

HB

386

HFIN

FILE

HOUSE COMMITTEE REPORT

(11).

Date Referred to Committee: February 6, 1998

FURTHER REFERRALS:

Date of Committee Action: 3/3/98

The FINANCE Committee considered:

HB 386

HOUSE BILL NO. 386

RE AK INDUS. DEVELOP & EXPORT AUTHORITY

"An Act relating to the financing authority, programs, operations, and projects of the Alaska Industrial Development and Export Authority; and providing for an effective date."

recommends it be replaced with the following committee substitute CS HB 386 (Fin) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) _____ zero fiscal note(s) DEED 2/6/98

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
	Theriault	X			
	Mulder	X			
	Martin	X			
	Davies	X			
	Grossendort	X			
	Davis	X			
	Kelly	X			
	Foster	X			

CHAIR'S SIGNATURE

Theriault

FISCAL NOTE

Bill Version: HB 386
(H) Publish Date: 2/6/98

STATE OF ALASKA 1998 LEGISLATIVE SESSION

Revision Date: _____
Title: AIDEA bonding authority and programs

Department: DCED
BRU: AIDEA
Component: AIDEA

Sponsor: Governor
Requester: Rules Committee

COMPONENT SERIAL NO. _____ 123-

Expenditures/Revenues	(Thousands of Dollars)					
	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
OPERATING EXPENDITURES						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other Corporate Receipts						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 98) cost: \$ 0.0

POSITIONS						
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)
 The bill will extend AIDEA's bonding authority, which will sunset on June 30, 1998, providing the Authority the ability to continue to provide reasonable cost financing for financially feasible Alaskan business projects; merge AIDEA's export assistance and business assistance loan guarantee programs to better serve Alaskan exporting businesses; and clarify provisions related to other AIDEA financing assistance programs to make the programs more effective. AIDEA's operations are funded by corporate receipts and the Authority does not utilize funds from the General Fund for its operations.

Prepared by: D. Randy Simmons, Executive Director
 Division: AIDEA
 Approved by Commissioner: Deborah B. Sedwick
 Agency: Commerce and Economic Development

Phone: 907.269.3000
 Date: January 20, 1998
 Date: 21 January 1998

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FISCAL NOTE

Bill Version: CSHB 264 (STA)

(H) Enactment Date: 1/20/98

**STATE OF ALASKA
1997 LEGISLATIVE SESSION**

Revision Date: _____ Dept. Affected: All departments except Revenue
 Title: An Act providing for a negotiated rulemaking BRU: _____
 process: _____ Component: _____
 Sponsor: Rep. James
 Requester: House State Affairs Committee COMPONENT SERIAL NO. _____

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	***	***	***	***	***	***

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

FUND SOURCE	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	***	***	***	***	***	***

Estimate of any current year (FY97) cost: \$ 0.0

POSITIONS

POSITIONS	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This bill would authorize state agencies to use a negotiated rulemaking process. Use of this process would not be mandatory, and would depend on a determination by agencies that such a process would be in the public interest, based on several factors listed in the bill.

The asterisks on this fiscal note indicate that the fiscal impact of the bill is indeterminate. Further analysis and clarification of the scope of the bill is necessary to determine the extent to which negotiated rulemaking would be used and the cost of the process.

Prepared by: Annalee McConnell *[Signature]*
 Division: Office of Management and Budget
 Approved by Commissioner: Jim Ayers, Chief of Staff
 Agency: Office of the Governor

Phone: 465-4660
 Date: 5/5/97
 Date: 5/5/97

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Alaska House of Representatives

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During Session
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Majority Whip

HB 386 - RE AK INDUS. DEVELOP & EXPORT AUTHORITY

Amendment # A

Offered by Rep. Foster, which amends:

Page 6, line 31. After "interest rates" insert "on the Authority financing"

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Majority Whip

HB 386 - RE AK INDUS. DEVELOP & EXPORT AUTHORITY

Amendment # ___ B

Offered by Rep. Foster, adds a new section to read:

*Sec. _____ (a) The Alaska Industrial Development and Export Authority (AIDEA) may issue bonds to finance the improvement and expansion of the existing port facilities located at the City of Nome, Alaska, to be owned by AIDEA, or may finance the project by other means available to AIDEA. The principal amount of the bonds and other financing provided by AIDEA may not exceed \$30,000,000.

(b) Subsection (a) of this section constitutes the legislative approval required by AS 44.88.095(g).

Alaska House of Representatives

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Majority Whip

HB 386 - RE AK INDUS. DEVELOP & EXPORT AUTHORITY

Amendment # C

Offered by Rep. Foster, adds a new section to read:

***Sec. _____** (a) The Alaska Industrial Development and Export Authority (AIDEA) may issue bonds to finance the expansion, improvement and modification of the existing port facilities owned by AIDEA with respect to the DeLong Mountain transportation system and to finance the construction of new facilities to be owned by AIDEA related to the DeLong Mountain transportation system, or may finance these projects by other means available to AIDEA. The principal amount of the bonds and other financing provided by AIDEA may not exceed \$80,000,000.

(b) Subsection (a) of this section constitutes the legislative approval required by AS 44.88.095(g).

2/25/98

AMENDMENT

D

OFFERED IN THE HOUSE

BY REP. DAVIES

TO: HB 386

Page 6, line 18, following "to"

Delete "or compiled by"

Page 6, line 19, following "regarding"

Delete "the identity, background, finances, marketing plans, trade secrets,
or other"

Page 6, line 21, following "confidential"

Insert "when applicant or borrower requests this confidentiality"

**HB 386 / SB 279
AIDEA LEGISLATION
SECTIONAL ANALYSIS**

Sections 1 and 2 - Technical Change Related to Integration of Export and Business Assistance Programs

Sections 1 and 2 eliminate references to AIDEA's existing export finance program in the general bonding provisions of AIDEA's statutes. These technical changes are needed as part of the integration of AIDEA's Export Assistance and Business Assistance programs.

Background AIDEA's 10-year old Export Assistance loan guarantee program has never been utilized. While AIDEA has been able to finance export activities through its Loan Participation, Development Finance and, to a limited extent, its Business Assistance Program, for a variety of reasons, the Export Assistance Program does not meet the needs of the businesses it was intended to serve.

In 1997, AIDEA commissioned a report examining AIDEA's role in Alaska's export activities. The report noted that while AIDEA's other programs support Alaska exporting, the Export Finance Program is ineffective for the type of exporting transactions prevalent in Alaska today. The existing program is modeled on those from other states with strong manufacturing bases. The program does not deal effectively with Alaska's dominant export activities, including air cargo and the transshipment of goods and services produced elsewhere and shipped to Asia and Russia through Anchorage and Fairbanks.

While AIDEA's Business Assistance Loan Guarantee program has been able to support export transactions, from time to time, it was not designed for these transactions and is not useful for a wide variety of exporting activities.

In order to address the needs of the Alaska business and financial communities this bill integrates the existing Export Assistance program with the Business Assistance program and modifies the programs to create a new Business and Export Assistance Program that can effectively support Alaskan businesses that export goods and services. Bill sections 1, 2, 4, 5, 7, and 9-22 accomplishes this integration and modification of AIDEA's Export and Business Assistance programs.

Section 3 – AIDEA Bonding Authority

Section 3 of the bill extends AIDEA's general bonding authority which sunsets on July 1, 1998. Bonds for development finance projects in excess of \$10,000,000 will continue to require legislative authorization.

Background. Effective July 1, 1998, AIDEA's ability to issue bonds other than refunding bonds will sunset. The sunset would prevent AIDEA from issuing any new bonds (other than refunding bonds) without legislative approval and severely curtail AIDEA's ability to fulfill its statutory mission.

The sunset would prevent AIDEA from issuing bonds to assist key development projects and also conduit revenue financing transactions that do not involve the credit of AIDEA or the state. In 1997 alone, AIDEA issued tax-exempt conduit revenue bonds to help finance the Fort Knox gold mine (\$71 million) and the Great Lake Hydroelectric project (\$23 million). These bonds helped lower the cost of financing for these projects without any financial risk to AIDEA or the state. The bill would eliminate the July 1, 1998 sunset.

Sections 4 and 5 - Technical Change Related to Integration of Export and Business Assistance Programs

Sections 4 and 5 eliminate references to AIDEA's existing export finance program in general bonding provisions of AIDEA's statutes. These technical changes are needed as part of the integration of AIDEA's Export Assistance and Business Assistance programs.

Section 6 – Technical Changes to AIDEA's Loan Participation Program

Section 6 makes technical changes clarifying certain requirements of AIDEA's loan participation program. The bill clarifies that the authority may not purchase loan participations if the loan exceeds 75% of the appraised value of the collateral securing the loan. (AS 44.88.155(d)(3)). In addition, the bill provides that loans, under the program, may not exceed the amount necessary for new construction, expansion, acquisition and the amount necessary to refinance existing debt (AS 44.88.155(d)(3)). The bill also clarifies that the term of the authority's participation may not exceed 75% of the useful life of the collateral provided as security for the loan. (AS 44.88.155(d)(4)). Finally, the bill makes a technical change to AS 44.88.155(d)(7) to clarify that the collateral pledged by the borrower is to secure timely repayment of the obligations of the borrower under the loan documents.

Background. Questions have arisen as to how AIDEA's loan participation requirements apply when the proceeds of the loan are to be

used for multiple purposes or if the loan is to be secured by several pieces of collateral. The bill clarifies AIDEA's statutes to specify that loans may not exceed 75% of the appraised value of all the collateral pledged and that the term may not exceed 75% of the useful life of the collateral pledged. Finally the bill clarifies that loans may not exceed the amount necessary for acquisition, construction and debt refinancing for the project.

Sections 7 - Technical Change Related to Integration of Export and Business Assistance Programs

Section 7 eliminates a reference to AIDEA's existing export finance program in general provisions of AIDEA's statutes. This technical change is needed as part of the integration of AIDEA's Export Assistance and Business Assistance programs.

Section 8 - Confidentiality of Information

Section 7 adds a new confidentiality of information section in AIDEA's statutes that modifies and relocates the existing confidentiality provision that applies to AIDEA's Export Finance program. The new provision would apply to all of AIDEA's financial programs. The provision authorizes AIDEA to establish, by regulation, standards and procedures under which proprietary and financial information submitted to or compiled by AIDEA regarding applicants, borrowers, guarantors and projects may be kept confidential. Such confidential information will not be classified as a public record. The provision also establishes certain categories of information that will always be public. Among the information that will always be public is name of the applicant or borrower and the amount, terms and status of AIDEA financing.

Background. Participants in AIDEA's programs are often required to submit to the authority proprietary and financial information regarding their projects as well as their personal financial information. Applicants are often surprised to learn that this information may be subject to disclosure under the public records act. This is particularly true of banks that submit information on borrowers under the authority's loan participation and business assistance programs. Banks are generally prohibited under state law from releasing any information regarding their borrowers.

AIDEA often receives public records requests seeking proprietary and financial information regarding applicants and borrowers. Under existing law, AIDEA is required to release the information unless the authority determines that the privacy interest of the applicant or borrower outweighs the public interest in releasing the information. These are difficult

standards to administer and provide little guidance for banks, borrowers, applicants and those seeking release of the information. Under the public records act the authority is not permitted to inquire into the motivations of those seeking the information. Therefore it is possible for a borrower's competitors to request proprietary information for the sole purpose of obtaining a competitive advantage.

While it is important to protect the proprietary and financial information of businesses that submit information to the authority, it is also important that the public have full access to information necessary to understand AIDEA's activities and the transactions it undertakes. The bill modifies AIDEA's existing confidentiality statute and furthers both of these important interests.

The bill would authorize AIDEA to adopt regulations establishing standards and procedures under which proprietary and financial information may be kept confidential. While allowing AIDEA the discretion to create categories of documents that may be kept confidential, the bill also enumerates a variety of information that will always be public. Among the information that will always be public is the names of borrowers and applicants, the terms of AIDEA financing, and the amount and status of payments due to AIDEA. The process contemplated in the bill will allow those who participate in AIDEA's programs as well as those who may seek information from the authority to clearly understand what information is and is not public.

Section 9 – Change Related to Integration of Export and Business Assistance Programs

Section 9 repeals and reenacts AS 44.88.500 to effect the integration of the Export Assistance program into the newly modified Business and Export Assistance Program. The section makes clear that, under the program, the authority may guarantee both new and refinancing business and export assistance loans. The numbering of the subsections has also been changed.

Section 10 – Changes Related to Integration of Export and Business Assistance Programs

Section 10 creates a new section in AIDEA's statutes modifying AIDEA's existing Business Assistance program to create a new Business and Export Assistance Program that can effectively support Alaskan businesses that export goods and services.

AS 44.88.502(a) and (b) incorporate and modify language from existing AS 44.88.370 and 44.88.360(a), respectively, which are repealed under section 20 of the bill. AS 44.88.502 (a) provides that a guarantee issued under the program does not create a debt or liability of the state. AS 44.88.502(b) provides that

guarantees under the program held by a financial institution are presumed valid and may not be terminated except as provided in the guarantee itself.

AS 44.88.502 (c) and (d) incorporate and modify provisions from the authority's existing export assistance program into the newly integrated Business and Export Assistance Program. AS 44.88.502(c) provides that guarantees issued under the program to support export transactions may guarantee against commercial and political losses. This provision is in existing AS 44.88.360(a) which is repealed under section 20 of the bill. AS 44.88.502 (c) also allows the authority to require insurance to cover some or all of the loss guaranteed under the program. AS 44.88.502 (d) defines "political loss" to mean losses that would be insurable under an export credit insurance policy issued by the Export-Import Bank or a risk that is actually insured under a policy the buyer obtains.

Background. AS 44.88.502 (c) and (d) make changes to AIDEA's existing Business Assistance Program to create an effective Business and Export Assistance program. Under the Authority's existing Export Assistance Program (AS 44.88.360) export credit insurance was always required. This requirement adds additional cost, time and complexity to export transactions. Under the bill (AS 44.88.502(c)) AIDEA may exercise its discretion to determine if such insurance should be required for a particular export transaction. This discretion allows AIDEA to realistically assess the risks of a particular transaction to determine if export credit insurance is necessary.

AIDEA's existing Export Assistance program provided that the only political losses that could be guaranteed were those losses actually insured under an export credit insurance policy issued by the Export-Import Bank or other similar institution. This requirement severely detracted from the attractiveness of the program. AS 44.88.502(d) utilizes the Export-Import Banks export credit insurance policy to describe the types of losses that may be guaranteed under the authority's program but does not require that such insurance be obtained for guarantees to be effective. Instead the decision to require insurance and the type an amount is left to the discretion of the authority.

Section 11 and 12 – Technical Changes Related to Integration of Export and Business Assistance Programs

These sections make minor technical changes related to the integration of the Export Assistance program and Business Assistance program. These sections change the numbering of the statutory cross reference to AS 44.88.500 to reflect the renumbering of the subsections in that provision as a result of Section 9 of the bill.

Sections 13 through 15 – Modifications to Effect Integration of Export and Business Assistance Programs

These sections modify AIDEA's existing Business Assistance program to create a new Business and Export Assistance Program that can effectively support Alaskan businesses that export goods and services.

Section 13 eliminates a condition on debt refinancing guarantees that limits the refinancing to interim construction related debt.

Section 14 modifies the existing program to recognize that payment of guaranteed debt may come from the sale of the assets that are the collateral for the loan.

Section 15 modifies the existing program to allow the authority to guarantee up to 180 days interest on post-shipment guarantees and up to 270 days on pre-shipment loan guarantees supporting export transactions.

Background. The changes made in these sections are intended to make the new Business and Export Assistance program effective for Alaska export transactions. The changes in sections 14 and 15 reflect the fact that many export transactions require payment upon the sale of the exported goods that are the security for the transaction. Typical export finance transactions do not require multiple payments but rather one payment (paying off the entire loan) upon the sale of the exported goods. Section 14 allows the authority to recognize the sale of the goods as the source of payment in these transactions. Section 15 allows the authority the limited ability to guarantee interest on these transactions pending receipt of the proceeds of the sale.

Sections 16 through 18 – Technical Changes to Business and Export Assistance Program

These sections make minor technical clarifications to AIDEA's statutes.

Section 16 clarifies that the total amount of outstanding AIDEA guaranteed indebtedness for an individual borrower may not exceed \$1 million.

Section 17 clarifies that amounts received toward a defaulted AIDEA guaranteed loan are to be allocated between the bank and AIDEA in accord with the percentage AIDEA guaranteed, until such time as all principal and accrued interest has been paid.

Section 18 makes a technical change allowing AIDEA to establish, by regulation, reasonable fees for the program. Under current statute AIDEA is to charge one percent of the amount guaranteed plus any other reasonable fee established in

regulation. The bill will allow AIDEA to establish all fees for the program by regulation.

Section 19 – New Definitions for Business and Export Assistance Program

Section 19 creates new definitions related to export transactions that may utilize the program. Definitions are provided for “current assets,” “export transaction,” “post-shipment loan guarantee,” and “pre-shipment loan guarantee.” These terms are used elsewhere in the statutory provisions for the Business and Export Assistance Program.

Section 20 – Repealers

The section repeals AS 44.88.085(h), AS 44.88.300, 44.88.310, 44.88.320, 44.88.330, 44.88.350, 44.88.360, 44.88.370 and 44.88.390 to effect the repeal of the existing Export Assistance Program that is being integrated with the Business and Export Assistance Program in other provisions of the bill. The section also repeals AS 44.88.340, the authority’s existing confidentiality provision, that is being modified and relocated under section 8 of the bill.

Section 21 – Repeal of Business Assistance Program Sunset

This section repeals the existing July 1, 1998 sunset to the authority’s existing business assistance program.

Background. Under current law, the authority’s business assistance program will sunset on July 1, 1998. The sunset must be repealed to assure the continued operation of the program and to effect the integration of the Export Assistance Program into an effective Business and Export Assistance Program.

Section 22 – Transition Provision

Section 22 is a transition provision related to the elimination of the existing Export Assistance Program and the integration of the program into the Business and Export Assistance program. The provision provides that any assets in the export insurance account are to be transferred into the authority’s revolving fund.

Section 23 – Effective Date

This section provides that section 3 (repeal of the bonding authority sunset) and section 21 (repeal of the Business Assistance Program sunset) become effective July 1, 1998. The special effective dates are required to ensure that the sunsets do not take effect creating confusion and possibly requiring the re-enactment of certain provisions.

Section 24 – Effective Date

This provision provides that (except for sections 3, and 21) the bill becomes effective July 1, 1998. This allows the bills changes to become effective at the beginning of the fiscal year allowing a smooth transition into the new Business and Export Assistance program.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 5, 1998

The Honorable Gail Phillips
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Phillips:

I am transmitting a bill to support economic development in Alaska and create jobs in the state by extending the bonding authority of the Alaska Industrial Development and Export Authority (AIDEA). The bill also merges AIDEA's export assistance program with its business assistance program to enable AIDEA to better serve Alaska businesses that export products and services. In addition, the bill clarifies provisions related to AIDEA's financing programs to make those programs more effective.

First, the bill extends AIDEA's general bonding authority which sunsets July 1, 1998. Bonding for development projects of \$10,000,000 or more would continue to require legislative approval. The ability of AIDEA to issue bonds is essential to fulfill the authority's statutory mission. Allowing AIDEA's bonding authority to expire would severely restrict its ability to assist in financing key development projects and also conduit revenue financing transactions that do not involve the credit of the AIDEA or the state. In 1997 alone, AIDEA issued tax-exempt conduit revenue bonds to help finance the Fort Knox gold mine (\$71 million) and the Goat Lake Hydroelectric project (\$23 million). These bonds helped lower the cost of financing for these projects without any financial risk to AIDEA or the state. The bill will ensure that AIDEA continues to have the ability to issue bonds that benefit Alaska businesses.

Second, the bill merges AIDEA's export assistance program with its business assistance program by repealing the export assistance program while modifying and continuing the business assistance program. AIDEA's 10-year old export assistance program does not meet the needs of the banks and businesses it was intended to serve and, in fact, has not been used by any Alaska business. While AIDEA has been able, in limited

The Honorable Gail Phillips

February 5, 1998

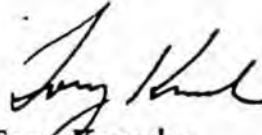
Page 2

circumstances, to support some export transactions through its business assistance program, the current structure is not effective for the types of Alaska export transactions prevalent today. This bill will create a business and export assistance program that can effectively support Alaska businesses that export goods and services.

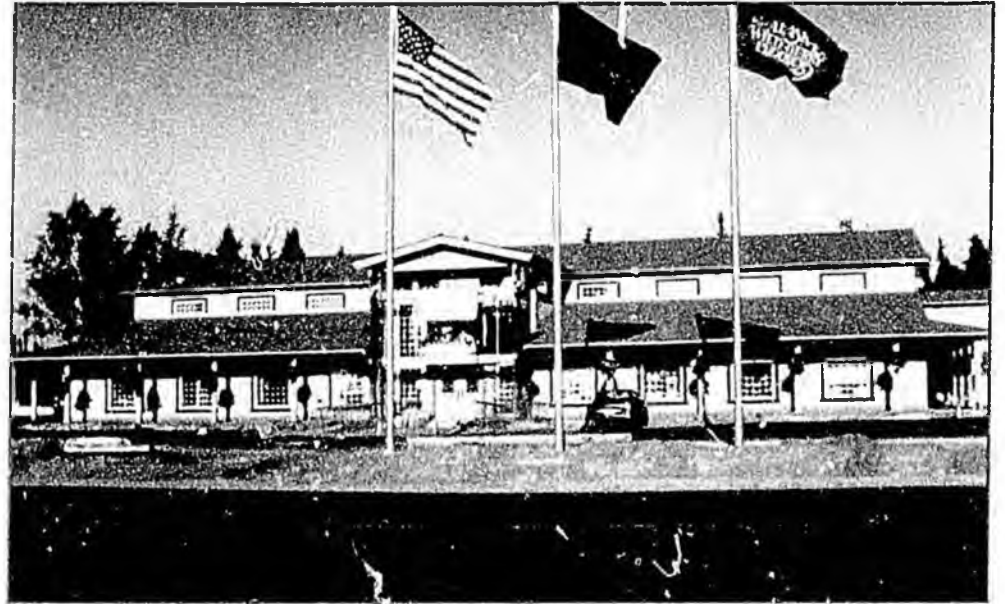
The bill also clarifies other provisions of AIDEA's statutes, including strengthening AIDEA's ability to support economic development through its loan participation program and expanding the current limited confidentiality provision so it applies to all of AIDEA's financial programs.

It has been thirty years since our predecessors had the forethought to create AIDEA. Since that time, AIDEA has helped create thousands of jobs for Alaskans by forging public-private partnerships that strengthen the state's economic base. This bill will ensure that AIDEA has the tools to continue its vital mission to benefit Alaskans today and in future generations. I urge your prompt consideration and passage of this bill.

Sincerely,



Tony Knowles
Governor



Alaska Wild Berry Company

photo courtesy of Alaska Wild Berry Products

AIDEA to integrate export, business programs

Alaska exporters would be better served if AIDEA's export assistance program were merged with the active and successful business assistance program, Gov. Tony Knowles said in introducing legislation that would effect the changes.

Knowles said the 10-year-old export assistance program does not meet the needs of the banks and businesses it was intended to serve.

"Integrating the programs creates a more useful program for Alaskans. When you look at AIDEA and its programs, they are a customer-service business, and the customers think we need a better product to serve them," Knowles said. "We'd be wise to respond to changing conditions and needs."

D. Randy Simmons, AIDEA's executive director, said the Authority has been helpful to many Alaska businesses that target export markets, but not through the export program.

Projects such as the Red Dog mine, Circle DE Pacific, a wood-chip exporter, and the Alaska Wild Berry Company all do export-related business, but their owners sought AIDEA help from the Loan

Participation, Business Assistance, and Development Finance Programs, not from the Export Assistance Program.

The export program, modeled after programs from other states, is effective for specific deals and is most useful for states with a strong manufacturing base. Further, the current export program does not deal effectively with one of Alaska's valuable and dominant export activities – air cargo, the transshipment of goods and services produced elsewhere and shipped to Asia and Russia through Anchorage and Fairbanks.

Under AIDEA's current export finance assistance program, export credit insurance is required for each transaction, adding additional cost and time to the transaction. The current program also requires that 25-percent value is added to the product in Alaska. In the AIDEA bill introduced by Governor Knowles, export credit insurance becomes optional, at the discretion of AIDEA; and the Alaska value-added component is eliminated. Under the new legislation, businesses will be qualified as Alaskan, not products.

(continued on page 5)

Legislation will help exporters, continue AIDEA bonding authority

D. Randy Simmons
Executive Director

Not surprisingly, with the legislative session underway this newsletter has a legislative theme. What is surprising is that this newsletter also has an export theme. In this edition of the newsletter you'll find a report on AIDEA legislation introduced by Governor Knowles that would change our export program, a story about export financing in Alaska, and a report on a loan guarantee to an Alaska company in the export business. I hope you'll be able to take the time to read them and see how they fit together.

Elsewhere in this newsletter you can read in more detail about the export program changes, but here is a little more background on how we came to make this recommendation to the governor, and a little more insight into what's happening in Alaska's export industry today.

The governor's bill would integrate the export financing program with the often-used business assistance loan guarantee program – making a more useful program – and also renew AIDEA's authority to issue bonds.

We have known for some time that the AIDEA Export Assistance Program, created in 1987, just wasn't attracting any interest. The banks were lukewarm about it because of what they viewed as poor terms; and the business community didn't seem

interested, either, because of what they viewed as high cost and the long time it took to process a loan application.

Part of the reason, we thought, was education and outreach. But really, we found in a report done for us last year that even though education and outreach are important, the program just didn't fit well with the kind of export economy that is developing in Alaska.

Traditionally, Alaska's primary export has been fish, mostly to Japan. During the heyday of private logging in Southeast, raw saw logs came into the export figures, as well as pulp from the now-closed Southeast mills. Minerals exported from the Red Dog mine and minerals from Canada shipped through AIDEA's Skagway ore terminal also added to Alaska's export statistics.

But we are seeing a growth in a new kind of export business that has nothing to do with Alaska natural resources. First, there was the explosion of growth in the air cargo business, as Alaska was able to capitalize on our strategic location. Next, there is emerging the possibility of exporting services – especially oilfield services and engineering – to the Russian Far East.

Neither of these activities is matched well with the export assistance program. And what we also discovered is that upon close review we saw that AIDEA's



involvement in export businesses in Alaska was not exclusively linked to manufacturing or to specific deals, but to existing Alaska companies which had a mix of export and domestic business.

The Alaska economy is changing, and AIDEA needs to change too, anticipating new developments and responding to needs as they arise. We hope the governor's initiative to integrate the export assistance program with our business assistance program is successful and moves quickly through the Legislature.

Another important part of the legislation extends AIDEA's current general bonding authority for projects in Alaska. Our bonding authority allows us to do the core financing work AIDEA was created to do, which in turn allows us to help create or retain jobs in the state. And it is not just the well-known AIDEA projects like the Red Dog road and port and the Federal Express aircraft

(continued on page 3)

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D. Randy Simmons, Executive Director
The Honorable Tony Knowles, Governor

About this newsletter...
As part of its continuing efforts to inform Alaskans about the Authority, AIDEA publishes a newsletter. Each issue contains news about AIDEA's programs and projects, financing requirements, new regulations and other important information. If there is a specific topic you would like to see addressed, please contact AIDEA Development Specialist Katelyn Markley.

AIDEA Approves Loan Package with ACC and UIC

The AIDEA Board of Directors in October approved a \$5.1 million loan participation package to the Ukpeagvik Inupiat Corporation (UIC), the village corporation representing the business interests of its Barrow shareholders. The total loan, \$6.45 million, will be used to provide long-term financing of a newly - constructed Alaska Commercial Company store in Barrow. The package was brought to AIDEA by National Bank of Alaska.

The Alaska Commercial Company (ACC) contracted with Ukpeagvik Inupiat Construction Company to build a new 34,430-square-foot grocery store in Barrow. ACC will construct the new store and sell it to UIC, which will then lease the land and building back to ACC with a 20-year building lease.

"The UIC loan participation fits well with Gov. Knowles' efforts to create jobs in rural Alaska," said AIDEA Board Chairman Wilson Hughes. "It provides needed capital for a remote community, creates new jobs and provides a modern commercial operation for the community."

ACC is a full-service retail/wholesaler of general merchandise in rural Alaska with headquarters in Anchorage. There are 26 other ACC stores located throughout rural Alaska. ACC is a subsidiary of Northwest Company, Inc., a public company based in Winnipeg, Manitoba, Canada.

Randy Simmons, AIDEA's executive director, said the project created 45 new construction jobs and approximately 10 permanent new positions in the North Slope Borough.

Currently ACC employs 70 people in Barrow.

The new ACC store will be bigger, more modern, and will provide increased parking capacity for the community. In addition to the retail sales area, it will house a food court and Burger King restaurant, pharmacy and travel agency. The existing ACC store in Barrow will be renovated by UIC into office space and a small convenience store to be operated by ACC.

From the Executive Director *(continued from page 2)*

maintenance program that have used AIDEA's bonding authority. In 1997 AIDEA acted as a conduit to issue tax-exempt revenue bonds for solid waste facilities for the Fort Knox gold mine and for a hydroelectric project (Goat Lake) that provides power to Skagway and Haines. AIDEA's ability to issue bonds helped lower the cost of financing for the developers and, in turn, in the case of the Goat Lake project, may mean lower electric rates to the residents of Skagway and Haines.

We have found that there is a high level of interest and understanding among legislators on AIDEA issues, and we look forward to working cooperatively with the Legislature on this bill.

Calendar year 1997 was a busy one for AIDEA, and we anticipate the same for 1998. That's good. When we're busy, the Alaska economy is busy.

We expect to do about \$50 million in business loan participations this year, and as I like to point out, this program - while less visible than our Development Finance Program - is the backbone of AIDEA's long-term business. I think that's a reflection of the strength of the private sector, and the fact that the economy is getting more diverse every year.

In our Development Finance Program, we also expect to see some significant events this year. The expansion of the Red Dog mine should be complete by the end of this

construction season, and the Healy Clean Coal Project is in the demonstration start-up process. Finally, we are looking at a number of new projects throughout the state that will add to our economic diversity if they come to fruition.

We at AIDEA are looking forward to 1998, and wish our customers and partners the best. Here's to a happy and prosperous New Year for us all.

Export Financing Report Recommends Changes

Alaskans are successful exporters and Alaska's exporters use a variety of means to finance their export products and services, according to an export finance report prepared for AIDEA last summer. The report also confirmed that Alaskans, successful in their dealings with Asia and the European nations, need new financing strategies to take advantage of opportunities in the Russian Far East.

Robert Poe, author of the report and currently AIDEA's business development manager, said the Authority, Alaska businesses, and Alaska financial institutions should move quickly to develop export financing strategies that help service businesses in Alaska and cash in on opportunities throughout the world, including Alaska's closest neighbor to the east.

"We're only doing half a percent of Alaska's export trade business with Russia and we could have an opportunity to do more," said Poe. "But the impediments both here and in Russia are holding things back."

In particular, the report noted, opportunities for the well-developed

Alaska oil-field service business are potentially good in the Russian Far East and elsewhere in Russia. Of special interest is the emerging development of near-shore fields off Sakhalin.

However, the lack of an established and dependable banking system, an ambiguous regulatory structure, limited capital availability to Russian companies, and ambitious requirements for Russian hire all combine to create a daunting business climate.

To date, successful Alaska exporters have used letters of credit, partnerships with Alaska and Washington banks, and long-term business relationships to carve out a piece of the export market in countries such as Japan, Korea and China. However, these avenues have not been available for projects in Russia.

One of the potential answers is an export financing program that departs from the manufacturing-centered strategy created in other states and adopted here, he said. The report confirmed AIDEA's plans to craft a

proposal that would integrate AIDEA's current Export Assistance loan guarantee program with the Business

Assistance loan guarantee program, creating a program that provides more options to Alaska exporters. The change has been introduced in legislation by Governor Tony Knowles.

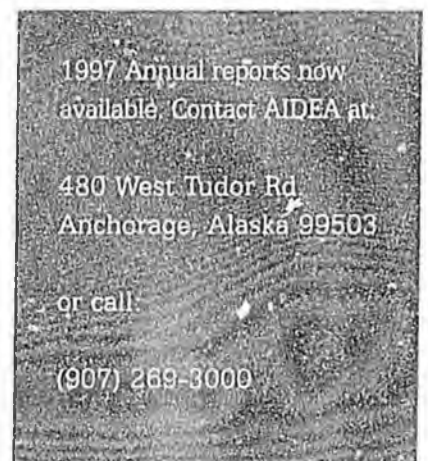
"Export financing programs provided by the federal government and the AIDEA Export Assistance program tend to be better suited for businesses producing goods for export than they are for service businesses," the report states. "For these programs to be successful in meeting future export financing needs, it will be important for lenders to continue to use collateral, other than inventory or accounts receivables, which can be provided by service-providing businesses. Likewise, the terms of financing may need to be adjusted to match with the timelines associated with services as opposed to timelines which are better suited to manufacturing."

The Robert Poe report also supported continued coordination among associated Alaska export trade agencies, quicker turnaround to meet competitive situations, and continued outreach to businesses and lenders by AIDEA and other agencies.



Alaska's fishery products continue to be one of the state's strongest exports.

Shrum, 1991



AIDEA to integrate export, business programs

(continued from page 1)

"An Alaska company exporting to Canada would not, most likely, be required to have export credit insurance, as required in the past," said Simmons. "But AIDEA would have the option to require an Alaska company exporting to the Russian Far East to have the insurance to guard against non-payment and other risks. These changes will allow AIDEA to realistically take a look at helping established Alaska businesses in a timely, more cost-effective way."

Alaska exports grew by 35 percent in 1997, and more than half of the growth came in the transshipment industry. Under the current program an Alaska business sourcing products in the Lower 48 and shipping them through Alaska to Russia could not consider the transaction as an export transaction under AIDEA's export assistance program. The air cargo industry is clearly export-related, creating one in ten jobs in Anchorage, according to the Anchorage Economic Development Corporation. However, under the current Export Assistance guidelines, transshipment "exports" would not

be eligible for export financing assistance, Simmons said.

Traditional state export programs have minimum in-state content requirements. In many states, the in-state content can be 50 percent of the product, while in Alaska it is currently 25 percent.

"This makes sense for states that manufacture products," said Simmons, "but it is no help for a service-based business, such as engineering or consulting. It also does nothing to support Alaska businesses related to the air cargo industry."

In addition, the current export assistance program is viewed by financial institutions as a poor investment vehicle, and the timelines for approval are too long for today's fast-moving, competitive situation.

"The banks have a perception that the interest rates they can charge under AIDEA's program are too low and the timeline for repayment is too short," said Robert Poe, author of a report for AIDEA that confirmed the merger idea. "I couldn't identify any instances where a deal was turned

down because of that, but the perception is the reality in cases like this. It's not working for the people who were expected to use it, so it ought to be changed," said Poe.

Simmons said Alaska exports will continue to grow, and AIDEA will continue to play a role in helping export-related business. "Our customers are Alaska businesses doing business here and looking for new opportunities here and elsewhere," said Simmons. "When we help them build their business at home, we're helping them grow strong and stable enough to move into new markets overseas."

The integration of the programs, with the changes proposed, will make for a more effective financing vehicle, transshipment "exports" will qualify under the new improved program and, as Alaska's manufacturing industry grows, these products will also still qualify," Simmons said.

Newstar Trading Company Receives AIDEA Loan Guarantee

Newstar Trading Company (NTC), a seafood exporter in Anchorage, was recently approved for an AIDEA loan guarantee on a loan that is, in part, an export transaction.

The company, owned and operated by Young Do Kim, will use the \$100,000 loan from National Bank of Alaska, with an 80-percent AIDEA loan guarantee, to expand his seafood exporting and bottled water business.

Kim has been in the seafood business for 30 years, but started up NTC in 1994 when new markets for certain species of seafood opened in

his native South Korea after the lifting of South Korean government import restrictions.

Interestingly, the export loan came under the AIDEA Business Assistance Program, rather than the export finance program.

"This is a good example of how Alaska companies are involved in export businesses," said D. Randy Simmons, AIDEA executive director. "They are doing some export business and some domestic business, and our financing assistance helps both sides of the operation."

Kim's company has also branched out into a sophisticated water bottling operation - Alaska Polar Glacier Water - which is probing overseas markets but concentrating primarily on domestic markets.

Kim takes Eklutna Lake water before it is treated in the municipal facility, then filters it and purifies it separately. The result is Alaska glacier water, a product that may have a niche in a crowded market.

AIDEA Board of Directors

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(c) The authority may not limit, or charge a fee or penalty for, prepayment of a loan after five years from the inception of the loan. (§ 34 ch 116 SLA 1981; am § 38 ch 42 SLA 1987; am § 23 ch 123 SLA 1990)

Reviser's notes. — Enacted as AS 44.88.045. Re- Effect of amendments. — The 1990 amendment, numbered in 1991 effective June 15, 1990, repealed subsection (a).

Sec. 44.88.220. [Renumbered as AS 44.88.900.]

Article 5. Export Assistance.

Section	Section
300. Guaranteed funding for export transactions	360. Fees charged
310. Eligibility of export transactions	360. Effect of guarantee
320. Limitations on guarantees	370. Guarantee not a general obligation of the state
330. Credit of exporter	380. Personal liability
340. Confidentiality of information	390. Export insurance account

Sec. 44.88.300. Guaranteed funding for export transactions. The authority may provide guaranteed funding, through a participating banking organization, for an export transaction that the authority determines is eligible under AS 44.88.310. (§ 42 ch 42 SLA 1987)

Sec. 44.88.310. Eligibility of export transactions. An exporting contract is a transaction eligible for guaranteed funding under AS 44.88.300 — 44.88.390 if, in the judgment of the authority, it will create or maintain employment in the state and it

(1) promotes the sale abroad of raw materials extracted in the state, or goods whose final stage of production occurs in the state, that constitutes 25 percent or more of the contract price;

(2) provides for the rendering of services abroad by a business located in the state if 25 percent or more of the contract price consists of wages or other payments made to persons normally residing in the state;

(3) promotes the sale abroad of raw materials or goods distributed by a business located in the state if

(A) 25 percent or more of the contract price consists of wages or other payments made to persons or businesses normally residing or located in the state; or

(B) the business has a significant relationship with the state based upon

(i) the amount of capital investments it has that are located in the state;

(ii) the number of state residents employed by the business;

(iii) the amount of business transacted in the state; or

(iv) a combination of (i) — (iii); or

(4) provides both for the sale abroad of raw materials extracted in the state or goods whose final stage of production occurs in the state, and for the rendering of services abroad by state residents, the aggregate value of which is 25 percent or more of the contract price. (§ 42 ch 42 SLA 1987)

Sec. 44.88.320. Limitations on guarantees. (a) The authority may not guarantee more than 90 percent of a loan under AS 44.88.300.

(b) The authority may not guarantee a loan under AS 44.88.300 unless the authority finds that the guarantee is reasonably necessary to stimulate or facilitate the making of a loan for an eligible exporting transaction. (§ 42 ch 42 SLA 1987)

Sec. 44.88.330. Credit of exporter. Before the authority may guarantee a loan under AS 44.88.300, the participating financial institution shall investigate the credit or sources of credit available to the exporter to determine the economic benefit to be derived from the guarantee, the prospects of repayment, and other factors necessary to determine that the guaranteed funding is consistent with the purpose of AS 44.88.300 — 44.88.390. (§ 42 ch 42 SLA 1987)

derived from the guarantee, the prospects of repayment, and other factors necessary to determine that the guaranteed funding is consistent with the purpose of AS 44.88.300 — 44.88.390. (§ 42 ch 42 SLA 1987)

Sec. 44.88.340. Confidentiality of information. Information submitted to or compiled by the authority regarding the identity, background, finances, marketing plans, trade secrets, or other commercially sensitive affairs of the exporter is confidential, unless the exporter consents to its disclosure. (§ 42 ch 42 SLA 1987)

Sec. 44.88.350. Fees charged. The authority shall, by regulation, establish fees to be charged to a participating financial institution for providing a guarantee under AS 44.88.300. The fees must be sufficient to cover the cost of administering the guarantee program under AS 44.88.300 — 44.88.390 and any premium the authority pays for incurring its risks. (§ 42 ch 42 SLA 1987)

Sec. 44.88.360. Effect of guarantee. (a) A guarantee under AS 44.88.300 shall guarantee against political or commercial loss, in whole or in part, of principal and interest on an eligible export transaction. The guarantee may include, without limitation, insurance against loss up to a stated amount. A guarantee under AS 44.88.300 may not be terminated, canceled, or revoked, except under its terms. A guarantee held by a participating financial institution is presumed to be valid.

(b) In this section, "political loss" means a loss incurred as a result of a political risk insured under an export credit insurance umbrella policy, or a comparable policy or agreement, issued by the Export-Import Bank of the United States. (§ 42 ch 42 SLA 1987)

Sec. 44.88.370. Guarantee not a general obligation of the state. A guarantee under AS 44.88.300 is not a general obligation of the state. (§ 42 ch 42 SLA 1987)

Sec. 44.88.380. Personal liability. An officer, employee, or agent of the authority may not be held personally liable in a civil action for damages for an act done or omitted in good faith while performing the functions of office, employment, or agency under this chapter. (§ 42 ch 42 SLA 1987)

Sec. 44.88.390. Export insurance account. (a) The export insurance account is established in the revolving fund. The account consists of money appropriated to it by the legislature and other money and assets, including bond proceeds, deposited in it by the authority. The account shall be held as security for the holders of bonds issued by the authority for the purpose of AS 44.88.300 — 44.88.390. The authority may enter into trust agreements with respect to the use of money in the account, including the use of that money to discharge a guarantee obligation of the authority. The trust agreements may contain provisions and limitations concerning the investment and disbursement of money in the account, the payment of expenses of the account, the appointment, resignation, and discharge of trustees, the delegation of enforcement and collection powers under the insurance agreements to the trustees, the duties of the trustees, amendments of the trust agreements, and other lawful provisions and limitations the authority considers appropriate. The trust agreements may pledge premiums and other money that may be deposited in the account. The pledge shall be valid and binding from the time the pledge is made. The premiums and other money pledged and thereafter received by the account, or by the trustees in its behalf, shall immediately be subject to the lien of the pledge. The pledge shall be valid and binding against parties having claims against the account, irrespective of whether the parties have notice of the pledge.

HB 3314



House Finance Committee

SUBJECT OF MEETING
 HB 144
 HB 239
 HB 386

DATE: Feb 25, 98

PLACE: Cap 519

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		
RANDY SIMMONS	AIDEA	480 W. TUDOR AVE	99501	243-2140	269-3000	(Y)	N	HI
KEITH LAUFER	AIDEA	" "	"	345-9090	"	(Y)	N	HI
PAUL FULTS	NOME			723-8019		(Y)	N	HE
MARK HECKEY	PETRO MARINE SERVICES	211 4TH ST. #308 JUNEAU, AK	99801	789-9613	2263 586-96	(Y)	N	HI
BOB BARTHOLOMAW	Revenue				465-4772	(Y)	N	HE
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	

Testimony before the House Finance Committee

John Key, Red Dog Operations

March 3, 1998

Co-Chairs Hanley and Therriault, Members of the

Committee:

**My name is John Key, I am general manager of Cominco
Alaska's Red Dog Operations. I appreciate the opportunity to
brief you on our plans for a further upgrade to the DeLong
Mountain Transportation System (DMTS).**

**As background, Cominco Alaska Incorporated is a wholly
owned subsidiary of Cominco American Incorporated, which
is a wholly owned subsidiary of Cominco, LTD of Vancouver
Canada. In 1982 Cominco Alaska and the NANA Regional**

Corporation signed an Agreement for the development of the Red Dog Mine. Under this Agreement, NANA retains ownership of the land and Cominco Alaska is the operator. NANA receives a royalty until capital expenditures are recaptured, at that point the royalty is converted to a share of profits. Red Dog is the largest zinc mine in the world.

Red Dog is a major success story when speaking of NANA shareholder hire and Alaskan hire. Red Dog and its two prime contractors, Arrow Transportation and NANA/Marriott, employ 458 people of which 55% are NANA shareholders. Alaskan hire percentage is 86% for the 458 employees.

In 1997 salaries paid to Alaskan residents exceeded \$20 million, and goods and services purchased in Alaska exceeded \$40 million. These are dollars spent for operations and do not

take into account monies spent on our current construction.

Cominco Alaska and NANA are committed to Red Dog's continued operation. Ore reserves are in place to operate for over an additional 40 years.

Cominco Alaska and AIDEA have a long track record of cooperation and success. The first AIDEA financing in 1988 paid for the construction of the DMTS. This included a 54 mile road from the ocean to the mine, a 1500' long storage shed (the largest building in Alaska), a temporary living facility, fuel storage, a shallow water dock and a conveyor system to a barge loadout.

In 1996 the second AIDEA agreement provided funding for a second storage facility (1200' long), upgraded conveyors, additional fuel storage and a living facility designed to service the +40 years of projected Red Dog Mine life.

Since the commencement of repayment in 1991 every scheduled payment has been made on a timely basis.

In 1998 we are asking the Legislature to approve the Red Dog portion of the AIDEA Funding Bill which provides for a further upgrade of the DMTS. The port enhancement would be to convert the port to an ocean vessel direct loading facility.

Preliminary design calls for an 1800' extension of the current conveyor loadout. The totally enclosed conveyor would be supported on ice resistance piers and be situated some 30' above the water. The ocean vessel docking berth would be composed of a series of dolphins and berthing buoys. A channel which extends from the dock out to sufficiently deep water would be dredged, and this channel would be used for the loaded vessel's departure to market.

The benefits of a direct loading facility are:

- 1. Increase port capacity by a factor of over 2 in the 3 month conventional shipping window.**
- 2. Increase the shipping window. Currently the season ends in early October. This window could be extended to mid December which would increase port capacity to a total of 4 times current capacity.**
- 3. Increase port availability. In 1999 Red Dog will utilize 100% of the port's available shipping days. Shipping the same quantity, Red Dog would only utilize 20 - 25% of the direct loading facility's capacity. Therefore the DMTS could become a multi-use facility available for development of other natural resource projects.**

- 4. Eliminates the 230 (three mile) barge trips between the shallow water dock and the ocean vessels. This reduces the exposure of marine wildlife to moving barges and tugs and reduces fuel consumption.**

- 5. Eliminates one transfer of material from barge to ocean vessel reducing the potential for spills.**

The preliminary schedule calls for a spring and summer program which includes:

- Biological and side scan sonar surveys to determine if dredging will result in impact on, or loss of any unique benthic habitat.**

- **Current and tide data collection to determine if a dredged channel will remain open. Bathymetry surveys will be run on the Nome dredge sites to field test changes in the dredged area in a similar situation over a 10 year period**
- **Sediment sampling and bottom coring to determine the depth and composition of sediment on the ocean floor.**

If the summer program is favorable then material fabrication will begin in time for a complete pier installation program in 1999.

The conveyor installation would occur in spring 2000 with the direct loading facility operable by May 2000.

In summary, the direct loading facility will open the port to other regional uses/future resource extraction projects; provide a cleaner transfer of materials from port to vessel; reduce marine wildlife exposure to moving vessels; and improve productivity while greatly reducing shipping costs.

This project is in keeping with the AIDEA stated purpose of providing development opportunities and job creation in rural economically depressed regions of the state.

Red Dog is an Alaskan success story. Red Dog is a development in the remote Alaskan arctic. Red Dog is a model of how industry and native corporations can work together for the good of the shareholders and stockholders. Red Dog is a success in Alaskan hire. Red Dog is a success story for AIDEA and will continue to be a success story for AIDEA for the next 40 years.

Thank you for providing me with the opportunity to testify.

We appreciate your consideration of our request.

PROPOSAL FACTS/DIRECT LOADING FACILITY

- Would require excavation of a 50-foot shipping channel
- The dock would be extended approximately 2,500 feet
- The new dock would provide close shore berthing and docking facilities for full-sized cargo ships

POTENTIAL OPERATIONAL BENEFITS

- Allows shipping season to be extended to December
- Eliminates handling of concentrates twice by eliminating barge relay
- Lowers vessel loading time in half
- Reduces down time during storms; ships can continue to load in most weather conditions
- Reduces onshore storage capacity requirements
- Provides an opportunity for supplies and oil to be transported by ship rather than barge

ENVIRONMENTAL ADVANTAGES

- Lower potential for spills due to the reduction in handling of concentrates
- Lower potential for spills due to direct loading concentrate into a more stable ship at the dock
- Less disturbance and traffic in the area due to the reduction in shipping traffic (- 200 barge trips)
- Less disturbance due to the presence of slower moving ships as opposed to steady barge traffic

EMPLOYMENT IMPACTS

- Extends most seasonal jobs at the port
- Will result in the loss of some non-local summer jobs (tug and barge-related)

FINANCIAL IMPACTS

- Lowers cost of shipping concentrates
- Allows better use of the concentrate market, which maximizes profits
- Will require high capital cost for construction

POTENTIAL ADDITIONAL ADVANTAGES

- The regional port at Red Dog would no longer be used at 100% capacity, opening up that port for other potential users

Studies are being proposed to accompany the Direct Loading Facility proposal and planning process. These studies include:

- Biological and side-scan sonar surveys to determine if dredging will result in impact on or loss of any unique benthic habitat
- Current and tide data collection
- Sediment sampling
- Bathymetry surveys on the Nome dredge sites to study dynamics of sediment transport and how it relates to the Red Dog Port

As this project develops, Cominco Alaska wants to keep all residents informed and to hear your input. For more information on the project or for updates, please contact:

John Key, Mine Manager
Cominco Alaska 426-9121

Charlotte MacCay
Cominco Alaska 272-2117



Concentrate Shipping-Related Traffic Red Dog Port

<i>Current Shipping Scenario</i>		<i>Direct Loading Facility</i>	
Concentrate Ships	20	Concentrate Ships	20
Total Lightering Barge Trips/Yr.	200	Total Lightering Barge Trips/Yr.	0
<hr/>		<hr/>	
Total Water Traffic	220	Total Water Traffic	20

Reduction of 200 Concentrate Shipping-Related Trips Per Year





Red Dog Port Weather Impact on Shipping Season

Average Shipping Season = 100 Days

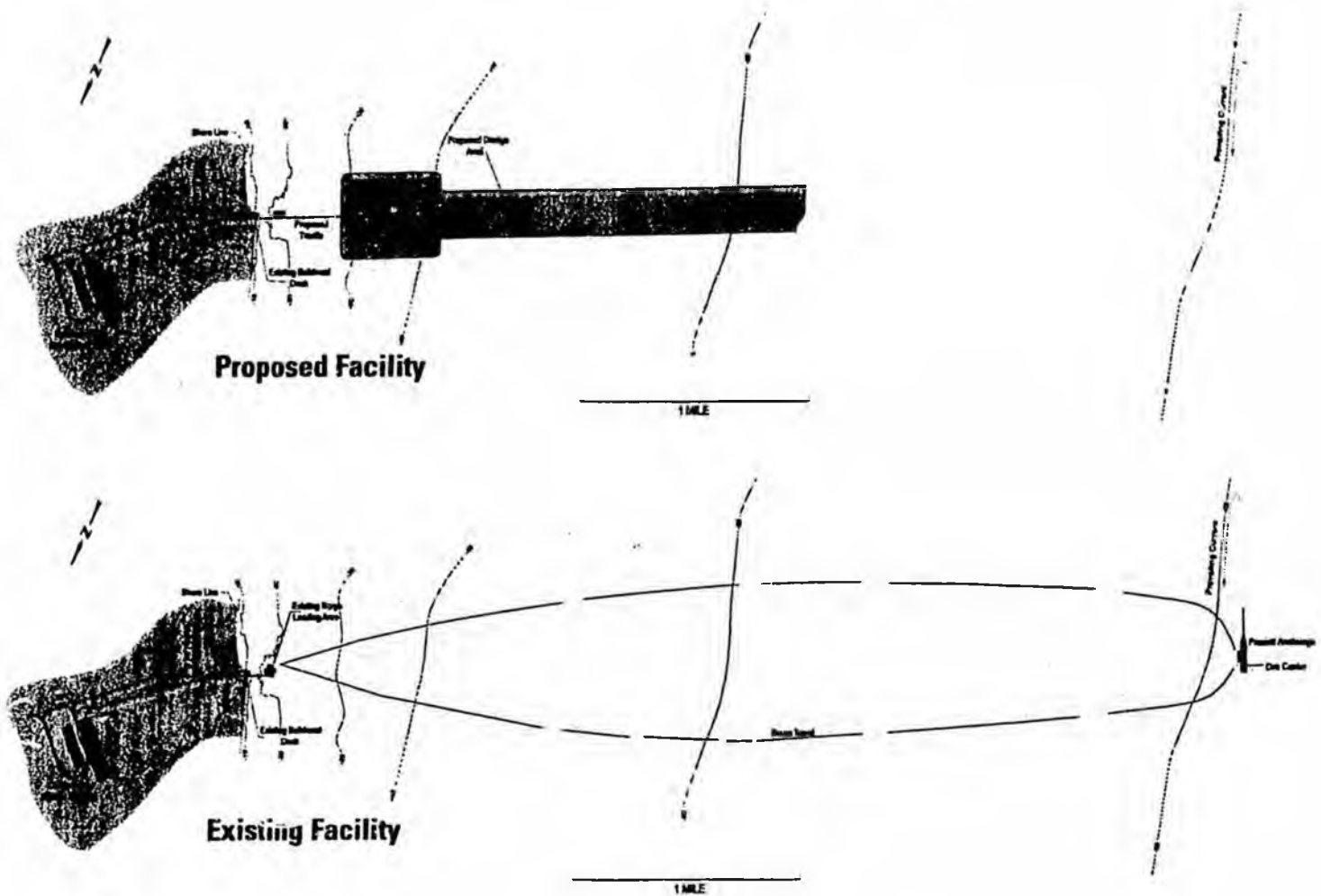
As much as 20% of the season can be lost
to bad weather conditions

Direct Loading Facility would reduce down time
during shipping season

***Direct Loading Facility would increase amount of days
available for loading concentrate onto ships***



RED DOG PORT DIRECT LOADING FACILITY



Cominco Alaska operates the Red Dog Mine in Northwest Alaska, the world's largest zinc mine. The mine is located on land owned by the NANA Regional Corporation. To transport the concentrate from the mine to world markets, a dock facility was built, which currently is served by barges, that transport the zinc concentrate to waiting ships anchored several miles offshore.

Cominco Alaska is reviewing the potential for extending the dock, excavating a shipping canal to the new dock facility, thus allowing the ships to directly load the concentrate. This proposal would eliminate barge traffic, and would also eliminate one transfer process for the concentrate.

With its partners and neighbors, Cominco Alaska is reviewing the advantages and disadvantages of the direct loading facility proposal.



Example of Trestle Structure in Arctic Waters



Endicott - North Slope

Example of trestle structure in
multi-direction flow (ocean)





Effects of Water Depth on Sediment Transport

