is now factored.
2 What you need is a production credit financing, is take
3 this contract. And the State, all the State has to do, the
4 State has enough money to actually factor that resource in
5 that type of a banking system, this is with the farmers,
6 how the Farmers Production Credit Association, I think Mr.
7 Roderick knows that pretty well.

8 We have a tremendous amount of product that's
9 valuable. We have to pick up the product to increase its
10 value. We don't look to the banks, we finance it right from
11 the product itself. That is the value. Because people eat
12 fish, the value is in the fish. They don't eat money. This
13 is just a means of guaranteeing that from each step to here
14 that it's going to insure that these contracts are met. It
15 all comes from your product. And this is what the original
16 concept of the permanent fund was scheduled to do when it
17 was first introduced.

18 And I think the State should follow through, and
19 the recommendation is to follow through and use that fund
20 through credit.

21 MR. ECKHOLM: There are a number of ways. How
22 about if we generically just say something like provide
23 every opportunity using State investments to stimulate the
24 growth of the bottom fish industry as the state's number
25 one development priority.

1 MR. OSTROVSKY: No. It should be production credit and
2 use the marketing and the man from the market will set the
3 whole thing up.

4 MR. PADDOCK: Mr. Chairman, I hope everyone is aware
5 that two legislative sessions ago the legislature, in very
6 far-sighted move, established the Alaskan Commercial
7 Fishing and Agricultural Bank, which allows an Alaskan link-
8 up with the production credit associations down south and
9 makes these previously farm-oriented type funds available
10 to Alaskan fisheries and agriculture. Interestingly enough,
11 the boards of that bank met here in Anchorage this very
12 week. Coming up from Juneau, one of the board members, at
13 least was on the plane with me. This thing is going. The
14 State gave it some seed money. Conceivably, the State could
15 give it some more seed money to get this thing off at a
16 real going start.

17 I'm not an expert on this subject. We have
18 experts on this subject right over here, Representative
19 Osterback, and I certainly yield to him. Perhaps to get
20 things going, maybe we could go on a recommendation.

21 MR. OSTERBACK: Representative Alvin Osterback from
22 District 15, Chairman of the National Resource Committee on
23 Fisheries.

24 That bank, he's talking about the Seatac Bank.
25 That's a bill I introduced a couple years ago. The year

1 before last, we put two million dollars in it to get the
2 bank started. We got another two million to put in when we
3 started the session. That will be four million dollars.
4 We're getting a leverage of federal dollars in there, about
5 ten to one.

6 I got another bill drafted up now. If we can get
7 that one passed to put in 60 million dollars in there would
8 give us a loan capacity of over 300 million. It will be
9 somewhere around ten percent interest money.

10 And that's one of our bigger steps to fisheries.

11 And everybody talks about the bottom fish.

12 There's no plant going to come in and just go into bottom
13 fish. They're putting a 30 million dollar plant in Cold Bay
14 right now, supposed to be operating by spring. Skinner, I
15 think he's from Anchorage here. I understand they got the
16 money. But they will take salmon and then for the off
17 season they will take cod, gray cod, black cod, halibut. So
18 you're not looking at the low specie. You have to take the
19 good along with the bad. So you get the high price for the
20 King crab and the salmon, and then operate on your bottom
21 fish afterwards. That's the operation that can make it.
22 I've been a fisherman all my life. If we can talk to the
23 governor and the administration to get some more money in
24 that bank, seed money isn't going to do it any good. You
25 put in four million dollars, you have about ten to one,

1 which will only be a drop in the bucket. We have to get
2 started something like three million dollars. And that's
3 the story of the Seatac.

4 MR. ECKHOLM: It's time for us to break now and move
5 to the other room. It seems obvious we're not going to have
6 fisheries wrapped up. What's your pleasure as a group?
7 Should we break now and focus down and keep fisheries
8 rolling for a while?

9 MR. POMEROY: I'm worried about what we can do. I've
10 been wondering. It may be that maybe fish is like our great
11 big, beautiful copper deposits and we've got some fine ones
12 bt they aren't competitive on the market. Tell us now or
13 later, how much can you put a pound of what on the market
14 in Minneapolis for and do you get a bottom line that is in
15 the black?

16 THE MODERATOR: Okay. We'll take that up at 303 here
17 right away.

18 (A recess was taken.)

19 THE MODERATOR: Let's try to see where we are on
20 fisheries. Does anyone want to attempt to see where we are
21 and summarize what we've said?

22 MS. PALMQUIST: Can't we adopt like just a general
23 policy like Ed Merdes proposed? It was completely not
24 controversial.

25 THE MODERATOR: Well, I can't recall now exactly what

1 he said. Was it development-oriented?

2 MR. NASKE: One of the recommendations we can make is
3 that the State expend all effort to find or promote markets
4 for Alaskan fishery products.

5 MS. PORTER: I think it has to be much, much stronger
6 than that. I think we're looking at everything we've always
7 feared, no economy, no money to run the State on.

8 Here we have the answer - and I'm serious - to
9 the problem of no money for the economy. We've got a multi-
10 billion dollar industry that the State could capture. We
11 could just capture and hold on to the fishing, the
12 processing, and the marketing. This is year round, because
13 the bottom and the herring fishing don't just go on in the
14 summer, they go on year round.

15 And it's just a tremendous economic opportunity
16 for the State.

17 And so I think we should be very strong in our
18 recommendation.

19 MR. NASKE: I think what we tend to forget is bottom
20 fishery everywhere, in all the world's oceans, are the most
21 intensively developed. And every nation in this area offers
22 meal and blocks of cod and whatever else they get. And I
23 think it's a matter of finding markets, really. Because of
24 intense competition from every direction.

25 MS. PORTER: I would say if we are not aggressive

1 within the next three years, in 20 years from now you'll
2 come to me and say, "Now I understand what you were talking
3 about." The world is going to be protein hungry. The United
4 States may only be interested in fillets today, 20, 30
5 years from now, bottom fishing, the bottom fish is going to
6 be marketed in the United States.

7 MR. ECKHOLM: And is to a degree now. I don't think it
8 is a matter of whether or not we should develop the bottom
9 fish resource. The fact is that the bottom fish resource in
10 Alaska have been harvested for years and years, perhaps
11 even overharvested by the foreigners. What Rosie is talking
12 about is if we don't get it, someone else will. Us or
13 Seattle.

14 MS. PORTER: It is being harvested to the fullest
15 extent.

16 MR. ECKHOLM: As the Americans.

17 MS. PORTER: If we don't do it, they will remain in.
18 And we will have lost --

19 MR. ECKHOLM: No, because as soon as we are able,
20 according to the 200-mile law, they leave.

21 MS. SCHIRMER: Except if it's the Seattle people,
22 they --

23 MR. ECKHOLM: Right. In terms of the bottom fish,
24 we've got two ways to develop that. This is a little
25 simplistic. About southeast, it's going to be with smaller

1 boats. The bulk of the bottom fish things, that can either
2 be caught and processed -- this is the two reports --
3 caught and processed on big boats and on tractor ships and
4 sent down to Seattle and processed and everything, or that
5 we can help establish the processing facilities onshore and
6 capitalize onshore. And that's the choice we really have to
7 make. And that's what isn't being done now.

8 MS. PORTER: Seattle isn't equipped to handle the
9 quantity we're talking about. There are simply billions of
10 tons.

11 MR. ECKHOLM: The factory ships will start from
12 Seattle and they'll cruise up to the Bering Sea and they'll
13 fill up and process and they won't have to land on any
14 Alaskan port. And they will then be Americans catching the
15 fish. So they will push the foreigners out. And the
16 capitalization of the industry, if they put all the money
17 to develop the processors now, what they are starting to do,
18 Petersburg Fisheries is, they've got a factory ship, or if
19 the State doesn't encourage and sponsor onshore processing,
20 that's where I see we have the chance to get into industry.
21 It's really getting those onshore facilities, spending that
22 money so it does become cheaper to do that.

23 MS. PORTER: It's not just assist, it's been a major
24 assistance factor, not for kind of a little helping hand.
25 It's going to have to be a major effort by the State. And

1 it's going to have to begin immediately. It's not anything
2 that we can just sit around and talk about for ten years.

3 MS. SCHIRMER: I think it's got to be worked at very
4 promptly, or it will be lost to the State.

5 MR. NASKE: So what recommendation do you have?

6 MS. PORTER: I don't have one formulated.

7 MR. HARTLE: Could we make just a very general
8 statement that says we recommend that the State make it a
9 high priority and make it make a strong effort to develop
10 the bottom fisheries?

11 MS. SCHIRMER: In the next three years.

12 MR. HARTLE: That's very general, but how much more
13 specific do you want to get?

14 MS. PORTER: I think pretty specific. That not just a
15 recommendation that the State -- what is the name of this?

16 MR. NASKE: Must devote intensive efforts and capital
17 investment to develop the Alaskan fishery.

18 MS. PORTER: And expertise into the development of the
19 bottom fish industry and hering industry, which should
20 include extensive long-term low-interest loans to fishermen,
21 processors and marketers.

22 MR. ECKHOLM: Of course, now, that might be the thing
23 that causes development, the low-interest loans. It might
24 be the industry, if they were told they could go to Cold
25 Bay and that they were guaranteed, say, power, that the

1 State would provide power at a cheap rate which they
2 wouldn't be able to get offshore, or they were guaranteed
3 space, it might not be the low-interest loan.

4 MS. PORTER: Facilitate the development of, and make
5 long-term low-interest loans available.

6 MR. NASKE: We're subsidizing everything.

7 MS. PORTER: Why not? If it's going to bring us a very
8 high rate of return, why not?

9 MS. PALMQUIST: But you haven't pointed that out in
10 Alaskan development. If you're just going to put money into
11 fisheries, you aren't restricting it to Alaska.

12 MS. PORTER: Let's put in Alaskans, then. Alaskan
13 fisherman, processors and marketers.

14 MS. PILLIFANT: Is there nobody studying this problem
15 at this point in time?

16 MR. ECKHOLM: They're going crazy.

17 MS. PILLIFANT: Why are we being so specific? Aren't
18 they presumably going to tell us something eventually?

19 MR. ECKHOLM: Having decisions don't always come that
20 rapidly out of the administration, even if there're there
21 for a few years.

22 MS. PILLIFANT: That's not a citizen's committee, then;
23 it's the administration, you're saying?

24 MR. POMEROY: Mr. Chairman, on this vast
25 recommendation that's made, long-term low-interest loans, I

1 go back to what Dr. Belden Daniels says. This means that
2 we're committing ourselves to say we'd like see a lot of
3 money go into what in effect is a permanent subsidy.

4 MS. PORTER: Rather than unemployment -- let's go
5 through the same amount of -- not the same amount of
6 money, but close, in other social services. What we're
7 doing is we're creating tax money, employment, and a
8 permanent long-term lifelong industry for the State.

9 MR. HARTLE: I think those goals that you just
10 mentioned are tremendous, and we all support them 100
11 percent. But I think what Mr. Pomeroy is saying and what I
12 thought Belden Daniels was saying was that perhaps long-term
13 low-interest loans are not the most appropriate mechanism
14 to do so.

15 MS. PORTER: They're not going to get the money any
16 other way. We also have in there to facilitate the industry
17 and make available long-term low-interest loans to
18 fishermen, processors and marketers. But without the bucks,
19 you have nothing. Nobody is going to pour millions of
20 dollars into Alaska fishermen. They'll do it in Seattle.

21 MR. POMEROY: In effect, though, what we're saying is
22 we've got an industry that isn't a competitive industry.
23 Are we saying that?

24 MS. SCHIRMER: We're saying maybe it isn't this week,
25 but maybe about four years from now it will be and we don't

1 get it unless we do something now.

2 MR. POMEROY: But we're talking about long term and low
3 interest, which is negative return to us, on our money.

4 THE MODERATOR: She could have just as well have said,
5 of course, I think, guaranteed loan.

6 MS. PORTER: Guaranteed.

7 MR. ECKHOLM: I don't think low interest is not
8 necessarily a factor that would not make it.

9 MR. POMEROY: I'm not a purist by any manner of means
10 and if we can get Uncle Sam to stand still for tax exempt
11 bonds, I'm for that.

12 MR. HARTLE: Can we say provide financing?

13 MS. PORTER: We can just say we can assist them and
14 then lose the industry and five, ten years up the road not
15 have the employment, not have the taxes, not have the
16 industry for the State, and it could go to Seattle or be
17 continued to be fished by foreign fishermen and we could
18 continue to buy from them and not have our onshore and sea
19 processors. We could do that. I just hate to see a multi-
20 billion dollar industry go down the tube for want of
21 several hundred million dollars now.

22 MR. POMEROY: Well, if we can be competitive --

23 MS. PORTER: With who?

24 MR. POMEROY: If we can be competitive, then why do we
25 have to do this? I know of a copper deposit which is an

1 exceedingly fine copper deposit. It isn't competitive on
2 the market now. Should we make them long-term low-interest
3 money available so they can get that out of the ground now?

4 MS. PORTER: You understand that unless we do it now
5 the fishery will be taken over by other fishermen and our
6 Alaskan fishermen will not have the opportunity. The
7 opportunity will have passed us by. We're not being timely.
8 We've just been dragging our little feet.

9 And we've been dragging it for a couple of years
10 now. We've run out of time. Seattle and west coast
11 fishermen are already gearing up, they're building their
12 boats, processors. And we're going to lose out on a very
13 important economy for the State. That can replace the oil
14 income that we're also worried about drying up. It may not
15 replace it entirely, but it will mean a lasting employment,
16 jobs, and year-round employment for a lot of the State that
17 don't have year round employment now.

18 MR. POMEROY: Well, why did that fish company go out
19 of business?

20 MR. DIRKIN; They put two Mitsubishi people on the
21 board of directors and a large chunk of stock. You have a
22 very poor knowledge of the industry. You have a buck and a
23 buck and a half pound wealth. The one you can subsidize,
24 you can shove the money, you can try anything you want.

25 You have two things. You have absolute Japanese

1 control of the processing industry. The last one to bite
2 the dust was New England. And if I'm not mistaken, the
3 assistant general manager of Peter Pan made the statement
4 that we can no longer afford to compete to get against what,
5 the Japanese control of the marketing structure? When you
6 control the marketing structure, then you can talk.

7 THE MODERATOR: Would you give your name for the
8 recorder.

9 MR. DIRKIN: My name is John Dirkin. I've been around
10 Alaska for 35 years.

11 MS. PORTER: That's fine. So we'll just say lie down
12 and die.

13 MR. DIRKIN: Who is the processors? Look at the Alaska
14 Fisheries Development Corporation, using SK funds. Every
15 one of those are foreign controlled. You've talked and I've
16 listened to this illusion for an hour. You don't have an
17 American-controlled industry. Your main thing you should do,
18 we sat right in that Westwood, Howard Pilot, the National
19 Marine Fishery Service. Alaska Fisheries bought the whole
20 group up here. National Fisheries Institute. Every
21 processor in Alaska was invited.

22 The Chamber of Commerce, Howard Pollack, they had
23 seven or eight. Do you know how many people came up? They
24 wanted to stimulate American processor industry in Alaska.
25 It was sponsored by the Chamber of Commerce of Alaska, and

1 the Anchorage Chamber of Commerce I'll tell you who was
2 there. All the bureaucratic structure, Ostrovski, myself,
3 Helen Gilget and the man who sponsored it. Not one
4 processor in Alaska who had Japanese control would attend.
5 You just don't realize the absolute control.

6 MS. PORTER: I realize.

7 MR. DIRKIN: Promote American industry. If you don't
8 have control through the foreign processors, they got
9 control of the licensing system now.

10 MS. PORTER: That's exactly what we're talking about,
11 my friend. We're talking about getting control.

12 MR. DIRKIN: You have to get American industry up here
13 to wrest this from the Japanese.

14 MR. MCGINNIS: Mr. Chairman, is it your observation,
15 based on your experience of knowledge of it, that the
16 government involvement in the industry, the cooperation
17 between private industry and government, is what has given
18 Japan its standing today?

19 MR. DIRKIN: No. The main trouble has been the office
20 of the governor in Japan.

21 MR. MCGINNIS: I'm talking about the preeminence in
22 Japan. Is it not true that Japan strongly subsidizes as a
23 government policy its fishing industry?

24 MR. DIRKIN: No. The government and the fisheries are
25 just almost one thing.

1 MR. MCGINNIS: That's what I'm talking about. They had
2 help.

3 MR. DIRKIN: That's in the Japanese fisheries. One
4 center in Hokkaido, which is a cooperative of about 18
5 million, is trying to rebuild of what Tokyo destroyed.
6 Right now Tokyo is in power. Until the new Kumato
7 government comes in, Hokkaido comes in, and maybe they'll
8 keep their nose out of Alaska.

9 MS. PORTER: What is your suggestion for the industry?

10 MR. DIRKIN: The suggestion is sit on your money and
11 put it in the right spot. You have two levels of wealth.
12 Right now, the money fleet. What you're really talking
13 about is man staying in Alaska. Money doesn't stay in
14 Alaska. A little of it gets to Kodiak. As a rule, they hire
15 an American boat that comes over from Europe and gets on
16 the boat, comes back, fly a crew out of Seattle and go back
17 to Europe. That's been going on for 15 years. In the salmon
18 fisheries, you've got 150 people coming from Europe.

19 In Prince William Sound, you turn around and you
20 got a whole slug of people from Bolivia, Peru, Chile that
21 are up here with licenses. When these fishing seasons are
22 over, they're right back there.

23 If you will be more interested and concentrate
24 how to keep that money in Alaska. Because when this money
25 stays in Alaska, it's no different than the old Seattle

1 days. When they got on them airplanes with that jet, that
2 was the last you ever see of them. How to keep your money
3 at home to do the most for Alaska.

4 THE MODERATOR: Mr. Dirkin, is part of the answer
5 shore-based, financed by Alaskans?

6 MR. DIRKIN: Mr. Naughten laid it on the line. You
7 talk about bottom fish. He laid it on just as honestly as
8 he could. You have to compete in the world market. What
9 you're really talking about, in a sense, you're right.
10 You're competing in a protein war. Sure, there will be a
11 protein war. It won't make any difference in world
12 conditions in three more years, five more years, if it's an
13 edible protein. Two dollars a pound. But right now, for
14 what you're planning, I use the word an in-depth study of
15 some type.

16 But do you really want to go into it. And can you
17 get American fishermen to turn around and go out there with
18 the absolute control of the marking system? As an example
19 in salmon, you mentioned salmon about next season of the
20 Gulf of "Andure" and the "Sacalene" stocks, the Japanese
21 next year get 40 percent of what would normally be Russian
22 domestic salmon. They don't export most of it, they eat it
23 themselves. That extra 40 percent is going to be used to
24 drive the Alaska price down.

25 We already know particularly through "Isca" and

1 Kiyuku, that you sign up now, we might be able to give you
2 75 cents, or get your gear out of the cannery so we can
3 make room for somebody else. You're talking of marketing
4 control.

5 I'm just trying to convince you, you're going to
6 have to try to reestablish -- I've seen -- I went to
7 D. C. I've worked with the National Federation of Fishermen,
8 and also with the processing industry that turned around
9 and came up here. The one thing about it, Alaska is a no-
10 man's land when you talk about American industry.

11 If you want to do just like AFIC did, funnel all
12 this money into the foreign processors, find business.

13 MR. NASKE: In other words, a recommendation might be
14 to encourage the purchase, or reestablish American or
15 Alaskan control of the marketing process.

16 MS. PORTER: Absolutely.

17 MR. NASKE: Or some legislation that would stipulate a
18 certain percentage of foreign ownership only, let's say 20
19 percent and 80 percent American.

20 MR. DIRKIN: I don't want to take your time. I went to
21 Washington, D.C. with Lester Coin. He's a representative
22 from Oregon. He turned around and he has been trying to
23 promote processing industry down there. He would tell you
24 the same thing as I'm telling you. He had to strip his own
25 bill. The only thing he wanted was 51 percent American

1 ownership of the seafood processing industry.

2 Before the pollack decision in 1972 from Stephen
3 Nix American seafood processors were 51 percent American
4 owned. It was a time when Congress was weak, they turn
5 around and, by administrative decision of NOAA, National
6 Oceanographic and Atmospheric Administration, they
7 permitted 100 percent ownership of a processing group and
8 also 80 boats known as the Hansen trust. When that happened,
9 that opened the door for the Japanese and in they come.
10 Ever since that time, Lester Coin has been trying to close
11 the door. He has to strip his own bill, the power structure
12 of the Hansen trust lawyers combined with the Kiyuku
13 lawyers, which is Whitney Hidalgo representing Capitol Hill
14 from Japan, and the main industry of Europe. The seeding
15 of the east coast. Those two, they're effective, they know
16 their job and there's no type of effective protective
17 mechanism that this country can install. The two lawyers
18 are ex-staffers, both in the house and merchant marine
19 fisheries. Seven lawyers. They probably have 25 years
20 around the house and Senate. Combine those two law firms.
21 They're effective. There's the reason there had been no
22 effective government measure.

23 I'm saying the Japanese and the Europeans join
24 together to prevent American ownership. That's the reason I
25 think you're throwing your money away until you solve that

1 problem.

2 MR. ECKHOLM: I've got a few recommendations here.
3 This is a long one to begin with that might hit on Rosie's
4 point. The State must stimulate the rapid development for
5 the bottom fish utilizing all the fish including but not
6 limited to loans for Alaskan fishermen and processors,
7 State bonds for the construction of ports and harbors to
8 develop the bottom fish industry, promoting a marketing
9 industry to develop other markets for Alaskan seafood
10 products in American and Europe. That would be one
11 recommendation.

12 Two. Let me read them all. Two, establish strict
13 quality control for all Alaskan seafood products, and,
14 three, have the legislature establish a policy that would
15 restrict foreign ownership and control of Alaskan seafood
16 processing industry.

17 MS. PORTER: We're also going to have to talk about
18 taxation of foreign and outside vessels working in the area.

19 And fishing within the 200-mile limit.

20 I appreciate everything you're saying.

21 This is a pretty critical thing, I think, for the
22 State of Alaska. And I just -- maybe it's just a
23 character fault of mine, I just cannot believe that with an
24 industry lapping at our doorstep that we will have to lie
25 down and die and give it to foreign interests or other

1 interests and give it up completely.

2 MR. DIRKIN: No. There's an answer to it. You need an MUP.
3 You see, you have to -- things have changed in the
4 fisheries. You've got political consideration. In other
5 words, when we say exactly how many fish you've got to have
6 to turn around and to get your return maximum sustainable
7 yield, is what we had existed on in this country,
8 particularly in Alaska. We got to put something in the
9 stream to get it back four years from now. That's maximum
10 sustainable yield.

11 Now, since this 200 mile has come in, you call it
12 optimum yield where the first thing comes off the top, so
13 much fish for political consideration; so much fish for
14 local catch; and so much for stock propagation.

15 The real question that you seek as a problem,
16 it's just this simple. If you ever compare the Canadian 200
17 mile bill with the American 200-mile bill, the Canadians
18 done it right. They have sovereignty, they come first. When
19 they're satisfied that their fisheries -- it is only four
20 years, they say all the herring is in the Bering Sea. But
21 the National Marine Fishery Service says different.

22 In the Marketing and News Report, and that's what
23 the majority of the fishing group gets on a daily basis,
24 was a whole history, not only four or five years ago of how
25 they had so vastly depleted the Bering Sea stocks that they

1 wanted somewhere else in the North American continent to
2 move. They made a deal. If they would give the excess
3 landing rights. So they turn around and open the whole
4 chain to the Japanese in order to keep them off of
5 California. Those are trade-offs. You see trade-offs today.
6 You got Mexican off of Charakoff, you get a Mexican fleet.
7 The next one, you got a Cormex fleet. The falacy is two
8 things.

9 Decide are we going to build the fisheries. State
10 of Maine, they wanted foreign allocations to turn around to
11 go and rebuild the hering stocks. They lost in court. The
12 main thing is you have to decide what we want in that ocean.
13 And as far as salmon, I'll lay it right smack on the line.
14 All the salmon congregate in the Gulf of Alaska. That's
15 what made the Gulf of Alaska. I'm talking about directly
16 the area south of Kodiak and directly west of Sitka.
17 That's the most profitable area for the Japanese to raid
18 for 20 years, plus the mid-water trawl.

19 Okay. You have such -- you answer yourself the
20 question: When the Russians come in with all of these
21 hatchery programs, with the Japanese increasing them, with
22 AYK, with these over here, can the Gulf of Alaska -- and
23 that's where the fish grow up -- can the gulf of Alaska
24 support that amount? Those are other questions. But you're
25 talking about the 200-mile deal.

1 MS. PORTER: I understand the question that has been
2 asked. Still, I just cannot believe that the market --
3 we're not looking at busting up the market in a couple of
4 years.

5 MR. DIRKIN: When you're talking about the Japanese
6 government, because the fisheries in Japan are the
7 government, controlling the government. A trading license.
8 We talk about free enterprise. But yet we have never had a
9 good idea of how the Japanese system works

10 THE MODERATOR: Mr. Dirkin, excuse me. You're saying to
11 us save our money.

12 MR. DIRKIN: I'm saying save your money because you
13 are a state competing using the State money in the bottom
14 fish when the Japanese already control the market that
15 you're going to try to use.

16 THE MODERATOR: And then you're saying we can't get
17 that control back because Congress won't let us.

18 MR. DIRKIN: That's right.

19 THE MODERATOR: What do we do?

20 MR. DIRKIN: You turn around and you put the squeeze
21 to Congress to do something.

22 MR. POMEROY: We got to lick the State Department.
23 State Department is what determines that for the congress.

24 MR. DIRKIN: You say promote American industry. Yet
25 the way the laws are today, they got a perfect right to sue

1 you in court. And you're talking about the State of Alaska
2 in competition with the sovereign government of Japan.

3 THE MODERATOR: We're just trying to say what should
4 the State of Alaska do now with the next ten years with its
5 surplus money in terms of -- or doing something with the
6 fishing industry in Alaska. That's all you're saying.

7 MR. DIRKIN: Let me lay the Adak story on you. I
8 forgot the stop piece o of Adak, Finger Bay. Finger Bay
9 was an American company and went busted. He turned around
10 and Kiyuku bought of paper off of Bank of America and it
11 was stripped in February. The Navy was ordered to support
12 the bottom fish industry. The Aleutian Pribilof group
13 wanted to go out there and develop the site, since it was
14 strippd of everything. It had the equipment, yet it had the
15 physical facilities.

16 At the same time, the Aleutian Pribilofs were the
17 only groups down there and the Navy was ordered to turn
18 around and to lay it on the line, what it needs out on the
19 Aleutian chain. It was just this simple. There was two
20 people from the Aleutian Pribilofs and it was 24 State
21 people trying to insure the federal government that they
22 didn't want development at Finger Cove. I'm laying it right
23 smack on the line. That's the story.

24 How are you going to solve those problems?

25 THE MODERATOR: Your frustration is 25 years ago that

1 we in the territory weren't getting our fair share. It's
2 the same way in the oil industry. You're saying we're not
3 getting our fair share.

4 Rosemary is simply saying we want to get our fair
5 share. You're saying don't spend any of our money until you
6 can solve the international problems. We're back where we
7 were 25 years ago, right?

8 MR. DIRKIN: I'll go into one other one. We had
9 Admiral North in here, and Gravel and everything else. The
10 day the Law of the Sea was signed, just the day the Law of
11 the Sea is signed, we turn to an international body for
12 resource allocation with the exception if the governing
13 structure. He turns around and allows Alaska a
14 subcontinent status then because of the remote type of
15 self-determination.

16 MS. PORTER: We have control of our own stock.

17 MR. DIRKIN: No. You turn over your own stocks only if
18 Alaska is put under a subcontinent status. And there has
19 been not one person out of that whole tribe that's ever
20 worked and to turn around and to put Alaska in a
21 subcontinent status is conjecture of Law of the Sea.

22 MR. ECKHOLM: Thank you, Mr. Dirkin.

23 MR. POMEROY: Mr. Chairman, I haven't heard anybody
24 say that if we make money available over a long term that
25 we can even compete on the American market with what's

1 coming in. And we aren't stopping it coming in.

2 I'm as scared as he is about it.

3 We have a competition situation where we get into
4 the international market. That just scares the hell out of
5 you. We're selling gas, and this is pertinent to the
6 economics of it. Gas is being sold on Japan, liquified gas.
7 The ship wasn't built here because American prices are too
8 high. It was built in Norway. The crews aren't American.
9 The crews are flown in from Piza, Italy, to that ship, and
10 they go home again because that's makes the difference
11 between gas and the salty blue sea.

12 MR. ECKHOLM: Let's start pulling it together here.

13 MR. HARTLE: This is a very important conflict. In a
14 two and a half day conference, we can't solve the problems
15 of the world right here. We need to try to move on.

16 MS. PORTER: Just one thing. The governor has a 20-year
17 plan on the bottom fish. And I'm sure that he's got a lot,
18 an awful lot of investigation into it, too. It's not
19 something that we should just care less about. It's a very
20 important topic.

21 MR. ECKHOLM: The primary recommendation of the
22 governor's report was onshore processing. There's no way to
23 get --

24 MS. PORTER: You should remember. Nobody wanted that
25 gas when the Japanese started buying it. We couldn't give

1 that away. Nobody else wanted it.

2 MR. POMEROY: Beg your pardon?

3 MS. PORTER: Nobody wanted it.

4 MR. POMEROY: That isn't so.

5 THE MODERATOR: Well, it's pretty close to being so.

6 MR. ECKHOLM: Let's go on to some recommendations.

7 Maybe I'll reread this first one and see if that's a

8 recommendation.

9 One: The State must stimulate the rapid
10 development of onshore processing facilities for the
11 development of the bottom fish industry outlying all of the
12 state's investment tools, including, but not limited to,
13 loans for Alaskan fisherman and processors, State bonds for
14 the construction of ports and harbors to develop the
15 industry, promoting a marketing association to develop
16 markets for Alaskan seafood products in American and Europe.
17 That's it.

18 MR. NASKE: I would use regulatory. Investment and
19 regulatory tools.

20 MS. PORTER: Also after tools I'd like to see
21 managerial expertise which would --

22 MR. MCGINNIS: I'd limit the marketing area to America
23 and Europe.

24 MR. ECKHOLM: World markets?

25 MR. MCGINNIS: World markets.

1 MS. PORTER: Once we begin competing in the world
2 market as a world investor with an international portfolio,
3 I think our expertise will increase. And I don't think it's
4 impossible.

5 MR. HARTLE: Do you want to read it one more time and
6 see if we can approve it?

7 MS. STRASSBURG: At this point, however, Jack, I'm a
8 little bit confused. We keep on talking about this money.
9 This gentleman says if we put it in we have absolutely no
10 control of it and as a state we cannot ban Japan from the
11 international consortium in Europe. Is that true?

12 MR. DIRKIN: That's it.

13 MS. SCHIRMER: This is a proposition. We get to vote
14 on it.

15 MS. PORTER: Could I just say something? I just have to
16 remember ten years ago there was no way we could fight OPEC
17 and the Arab nations on their oil prices, either. Today
18 we're looking at four million bucks. I don't know.

19 MR. ECKHOLM: I think someone was saying, we can't
20 fight the Japanese because we own the processors and they
21 own the --

22 MR. DIRKIN: Just one second. The way it works, right
23 down to the individual boat, even down the Antarctica and
24 mixed in the Beagle Canal. First thing, it goes to the
25 system, right back to the system and returns the premier

1 who owns that boat and it says ABC Fishing Company, calls
2 up ABC Fishing Company no matter where that boat is in the
3 world, he says, "Get that out of here." The Premier
4 exercises instant pinpoint contact over every Japanese
5 investment through the whole world.

6 We think of private enterprise. What you're
7 talking about, you're talking about the State of Alaska in
8 direct competition with the current Japanese government. No
9 more, no less.

10 MR. ECKHOLM: Thank you.

11 MR. DIRKIN: You're going to lose.

12 MR. POMEROY: Mr. Chairman, we seem to have a
13 recommendation here, and as it's been said here, we can
14 talk about it all night long. I certainly don't think we
15 know enough about it to vote on a motion like this. And it
16 seems to me we're putting ourselves into an open-ended
17 subsidy permanently, not knowing a slightest bit of where
18 we get into it or where it's going to go.

19 MR. ECKHOLM: Where's the subsidy? It says loans for
20 American fishermen and processors. It doesn't say economic
21 loans. Those could be lent out by a hard loan officer who
22 looks at the investment and sees whether it's going to make
23 a return or not. That's not a subsidy. Ports and harbors
24 pay their own way. If a boat comes into a port it pays over
25 the time, over a course of a few years, a bond. A marketing

1 association is not a subsidy.

2 So I don't see anything in this recommendation
3 that represents a subsidy.

4 MR. POMEROY: Do you mean to see that it's assumed or
5 put in there that all of the infrastructure shall be cost
6 effective?

7 MR. ECKHOLM: Yes. I wouldn't provide a subsidy.

8 MR. POMEROY: Okay, put that in there, then.

9 MR. ECKHOLM: There's nothing saying there is a
10 subsidy here.

11 MS. PORTER: It never said subsidy.

12 MR. ECKHOLM: So I would reason it up to the State to
13 loan it out in an economic fashion. I think the subject of
14 low interest loans and subsidies is different than that.

15 MR. MCGINNIS: The availability if capital does create
16 some opportunities, as distinguished from a subsidy. At the
17 same time this is saying indeed Japan is coming to world
18 preeminence. Maybe that is the clue. With some help from
19 government, a little of it could be turned around.

20 MR. ECKHOLM: The recommendation as it reads, and I
21 think I'd like to add something to it, the State must
22 stimulate the rapid development of onshore processing
23 facilities and Alaskan-based vessels for the development of
24 the bottom fish industry utilizing all the state's
25 investment and regulatory tools, including but not limited

200
1 to, loans for Alaskan fishermen and processors, State bonds
2 for the construction of ports and harbors to develop the
3 industry, and promoting a marketing association to develop
4 world markets for the Alaskan seafood products.

5 MR. POMEROY: How about the word rapid? All from the
6 governor on down has said that it's going to be ten years.
7 I have a little trouble with that word rapid development.

8 MR. ECKHOLM: In order to sell bonds, by the time you
9 sell bonds and do all the stuff on the harbor, it's
10 probably going to be ten years before you start.

11 MS. PORTER: Generally, you're not going to think, gee,
12 you've got the corps of engineers involved, fence this, do
13 all the preliminaries.

14 MR. ECKHOLM: If we spend all our money today, it may
15 not be ten, but four or five before any of these things
16 were --

17 MR. POMEROY: Well --

18 MS. SCHIRMER: Can we move the question?

19 THE MODERATOR: Ready for the question? More discussion?

20 MR. POMEROY: Well, I will make one final thing. I
21 don't know we know enough of what we're talking about to
22 have a vote like this, much as I want to have it.

23 THE MODERATOR: Any further discussion?

24 Any objections to the motion?

25 MS. PALMQUIST: Could we have it read again, please?

1 MR. ECKHOLM: The State must stimulate the rapid
2 development of onshore processing facilities in Alaskan-
3 based vessels for the development of the bottom fish
4 industry utilizing all of the state's investment and
5 regulatory tools including, but not limited to, loans for
6 Alaskan fishermen and processors, State bonds for the
7 construction of ports and harbors to develop the industry,
8 and promoting a marketing association to develop world
9 markets for Alaskan seafood products.

10 THE MODERATOR: Are there any objections to the
11 recommendation?

12 MS. PALMQUIST: I'm going to abstain from voting.

13 THE MODERATOR: You can't.

14 MS. PALMQUIST: That settled that real fast.

15 MR. ECKHOLM: The second recommendation was to
16 establish a strict quality control for all Alaskan seafood
17 products.

18 Any discussion?

19 MS. STRASSBURG: I don't think there's any question on
20 that. I don't want to eat rotten fish.

21 MR. ECKHOLM: Without question, the motion passes.

22 Third, legislature establish a policy that would
23 restrict foreign ownership and control of Alaskan seafood
24 processing industry.

25 MS. PALMQUIST: How would you do that?

1 MR. ECKHOLM: That's why it says the legislature.

2 MR. POMEROY: Would you read that again, please?

3 MR. ECKHOLM: The legislature establish a policy that
4 would restrict foreign ownership and control of the Alaskan
5 seafood processing industry.

6 MS. PORTER: I would like to see added to that taxation
7 measures for foreign processors, or foreign vessels
8 obtaining fish within the 200-mile limit, buying fish.

9 MR. ECKHOLM: We would have to recommend a federal tax,
10 because they're not fishing in Alaskan waters, they're
11 fishing in American waters.

12 MR. HARTLE: Is this first part constitutional?

13 A VOICE: You're getting into trouble. Anybody who
14 could buy a U.S. bond could buy his way in.

15 MR. ECKHOLM: They're there already.

16 A VOICE: I don't see now you're going to achieve the
17 aims.

18 MR. ECKHOLM: I don't know how it would happen either.
19 It does seem to be --

20 MR. MCGINNIS: Maybe we should call up Arnes Grindig
21 how he did it when the same situation was obtained in
22 Seattle in the 50's. He found a way.

23 MR. ECKHOLM: I think Rosie might be right in the way
24 of foreign vessels catching in the 200-mile limit.

25 MS. PORTER: In what's his name's paper here, he talks

1 about an exploitation tax. And he doesn't talk about it
2 being federal, although it could be. I don't know. It is.
3 I'm sorry. It is federal.

4 MR. ECKHOLM: So we could recommend --

5 MS. PORTER: We could recommend that the State support
6 an exploitation tax on foreign vessels fishing or buying in
7 our borders.

8 MR. ECKHOLM: Okay.

9 MR. DIRKIN: Our border is into three miles.

10 MR. ECKHOLM: No. A federal tax. Within our 200-mile
11 zone.

12 MR. ECKHOLM: We are asking the creation of a federal
13 law.

14 Would you say that again? State support a federal --

15 MS. PORTER: State support the establishment of a
16 federal exploitation tax for foreign vessels fishing,
17 buying, and we might as well say or processing within the
18 200-mile limit.

19 MR. HARVEY SAMUELSON: I think there's already a tax
20 on that to read increase. What is it, three percent?

21 MS. SHROYER: I'm not quite sure, but there was a
22 federal tax.

23 MS. PORTER: It's a very, very minor, itty, tiny tax.
24 Maybe we ought to say increase substantially the
25 exploitation tax.

1 MR. POMEROY: What was the three cent a pound tax that
2 the legislature adopted this last session? It was going to
3 be six, and it was cut down to four.

4 DELEGATE: That was on our domestic.

5 MR. ECKHOLM: The third motion was establish a policy
6 that would restrict foreign ownership and control of the
7 Alaskan seafood process is industry, that just so -- I
8 mean, is that ridiculous to do? Or shall we move on? Let's
9 skip that for now and talk about four.

10 The State would support a substantial federal
11 exploitation tax for fishing and processing in the American
12 200-mile zone.

13 MR. MCGINNIS: I just raise this question. I haven't
14 followed the developments in the international field for a
15 number of years. But do we not have a mechanism to require
16 licenses? I know many countries do, be the difference
17 between the 300- one and 200-mile limit.

18 MR. POMEROY: What is the question?

19 MR. MCGINNIS: Whether or not we require a license of
20 a vessel fishing within the 200-mile zone.

21 MR. DIRKIN: No. That is done by National Fishery
22 Service and the allocation is made by the North Pacific
23 Council. The allocation for X amount of tons then goes to
24 the Secretary of Commerce. If he approves it, it's printed
25 in the Federal Register and the minute it's in the Federal

1 Register, the National Marine Fishery Service issues a
2 certificate for --

3 MR. MCGINNIS: You don't know if we license the ones
4 up here, off Alaska?

5 MR. DIRKIN: Yes. That's what we're talking about.

6 MR. MCGINNIS: Very well.

7 MR. ECKHOLM: The State support a substantial
8 exploitation tax for foreign vessels fishing and processing
9 in the American 200-mile zone.

10 MS. PORTER: Maybe we could say it should be levied on.

11 MR. ECKHOLM: Should be levied on?

12 MS. PORTER: To be levied on foreign vessels fishing.

13 MR. ECKHOLM: Any more discussion? Any objection?

14 Passed.

15 What about the legislature establish a policy
16 that would restrict foreign ownership and control?

17 MS. PORTER: How about if we said investigate the
18 possibility of establishing. Ship it out to the legal
19 people.

20 THE MODERATOR: I don't want to be a doomsayer, but we
21 got communications, we've got transportation, we've got
22 health, we've got education, agriculture. It's a quarter of
23 6:00. We come back at 8:00 and we have to wrap it up today,
24 because tomorrow we have to go on the floor and say this is
25 the recommendation.

1 So we can go 15 minutes here with more fisheries
2 if you want, and then we've got to take up those other
3 subjects beginning at 8:00 o'clock.

4 A VOICE: Can't we go on to agriculture?

5 MR. ECKHOLM: We can break now --

6 MS. SCHIRMER: No, we can't.

7 MS. PORTER: There is one other point and that's
8 limited entry, but I'm not sure if that's appropriate for
9 us to take up now. Since the matter is being decided in
10 the court, anything we say -- I think we really need to
11 have that determination by the court before. We could spin
12 our wheels and waste a lot of time on it.

13 MR. DIRKIN: Could we use this statement that
14 basically it should have been done when this business many
15 years ago, that the State of Alaska should ask the Supreme
16 Court for a constitutional ruling to turn everybody around
17 and get everybody where it was supposed to be from the
18 beginning and not go through this ten years. You pick up
19 your paper. There's your Fred Paul right upstairs
20 addressing roe count. \$100,000 Bristol Bay crossed his
21 desk yesterday.

22 At the same time, the legislature limited entry
23 study group also testified up there the licenses are
24 leaving the State at a fantastic rate. They're going to
25 make their final report on the 12th and they're going to

1 have it ready for the legislature.

2 But I make this suggestion: Since now you're
3 going into the other fisheries in the herring and the crab
4 and the bag is open for the Tioyak Bank and the Bank of
5 Tokyo Seattle bank. Sid (inaudible) and he represents these
6 vessel owners.

7 Right now, the license. License value in the
8 State --

9 MR. ECKHOLM: Mr. Dirkin, this is all very
10 interesting, but I think a hot topic in our hand that we
11 can't deal with at this time.

12 MR. DIRKIN: Could you deal with this question. To
13 solve the limited entry problem, the State of Alaska should
14 ask the Supreme Court to rule on the constitutionality of
15 Alaska's program. That's what we asked them when this
16 business started five years ago.

17 MS. PORTER: I don't think they'll do that until it
18 gets out of the Alaska court.

19 MR. DIRKIN: That was the responsibility of the State
20 to do it in the first place. You know it, and I know it. If
21 you want a license, you go to Ballard and you get your
22 license right in Ballard. The eastern licenses are almost
23 the same outside on the ship now.

24 THE MODERATOR: I think the answer would be if we were
25 the legislature or if we were more knowledgeable about the

1 limited entry issue, we could do it. But we're trying to
2 project ten years, what should the State do in the next ten
3 years.

4 Don't you think that issue is going to be
5 resolved by the courts one way or the other within the next
6 few years?

7 MR. DIRKIN: Yeah, but let's get this thing back on
8 the road.

9 MR. ECKHOLM: Mr. Dirkin, I feel we really can't deal
10 with it right now, and I appreciate your efforts.

11 MR. DIRKIN: Then enough.

12 MR. ECKHOLM: Agriculture. Senator Merdes, I think
13 that was one of your interests.

14 MR. MERDES: Of course, a permanent fund is designed
15 to finance all renewable resources, fisheries, agriculture.

16 I think the legislature has already demonstrated
17 their action by going through with the Delta Barley Project.

18 A VOICE: I think a general policy to the effect the
19 committee urges the State continue its vigorous support of
20 agriculture to the end, that the State become as self-
21 sufficient as possible in all phases of food production.
22 It could be vegetable, dairy, and they commend them for the
23 action taken already in supporting agriculture. That's
24 basically the idea I think we should get across to them.

25 MS. PORTER: I would have a problem with the word self-

1 sufficient. I would say as productive as possible.

2 MR. MERDES: They'll never be totally self-sufficient.

3 MS. PORTER: I think the words in the report would
4 cause some problems.

5 MR. MERDES: Okay. We should be as self-sufficient as
6 possible.

7 MS. PILLIFANT: He said as self-sufficient as possible.
8 Don't you think that's an adequate description of what I
9 would hope we're trying to do?

10 MR. ECKHOLM: It may be that the agriculture in this
11 state could make a lot more money if they concentrated on
12 one product or something like that rather than trying to
13 provide all the balanced needs of being self-sufficient.

14 MR. MERDES: I think I will add one more thing on that.
15 They're tying up the Yukon Flats. There's a big fight in
16 Congress to get that excluded. There's 15 million acres of
17 lands in -- you saw the Thomas report in our papers.

18 Iowa has nine million acres of land that can be
19 tilled. Just to give you an example of Alaska's agriculture
20 potential, because Iowa has got to be one of the most
21 productive agriculture states in the entire union. Look
22 where we are. That's not grazing land, that is grain land.
23 Alaska conceivably, now that it has natural gas, everybody
24 knows it produces urea and fossil, I mean the Arctic
25 Submarine Corporation. You've got possibilities for

1 fertilizer cheaper than anywhere in the world right in the
2 heart of the agriculture area.

3 You got the land, and we could conceivably, if we
4 have a vigorous commitment to agriculture, we could
5 conceivably export. That isn't the idea, the idea would be
6 to feed Alaskans first, but we could conceivably merit
7 start feeding other parts of the world. One of the things we
8 ought to start thinking is what we could do for everything
9 else.

10 MR. ECKHOLM: Senator Merdes?

11 MR. MERDES: Yes.

12 MR. ECKHOLM: I don't think anybody is disagreeing.

13 MR. MERDES: You got time limits.

14 MR. ECKHOLM: We got total agreement on agriculture.

15 MR. MERDES: I wanted to get that little bit of
16 background.

17 MR. ECKHOLM: What was the recommendation?

18 MR. MERDES: The recommendation is that we continue.

19 MR. ECKHOLM: I didn't get it all down. The state
20 promote our--

21 MR. MERDES: Continue to vigorously promote the
22 development of all phases of agriculture to the end that
23 the State will become as self-sufficient as possible in the
24 production of food.

25 MR. ECKHOLM: The State should vigorously continue to

1 promote the agriculture potential to its maximum economic
2 capability?

3 MR. MERDES: To the end that the State become as self-sufficie
4 as possible in the production of food.

5 MR. ECKHOLM: Did you have a problem with self-sufficienc

6 MS. PORTER: I'm willing to cancel my suggestion. I
7 don't care.

8 MR. MERDES: I absolutely agree with you. We're not
9 going to produce fruit.

10

11 MS. PALMQUIST: Wait a minute. Strawberries and
12 raspberries are fruit. And currants.

13 MR. MERDES: I was thinking of bananas.

14 MR. ECKHOLM: How about the maximum economic benefit
15 of the farmers?

16 MS. SCHIRMER: Leave it the way it is.

17 MS. STRASSBURG: What's your position on the department
18 of agriculture for the State of Alaska. This is a
19 recommendation that I think is 30 years behind times.

20 MR. MERDES: Let's implement that. You can make that
21 the --

22 MR. MORGAN: May I say something regarding agriculture?
23 I've been waiting around to do that for three days.

24 THE MODERATOR: You have three minutes.

25 MR. MORGAN: I can do it in three minutes.

1 Among all the various topics under discussion,
2 timber or health, transportation and all these things,
3 several things, I've listed four things here that local
4 food production would result in, is improved health. Now,
5 I'm speaking from a native quarter. We have food shortages
6 and so forth in the villages. Improved health, lower food
7 cost, which is an economic advantage. You don't have to
8 sell it for a dollar, process it and go to the village
9 store and sell a can of Spam. You can eat it. Conserve
10 energy.

11 Every pound of food shipped from Fairbanks to the
12 villages is 18 cents. So we can conserve that energy that
13 then certainly any locally produced foodstuffs is easing
14 the stress on it.

15 (At this time a brief recess was taken)

16 THE MODERATOR: We're talking about the subcommittee
17 coming back on health. I'm questioning, even though I
18 haven't heard a thing, if it's taken them two hours to
19 synthesize this, have we got the time to make everybody
20 aware of the kind of input that you had to put into this
21 thing.

22 MS. PORTER: If I may make a suggestion, everyone has
23 their copy. They've read it over, we could tell them what
24 amendments we've made and take a vote on it.

25 MS. PALMQUIST: Well, you wish to have the

1 recommendations that the committee go into the minutes as
2 the recommendations of the committee, or do you want them
3 read to the Delta Group and a vote up or down on the
4 committee's report?

5 MR. ECKHOLM: Did you make significant changes?

6
7 MS. PALMQUIST: We made some changes that we thought
8 might enhance the understanding of it.

9 MS. SIMONDS: Did you delete anything?

10
11 MS. PALMQUIST: Yes, we did delete one entire section
12 and some wording.

13 MS. SIMONDS: What was it?

14 MS. PALMQUIST: When I make the report I'll go into it.

15 THE MODERATOR: I hadn't really thought of that. How
16 do you want to do this? She's suggesting we accept the
17 committee report as such, or they read it all into and we
18 accept it as our report.

19 DELEGATE: Maybe go recommendation by
20 recommendation and change it as we think we need to and
21 vote as we go along?

22 MS. PALMQUIST: I'd rather read the whole thing and
23 then make changes.

24 MR. HARTLE: One thing, that's what the committee just
25 spent two hours doing. We didn't stop for a minute for two

1 hours, and here it is.

2 MS. SIMONDS: How about the significant changes? What
3 you deleted and what you added. We know the rest.

4 MS. PALMQUIST: If you want my report, I'll make it.

5 THE MODERATOR: I'm concerned. If it's taken you two
6 hours to go through this and make your comments, it's going
7 to take us two hours, I think. Is that a fair statement?

8 MS. PALMQUIST: Well, it will take you two hours if we
9 wasted our time.

10 MS. SCHIRMER: I think we should hear the report that
11 will get it into the minutes. Then we can hopefully discuss
12 it briefly.

13 THE MODERATOR: You'd like to hear the report straight,
14 then?

15 MS. SCHIRMER: Yes.

16 MS. PALMQUIST: All right.

17 "The following recommendations are inherent and stated
18 within the paper entitled "Health and Social Services:
19 Needs and Strategies in the 1980's." It is recommended that
20 consideration be given by the legislative and executive
21 branches of government for implementation during the early
22 years of the 1980 decade."

23 Number one: "Public policy in Alaska as
24 developed by the legislative and executive branches of
25 government should shift priority as far as possible from

1 the curative and treatment approach to health promotion,
2 health education and disease prevention and social service
3 programs."

4 A similar approach is recommended for other
5 social problems.

6 In other words, we're emphasizing prevention
7 instead of cure and treatment.

8 Number 2 will then be former Number 8: "Since
9 disease prevention is cheaper than cure and treatment,
10 Alaska should single out several diseases which contribute
11 unduly to the pain and suffering of citizens and lay heavy
12 claims on public funds. Singled out for earliest attention
13 should be: Tuberculosis, otitis media, alcoholism and drug
14 abuse, accident prevention, and venereal disease."

15 That would come as number two, and number two
16 would be eight.

17 So I'll read two when we get to eight.

18 Three: "That to the extent allowable by present
19 and reasonable amendments thereto, health and social
20 services delivery programs should be vested in local
21 government and in private nonprofit corporations with
22 mutually agreeable funding provided by Federal and State
23 governments."

24 Four: "Revenue sharing funds made available by
25 the State government for health services and health

1 facilities should be made available to local governments
2 with the local governments determining the priorities for
3 usage of the funds, whether for services, institutions or
4 facilities."

5 Five: "That public policy in Alaska include
6 studies leading toward the possible revision of all direct
7 service health expenditures with the emerging possibility
8 of opting out of the Medicaid program, the development of a
9 unique and comprehensive Alaska health insurance program,
10 or other innovative improved methods for assisting Alaskans
11 in meeting medical costs."

12 Six: "Immediate attention should be given to an
13 improved catastrophic illness program to bring relief to
14 low- and middle-income wage earners otherwise ineligible
15 for federal and State assistance," and cancel out the rest.

16 MR. POMEROY: Stop where?

17 MS. PALMQUIST: Stop at the word assistance. In other
18 words, you're taking out all of the last sentence.

19 Seven: "The State should consider a revised plan
20 of reimbursement for physician services and hospitals
21 whether or not the Medicaid program is continued or dropped,
22 including strong emphasis on the free enterprise,
23 competitive systems and that the free market forces be
24 rigidly enforced in other fields of endeavor."

25 You drop out the quid pro quo.

1 MR. POMEROY: That's the only change there.

2 MS. PALMQUIST: Yes.

3 Then for eight you will have former number two:

4 "Cost containment for all health care purchased by
5 government should be undertaken with a minimum goal that
6 payment and fees for services should not be allowable
7 beyond the increases in the Consumer Price Index for the
8 region concerned."

9 And by region concerned, we mean the region of
10 the State, not the United States.

11 Nine: "Alternatives to expensive institutional
12 health care (hospitals, nursing homes, residential centers)
13 should be sought, including pilot programs in coordinated
14 home health-home support care with services available not
15 only from nurses but also doctors for in-home assistance."

16 This is in essence alternates to nursing home
17 care.

18 MR. ECKHOLM: Go over that change again.

19 MS. PALMQUIST: "Expensive institutional health care
20 (hospitals, nursing homes, residential centers) should be
21 sought, including pilot programs in coordinated home
22 health-home support care, with services available not only
23 from nurses, but also for doctors for in-home assistance."

24 MS. SHROYER: Is that coordinated or consolidated?

25 MS. PALMQUIST: Coordinated.

1 We took out ten entirely.

2 Then 11 becomes 10: "Since all forms of
3 accidents are responsible for the highest percentage of
4 Alaska deaths and a major portion of health care dollar
5 expenditures, special massive attention should be given to
6 the fundamental causes of those accidents and the
7 relationship thereto to other social and health phenomena,
8 and that a bold program of education and prevention be
9 developed."

10 The next one, instead of 12, will be numbered 11:
11 "All third-party insurance payment mechanisms for health
12 care in Alaska should be required to cover mental illness
13 services in much the same way as they cover physical
14 illnesses at the present time."

15 And 13 will become 12 and we have some change
16 there: "Legislative and executive branch decisions should
17 be directed toward more extensive utilization and funding
18 of community mental health centers and several small
19 regional juvenile residential facilities should be provided
20 for mentally disturbed juveniles."

21 The rest is eliminated.

22 So you take out the word "the" ahead of "community
23 mental health centers," and you add the word "and."

24 14 will be 13. That's as it is. There's no change.
25 Do you want me to read it?

1 "That the legislative and executive branches
2 provide for detailed analyses regarding the financial
3 impact of improving the current payment level of \$120.54
4 per month per recipient under the Aid to Families with
5 Dependent Children Program under AFDC, the monthly payment
6 for mother and child is \$350 versus \$608 for two persons
7 under the Supplemental Security Income Programs.)"

8 15: "Since \$80 per month per person for certain
9 needy persons in the State is not sufficient to deal
10 realistically with those eligible, a detailed study should
11 be provided to determine the future structure and coverages
12 under the general relief and general relief medical
13 programs."

14 MR. POMEROY: That's 14?

15 MS. PALMQUIST: That is now 14.

16 15 will be: "The legislative and executive
17 branches of government should attempt to influence more
18 strongly the Federal Office of Management and Budget in
19 order to adjust the official poverty guidelines for Alaska
20 to bring it in line with financial realities and remove the
21 current discrimination against Alaska's needy made possible
22 by the policies of the Federal Office of Management and
23 Budget."

24 MR. MCGINNIS: Grammar: It should be them.

25 MS. PALMQUIST: "Bring them in line."

1 MS. SHROYER: Why does it say "made possible by the
2 policies"?

3 MR. MCGINNIS: The Federal Office of Management and
4 Budget can do what they want to do. They have discretion.
5 They can adjust it if they wanted to. It does not take
6 congressional action. Only we can do it, with pressure and
7 persuasion.

8 MS. PALMQUIST: 17 will become 16: "That the
9 legislative and executive branches provide for an updated,
10 comprehensive study of the status of Alaska's elderly
11 population, with special emphasis on the adequacies of the
12 financial assistance provided to elderly eligibles and
13 with special review of the effects of inflation on the
14 fixed income of retired persons." And add: "And, in
15 connection with a proposed Older Alaskans' Commission,"
16 which is going to be a recommendation coming out of the
17 interim legislative committee.

18 MR. POMEROY: In connection with what?

19 MS. PALMQUIST: In connection with -- add the words
20 "Retired persons" and remove the period, "and in connection
21 with a proposed Older Alaskans' Commission."

22 18 will become 17: "The legislative and executive
23 branches of government in Alaska have recently provided for
24 a comprehensive Corrections Master Plan for Alaska."

25 Ahead of the next sentence insert: "After public

1 hearings are held in the affected communities, only those
2 portions of the plan deemed to be acceptable should be
3 strongly supported by the legislative and executive
4 branches in order to improve both facilities and services
5 in urban and rural areas of Alaska."

6 MR. NASKE: Say that again?

7 MS. PALMQUIST: Ahead of the second sentence, include
8 the words "After public hearings are held in the affected
9 communities, only those portions of the plan deemed to be
10 acceptable should be strongly supported by the legislative
11 and executive branches in order to improve both facilities
12 and services in urban and rural areas of Alaska."

13 19 will be 18: "Limited and new programs such as
14 Treatment Alternatives to Street Crime and New Start Center
15 have demonstrated efficiency and adequate rate of success
16 in assisting in the continuing rehabilitation of ex-
17 offenders. It is in the interest of every citizen of Alaska
18 that such ex-offenders be assisted in developing new life
19 patterns free of crime and deserve adequate staff and
20 financial support to assist in that goal."

21 I think we all saw the movie this morning and
22 that has some aftereffect on that. There's no change in
23 that.

24 20 will be 19: "Even though public assistance in
25 the form of money transfer payment programs and social

1 services based on counseling do not have the same goals,
2 human service centers in various communities throughout the
3 State should be co-located in order to serve citizens in a
4 more efficient manner."

5 An explanation: The Department of Health and
6 Social Services now has public assistance done by one staff
7 and they have counseling done by social workers as another
8 staff. This is that they should be co-located so that they
9 work closely in harmony with each other.

10 21 will be 20: "Since Alaska does not operate
11 any social service child care institutions and only one
12 correctional juvenile institution," which, as you know, is
13 McLaughlin, "revision should be made in the 'purchase of
14 services' statutes by amendment in order to fund those
15 privately operated programs giving care to juveniles whose
16 care has been made a State responsibility more nearly on
17 the basis of actual full cost of care."

18 No change in the wording.

19 22: "The legislative and executive branch,"
20 which is 21, "The legislative and executive branches of
21 government should make provisions whereby a reasonable
22 percentage (approximately one percent)" but we agreed on
23 one percent "of the human services budgets of the State
24 could be utilized by the executive agencies for research
25 and evaluation purposes in order that full data may be

1 available and proper evaluations made to play sound
2 statistical and programmatical bases under all expenditures
3 in the field of human services."

4 Mr. Chairman, the committee moves the adoption of
5 these recommendations.

6 MS. PORTER: Mr. Chairman, there are two additional --

7 MS. PALMQUIST: Rosemary, did want to make another
8 addition in the field of education.

9 MS. PORTER: I have the legislative support
10 adventure-based education for youth on an ongoing basis.

11 I have another one that I would also like to
12 suggest for the group's consideration, and that is
13 continued support by the State legislature for crisis
14 centers throughout the State.

15 MS. PALMQUIST: If the members of the committee have
16 any objections to adding that to our report? Hearing none,
17 then those will be items 22 and 23.

18 THE MODERATOR: Thank you very much.

19 MR. ECKHOLM: Have you gotten those added to your list,
20 Rose?

21 MS. PALMQUIST: As soon as Rosemary gives them to me,
22 they will be added to this.

23 MR. ECKHOLM: Can I have your copy as the final copy?

24 MS. PALMQUIST: Yes.

25 THE MODERATOR: You heard the motion by the

1 subcommittee to adopt these resolutions. Any discussion?

2 MR. POMEROY: Do we hear the remaining two, or not?
3 Are they available?

4 MS. PALMQUIST: They just were read. "The legislature
5 support adventure-based education for youth on an ongoing
6 basis." That will be 22.

7 Number 23 will be: "Continued support by the
8 legislature for crisis centers throughout the State."

9 Those are our recommendations, Mr. Chairman.

10 MS. PILLIFANT: Is the State supporting crisis centers
11 at this point in time?

12 MR. MCGINNIS: I don't know if they are supporting all
13 the crisis centers, but there are a number of crisis
14 centers which are supported through both federal and State
15 LEAA funding. Battered women shelters, defense shelters.

16 MS. PILLIFANT: I wasn't thinking in terms of those
17 sorts of things. I was thinking --

18 THE MODERATOR: Discussion.

19 MR. POMEROY: Open for discussion?

20 THE MODERATOR: Sure.

21 MR. POMEROY: First I think I should like to thank the
22 committee for taking a most extensive and comprehensive
23 document and spend the time at dinner on it while I was
24 having martinis in preparation for this encounter.

25 I think the only thing appropriate to say is that

1 I believe, I still believe, that the scope and the
2 character of this is something that might better not have
3 come before this group. But it has, and certainly whatever
4 I might have in question at various things here would not
5 be important enough to open up for further discussion,
6 because I note in much of this it's implicit that a lot
7 more work is going to be done. Is that right?

8 MR. MCGINNIS: Indeed. Preprimarily, yes.

9 MR. POMEROY: And so, with that, all that I might have
10 said I eliminate except for one thing: I note that we're
11 going to have to deal with financial matters. We probably
12 will be talking about the rate at which public costs are
13 increasing. There may be a good deal involved in here in
14 the accumulation of increased public costs and I mention
15 now only in the event as we go along with the other subject
16 we're taking up, that I recommend that we keep in our minds
17 the extent to which we may be just talking about cost for
18 State government going up like that instead of going up at
19 a lower rate.

20 And I want to thank Rose, particularly, because
21 she and I had some discussion earlier.

22 MS. PALMQUIST: Thank you, Harold.

23 MR. MCGINNIS: I would be deeply concerned for the
24 same reason that Mr. Pomeroy is concerned. On balance, when
25 you take the entire package and think in terms of a decade

1 rather than a year or two, the cost of mechanisms could
2 easily offset the increased cost with a better, more
3 effective system. And the detailed studies and analyses
4 would have to be made in cost avoidance.

5 MS. PALMQUIST: Some of the sections that deal with
6 the medical expenses of people that are in very low incomes,
7 we might actually save money with the recommendations.

8 MR. HARTLE: For instance, the first recommendation is
9 sure to be cost effective and cost avoidive to a
10 significant degree.

11 MS. SCHIRMER: I wonder why the business about Alaska
12 Psychiatric Institute was removed.

13 MR. MCGINNIS: May I?

14 MR. ECKHOLM: Surely

15 MR. MCGINNIS: The committee discussed at some length
16 and thought that should be something done as a regular
17 departmental function in any event, and that it would be
18 done anyway, and we wanted to get as much language out of
19 this as possible. We would like to have reduced 50 percent
20 more language, and maybe even a little more editing, but we
21 wanted to cut away as much as the nonessential as possible.

22 MR. ECKHOLM: Do you think it might be some indication
23 that we would accept these recommendations but note
24 somewhere that we accept them based upon the paper
25 developed by Dr. McGinnis and they're primarily from those

1 recommendations?

2 MS. PALMQUIST: Well, we used these like in the
3 legislative area as a markup, so actually I would hate to
4 limit our recommendation to, really, that we went over his
5 recommendations. Because we used the recommendations for
6 our own evaluation and changes. So, actually, by now they
7 are the recommendation of the committee.

8 MR. POMEROY: That's a good identification you used as
9 a markup.

10 MR. MERDES: Like Harold, I really think this is well
11 thought, obviously well thought through documents and ideas.

12 I have a suggestion. I guess all of us, no matter
13 what part of the life or economic part of life we come from,
14 have some criticism of health and welfare. I don't care
15 what category you're in. And I think it would help the
16 legislature in a creative way if we made a general
17 statement. I have no hangups with any of these specific
18 suggestions. I just wrote out something here that I'd like
19 to try on you. And I don't have any pride of authorship,
20 but this is my feelings on this, that as the spirit
21 underlying each of these policy recommendations, we
22 Alaskans strongly urge the legislature and executive branch
23 to encourage whenever feasible the adoption and
24 implementation of programs to encourage local input,
25 incentives and providing for self-help and any other

1 creative project encouraging human dignity.

2 MS. PALMQUIST: We have no objection to that.

3 Speaking just for myself, my own thinking was that I would
4 have gone much further than this, but I would have
5 increased prevention in all fields of social problems:
6 Employment, juvenile delinquency, adult delinquency, family
7 problems, you know, the run-away child and so on.

8 And especially in the field of the elderly, I
9 would like, really, eventually, to impact upon the State
10 the development of opportunities and programs which
11 eventually will take us off of the state's support system.

12 THE MODERATOR: Any comments on Ed Merdes'
13 recommendations?

14 MR. MCGINNIS: It would be incorporated?

15 MR. POMEROY: I suggest we incorporate it and ask by
16 unanimous consent.

17 MR. HARTLE: I agree. Also, I notice in your statement
18 there about local input, and that's very consistent with
19 several of the recommendations in here.

20 MR. MERDES: I know Fred would be one of the first to
21 be for this, but let's write and it and tell them where
22 we're coming from.

23 MR. ECKHOLM: I think we should make it the first
24 recommendation.

25 MS. PALMQUIST: I seconded Mr. McGinnis' thought that

1 we add it.

2 MS. SHROYER: That's going to be my suggestion, put it
3 at the beginning to keep it in mind.

4 MR. MERDES: I'm asking unanimous consent that we
5 adopt the entire recommendation.

6 THE MODERATOR: You heard the motion. Is there any
7 objection?

8 MR. MCGINNIS: I have no objection. I'd like to
9 comment before you vote, if I may. I have a feeling, and I
10 could be wrong about this, that this whole area of concern
11 has had more thought and attention in this group than in
12 any of the others. It was my privilege to visit many of
13 them and they suffered from a very understandable human
14 problem. They have the whole word of Alaska coming down on
15 them and schedules got off. And the sort of the Direct
16 Services thing would yield first to transportation, then to
17 roads, then to highways, then to others and some of them
18 wound up saying nice little things in a sentence, which was
19 nice.

20 But I would hope this group, if you adopt it,
21 could strongly support it in the general session with a
22 thought, and I think you'll find some of them may make a
23 few scattered comments. But whatever support this field is
24 going to get probably is going to come out of the Delta
25 Group.

1 MR. MERDES: We appreciate your time.

2 MR. MCGINNIS: I appreciate it. My name falls here.

3 McGinnis comes under Delta. I was told this is where you go.

4 MR. ECKHOLM: Rose, could you add Senator Merdes'
5 preamble?

6 MR. POMEROY: I should like to note, Jack, if I may,
7 that of everything that we've talked about so far, this
8 most specifically concerns deep social purposes. Better
9 care of children and all the things involved.

10 THE MODERATOR: I believe everyone understands the
11 motion now, or the recommendations, including Ed's, right?
12 Further discussion on it?

13 MR. POMEROY: Move adopted by unanimous consent.

14 THE MODERATOR: Unanimous consent has been asked. Is
15 there any objection? All right. We passed it.

16 Now, with your thought in mind, Fred, this group
17 has done this. You've told us another group spent three
18 hours on education. That will be our next topic. What kind
19 of time frame should we put it on that, if any?

20 MR. MERDES: Let's play it by ear.

21 THE MODERATOR: Just be aware that another group is
22 coming in with heavy recommendations on education.

23 MR. POMEROY: This isn't quite jocular, I think we
24 could do not much better than to adopt Ed Merdes' opening
25 statement concerning our university system, and then if

1 there are any specific things beyond that as to what the
2 scope of it should be, how about that?

3 MR. ECKHOLM: Would you like to make that in the form
4 of a recommendation?

5 MR. POMEROY: Yes. Don't say it's an unmitigated
6 disaster.

7 MR. MERDES: I'll leave that out.

8 MR. POMEROY: His statement concerning what should be
9 the aim of our university as to its quality and scope. I
10 mean, just what he said without --

11 MR. ECKHOLM: So we should go back and pull it out?

12 MR. MERDES: I have it on the tape recorder, so I'll
13 give it to you.

14 MR. ECKHOLM: I would sort of like to hear a replay of
15 that.

16 MR. MERDES: I don't want to replay it to you but we
17 can we replay it later. I'll shorten it up later, I'll
18 guarantee you.

19 MR. POMEROY: It condenses very nicely. You have to
20 condense most of what he says.

21 MS. SCHIPMER: In one of our previous recommendations
22 earlier today, I think we talked about developing
23 excellence in the university with regard to resources. And
24 I can't remember whether we included in that something
25 about forestry. Because the only forestry programs that I

1 know in the State are Shell and Jackson. I may be wrong.
2 But that's about the only place in the State I know of any
3 forestry program.

4 MR. MORGAN: They have a forestry soils lab at the
5 university. They have an oil and forest institute there.
6 But as far as formalized programs, no.

7 MS. SCHIRMER: I think -- as far as our suggestion
8 was the university should strengthen their departments in
9 archaeological, geographic, agricultural, mineral studies,
10 oceanography, fishing and timber for the northern latitudes.

11 MR. MERDES: We adopted that already.

12 MS. SCHIRMER: I couldn't remember if the forestry
13 business was in there.

14 MR. NASKE: Why did we restrict it to those disciplines?
15 If you do that, legislative intent will be focused on these
16 particular disciplines.

17 MS. SCHIRMER: Maybe it needs to be.

18 MR. NASKE: I don't think so. I'm sure these
19 disciplines are very important. But why not say that
20 matters of concern to peoples living in northern latitudes.

21 MR. MORGAN: I thought we made that statement.

22 MR. ECKHOLM: We do have it.

23 MR. NASKE: Rather than saying fisheries and forestries.

24 MS. PORTER: We changed it back from natural resources.

25 MR. MORGAN: The first one I recommend is history.

1 MR. NASKE: History? What's history?

2 THE MODERATOR: I think, if we understand Ed Merdes'
3 comment, is to devote the next ten years to building the
4 greatest university we can. That's more than forestry or
5 fisheries; that's a great university.

6 MR. MERDES: Excellent.

7 MR. POMEROY: It actually embraces anything we might
8 suggest here as to scope.

9 MR. MERDES: But you particularly want it adapted to,
10 for example, the north. I agree with Claus that the
11 oceanography, the fact that we have oil and fisheries and
12 timber and geophysical. You don't want, for example, I
13 don't think we should worry about --

14 MS. SCHIRMER: Citrus fruit.

15 MR. NASKE: Near Eastern studies.

16 MR. ECKHOLM: If I may --

17 MR. NASKE: Biggest university, the best one, in
18 matters pertaining to the northern latitudes.

19 MR. ECKHOLM: We have already adopted this.

20 Number 11: Excellence in the matters pertaining
21 to resources of the northern latitudes. That would
22 encompass timber as well.

23 MR. NASKE: I'd like to make a recommendation that in
24 view of some loose change rattling around in pockets,
25 perhaps we should urge the legislature to ban Alaskan

1 residents tuition-free attendance at the statewide system.

2 MR. MERDES: That's going to be in it. That will be
3 written up.

4 MS. PORTER: I would feel a lot better if we had
5 building, you know, a University of excellence, and then
6 maybe specializing in those fields.

7 MS. SCHIRMER: We've got two things that we've talked
8 about: His general statement and then we've already passed
9 this other one, which had to do with resources. And I think
10 we're doing it appropriately.

11 MS. PORTER: Okay.

12 MR. POMEROY: Actually, the reason I recommended his
13 words is because I thought it was so all inclusive. It
14 actually is a university in Alaska of the United States for
15 the Arctic. That is the way he identified the whole thing.

16 MR. MERDES: That was the spirit. I think we should
17 have the greatest Arctic university in the world. For
18 example, what did Dr. Fuller say? Where is Alaska located?
19 That was amazing, that center crossroads, remember? So we
20 ought to be the greatest university, because right in the
21 center of the Arctic.

22 MS. SIMONDS: The greatest State should have the
23 greatest university.

24 MR. NASKE: The thing that upsets me is the federal
25 government has a clearly spelled-out policy for an Arctic.

1 There's no policy for the Arctic and a big chunk of the
2 American territory lies in the south Arctic. The point
3 comes now where the Navy is thinking of abandoning the
4 Arctic research lab, the only base from which any arctic
5 research has taken place over the last 20 years or so. We
6 have no policy, and yet a good chunk of our oceans and land
7 and so on is in this sub Arctic and Arctic area.

8 THE MODERATOR: The danger we run, though, in talking
9 about arctic education as opposed to general education is
10 that the kids that Ed said are leaving, or kids are going
11 somewhere else for a general education will continue to do
12 so. And if they have a choice of an arctic university
13 versus a good general university, many of them will
14 continue to go out.

15 So I guess what I'm saying is don't get too
16 narrow here if you want the kind of thing you describe in
17 your opening remarks.

18 MS. SHROYER: I don't think that we would necessarily
19 give up our wonderful general university by improving an
20 Arctic, complete Arctic university group of departments. We
21 don't have to necessarily give up one for the other.

22 MS. PILLIFANT: We have to build the first one.

23 MS. STRASSBURG: Wouldn't that bring in students from
24 outside who are genuinely interested in the arctic, but
25 they won't get that sort of thing in their own localities.

1 MR. POMEROY: Mr. Chairman, I paid particular
2 attention to what Ed said. Part of it slips in because all
3 of the other things we talk about, whether it's timber and
4 whatever it is, it doesn't have to do with our having
5 ourselves stand out in some direction. And we're going to
6 spend more money per person than we are now. There's no
7 question about that.

8 I think perhaps the foremost area in which we can
9 stand out as a State, together with the service of the
10 people.

11 MR. MERDES: I just want to make one observation. It
12 struck me, I was with a bunch of students and as I
13 mentioned it, I wanted to try it out what they thought of
14 the university. Those kids want this university to be
15 outstanding. But we Alaskans go back in the territory. The
16 thing right under your nose, the thing that you could
17 usually do the most, you always overlook. And I think this
18 opportunity, if everybody agrees in this, I was in the
19 legislature. Ed, you know what I'm talking about. The
20 university has always been a political battle in the
21 legislature.

22 If the whole State would get behind the
23 university, if it's not a political battle anymore, you're
24 going to get excellence. We're the grass roots. We're the
25 ones who send the legislators down there. And we will get a

1 good university, because we'll tell them we want it. That's
2 the whole spirit behind the whole thing. Legislators get
3 the message, right? We got a broad spectrum of Alaskans
4 here.

5 I consider it a compliment.

6 MR. POMEROY: Well, it was deserved.

7 MR. MERDES: Leadership. What did Buckminster Fuller
8 say last night, the greatest thing we got is the human mind.
9 We're just carrying out what he said last night. That human
10 mind is the most beautiful thing in the world.

11 I really appreciate your remark.

12 MS. SPARCK: I think we're rehashing the same words
13 over and over and I think we ought to get on with it.

14 MR. ECKHOLM: Do we have any recommendations on
15 education?

16 MR. HARTLE: In line with talking about building up an
17 Arctic studies part of the university and in line with what
18 Mr. Naske said about the federal government lacking a
19 policy, he mentioned specifically follow up on the Naval
20 arctic research lab. The federal government is tentatively
21 planning to abandon that, abandon the funding of it. If the
22 federal government decides to abandon it, the State should
23 at least consider operating it.

24 It's a matter of funding that is causing it to be
25 abandoned. And if we could include it as part of the

1 university, I don't know if the federal government would
2 lease it to us for operating it, or if we would have to buy
3 it or what. But we should look into it, because it's a
4 fantastic facility, from what I've understood. So what I'm
5 saying is save money for the Naval reserve lab.

6 MR. PARKER: The buildings, the physical structure
7 belongs to the government. Since the Navy is giving it up
8 anyway, it probably wouldn't be too much of a job to have
9 the physical structure transferred. It's a very expensive
10 plant to operate, so it's why the Navy wants to get out.
11 They just want to get rid of the housing costs.

12 MR. NASKE: It's the only base we have. The only one.

13 MR. PARKER: The only thing, Mr. Chairman, we don't
14 have a discipline for polar studies. Ohio State has one,
15 Vermont has one, Colorado has one.

16 MR. NASKE: Cambridge, England, has one.

17 MR. MERDES: University of Washington.

18 MR. ECKHOLM: I'll write down these recommendations
19 then we'll go back over them all again.

20 MR. MERDES: I just heard that they funded it for
21 another year.

22 MS. PORTER: I would suggest separation of the
23 community college system from the University of Alaska.

24 MR. PARKER: Was that a part of Ed's statement. I heard
25 so much, I don't know.

1 MR. MERDES: I think it's extremely controversial. I
2 know everyone in this room has strong feelings on it and I
3 personally would not want to let it mix. I rather have them
4 go through the process. Because we got a separate community
5 college system right now.

6 Personally, I don't want to throw that into the
7 bag because it will just, I think, just blow up the whole
8 program. I personally would not want to, because when I was
9 in the legislature -- even right now that's a horrible
10 thing.

11 MR. NASKE: Create another board of regents, another
12 set of administrators.

13 MS. PORTER: All it will do is create another set of
14 regents. They are not able to get anything out of the
15 university. They are self-serving, they hold everything.
16 They simply will not give credit for classes even though
17 they're taught by the same instructor at a community
18 college. They want people on campus. That's their main
19 purpose. I can understand that.

20 Now the community colleges are in the process of
21 getting their own accreditation. They should not only be
22 allowed to stand on their own, own funding, own
23 administration, have their own accreditation, but also go
24 into an acceptable four year program.

25 MR. MCGINNIS: I believe that we need to be very, very

1 cautious at this point for a variety of reasons. If we
2 upgrade the quality or consistently upgrade at the higher
3 education level under the university umbrella, those should
4 float into colleges as well. When you look at Alaska in
5 perspective, the whole community is no bigger than perhaps
6 Tacoma, Washington, perhaps a fairly middle-sized city.
7 Cities suffer more from fragmentation.

8 There are many ways available to the legislature.
9 We found it within certain executive agencies, including
10 our own. They can be persuaded in due course to allocate.
11 There are mechanisms in which they can express the will of
12 the legislature if they wish to do so. It seems if the
13 system is now fragmented, it will open up a very explosive
14 area.

15 If there are problems in the board of regents in
16 their dealings with community colleges, those problems
17 should be worked out and citizens and the legislature
18 should help them do it. But to create a separate board and
19 a separate group.

20 Now, if they were going to get a quotation
21 through the junior colleges, two-year colleges, that's
22 quite all right. But at this point in our history to
23 fragment them further I think would be a mistake.

24 The only other thing I wish to say is, I would
25 hope that Ed would consider adding to his good statement

1 some concept along the line that there ought to be
2 encouraged in Alaska a fundamental policy shift in terms of
3 thinking about education. Namely, as long as we think of it
4 as an expenditure, like we go and buy a loaf of bread and
5 eat it and expend it, it's gone, this is an opportunity by
6 which these dollars are not, in the true sense of the word
7 expended, they are invested.

8 Perhaps some of the best investments, talking
9 about investing our permanent fund, some of the best
10 investments we will ever make will be in the investment in
11 upgrading the competence of our young citizens.

12 MR. MERDES: Fred, I agree with you. I'd like to have
13 Fred assist me, if you don't mind, Mr. Chairman, to write
14 this thing up, or anybody that wants to work with this. I
15 have no pride of authorship, but that's an excellent idea.

16 MR. PARKER: Following up on that concept, if you're
17 going to have a great university, it can't be subject to
18 the vicissitudes of every funding cycle. All great
19 universities have rested on a reasonably independent
20 financial base, including the great land grant universities
21 can provide operating revenues. So there has been the flow
22 of dollars to support a reasonable degree of independence.

23 Fred mentioned the heritage fund. Across the
24 board in a certain fairly large segment of them, and I
25 think Ed the other night mentioned endowed chairs. That's

1 the sort of thing, I think, where you create that kind of
2 base in a great university. Because the whole idea, you're
3 not going to have it until you have a level of independence.
4 You can't expect to swing the university out there and have
5 it respond like it was a State agency, which is generally
6 the way it's been treated. I think some concept between the
7 heritage fund and higher education in this State, not only
8 the University of Alaska, but every institution, is
9 something that should be pursued, eventually.

10 MR. POMEROY: I associate myself with Dr. McGinnis'
11 statement. I think we shouldn't dilute the main thing we're
12 presenting, get it mixed up with anything else.

13 MS. PORTER: If we're going to have a great university
14 we're not going to have a community college of great
15 excellence. Because the university simply will not allow it
16 to happen. Different kinds of things occur at community
17 colleges than occur at universities. The university system
18 is short-changing the community college system. The two of
19 them in this State are not compatible.

20 We're not dealing with a town the size of Tacoma,
21 we're dealing with a huge State; huge. And the coordination,
22 the communications are just insurmountable. Where the
23 university gobbles up a community college system, the
24 community loses because you don't any longer have a
25 community college where someone can run in and take a