

HJR

41

FISCAL NOTE

REQUEST:

Revision Date: Original Affected Agency: _____
 Title: Jones Act Exemption for Bulk Commodities BRU: _____
 Sponsor: Rep. Williams Components: _____
 Requestor: _____

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 2000	FY 2001
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants, Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL

REVENUE

FUNDING: (THOUSANDS OF DOLLARS)

General Fund	0.0	0.0	0.0	0.0	0.0	0.0
Federal Fund	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

Full-Time	0	0	0	0	0	0
Part-Time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

Estimated FY 95 Impact: 0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

Prepared By: World Trade and State/Federal Relations Cmte. Date: 4/11/95
 Division: _____ Phone: _____
 Approved By: *Ramona Barnes*
 Agency: Representative Ramona Barnes, Chair Date: 4/11/95

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REQUESTOR
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AGENCY(IES)

Alaska State Legislature



Representative William K. Williams

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House Resources
Co-Chairman
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SPONSOR STATEMENT

HJR 41 — JONES ACT EXEMPTION

Alaska is a great storehouse of the world's finest coal. Because of its high quality and Alaska's strategic geographic location, Alaska coal is well positioned to help meet the growing Pacific Rim demand. Part of that demand is likely to develop in Hawaii and on the west coast of the mainland United States. Particularly important is the growing need for high rank blending coal in the Pacific Northwest.

Unfortunately, the restrictions of the Jones Act create a financial barrier to an Alaska response to markets located in the United States. Under current conditions, Alaska suppliers of coal will be non-competitive with Asian coal shipments to U.S. ports. This harms both Alaska and the United States balance of trade.

HJR 41 asks Congress to carve out of the Jones Act an exemption for Alaska bulk commodities, thus allowing Alaska coal suppliers to respond to new opportunities in the world market for coal. There are currently no U.S. manufactured vessels capable of servicing large scale movements of Alaska coal. Therefore, a Jones Act exemption is an important part of any effort to market Alaska coal, especially since the effort is likely to include markets in the western U.S. and Hawaii.

HJR 41 will send a strong message of support from the legislature to the Alaska coal industry. It will lend support to the Alaska congressional delegation's ongoing effort to represent Alaska interests in Congress. HJR 41 is consistent with state policy set forth in Title 44 which requires the governor to use "best efforts and all available means to persuade the United States Congress to repeal" the Jones Act.

HJR 41 makes good sense for Alaska. I urge its immediate passage.

Sec. 44.17.040. Department staffs.

NOTES TO DECISIONS

Appointment of special prosecutor. — Neither the Alaska Constitution (Article III, section 22) nor the legislation permitting the establishment of the Department of Law (44.17.010, 44.17.040) limits or deprives the attorney general of the power to appoint a special prosecutor when, in the wide discretion granted, the attorney general believes such an appointment to be in the public interest; the

proper appointment of a special prosecutor in circumstances where the attorney general believes he and the Department of Law are disqualified by a conflict of interest is within the attorney general's discretionary control over the legal business of the state. *State v. Breeze*, Ct. App. Op. No. 1343 (File No. A-4840, 48, 49), P.2d (1994).

Chapter 19. Office of the Governor.

Article

1. Powers and Duties (§ 44.19.035)
3. Rural Affairs Commission (§§ 44.19.101 — 44.19.105)
5. Involvement of Young People in Government (§§ 44.19.123 — 44.19.130)
6. Office of Management and Budget (§§ 44.19.144, 44.19.145)
7. Alaska Coastal Policy Council (§ 44.19.151)
8. Yukon-Taiya Commission (§§ 44.19.181 — 44.19.188)
9. Alaska Research Policy Act (§§ 44.19.251 — 44.19.265)
10. Telecommunications Information Council (§ 44.19.504)

Article 1. Powers and Duties.

Section

35. Jones act repeal

Sec. 44.19.035. Jones act repeal. The governor shall use best efforts and all appropriate means to persuade the United States Congress to repeal 46 U.S.C. 861, et seq., known as the Jones Act. (1983 Initiative Proposal No. 2, § 4; am § 22 ch 126 SLA 1994)

Effect of amendments. — The 1994 amendment, effective July 1, 1994, deleted the former second and third sentences, relating to the governor's annual

report concerning the harmful impact of the Jones Act on Alaska commerce and the required time for submission of the report, respectively.

Article 3. Rural Affairs Commission.

Section

- 101 — 105. [Repealed]



APR 16 1995

Charlie Boddy
Vice President Of Governmental Relations

April 12, 1995

The Honorable Bill Williams
Co-Chairman, House Resources Committee
Capitol Building - Room 128
Juneau, Alaska

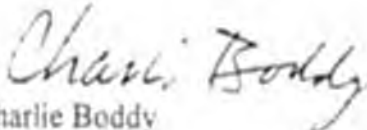
Subject: HJR-41 - A Resolution Supporting an exemption from the Jones Act for bulk commodities, such as coal and coal derived fuels, produced in Alaska.

Chairman Williams:

Usibelli Coal Mine Incorporated would like to take this opportunity to wholeheartedly endorse, and recommend for passage the above referenced House joint resolution. It is very encouraging to see the Alaska legislature recognize an urgent need to provide support to one of the State's evolving resource industries. This assistance is essential if we are to maintain a competitive position in our expanding export market opportunities.

I have enclosed an article from the December 16, 1991 issue of the National Coal Association's "Coal Voice" that discusses the timeliness of rethinking and possibly restructuring the U S maritime policies.

If we can be of further assistance to the committee on this or any other matter, please don't hesitate to call. With best regards, I remain,
Sincerely,


Charlie Boddy

enclosures

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Coal News

December 16, 1991 • No. 5073

U.S. Maritime Policies Should Be Replaced

Our nation's maritime policies have been justified on the basis of two objectives—to enhance America's foreign commerce, and to maintain fleets of vessels and crews necessary for military sealift needs. These policies have failed miserably and should be abolished and replaced. The facts don't lie.

Column 1 By Sen. Grassley

In 1950, our U.S.-flag fleet consisted of 1,050 vessels, 56,629 seafaring jobs, and carried 43 percent of America's foreign trade. Today, not even 100 vessels remain in the ocean-going fleet, with fewer than 10,000 jobs, and carrying less than 4 percent of our foreign commerce.

Has America's foreign commerce depended upon the policies and programs supporting our U.S.-flag merchant marine? Obviously not. And, in fact, our foreign commerce has thrived in spite of our wasteful policies. From 1950 to 1985, our foreign trade skyrocketed from 117 million metric tons to 541 million metric tons.

This leaves our U.S.-flag policies dangling precariously on the national defense justification . . . a justification exposed as a complete failure . . . a complete myth . . . by the recent Persian Gulf War. We now see the U.S. Maritime Administration arguing that "maritime support

(See COLUMN 1, page 3)

Charles E. Grassley is the Republican senator from Iowa. His committee memberships include agriculture, budget and finance.



Study Sees High Cost for Reducing CO2 Emissions

Reducing carbon dioxide (CO₂) emissions by instituting a carbon tax or other type of user fee would result in excessive costs and questionable results, according to a study released last week.

The report, "The Cost of Controlling Carbon Dioxide Emissions," said that to avoid pos-

"Policymakers need to consider the near term economic implications of large scale carbon dioxide reductions."

—W. David Montgomery
energy economist

sible global climate change by stabilizing CO₂ emissions would require a carbon tax of \$200 per ton or more and would produce annual losses of 1.7 percent of the gross national product (GNP).

If such a tax were levied, it would equal about \$120 per ton of coal, \$26 per barrel of oil and \$3.20 per thousand cubic feet of natural gas. If this tax were instituted, the GNP loss would be approximately \$95 billion.

While scientists continue work to reduce uncertainties concerning global climate and revise estimates about future climate change, policymakers need to consider the near term economic implications of large

scale carbon dioxide reductions," said Dr. W. David Montgomery, a leading energy economist and a vice president of Charles River Associates. Montgomery prepared the report for the American Petroleum Institute (API), a member of the Global Climate Coalition.

The economic benefits of decreasing factors contributing to global climate change might not appear until the end of the 21st century and could amount to no more than 0.5 percent of GNP, the study says.

In arriving at his analysis, Montgomery reviewed four economic technology studies that use engineering calculations to assess potential energy efficiency gains. These and other technology-based studies offer limited guidance on effective CO₂ emissions policy, according to the study.

"Each of the models offers a
(See REPORT, Page 2)

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COLUMN I - By Sen. Grassley

(Continued from page 1)

advocates must take their military argument and turn it toward the economic defense of our country."

One of the most over-used defense arguments is that we must maintain a commercial seafaring force able to man our vessels during time of war. That's nonsense. I say we either devote a certain number of Navy personnel, or create a reserve to handle cargo sealift needs at a fraction of the cost.

What does it cost to maintain those 10,000 seafaring jobs? The Maritime Administration breaks down these jobs into three categories: 2,024 seafaring jobs supported by cargo preference, 2,333 by operating differential subsidies and 5,000 by the Jones Act.

Cargo Preference's Cost

The Congressional Budget Office determined cargo preference cost American taxpayers \$825 million in fiscal 1991, and operating differential subsidies cost \$225 million. Therefore, cargo preference forces American taxpayers to spend more than \$400,000 per job for our high-priced commercial seafarers.

What do those 5,000 jobs supported by the Jones Act cost Americans? The U.S. International Trade Commission released a study showing that the Jones Act costs American consumers and businesses more than \$10 billion a year. That translates into \$2 million per seafaring job.

Military sealift officials told my office that at the outbreak of the Persian Gulf War, the union contracts for our seafarers contained no provision for war zone bonuses. So these high-priced union seafarers who have been living high off the hog all these years thanks to Uncle Sam, rush to add war zone bonuses requiring that they get double pay while in the war zone.

As an example, if a captain of a commercial U.S.-flag vessel makes \$14,000 per month, he would have received a war zone bonus of \$14,000.

If a commercial captain received \$14,000 in a war bonus, what did a Navy captain get? \$150!

But for U.S.-flag maritime supporters, price is no object. Americans, however, concerned about deficit spending are concerned. And Americans concerned about revitalizing the economy certainly care about a \$10 billion drag on the economy that destroys 2,000 jobs in agriculture, forestry, mining and other industries.

It is something to think about during our recess. It will be something to act upon when we return for the second session of the 102nd Congress.

Report Says Coal-Fired Utilities' Mercury Emissions 'Insignificant'

A new study published by the Center for Clean Air Policy claims that coal-burning power plants are one of three major sources contributing to atmospheric mercury in the United States, accounting for about one-third of emissions.

However, these levels are insignificant compared to existing atmospheric quantities, the report adds.

Mercury emissions transform into a gas and can travel by wind hundreds of miles.

"Electric Utilities and Long Range Transport of Mercury and Other Toxic Air Pollutants" says the worldwide contribution of fossil fuel is estimated to be about 5,000 tons a year from burning coal, natural gas and the refining of petroleum products.

The study does note that a major source of mercury is the natural degassing of the earth's crust, which is estimated to be on the order of 25,000 to 150,000 tons per year. It also

is estimated that man-made sources of mercury average 8,000 to 10,000 tons a year.

According to the report, "the jury is still out on just how large a national emission reduction is needed to protect sensitive resources."

The report recommends the Environmental Protection Agency consider base potential regulations of utility mercury emissions on a national emissions cap and trading system similar to the recently enacted acid rain control requirements.

Other suggestions included that state and federal governments enact policies promoting cost-effective energy efficiency improvements; the expansion of the Department of Energy's clean coal technology program to help identify and develop technologies to reduce mercury emissions and requiring electric utilities to report and make public estimates of their toxic emissions.

Bush Lights National Christmas Tree

President and Mrs. Bush were on hand for the lighting of the National Christmas Tree last week as part of the annual National Christmas Pageant of Peace celebration.

For the second year in a row, NCA has participated in the 67-year tradition by providing the 17 smaller pine trees surrounding the national tree. The trees represent each state and U.S. territory.

The blue spruce trees were grown on land mined and reclaimed by R&F Coal Co., a subsidiary of Shell Mining Co.

"It's wonderful to start the Christmas season in such a positive way," Interior Secretary Manuel Lujan Jr. said during a planting ceremony last month. "We are the chief

stewards of the land at Interior and coal makes us look good as they continue the good practice of reclaiming the land."

The pictured tree is in front of NCA's office building accompanied by a sign describing coal's contribution to the pageant and inviting passersby to visit the tree display.



Alaska pays dearly for punitive Jones Act

Discrimination against Alaska's interests is nothing new when it comes down to congressional action. Most would agree that in recent years economic prospects for Alaska were dealt severe body blows by Jimmy Carter's signing of the Antiquities Act followed by passage of the Alaska National Interest Lands Conservation Act of 1980. The latter, to be sure, is a flawed polyglot of prejudicial land ownership and management units.

One infamous act of Congress has been in effect for almost 70 years during which time Alaska and her citizens have been grossly discriminated against. I refer to the Merchant Marine Act of 1920 or Jones Act, the impact of which has, over the years, greatly increased living costs for Alaskans while minimizing the economic return on Alaska resource products such as oil shipped south.

In essence the Jones Act reserves American rivers, coastal and non-coastal shipping to American flag carriers. The act created a monopoly and shielded Jones Act protected vessels from competitive forces. The protection afforded by the Jones Act is a subsidy of the difference between open-market



John
Sims

Views expressed here do not necessarily represent those of the Daily News Miner

rates and those of Jones Act carriers borne not by the federal government but by the people of Alaska. Since Alaska is most affected by the Jones Act, it follows that Alaskans are disproportionately paying the subsidy. Despite the inequities of this law there is only a remote possibility of the repeal of all or part of the act. This is because for most senators and congressmen it is simply not an issue of concern.

Supporters of the Jones Act have for years stressed the argument that a strong United States owned merchant marine is needed in times of national emergency and hostilities. In reality the desired effect has not occurred because, whereas, the world's merchant fleet tonnage has risen almost 10

times since World War II, the U.S. flagged merchant fleet has halved in size! If there is merit to the national defense concern, there is surely a question of equity to be addressed. It seems only fair to me that the expense of the subsidy for the luxury of maintaining the Jones Act should be borne by the entire country, not just a few adversely impacted areas such as Alaska.

How exactly does Alaska suffer at the hands of the Jones Act? One of the most dramatic impacts is on oil revenues. The shipping costs associated with Jones Act tariffs decrease the "wellhead" price for Alaska oil. Each extra dollar incurred because of inflated Jones Act rates decreases the wellhead price by the same amount. It doesn't take a genius to figure out that we—every single Alaskan—are big losers because it is the wellhead price upon which state royalties and taxes are levied. At 24 cents on the dollar, the revenue losses attributable to the Jones Act rapidly add up. In recent years it has been stated by the Alaska Statehood Commission that the Jones Act alone was responsible for reduction in the wellhead value of Alaska crude of between \$500 million and

\$650 million, representing a royalty revenue loss to Alaska in the order of \$60 million to \$100 million per year. Alaska certainly pays dearly for this punitive and anachronistic act of Congress.

In the tourism stakes, it is not so much Alaska as Seattle that loses big because of the Jones Act. With the exception of the state ferry system, all the ships that cruise the Inside Passage and Alaska waters leave from Vancouver rather than Seattle. This is because these largely foreign-owned, foreign built and foreign crewed vessels are prevented by the Jones Act from operating out of Seattle. The net result is a loss to the Seattle economy of tens of millions of tourist dollars each year and perhaps as much as \$100 million in purchases of supplies and services by the cruise operators.

Some rather impressive numbers are involved in any discussion of the Jones Act representing, in some instances, enormous losses to you and me—the people of Alaska.

Alaska coal could be another commodity adversely affected by the Jones Act. Few may realize that Hawaii could, but for the Jones Act, develop into an important

market for coal. Hawaii is of course a major beneficiary of Alaska tourist dollars and it is a natural market for Alaska's resources, including coal. Hawaii is experiencing rapid demand growth for electricity with the focus for new generation capacity favoring coal rather than higher cost oil or liquid natural gas. New coal fired generating capacity is under construction and plans have been made to convert oil fired boilers to burn coal. In the past, coal has been imported into the Islands from Canada and Australia, essentially because U.S. coal is priced out of the market through the Jones Act. Recently a Canadian supplier has been awarded a 15 year contract to supply 1.2 million tons of coal per year beginning in 1992 to a cogeneration plant in Oahu. The reality of such situations highlight the absurdity of the Jones Act.

There is no doubt that Alaska and her people could benefit enormously from relief from this inequitable Jones Act.

John Sims served as director of the State Office of Mineral Development and is presently vice president of marketing for United Coal Mine, Inc.



ALASKA MINERS ASSOCIATION, INC.

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April 25, 1995

Honorable Steve Rieger
Chairman
Senate Transportation Committee
State Capitol
Juneau, AK 99811

RE: House Joint Resolution 41, Exemption from the Jones Act

Dear Senator Rieger,

On behalf of the Alaska Miners Association I wish to go on record in support of House Joint Resolution 41 which opposes application of the Jones Act to Alaska bulk commodities and requests that the Congress pass legislation exempting Alaska bulk commodities from the Act. These bulk commodities include coal, coal derived fuels, gravel, crushed stone, dimension stone, metal concentrates, iron ore, etc.

Alaska has a cost disadvantage when compared with other parts of the country and the Jones Act results in an even greater burden. At the same time, Alaska has an abundance of these bulk commodities and the existence of the Jones Act forms an artificial barrier to our trade with the other states.

Although the effect on coal may be obvious, similar negative effects exist for other commodities. These would include gravel, crushed stone and dimension stone that may otherwise be sold into other states, especially Hawaii and to metal concentrates being shipped into the Pacific Northwest for processing.

Even though a Midrex iron ore reduction plant was not sited in Alaska, the State's ability to compete for the siting of such a plant would benefit from elimination of the Jones Act restrictions. The environmentally preferred processed iron ore from such plants, if located in Alaska, could be marketed to the steel mills and foundries in Oregon and California with significant benefits to the environment in those locations.

Thank you for your consideration of this Resolution and we urge its passage.

Sincerely,

Steven C. Barrell, P.E.
Executive Director

cc: Representative Williams
Senator Ted Stevens
Senator Frank Murkowski
Congressman Don Young