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A Special Report to
The President and
The Congress

Shipping, Shipyards and Sealift:

Issues of National Security
and Federal Support 1985

National
Advisory
Committee on
Oceans and
Atmosphere

July 1985



**NATIONAL ADVISORY COMMITTEE
ON
OCEANS AND ATMOSPHERE**
3300 Whitehaven Street, N W
Washington, DC 20235

SEP 09 1986

To the President and the Members of the Congress:

As Chairman of the National Advisory Committee on Oceans and Atmosphere (NACOA), I am pleased to forward to you a copy of our report, "Shipping, Shipyards and Sealift: Issues of National Security and Federal Support." The conclusions reached and the recommendations made support current trends unlinking shipping from shipbuilding and advance several approaches for strengthening our Nation's sealift capability in the interests of national security.

Respectfully,

A handwritten signature in cursive script that reads "John E. Flipse".

John E. Flipse
Chairman

EXECUTIVE SUMMARY

Defining the Problem

The Nation's maritime policy, embodied in the Merchant Marine Acts of 1920 and 1936, as amended, has for over half a century provided Federal supports to the maritime industries to preserve in peacetime sufficient capacity to respond to a national defense emergency. It is increasingly clear that our maritime policy, and the package of protections derived from it—tax credits, loan guarantees, ship construction and operating subsidies, limited cargo preference, protected domestic trade (cabotage) and build-U.S. requirements—have had limited success in preserving a viable U.S.-flag fleet and merchant marine. The decline in the shipping and shipbuilding industries despite substantial government supports suggests the need to examine and define the national security requirements for each.

The United States has for some time been the world's largest trading nation with a dramatic increase from 130 million long tons of foreign trade in 1950 to 630 million in 1983. Carriage of foreign trade in U.S.-flag vessels has fallen from over half (by weight) at the end of World War II to less than 6 percent in 1983, but the declining role of U.S. shipping has not impeded the overall growth of the U.S. economy or our foreign trade. Indeed it can be argued that the decline of the high-cost, U.S.-flag fleet, and its supporting shipbuilding base, has had a net beneficial effect on the overall national economy. The economic arguments for Federal support of the maritime industries are thus less than conclusive, and the arguments have focussed increasingly on the national defense needs for U.S. shipping and shipyards.

The primary national requirements for the U.S. maritime industries are the national defense needs, during a conflict, for naval combatant ships to wage war at sea; adequate merchant sealift capacity to project military equipment and supplies overseas and concurrently provide critical shipping to support our economy; and sufficient shipyard capacity to support both. Sealift needs fall into three categories: floating prepositioned storage of supplies; rapid initial overseas deployment of forces, their equipment and supplies (surge sealift); and long-term resupply of overseas forces (sustaining sealift). In addition, shipping assets would be needed for import of critical materials and some ordinary trade and for domestic waterborne

transport of critical materials, such as transport of strategic petroleum reserve oil to refineries.

Many experts are concerned that, in time of conflict, the Nation will need many more ships for combat and sealift—and more shipyards to activate, repair and replace them—than present natural economic forces will maintain in peacetime. NACOA has therefore defined the issues, for the purposes of this study on shipbuilding and sealift in the national defense context, as follows:

- What is the most effective and least costly way to ensure that adequate sealift capacity will be available in the timeframe required for a major modern conflict?
- What level of shipbuilding capacity would ensure an adequate base for mobilization and new ship construction and repair in a major conflict?
- To the extent that shipping and shipbuilding capacity is required, what level and type of Federal support are needed or appropriate?

The Scenario

Until recently, national sealift requirements were based on the scenario of a NATO/Warsaw Pact conflict requiring movement of U.S. troops and supplies across the North Atlantic to Europe. The changing balance of world economic and political forces resulting from the late 1960s discovery of massive oil reserves in the Middle East prompted U.S. military planners to begin focussing more attention on the Indian Ocean and the Southwest Asia region (the Middle East and Persian Gulf area). The current defense planning scenario, established by the Joint Chiefs of Staff, assumes that a major global conflict could begin in Southwest Asia, and spread to Europe, Northeast Asia (especially Korea) and three oceans. It is a worst-case scenario in terms of the requirements it generates—a prolonged (3-year), non-nuclear, global conflict, waged in three theatres, with two major periods of sea battle.

Military strategists conclude that a modern global conflict would have to be fought with Naval and sealift vessels already built during peacetime; NACOA concurs with this conclusion. Unlike the beginnings of World War II, where the United Kingdom held off the aggressor for several years while the United States prepared for war, a modern global conflict would almost

certainly mean immediate U.S. involvement, and the increased distance required for seallift of supplies adds severe time constraints. These considerations have prompted serious reappraisal of the status of, and requirements for, the Nation's seallift assets.

Maritime Industry Status

The continued decline in both the shipping and shipbuilding industries in this country has raised increasing national defense concerns.

Although the United States has one of the largest shipbuilding industries in the world, devoted almost solely to naval programs at this time, it ranks only 10th among commercial shipbuilding nations worldwide with less than two percent of the world's commercial ship orderbook. Largely because of differences in national standards of living, the world shipbuilding market, as with other heavy industry, is moving generally from the United States and Europe to the Orient, and from developed to developing nations. The U.S. shipbuilding industry has long been unable to compete with foreign yards. Virtually all of the merchant vessels built in U.S. yards in the past decade have been built either with Federal subsidy or for protected domestic trades, but recent changes in Federal maritime support programs and depressed economic conditions have all but halted this commercial ship construction. Three major shipyards have closed since 1982, and General Dynamics Corporation recently announced that its Quincy Shipbuilding Division, a major shipyard that has been in business for 101 years, will close in the spring or summer of 1986.

There are currently only 6 major U.S. shipping lines, carrying container cargo, down from 19 in 1970, and they are heavily dependent on government cargo reserved for U.S. ships. Almost all U.S.-flag bulk vessels operate in the domestic trades that are reserved for U.S. ships. In the domestic trades, however, trucks, railroads, pipelines, and tug/barges are replacing oceangoing, self-propelled cargo vessels. These developments threaten the viability of the domestic fleet, an important source of militarily useful tonnage and trained U.S. crews for meeting seallift demands in a national emergency.

There are currently less than 500 oceangoing vessels greater than 1,000 gross tons in the U.S.-flag fleet, and 105 U.S. shipyards capable of building or repairing vessels of this size. Except for the tremendous World War II peak, the U.S. shipyard employment base has risen fairly steadily over six decades despite the continued decline in the U.S.-flag fleet. Our longstanding national maritime policy appears to have done a better job of preserving our shipyard base than our U.S.-flag fleet.

Defense Requirements for Ships

The primary national defense requirement for the U.S. shipping and shipbuilding industries, beyond the peacetime carriage of government cargoes and peacetime building and repair of military vessels, is to provide increased seallift and Naval combatant capacity in case of national emergency. Seallift requirements would be similar for a global conflict and for a major U.S. action in Southwest Asia, because lift requirements for other areas would be provided by our allies. Seallift and shipyard requirements to support a major deployment to Southwest Asia have thus received great attention in recent years.

Since 1981, the Department of Defense has completed a comprehensive series of studies quantifying requirements for: prepositioning of supplies, airlift and seallift, delivery of liquid products, shipping needs at home during a global conflict, shipyard capacity for early mobilization (e.g., activating reserve ships) and shipyard capacity for wartime shipbuilding. These studies are all classified either "Secret" or "For Official Use Only;" NACOA has reviewed the entire series.

The 1981 "Congressionally Mandated Mobility Study" (CMMS) concludes that the United States requires an additional airlift capacity of about 20 million ton-miles per day, and recommends that this be supplemented by additional prepositioned supplies and more and faster seallift. The "DOD Seallift Study," completed in March 1984, concludes that the seallift capacity necessary to meet dry-bulk lift requirements for Southwest Asia is about 4.6 million deadweight tons of shipping capacity during the initial surge and about 3.3 million deadweight tons for sustaining resupply. Every militarily useful U.S.-flag private cargo vessel would be needed for seallift in a major overseas deployment, and projections of the future size of the fleet indicate a growing shortfall in U.S.-flag, dry-bulk seallift tonnage. Most of the U.S.-owned vessels under foreign flag are not now considered militarily useful. A companion study, called the "DOD Seallift Tanker Study," now nearing completion, will document a shortfall in militarily useful wet-bulk tonnage for seallift under U.S. ownership (U.S. and foreign flag).

The "Economic Security Shipping Study," recently completed by the Maritime Administration, addresses the shipping requirements for import and domestic transport of critical materials during wartime. The study concludes that there is no shortfall in container or breakbulk ship capacity, because most scheduled general cargo is nonessential in wartime. No shortfall in dry-bulk capacity is expected, since most critical bulk materials are required in small enough quantities to be taken from strategic stockpiles or imported by air. A shortfall is projected, however, in tanker capacity for domestic carriage of refined petroleum prod-

ucts, because the U.S.-flag tanker fleet would be required to support U.S. forces overseas.

Responding to the rapid decline of the U.S.-flag fleet, and increased readiness requirements imposed by the long-distance sealift routes in the new scenario, the Navy is rapidly improving the Nation's sealift capacity. More than \$1 billion a year for 5 years is planned for strategic sealift expenditures, more each year than was spent during all the years since World War II combined. The shortfall in dry cargo sealift is being addressed by increases in government-owned sealift vessels and increased funding for modifying commercial cargo vessels. The shortfall in wet-bulk sealift will probably be addressed by purchase of tankers for the Ready Reserve Force and further examination of alternatives such as foreign petroleum supply. The only projected shortfall in domestic shipping needs during a conflict is in tanker capacity for domestic petroleum carriage, but this could be alleviated by allowing foreign tank vessels (owned by U.S. citizens) to enter the protected Jones Act trade during a conflict. The cumulative effect of these approaches is greatly enhanced sealift capacity that is substantially more "ready."

Defense Requirements for Shipyards

The U.S. shipbuilding base must have sufficient "surge capacity" during early mobilization to activate the reserve combatant and sealift vessels and to convert active merchant vessels for sealift, and must expand quickly for battle damage repair of merchant and combatant ships and for new construction to replace vessels lost during a prolonged conflict.

Two joint studies by the Department of Defense and the Maritime Administration examine the shipyard capacity requirements. The "Shipyard Mobilization Base Study" (SYMBA) reviews the adequacy of the October 1982 shipbuilding base for a 3-year global conflict. The "National Defense Shipyard Study" (NADES) examines the adequacy, for the early mobilization stage of a conflict, of a much smaller shipyard base that is expected to survive the current decline and remain available in 1988-1990. The SYMBA Study concludes that an absolute minimum of facilities needed for the first year of conflict is 51 building positions, 41 graving docks and 56 floating drydocks; that shipyard facilities existing in October 1982 were more than adequate for a major mobilization; and that there might be temporary shortfalls in the number of skilled shipyard workers during early mobilization and later during wartime ship construction. The NADES Study uses different, and NACOA believes more realistic, assumptions about early mobilization and reflects the increased sealift readiness now planned by the Department of Defense. The NADES Study found that early mobilization would require initial availability of 142,000 skilled shipyard workers, peaking to 157,000

in the eighth month. The Department of the Navy concludes that peacetime employment, even in the smaller shipyard base projected for 1990, would be roughly adequate for early mobilization and facilities would be more than adequate for mobilization tasks.

An independent NACOA survey of shipyard surge capacity in the major defense contract yards suggests they are currently operating at only about half their full peacetime capacity in workers and steel fabrication, and only about a third of their capacity to finish new vessels. Our estimate of their wartime maximum capacity suggests a possible increase in ship production of 4 to 6 times greater than in today's underutilized shipbuilding base, without expansion of facilities.

Surge requirements for U.S. shipyards for a major mobilization have been lowered through several government initiatives: by increasing the amount of prepositioned military supplies, thus reducing the number of sealift ships needed; by building and converting a number of vessels under government control for sealift; by increasing the readiness of our reserve fleets, and thus reducing the shipyard work needed for activation; by relying more on conversion of existing commercial vessels than on wartime newbuilding of sealift vessels; and by planning more pre-mobilization work on commercial vessels in the active U.S.-flag fleet. NACOA concurs with the Department of Defense that a substantially reduced private U.S. shipbuilding base would be adequate to meet early mobilization needs required by the present scenario.

Alternatives

The range of solutions offered by public and private interests for solving the Nation's sealift problems fall into three broad categories:

- Preserving excess shipbuilding capacity through increased support for U.S. shipyards in peacetime, so that warships and sealift vessels can be activated, repaired and built during a major conflict.
- Increasing the government-controlled merchant fleet to have immediate and direct control of needed sealift assets during a major mobilization.
- Increasing the number and military readiness of privately owned sealift assets through measures to aid U.S. ship operators.

Our positions on several major proposals are as follows. We oppose a Federal shipbuilding program for new merchant vessels to be chartered or laid up in reserve fleets. We oppose a cargo preference scheme that would reserve a percentage of commercial cargos in U.S. foreign trade to U.S.-flag, U.S.-built vessels. We oppose a federally supported "Maritime Redevelopment Bank," that would use Federal funds to encourage financing for ship construction. We oppose any increased Federal supports to the U.S. shipbuilding industry, because the industry has overcapacity for the commercial market it serves, and the present

shipyard base is substantially in excess of the capacity needed for defense mobilization. We support more concerted efforts to increase the military usefulness of private merchant vessels and to increase the shipping tonnage in the active commercial U.S.-flag fleet. We favor increased use of private vessels as sealift assets rather than preserving excess shipbuilding capacity or increasing government control of sealift assets.

For the most part, NACOA opposes the range of proposals initiated largely in the Congress to preserve excess shipbuilding capacity; opposes further growth in the government-controlled active and reserve sealift fleets without fully exploring other alternatives; and supports a range of proposals from various sources, including our own deliberations, to increase the number and military usefulness of private vessels under U.S. control.

Conclusions and Recommendations

NACOA concludes the following:

- Sealift requirements for the initial stages of a modern major conflict depend more on the sufficiency of existing U.S.-controlled shipping and trained U.S. crews than on shipbuilding capacity. National efforts should therefore emphasize developing a viable Federal and commercial sealift fleet in peacetime.
- The United States now has a very large shipbuilding capacity, and the yards expected to survive the current decline will still have sufficient surge capacity to satisfy wartime needs as defined by current defense scenarios.
- Requirements to build in U.S. shipyards have impaired the competitiveness of U.S. operators of oceangoing, self-propelled cargo vessels, have contributed to the decline in the U.S.-flag fleet, and have failed in recent years to create substantial commercial work in U.S. shipyards.
- Most recent proposals to aid the U.S. shipbuilding industry—such as a federally funded merchant shipbuilding program, renewed construction subsidies, a federally backed maritime bank, and expanded cargo preference—are too small in scope to be of significant impact or would create larger problems.

NACOA recommends the following:

1. OPPOSITION TO PROPOSALS FOR A FEDERAL SHIPBUILDING PROGRAM FOR COMMERCIAL SEALIFT VESSELS—OR ANY OTHER PROGRAM REQUIRING MAJOR FEDERAL FUNDING—DESIGNED TO PRESERVE THE PRESENT EXCESS CAPACITY IN THE SHIPBUILDING BASE.

NACOA believes that all additional surge capacity required for mobilization currently exists within the yards doing Navy peacetime construction, and Navy and commercial repair work, and that this work will preserve an "irreducible minimum" shipbuilding base that will be adequate in future mobilization. This smaller shipbuilding base might initially be inadequate for wartime construction, but shipyard expansion would begin immediately and would continue as needed throughout the conflict. The Department of Defense studies allow virtually no geographic movement of skilled shipyard workers during mobilization, and we believe this is an unrealistic constraint. The major constraint on expansion of wartime shipbuilding would not be shipyard capacity, but delayed availability of major components, e.g., propulsion plants for Navy and merchant vessels, and complex weapons systems for combatant vessels; increases or decreases in the shipbuilding base would not affect this problem.

2. DECREASED DEPENDENCE ON A GOVERNMENT-OWNED AND MAINTAINED READY RESERVE FORCE, AND REDUCED SIZE AND INCREASED READINESS OF THE RESERVE SEALIFT FLEETS.

NACOA supports the approach of adapting modern, active commercial vessels to military purposes, because maintenance costs are borne by the operator in trade, the vessel provides training for U.S. crew, and the ship would have a ready crew if it were called up for service. In the long run, we believe this is a more efficient and less costly alternative than Federal building, acquiring or serving of an outmoded reserve fleet.

3. CONTINUED EMPHASIS ON METHODS OF ADAPTING COMMERCIALY EFFICIENT VESSELS FOR MILITARY PURPOSES.

Continued research is needed to develop cost-effective ways of adapting modern commercial vessels to military sealift needs. In addition, funding should be provided to do such conversion and activation work on U.S.-flag commercial ships during peacetime to enhance their readiness, reduce the shipyard conversion time required at mobilization, decrease the shipyard base required and decrease the need for expanded government-controlled sealift fleets.

4. INCREASED EMPHASIS ON ENSURING THE AVAILABILITY, TRAINING AND READINESS OF U.S. CREWS NEEDED FOR MOBILIZATION OF RESERVE AND FOREIGN-FLAG SEALIFT VESSELS.

Requirements for increased numbers of ready crews are being generated by the expanding size of the Ready Reserve Force, and increased reliance on U.S.-owned, foreign-flagged vessels. In addition, the greater readiness requirements for sealift vessels require better training and more rapid availability of crews to staff them.

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5. CONTINUED UNLINKING OF NATIONAL SHIPPING AND SHIPBUILDING POLICIES BY ELIMINATING ALL REQUIREMENTS FOR U.S.-FLAG OPERATORS RECEIVING GOVERNMENT SUPPORTS TO BUILD VESSELS IN U.S. SHIPYARDS.

Specifically, we recommend that operators be allowed to use foreign-built vessels in the U.S. foreign trades and still be eligible for Capital Construction Fund tax deferral, Title XI Federal Ship Loan Guarantees, immediate access to government-impelled cargos and operating subsidy, preferably a new form of operating incentives we propose. (See recommendation #6.)

We believe the half century of requirements to build new vessels in high-cost U.S. shipyards has increased the capital and operating costs of the U.S. shipping industry; has discouraged modernization and expansion of the U.S.-flag fleet; and has contributed to the long-term decline of domestic and foreign waterborne trading opportunities for the U.S. fleet. We support permanent authority for U.S. shipowners to operate foreign-built vessels in the foreign trades while receiving Federal supports, to improve the competitive position, and thus the size and sealift capacity, of the U.S.-flag fleet.

6. AMENDMENT OF CURRENT MARITIME STATUTES THAT IMPAIR THE COMPETITIVENESS OF U.S. VESSELS IN FOREIGN TRADE.

Specifically, we recommend establishment of a new form of operating incentives linked to reductions in crew size and related operating costs; amendment of shipboard manning laws and regulations that prevent reductions in U.S. vessel crew size; and exemption of oceangoing cargo ships from paying duty on foreign

shipyard repairs. Federal supports must be designed to encourage decreases in U.S. operating costs. Crew size and other operating costs must be reduced if the U.S. fleet is to become competitive in the world market and grow to provide increased sealift assets under private control.

7. INCREASED EMPHASIS ON INCENTIVES TO ATTRACT FOREIGN-REGISTERED VESSELS—UNDER U.S. OR FOREIGN OWNERSHIP—TO THE U.S. FLAG.

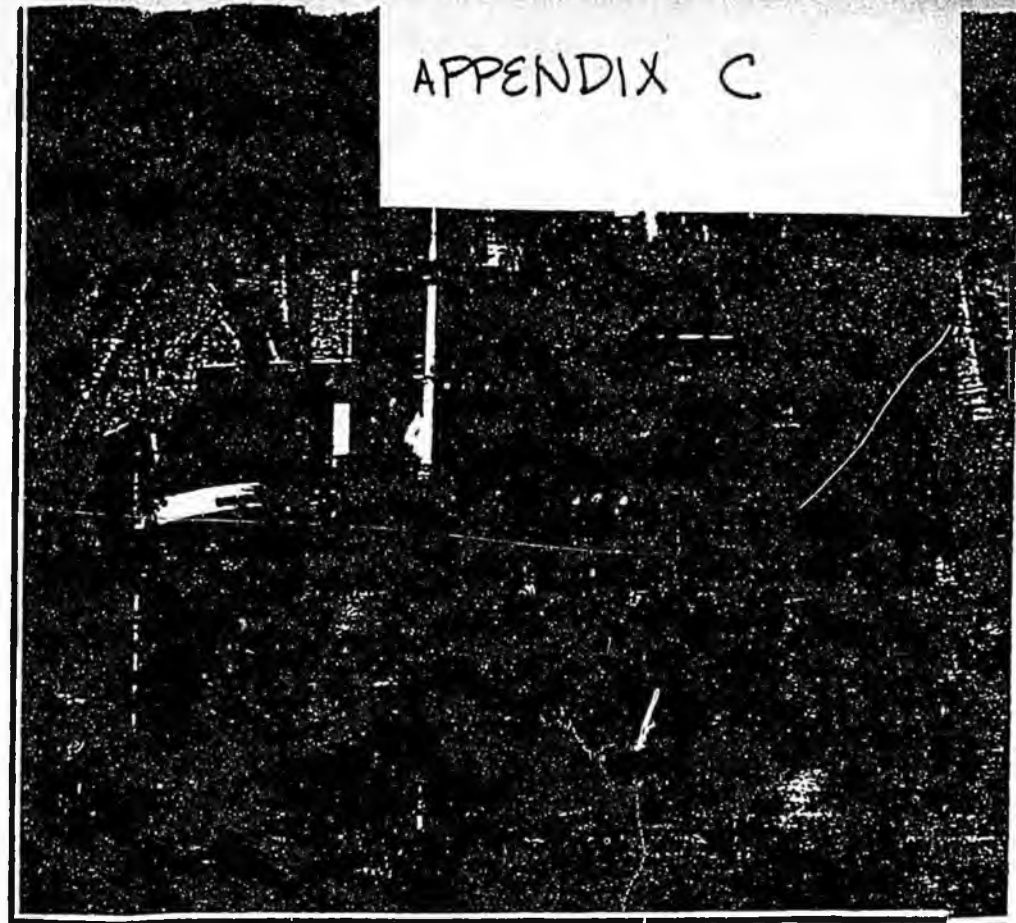
We propose a number of measures to encourage reflagging to the U.S. registry of vessels now under foreign registry. Even a small-scale reflagging would be desirable from a national defense standpoint, because these ships would provide work and training for U.S. crews, would be available for pre-mobilization installation of Sealift Enhancement Features, and would thus increase the sealift readiness of the U.S.-flag fleet.

8. AMENDMENT OF THE JONES ACT TO ALLOW SOME FOREIGN BUILDING OF NEW COMMERCIAL CARGO SHIPS FOR THE JONES ACT DOMESTIC TRADE.

We recommend a 10-year "coproduction" period, requiring building in U.S. shipyards in order to earn transferable credits for building in foreign yards. We suggest that these provisions be applicable only to large, oceangoing self-propelled, cargo-carrying ships that are capable of contributing to the Nation's sealift needs in case of a national emergency. This approach might stimulate a limited increase in commercial shipbuilding orders in U.S. yards, without Federal funding, and would expand and modernize the U.S.-flag, sealift capable cargo fleet.



CONTROL OF THE SEAS IS VITAL DURING WARTIME, BUT CAN OUR U.S. MERCHANT FLEET STILL MEET ITS COMMITMENTS?



OUR AILING MARITIME INDUSTRY

By L. Edgar Prina

NAVAL experts from Mahan to Gorshkov have agreed unanimously that a nation's sea power is made up not of warships alone, but also of its blue-water commercial fleet and shipbuilding assets.

The current administration has done an outstanding job of strengthening the combat potential and readiness of the U.S. Navy in the last four years. It has done little, however, to halt the increasing deterioration of the maritime industry. The 1980 campaign

L. Edgar Prina, a Washington editor and author, is a retired Navy Reserve captain who specializes in naval affairs.

promises to revitalize the merchant marine, which President Eisenhower called "our fourth arm of defense," remain unfulfilled.

America's maritime industry has been ailing for a number of years. It is sicker today than it was yesterday and it will be sicker tomorrow than it is today.

The Pentagon is deeply concerned that in the event of war it will not have sufficient shipping available to support and sustain U.S. ground and air forces overseas, to say nothing of simultaneously meeting the needs of the economy at home.

The dramatic decline of the U.S. maritime industrial base is told in these stark statistics:

- In 1950, the U.S. ranked first in the world in numbers of ships and in carrying capacity or deadweight tonnage (dwt). Today, it stands 10th in ships and eighth in dwt.

The Soviet Union, which was virtually off the charts in 1950, ranked 26th in ships in 1960 and is now number two. It ranks seventh in carrying capacity.

- As of Aug. 15, 1985, only eight U.S.-flag commercial vessels were under construction or on order in American yards.

- U.S.-flag ships carried only 5.8 percent of the total tonnage of our foreign trade—the world's largest—in 1983. It carried 21 percent in 1950.

That's not all the bad news. Thirty private U.S. shipyards have gone out of business in the past eight years. Currently, 24 major and 85 smaller yards remain in operation.

With the global glut of commercial ships not expected to ease before 1992, and non-subsidized U.S. yards unable to compete with the lower labor costs enjoyed by foreign builders, some experts believe that as many as seven

A SHRINKING FLEET—American ports such as Seattle always seem busy, but the ships are mostly foreign.

ters, as well as for shipyard workers.

There also is the Kremlin factor. The Soviet Union began expanding its merchant marine by cutting rates far below the profit line. It was thus able to penetrate and then dominate a number of trade routes. This had led to shrinking Western merchant fleets, bankruptcies and disinvestment in the shipping industry.

Extremely close coordination exists between the Soviet merchant marine and the Soviet navy. Acting as a naval auxiliary, the merchant marine exercises regularly with the fleet. Naval officers command and staff the merchantmen, most of which are readily adaptable for military use.

The Soviet Union, in short, knows the importance of a large and versatile merchant marine. It has learned well the lessons of Admiral Alfred Thayer Mahan, even if the United States appears to have forgotten them.

The decline of the U.S. merchant marine has had a grave impact upon our capability for reinforcing and supporting American military units overseas. Many officials have been reluctant to concede this. The true situation is masked by optimistic calculations of potential losses to enemy attack or to the number of bottoms that would be available from allies and the fleet of American-owned ships that sail under Liberian, Honduran, Panamanian and other flags.

Admiral James D. Watkins, Chief of Naval Operations, was one who did speak out. In a little-noticed speech last April, he said:

"Can we allow this vital arm of sea power (merchant marine) to atrophy by

default any further? I say, no. If we do, our nation could easily be crippled by determined foes and they know it."

Pointing out that the British barely prevailed in the Falklands War with a merchant fleet twice as large as ours, the admiral said:

"Today, our sealift studies show that it would essentially take every single U.S.-flag merchant ship and most of those of our allies just to support our forward deployed forces in a large-scale conflict. And that doesn't even include any additional ships for attrition."

Losses very likely would be staggering, particularly in the early weeks, given the large and powerful fleet of Soviet nuclear submarines armed with missiles and torpedoes.

IT HAS been widely assumed that great numbers of allied merchant ships would be made available to the United States in the event of a NATO war. But allied commercial fleets have been shrinking for years and the end is not in sight. The British merchant navy numbered 1,592 ships in 1975. It is now down to 685. Norway, France and Italy have 600 fewer ships today than they had 10 years ago.

Despite the atmosphere of gloom and doom that pervades much of the maritime industry today, the situation is not hopeless. If the American people and their representatives in Congress could be alerted, a number of reasonable, logical and legal actions could be taken to protect and preserve the maritime base.

First, the President could order the strict enforcement of the cargo preference laws already on the books. A new report by the Congressional Office of Technology Assessment quoted liner operators who said that the requirement for 50 percent of U.S. government

Continued on page 52

other major and 35 smaller yards could be forced to shut down by 1990.

Ship operators have done somewhat better than the builders. Construction differential subsidies (CDS) were halted by the administration in 1981, but operating differential subsidies (ODS) are still being paid. The subsidies were designed to help operators and builders meet foreign competition.

With a few exceptions, however, things have not been rosy for the operators either. Of 19 American liner companies in business in 1965, only seven remain and one of them has filed for bankruptcy.

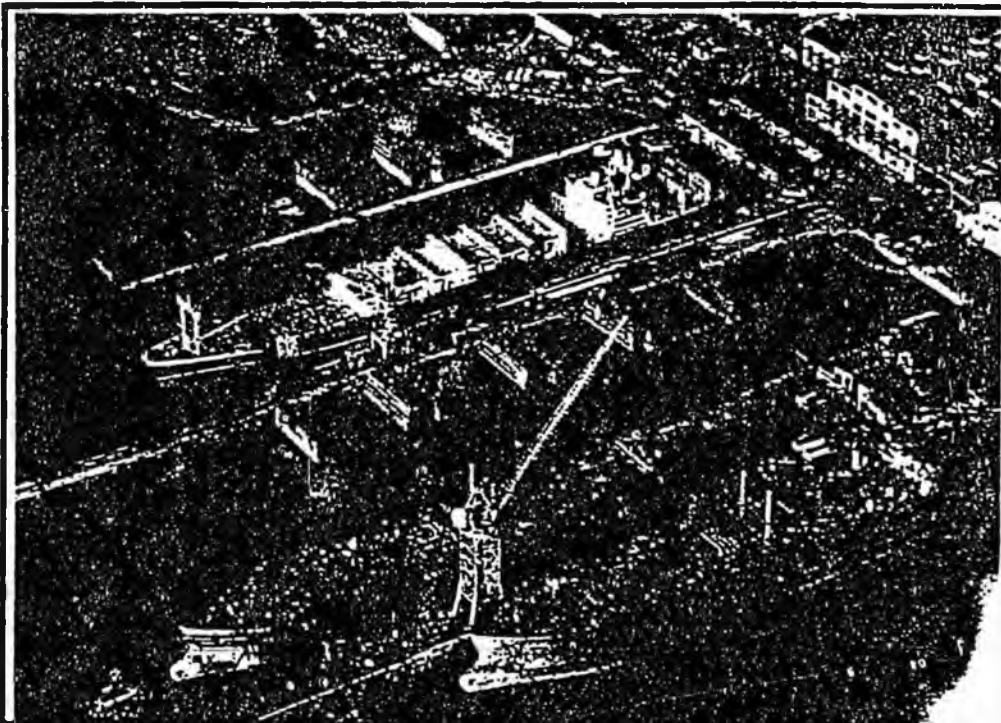
The number of U.S.-flag ships in the active, privately owned ocean-going commercial fleet today totals 383. It could easily drop to 300 or fewer by 1990, if no remedial action is taken by the government.

Several major factors have caused this erosion of the U.S. maritime industry.

More and more countries have adopted cargo preference programs to aid their commercial fleets, something the United States has declined to do because it would violate the principle of free trade.

U.S. competitiveness was limited by the high salary structure labor unions negotiated for seamen, mates and mas-

SHAKY TIMES—Unable to compete with the cheap labor of foreign shipbuilders, U.S. shipyards face an uncertain future.



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MARITIME INDUSTRY

Continued from page 25

cargoes to be shipped in American-flag bottoms is "not being met in a single U.S. preference program."

Indeed, of 55 Postal Service contracts issued in fiscal year 1984 to carry U.S. mail overseas by ship, 43 were awarded to foreign-owned, foreign-flag vessels. Four of the contracts went to Poland's state-controlled line and one to communist Yugoslavia.

Senator Daniel K. Inouye of Hawaii and Rep. Helen Delich Bentley of Maryland introduced bills earlier this year to require the Postal Service to use American ships.

Another popular assumption is that the Navy, in time of war, could draft U.S.-owned ships flying foreign flags and crewed by non-Americans. Unfortunately, many of the 400 vessels in this fleet are huge tankers having little military usefulness.

Given these circumstances, the U.S. Navy recognized it had to do something to guarantee that at least a minimum number of merchant ships would be immediately available if war should come. Accordingly, it has been buying surplus commercial ships for its Ready Reserve force. Current plans are for a total of 116 ships to be ready for sea within five, 10 and 20 days of the outbreak of a national emergency.

The Navy's new construction and ship repair programs have been a godsend to the U.S. shipbuilding industry, accounting for more than 80 percent of its current workforce. Since 1981, the number of yards involved in Navy work has increased from nine to 21. But as large as these programs are—the Navy has obligated more than \$50 billion for them over the past five years—they cannot, by themselves, sustain the present maritime industrial base.

Outraged by what she asserted was a violation of the Merchant Marine Act of 1936, Bentley made this point on the House floor in July:

"It is bad enough that foreign-flag ships of friendly nations are allowed to carry U.S. mail, but I think it is a national disgrace that the privilege to carry this important cargo is now enjoyed by Soviet-bloc vessels."

The current administration, with an assist from Congress, could restore construction subsidies to encourage the building of 20 merchant ships a year in U.S. yards, as suggested in a recent

Continued on page 54

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MARITIME INDUSTRY

Continued from page 52

Congressional Budget Office report. This would be enough, the CBO said, along with projected naval programs, to maintain the current industrial base.

The Navy could provide additional help if it withdrew its objections to the building of foreign warships in American yards.

Commercial shipping and shipbuilding depend upon cargo availability. The administration could aid both by entering into bilateral agreements with its allies to share the carriage between their countries.

U.S.-flag ships would benefit also if the United States would approve the U.N. Conference on Trade and Development Code of Conduct for Liner Conferences, as many West European countries and Japan have done.

Some students of maritime affairs, such as Dr. Harlan K. Ullman of the Georgetown Center for Strategic and International Studies, believe the present industrial base could be preserved at an annual cost of \$2 billion.

The United States needs to develop a comprehensive, coordinated maritime policy at the earliest moment. Critical to this policy is a determination of the minimum number of commercial ships and shipyards needed for the mobilization base.

As Vice Admiral William H. Rowden, then-commander of the Military Sealift Command, said last May:

"The U.S.-flag merchant marine and shipbuilding industry is the cornerstone of our wartime sealift capability. It's clearly in the best interests of the United States that the American maritime industry survive and prosper."

THE LEGION'S POSITION

The American Legion has long been aware of the urgency to rebuild and modernize the U.S. Merchant Marine Fleet. The resolving clause of Res. 302 reads:

RESOLVED, by The American Legion in National Convention assembled in Salt Lake City, Utah, Sept. 3, 4, and 5, 1984, that we urge the U.S. Government, in cooperation with labor and management, to revitalize the U.S. Merchant Marine to its former position as second to none in the world, under the Merchant Marine Act of 1970."

AMERICAN ASSOCIATION OF STATE HIGHWAY
AND TRANSPORTATION OFFICIALS

RICHARD P. BRAUN, President
Commissioner
Minnesota Department
of Transportation



FRANCIS B. FRANCOIS
Executive Director

October 10, 1985

President Ronald Reagan
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear President Reagan:

We are writing to you to express our concerns about the maritime industry in the United States, and the importance of establishing a cohesive and comprehensive national maritime policy.

Founded in 1914, the American Association of State Highway and Transportation Officials (AASHTO) represents the departments concerned with highways and transportation in the fifty states, the District of Columbia, and Puerto Rico, to foster the development, operation and maintenance of an integrated national transportation system. The active members of AASHTO are the duly constituted heads and other chief directing officials of the member highway and transportation agencies. As state officials involved with all modes of transportation, we have become increasingly concerned over the problems facing the maritime industry in our country.

As evidenced by trends observed in a number of reports published in recent years, the United States imports and exports significant levels of tonnage every year, but the percentage of foreign trade which is transported in U.S. flag ships has steadily declined. Additionally, the number of vessels in the U.S. overseas fleet has declined from 1,100 ships in 1950 to fewer than 400 today, while construction of ships in U.S. shipyards has virtually ceased. At the same time, the U.S.S.R. has over 2,500 vessels in its merchant fleet. It appears that our defense posture and our ability to respond to overseas conflicts may well be diminished by the lack of a merchant marine fleet to call into military service. The import and export industries are also important to the U.S. in other ways. For example, millions of people are employed in manufacturing, agricultural, mining and other jobs related to exports, alone.

President Ronald Reagan
October 10, 1985
Page two

AASHTO believes that the significant changes taking place in this most important industry are occurring, to the detriment of our country, without the benefit of the clear direction that a comprehensive national-level policy could provide.

In the past, several programs have been initiated or proposed to promote our exports and development of the U.S. merchant marine. These have included the following:

- o A proposed promotional program to allow for overseas construction of U.S. vessels without loss of operating subsidies, authorize U.S. vessel operators to use certain tax-deferred funds to purchase foreign built ships, make vessels newly transferred from foreign to U.S. registry immediately eligible to carry government preference cargoes, and allow an increase in the percent foreign investment in U.S. flag vessels.
- o Streamlining of the operating differential subsidy program.
- o Proposed reduction in regulations to minimize government intervention in the shipping industry.
- o A proposal to reorganize U.S. trade policy by the creation of a Department of International Trade and Industry.

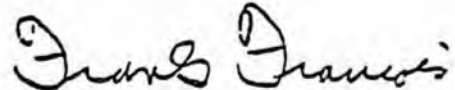
While these programs to stimulate exports and to restructure our maritime assistance programs might be helpful to the maritime industry, they do not constitute a national maritime policy, even when taken collectively. For example, they do not address such critical policy issues as the desired size and composition of the U.S. flag merchant marine fleet; the need for federal subsidies for construction and operation of U.S. flag vessels; whether U.S. cargoes should be reserved for U.S. flag vessels; the role of the merchant marine in national defense and military mobilizations; and the need for domestic shipyard capability.

A recent study by the U.S. Office of Technology Assessment, An Assessment of Maritime Trade and Technology, states that "Existing Maritime policies are a patchwork of measures adopted at various times to address specific needs. They do not add up to a comprehensive and coherent policy with clearly defined purposes," and "it is clear that major new or revised Federal policies are needed if the U.S. maritime industries are to remain healthy in the decades to come". We agree with these findings.

President Ronald Reagan
October 10, 1985
Page three

AASHTO believes that a Presidential directive creating a special maritime task force could be the right catalyst for developing a comprehensive national maritime policy. We thus recently adopted, by a vote of our member departments of 50 affirmative, none opposed, a "Policy Position Statement on Development of National Maritime Policy." A copy of this position statement is enclosed. In that statement we urge that you "create a special task force to study the problems facing our maritime industry, both the government and the private sector, and prepare a final report which recommends a national maritime policy. The composition of this task force should include representatives of all levels of government and the maritime and port industries, both coastal and inland." We would greatly appreciate your giving this recommendation your serious consideration.

Very truly yours,



Francis B. Francois
Executive Director

FBF:djt
enclosure

AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS

POLICY POSITION STATEMENT
ON DEVELOPMENT OF
NATIONAL MARITIME POLICY

The presence of a strong U.S. merchant marine fleet is vital to the economy and national defense, to our domestic and international transportation systems and to maintaining the shipment of exports from and imports to all states -- those located inland as well as those having ports on the oceans and Great Lakes. Despite the vitality of the national economy and the growth of exports and imports since 1950, the U.S. merchant marine fleet has been declining in size and capacity, which is threatening our capability to maintain a competitive fleet of vessels for waterborne commerce and defense purposes. The health of the American maritime/port industry is dependent upon the resolution of a wide range of complex issues. These issues encompass diverse areas such as the huge task of maintaining and improving the inland and deep water port complexes, user charges, intermodalism and related issues, shipbuilding and repair, subsidy for construction and operation of the U.S. merchant fleet, cargo reservation policies, federal regulation of oceanborne commerce, commercial trading relationships with other countries, implementation of international trade agreements, the UNCTAD Code, and cross-border movements.

Contributing to the decline of the U.S. position in world trade has been the lack of a comprehensive and consistent national maritime policy.

AASHTO urges the Administration to direct immediate attention to the development of a national maritime policy. The President has addressed other critical national issues by creating special task forces to define the problems and recommend solutions. Because of the acceptance of this approach, AASHTO recommends that the President create a special task force to study the problems facing our maritime industry, both the government and the private sector, and prepare a final report which recommends a national maritime policy. The composition of this task force should include representatives of all levels of government and the maritime and port industries, both coastal and inland.

Adopted by mail ballot by the
AASHTO Policy Committee,
August 8, 1985

MEMORANDUM

State of Alaska

TO: Senator Frank Ferguson
Co-chair, Joint Special Committee

DATE: September 10, 1986

THROUGH: Gordon S. Harrison, Associate Director
Office of Management and Budget

FILE NO: 87-592

TELEPHONE NO: 465-3568

FROM: *GE* Gregg Erickson, Senior Economist
Division of Strategic Planning
Office of Management and Budget

SUBJECT: The Jones Act and the
Price of Alaska Oil

Introduction

At the July 21 meeting of the Joint Special Committee on Tax Policy you requested that OMB provide you with background information and material regarding the Jones Act and the price of Alaska oil.

Background

Shipyard inefficiencies, lack of competition, and high labor costs, make American ships two to three times as expensive to build and operate as their foreign counterparts. Despite these higher costs, virtually all waterborne commerce between Alaska and the rest of the United States moves in U.S. rather than foreign ships. The reason is the Jones Act (Sec. 27 of the federal Merchant Marine Act of 1920), which requires that maritime trade between U.S. ports be carried in ships built in the U.S., documented under U.S. law, owned by U.S. citizens, and crewed by Americans.

Trade goods shipped between the Alaska and American ports must bear this burden, either as lower return to the seller or a higher price to the buyer. As a practical matter, Alaska usually bears the burden regardless of which way the commerce moves. In the case of Alaska crude oil, the burden is reflected in reduced wellhead values; over \$100 million per year may be lost to the State treasury due to lower severance taxes and royalties.

A related burden on the value of Alaska oil comes from the Export Administration Act of 1979 and other U.S. laws that prohibit the foreign export of Alaska oil. The prohibitions deny Alaska oil its most profitable markets in the Far East, and thus make the oil less valuable at the wellhead. A recent study by the federal Department of Commerce estimated the loss to the State treasury at \$333 million per year.

Some oil companies have opposed any relaxation of the export limitations, noting that much of their investment in U.S. flag tankers could be lost if exports were allowed. Oil companies'

production revenues would be enhanced if exports were allowed, however, and this would marginally encourage additional development of existing fields and further exploration.

Recent Studies

Several recent studies have addressed these issues. An annotated listing of those that appear most interesting in terms of the State revenue implications is attached. Copies of the studies themselves are attached with the original of this memorandum.

GKE/dmc

Attachments

cc: Committee Members

**Annotated Listing of Selected Studies
On The Jones Act, Oil Export Limitations,
and Alaska Oil Revenue**

U.S. Department of Commerce, *Report To Congress on Alaskan Oil*, June 1986. In 1985 Alaska made an unsuccessful effort in Congress to amend the Export Administration Act to allow some exports of Alaska oil. As a consolation prize for Alaska, Congress authorized and directed the administration to conduct the study that led to this Report. According to the study, the export limitations will cost Alaska \$1,330 million in the 1987-90 period (\$333 million per year), \$1,510 million in 1991-95, and \$1,116 million in 1996-2000. The study's findings generally support Alaska's position, though the authors make some factual errors and incorporate a number of unusual assumptions. For example, the federal study's "low" oil production scenario shows about twice as much annual production as the state's current "mean" production forecast.

Samuel A. Van Vactor and Arlon Tussing, "The Export of Alaska Crude Oil: Its Significance for Pacific Basin petroleum Trade," prepared for the International Association of Energy Economists annual meeting, June 1986. The authors believe that "[o]ver the coming year...the distortions and waste entailed by [the export limitations] will become more apparent, and as they come to light, the policy is likely to change. Once the inhibition on exports of Alaska oil is removed, there will likely be a cascade of reactions that will substantially increase crude-oil and petroleum product trade throughout the Pacific Basin."

State of Alaska, *Report to the Legislature on Implementation of Initiative 83-02*, January 1986. The initiative was adopted by the voters in 1982. It directs the governor to work for repeal of the Jones Act, and to annually report on those efforts. This was the first of these annual reports, and was largely prepared by John Katz and his staff in the governor's Washington, D.C. office. The report uses data from the Alaska Statehood Commission studies (cited below) to estimate that the Jones Act costs Alaska consumers \$40 million per year, and the state treasury \$225 million. The report is not optimistic about the prospects for near-term fundamental change in the trade restrictions.

National Advisory Committee on Oceans and Atmosphere, *Shipping, Shipyards and Sealift*, July 1985. The report focus on the national security implications of the Jones Act. It concludes that the nation's defense capabilities would be improved if foreign built ships were allowed to be used in the domestic maritime trade. The authors say they had access to "secret" and "official use only" Department of Defense materials on sealift capacity, etc.

Alaska Department of Revenue, "The Export of Oil to Japan - State Revenue Impacts," by Dr. Charles Logsdon in *Petroleum Production Revenue Forecast Quarterly Report, March 1983*. "Under a wide range of assumptions the State of Alaska would enjoy revenue increases should the current ban on exports [of Alaska North Slope crude oil] be removed. Though the impact illustrated ranges between \$10 and \$500 million per year..., the best guess revenue impact would probably be about \$50-\$100 million per year."

Simat, Hellieson, & Eichner, Inc., for The Alaska Statehood Commission, *The Jones Act and Its Impact on the State of Alaska*, July 1982; and Arlon R. Tussing and Associates, Inc., for The Alaska Statehood Commission, *Alaska's Economy and the Merchant Marine Act of 1920 (the Jones Act)*, September 1982. Though now somewhat out of date, these two studies still remain the best starting point for anyone wishing a good understanding of the effects of the Jones Act (and the export limitations) on Alaska.

Original sponsors: Coghill, Kerttula,
Faiks and Jones

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 CS FOR SENATE JOINT RESOLUTION NO. 11 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION
5 Urging the repeal of certain portions of
6 the Merchant Marine Act of 1920.
7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:
8 WHEREAS the Merchant Marine Act of 1920, commonly known as the Jones
9 Act, requires that vessels carrying goods between United States ports be
10 built and registered in the United States and owned and crewed by United
11 States nationals; and
12 WHEREAS the Act gives domestic-built vessels protection from free
13 market competition by foreign ships that have much lower construction and
14 crew costs; and
15 WHEREAS, as is typical of protected markets, higher freight rates may
16 follow in the United States coastwise trade; and
17 WHEREAS the Act was originally passed to build a sheltered environment
18 for United States vessels to create domestic prosperity and wartime secur-
19 ity, yet the United States merchant fleet has dropped by half since World
20 War II while the world tonnage has gone up sixfold; and
21 WHEREAS Alaska, Hawaii, and the noncontiguous territories of the
22 United States bear the cost of that sheltered environment even though it
23 was created to benefit all Americans; and
24 WHEREAS the Alaska trade now supports nearly one-third of the entire
25 Jones Act fleet; and
26 WHEREAS the effect of the Act is to reduce Alaska's state oil revenue,
27 to raise the cost of all domestic freight coming to Alaska, and to discour-
28 age the development of new oil fields and mineral deposits in Alaska; and
29 WHEREAS the direct cost to Alaska's treasury due to the Act has been

1 estimated at \$63 - \$176 million yearly and the direct cost to the federal
2 treasury has been estimated at \$135 - \$378 million yearly;

3 BE IT RESOLVED by the Alaska State Legislature that the United States
4 Congress is urged in the national interest to repeal those portions of
5 46 U.S.C. 883 that adversely affect the coastwise trade by prohibiting the
6 use of foreign-built vessels; and be it

7 FURTHER RESOLVED that until the Act is so amended, the United States
8 Congress is urged to allow foreign-built ships into the Jones Act trade if
9 they meet American safety standards, are registered in the United States,
10 and are owned and crewed by United States nationals.

11 COPIES of this resolution shall be sent to the Honorable Ronald .
12 Reagan, President of the United States; the Honorable James H. Burnley IV,
13 Secretary of Transportation; the Honorable Ted Stevens and the Honorable
14 Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Repre-
15 sentative, members of the Alaska delegation in Congress.

1 IN THE SENATE

BY COGHILL, KERTTULA,
FAIKS AND JONES

2

SENATE JOINT RESOLUTION NO. 11

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

Urging the repeal of certain portions of

6

the Merchant Marine Act of 1920.

7

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8

WHEREAS the Merchant Marine Act of 1920, commonly known as the Jones

9

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11

States nationals; and

12

WHEREAS the Act gives domestic-built vessels protection from free

13

market competition by foreign ships that have much lower construction and

14

crew costs; and

15

WHEREAS, as is typical of protected markets, higher freight rates may

16

follow in the United States coastwise trade; and

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18

for United States vessels to create domestic prosperity and wartime secur-

19

ity, yet the United States merchant fleet has dropped by half since World

20

War II while the world tonnage has gone up sixfold; and

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22

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23

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11 COPIES of this resolution shall be sent to the Honorable Ronald
12 Reagan, President of the United States; the Honorable Elizabeth Dole,
13 Secretary of Transportation; the Honorable Ted Stevens and the Honorable
14 Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Repre-
15 sentative, members of the Alaska delegation in Congress.

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of Month 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: Amended

**FISCAL NOTE(S) ATTACHED ✓ **
IN ACCORDANCE WITH AS 24.08.035
(see below)
2/5/87

DATE TURNED INTO OFFICE 3/12/87

Mr. President:

RESOURCES _____ Committee considered _____ SJR 11

Urging repeal of certain portions of the Merchant Marine Act of 1920.

and recommended:

[] replace with CS _____ [] same title
[] attached amendment(s) and [] new title

[✓] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

[] letter of intent adopted and attached

** Committee [✓] attached or [] adopted fiscal note(s)
[✓] zero [] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

[Signature]
Chairman signature and recommendation

[] Committee Backup Attached

S C R

1 2

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of _____ 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER:

**FISCAL NOTE(S) ATTACHED _____ **
IN ACCORDANCE WITH AS 24.08.035
2/13/87 (below)

DATE TURNED INTO OFFICE _____

Mr. President:

FINANCE Committee considered SCR 12

Relating to compensation of employees of the University of Alaska.

and recommended:

- replace with CS _____ same title
- attached amendment(s) and new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____
- letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Chairman signature and recommendation

Committee Backup Attached

1 IN THE SENATE

BY BINKLEY

2 SENATE CONCURRENT RESOLUTION NO. 12

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 Relating to compensation of employees of
6 the University of Alaska.

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 WHEREAS declining state revenue is forcing the state to reduce ser-
9 vices to its citizens and compensation paid to its employees; and

10 WHEREAS the state is implementing a revised system for pay differen-
11 tials based on the cost-of-living in the geographic location of a position;
12 and

13 WHEREAS it is desirable to have a consistent compensation policy for
14 all those who receive compensation from the state treasury;

15 BE IT RESOLVED by the Alaska State Legislature that the Board of
16 Regents of the University of Alaska is requested to revise the geographic
17 differential compensation schedule for university employees to conform to
18 the schedule that is being implemented for state employees.

19 COPIES of this resolution shall be sent to the members of the Board of
20 Regents of the University of Alaska.

ALASKA STATE LEGISLATURE

15th Legislature 1st Session

SENATE CONC. RESOL. NO. 12

By BINKLEY

Relating to compensation of employees of the University of Alaska.

Introduced in the Senate 2/13, 1987

HISTORY IN THE SENATE

19 87

2 13

Read first time and referred to Committee on

FINANCE

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by President
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by Speaker
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Received from House

To enrolling

Reported correctly enrolled

Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No.

SR

17

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 4/9/87 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER:

**FISCAL NOTE(S) ATTACHED _____ **
IN ACCORDANCE WITH AS 24.08.035
(see below)***Fiscal Note attached***

4/2/87 DATE TURNED INTO OFFICE 4/14/87

Mr. President:
FINANCE Committee considered SR 17

protection of the Alaska fur industry

and recommended:

[] replace with CS _____ [] same title
[] attached amendment(s) and [] new title

do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

[] letter of intent adopted and attached

** Committee [] attached or [] adopted fiscal note(s)
[] zero *new* fiscal impact 35.0 SFC

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Rich [Signature]
Paul [Signature]
[Signature]
[Signature]

[Signature] DO PASS
Chairman signature and recommendation

[] Committee Backup Attached

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____
 Revision Date: _____
 Title: Relating to the protection
of the Alaska fur industry
 Sponsor: _____
 Requestor: _____

Bill Version: SR 17
 Publish Date: _____

Agency Affected: Fish and Game
 BRU: Game
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	35.0	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS						
TOTAL OPERATING	35.0	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)


GENERAL FUND						
FEDERAL FUNDS						
OTHER	35.0	-0-	-0-	-0-	-0-	-0-
TOTAL	35.0	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Funding to be provided from Furbearer Management Account within the Department of Fish and Game as established by Chapter 96, SLA 1984.

Prepared by: 
 Division: Senator John Binkley, Co-chairman
Senate Finance Committee

Phone: 465-4985
 Date: April 14, 1987

Approved by Commissioner: _____
 Agency: _____

Date: _____

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

1 IN THE SENATE

BY BENNETT

2

SENATE RESOLUTION NO. 17

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

Relating to the protection of the Alaska

6

fur industry.

7 BE IT RESOLVED BY THE SENATE:

8 WHEREAS it is critical socially and economically to the state to
9 protect the Alaska fur industry; and

10 WHEREAS the Convention on International Trade of Endangered Species
11 (CITES) will convene at Ottawa, Canada in July 1987; and

12 WHEREAS the World Society for the Protection of Animals and other
13 preservation organizations are attempting to expand the endangered species
14 list to include lynx and wolverines; and

15 WHEREAS placement of these species on the endangered species list will
16 curtail international trade in these resources and place unreasonable
17 restrictions on Alaskans; and

18 WHEREAS lynx, wolverines, and other wild fur-bearing animals are
19 important to the fur industry in Alaska, and if properly managed should not
20 be declared to be endangered species; and

21 WHEREAS Alaskans must become more active in opposing efforts by animal
22 preservation organizations to stop properly regulated hunting, fishing, and
23 trapping activities; and

24 WHEREAS an ad hoc working group of nongovernmental organizations has
25 been organized to lobby for the fur industry in Ottawa and there are no
26 nongovernmental organizations from Alaska represented in this important
27 working group; and

28 WHEREAS the CITES bylaws allow citizen participation through nongov-
29 ernmental organizations at the Convention; and

1 WHEREAS citizen and other nongovernmental organizations are being
2 formed in Canada to assist in efforts to stop further listing of fur-bear-
3 ing trade animals on the endangered species list; and

4 WHEREAS the Alaska Outdoor Council, a nonprofit Alaska organization,
5 is the largest recognized representative of Alaska sportsmen, trappers, and
6 other outdoor users and has offered to help coordinate efforts to official-
7 ly recognize a nongovernmental organization from Alaska; and

8 WHEREAS Alaska trappers in 1984 requested a self-imposed license
9 increase to promote better management of Alaska's fur resources and to
10 protect the rights of the trappers and the fur industry in Alaska;

11 BE IT RESOLVED by the Senate that the Alaska Outdoor Council is
12 requested to form a nongovernmental organization task force to represent
13 Alaska and to lobby for the Alaska fur industry at the 1987 CITES Conven-
14 tion; and be it

15 FURTHER RESOLVED that the Senate requests that the task force be
16 composed of one member from the Alaska Outdoor Council, one member from the
17 Alaska Federation of Natives, one member from the Alaska Trappers Asso-
18 ciation, a furbearer biologist from the Alaska Department of Fish and Game,
19 and one nonaligned member to be selected by the other members; and be it

20 FURTHER RESOLVED that the Senate requests the Alaska Outdoor Council
21 task force to select its officers from within its own ranks and to make
22 available to the Legislative Budget and Audit Committee a report following
23 the convention.

24 COPIES of this resolution shall be sent to the Alaska Outdoor Council;
25 the Alaska Federation of Natives; the Alaska Trappers Association; and to
26 Don Collinsworth, commissioner of fish and game.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version: Senate Resolution

Publish Date: _____

Revision Date: _____

Agency Affected: Fish and Game

Title: Relating to the protection
of the Alaska fur industry

BRU: Game

Sponsor: Bennett

Components: _____

Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	47.0	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS						
TOTAL OPERATING	47.0	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	47.0	-0-	-0-	-0-	-0-	-0-
TOTAL	47.0	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS :

Funding to be provided from Furbearer Management Account within the Department of Fish and Game as established by Chapter 96, SLA 1984.

Prepared by:  _____

Phone: 465-3714

Division: Senator Don Bennett, Co-Chairman
Senate Finance Committee

Date: March 30, 1987

Approved by Commissioner: _____

Date: _____

Agency: _____

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Reduced by SFC 4/14/87

Ad hoc Working Group
CITES

MEMORANDUM FROM CAROL A. PORTER *C. Porter*

February 27, 1987

Enclosed with the previous memorandum regarding NGO information is a U.S. Federal Register notice which outlines the proposed provisional agenda for the upcoming Conference of the Parties. Public comments on the agenda are due March 31, 1987, and all Ad Hoc Working Group members are encouraged to write the Wildlife Permit Office. We suggest the following points be made in your letter:

- Express general support for the newly revised Rules of Procedure as proposed by the Secretariat. State that you do not believe the changes to be anti-observer as claimed by protectionist organizations;
- Note that you believe the Rules will increase the efficiency of the Conference of the Parties and that they are far from bureaucratic;
- Suggest that the use of the secret ballot should definitely be limited, if not totally eliminated. It will bring the Treaty more in line with other international forums.

Be sure to send a copy of your comments to Fish and Wildlife Service Director, Mr. Frank Dunkle, U.S. Department of Interior, Main Interior Building, Room 3256, 18th & C St., NW, Washington, D.C., 20240.

Non-U.S. Ad Hoc Working Group members are also encouraged to comment. We suggest you also send copies of your letters to your management authorities with the same points listed above.

For those attending the Ad Hoc Meeting on March 23, 1987, in Quebec City, this issue will be on the agenda for discussion. You may want to delay your comments until after that meeting.

SR 17

Chapter 96

AN ACT

Relating to furbearer management and increasing related license fees; and providing for an effective date.

* Section 1. AS 16.05.130 is amended to read:

Sec. 16.05.130. DIVERSION OF FUNDS PROHIBITED. (a) Except as provided in (b) of this section, money [FUNDS] accruing to the state from sport fishing, hunting, and trapping licenses or permit fees may not be diverted to a purpose other than the protection, propagation, investigation, and restoration of sport fish and game resources and the expenses of administering [OF] the sport fish and game divisions of the department.

* Sec. 2. AS 16.05.130 is amended by adding a new subsection to read:

(b) Money accruing to the state from the sale of resident trapping licenses may only be used for furbearer management. The department shall maintain a furbearer management account within the fish and game fund under AS 16.05.100 for separate accounting of receipt and expenditure of money from the sale of resident trapping licenses. Furbearer management shall be designed to enhance the furbearer population, increase the productivity of furbearer habitats, initiate useful furbearer research, and educate trappers consistent with the goal to provide for an optimum population of furbearers.

* Sec. 3. AS 16.05.140(a)(3) is amended to read:

(3) Resident hunting and trapping license.....22 [15]

Chapter 96

* Sec. 4. AS 16.05.340(a)(4) is amended to read:

(4) Resident trapping license..... 10 [13]

* Sec. 5. AS 16.05.340(a)(6) is amended to read:

(6) Resident hunting, trapping, and sportfishing licens.....

.....32 [25]

* Sec. 6. This Act takes effect January 1, 1985.

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Introduced: 3/31/87
Referred: Resources
& Finance

5-0934A

1 IN THE SENATE

BY BENNETT

2

SENATE RESOLUTION NO. 17

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

Relating to the protection of the Alaska

6

fur industry.

7 BE IT RESOLVED BY THE SENATE:

8 WHEREAS it is critical socially and economically to the state to
9 protect the Alaska fur industry; and

10 WHEREAS the Convention on International Trade of Endangered Species
11 (CITES) will convene at Ottawa, Canada in July 1987; and

12 WHEREAS the World Society for the Protection of Animals and other
13 preservation organizations are attempting to expand the endangered species
14 list to include lynx and wolverines; and

15 WHEREAS placement of these species on the endangered species list will
16 curtail international trade in these resources and place unreasonable
17 restrictions on Alaskans; and

18 WHEREAS lynx, wolverines, and other wild fur-bearing animals are
19 important to the fur industry in Alaska, and if properly managed should not
20 be declared to be endangered species; and

21 WHEREAS Alaskans must become more active in opposing efforts by animal
22 preservation organizations to stop properly regulated hunting, fishing, and
23 trapping activities; and

24 WHEREAS an ad hoc working group of nongovernmental organizations has
25 been organized to lobby for the fur industry in Ottawa and there are no
26 nongovernmental organizations from Alaska represented in this important
27 working group; and

28 WHEREAS the CITES bylaws allow citizen participation through nongov-
29 ernmental organizations at the Convention; and

1 WHEREAS citizen and other nongovernmental organizations are being
2 formed in Canada to assist in efforts to stop further listing of fur-bear-
3 ing trade animals on the endangered species list; and

4 WHEREAS the Alaska Outdoor Council, a nonprofit Alaska organization,
5 is the largest recognized representative of Alaska sportsmen, trappers, and
6 other outdoor users and has offered to help coordinate efforts to official-
7 ly recognize a nongovernmental organization from Alaska; and

8 WHEREAS Alaska trappers in 1984 requested a self-imposed license
9 increase to promote better management of Alaska's fur resources and to
10 protect the rights of the trappers and the fur industry in Alaska;

11 BE IT RESOLVED by the Senate that the Alaska Outdoor Council is
12 requested to form a nongovernmental organization task force to represent
13 Alaska and to lobby for the Alaska fur industry at the 1987 CITES Conven-
14 tion; and be it

15 FURTHER RESOLVED that the Senate requests that the task force be
16 composed of one member from the Alaska Outdoor Council, one member from the
17 Alaska Federation of Natives, one member from the Alaska Trappers Asso-
18 ciation, a furbearer biologist from the Alaska Department of Fish and Game,
19 and one nonaligned member to be selected by the other members; and be it

20 FURTHER RESOLVED that the Senate requests the Alaska Outdoor Council
21 task force to select its officers from within its own ranks and to make
22 available to the Legislative Budget and Audit Committee a report following
23 the convention.

24 COPIES of this resolution shall be sent to the Alaska Outdoor Council;
25 the Alaska Federation of Natives; the Alaska Trappers Association; and to
26 Don Collinsworth, commissioner of fish and game.

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035

* (see below) *Fiscal Note attached*

3/31/87

DATE TURNED INTO OFFICE _____

Mr. President:

RESOURCES _____ Committee considered SR 17

protection of the Alaska fur industry.

and recommended:

[] replace with OS _____ [] same title
[] attached amendment(s) and [] new title

[] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

[] letter of intent adopted and attached

** Committee [] attached or [] adopted fiscal note(s)
[] zero [] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Chairman signature and recommendation

[] Committee Backup Attached

SCR

17

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 3/2/87 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER:

**FISCAL NOTE(S) ATTACHED 0 ** 3/3/87
IN ACCORDANCE WITH AS 24.08.035
(see below)

2/26/87

DATE TURNED INTO OFFICE 3/3/87

Mr. President:

FINANCE

Committee considered SCR 17

Suspending Uniform Rules 41(b), 24(c), and 35 of the Alaska
State Legislature concerning House Bill No. 89.

and recommended:

[] replace with CS _____ [] same title

[] attached amendment(s) and [] new title

[] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

[] letter of intent adopted and attached

** Committee [] attached or [] adopted fiscal note(s)
[] zero [] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Handwritten signatures]

[Handwritten signature] Do PASS
Chairman signature and recommendation

[] Committee Backup Attached

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

SENATE CONCURRENT RESOLUTION NO. 17

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

Suspending Uniform Rules 41(b), 24(c),

6

and 35 of the Alaska State Legislature

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concerning House Bill No. 89.

8

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9

That under Rule 54 of the Uniform Rules of the Alaska State Legisla-

10

ture the provisions of Rule 41(b), Rule 24(c), and Rule 35 of the Uniform

11

Rules, regarding changes to the title of a bill, are suspended in consid-

12

eration of House Bill No. 89, relating to appropriations from the budget

13

reserve fund.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version : SCR 17
Publish Date : _____

Revision Date: _____

Agency Affected: Legislature

Title: Suspending Uniform Rules 41(b) 24(c) & 35 of the Legislature re

BRU: _____
HB 89

Sponsor: Senate Finance Committee

Components: _____

Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
----------------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
----------------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Senator John Binkley, co-chairman Phone: 465-4985

Division: Senate Finance Committee Date: 3/3/87

Approved by Commissioner:  Date: _____

Agency: _____

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

SCR

18

SENATE COMMITTEE REPORT

FURTHER:

3/26/87

DATE TURNED INTO OFFICE 4/7/87

Mr. President:

FINANCE Committee considered SCR 13

Extending the Joint Special Committee on Local Option Laws.

and recommended:

- replace with _____ CS FOR _____) same title
- or adopt _____ CS FOR _____) new title
- attached amendment(s) and
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____
- letter of intent adopted _____

Committee attached or adopted fiscal note(s)
 new updated or previous
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Handwritten signatures]

[Handwritten signature]

 Chairman signature and recommendation

Committee Backup Attached

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

Bill Version : SCR 18
Publish Date : _____

REQUEST: _____

Revision Date: _____
Title: Extending Joint Special
Committee on Local Option Laws
Sponsor: Sen. Binkley
Requestor: Senate Finance

Agency Affected: Legislative Affairs
BRU: Legislative Council
Components: Council & Subcommittees

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE						
----------------	--	--	--	--	--	--

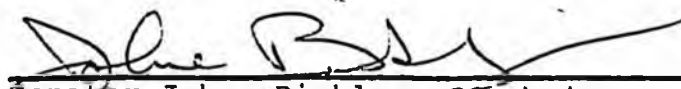
FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: 
Division: Senator John Binkley, Co-chairman
Senate Finance Committee

Phone: 465-4985
Date: April 7, 1987

Approved by Commissioner: _____
Agency: _____

Date: _____

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Introduced: 3/2/87
Referred: Health, Education & Social
Services & Finance

5-0405A

1 IN THE SENATE

BY BINKLEY

2

SENATE CONCURRENT RESOLUTION NO. 18

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

Extending the Joint Special Committee on

6

Local Option Laws.

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8

WHEREAS the First Session of the Fourteenth Legislature passed Senate

9

Concurrent Resolution 23 establishing a Joint Special Committee on Local

10

Option Laws; and

11

WHEREAS this joint special committee was intended to dissolve on the

12

30th day of the First Session of the Fifteenth Legislature; and

13

WHEREAS the joint special committee requires additional time in which

14

to address the problems associated with alcohol abuse and the use of local

15

option elections to combat this abuse;

16

BE IT RESOLVED by the Alaska State Legislature that the joint special

17

committee established by the First Session of the Fourteenth Legislature by

18

Senate Concurrent Resolution 23, shall not dissolve on the 30th day of the

19

First Session, but shall dissolve on the last day of the Second Session of

20

the Fifteenth Legislature, after submitting a written report to the legis-

21

lature that addresses the merits of and makes recommendations concerning

22

these local option elections.

Senator Johne Binkley

Senate Finance Committee
P.O. Box V • Juneau, Alaska 99811 • (907) 465-4985



Finance Committee
Co-Chairman

M E M O R A N D U M

April 6, 1987

TO: Senate Finance Committee

FROM: Senator Johne Binkley *Johne*

RE: Senate Concurrent Resolution 18
Extending the Joint Special Committee on
Local Option Laws

The Joint Special Committee on Local Option Laws, created by the Fourteenth Legislature, was mandated to review the alcohol local option laws. The committee traveled throughout Alaska, taking testimony, and collecting data on the subject of alcohol problems and the effectiveness of the local option laws.

As a result of the findings of the committee, the alcohol local option laws (AS 04.11) were amended in 1986 to include a fifth option which allows individual communities to choose to ban possession of alcohol.

This is an important law to many villages. In the course of our hearings, the committee determined that follow-up efforts would be required to assist communities that wished to consider this option. It is very important that the law is understood completely and that procedures for adopting and enforcing the law are followed very carefully. During the interim the Local Option Committee contracted with Tanana Chiefs Conference for follow-up services, including outreach and training.

Outreach efforts have included public service announcements, letters, bulletins, extensive telephoning to communities and organizations that indicated an interest in the new law. A training manual was developed, and TCC traveled to those communities that requested training on the fifth option.

To date, eight communities in Alaska have voted and adopted the option to ban possession of alcohol within their community. It has become apparent that the need to oversee the implementation of the local option law continues. Additional villages have expressed a desire for training; opportunities to speak to groups of village residents concerned about

Senate Finance Committee
April 6, 1987
Page 2

alcohol abuse within their community are still before us. In April, 25 to 28 Village Public Safety Officers will be meeting in Bethel. The Association of Village Council Presidents has expressed a desire to have resource persons available to talk with the VPSO's specifically on this new option. Additionally, the committee may wish to consider technical amendments to the law.

This resolution would extend the life of the Local Option Committee through the Fifteenth Legislature. It is important that the committee continue to monitor the new Fifth Option, and to identify any changes that may be required.

A/B

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: SCR 18

Publish Date: SENATE 3/2/87

Revision Date: _____

Title: Extending the Joint Special Committee
on Local Option Laws.

Agency Affected: Legislative Affairs Agency

BRU: Legislative Council

Sponsor: Senator John Binkley

Requestor: Senate HESS Committee

Components: Council & Subcommittees

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	-0-	50.0	-0-	-0-	-0-	-0-
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	50.0	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	50.0	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

The Joint Special Committee on Local Option Laws has requested a budget of \$50.0 for FY 88.

Prepared by: Pamela A. Stoops, Manager
Division: Administrative Services

Phone: 465-3850

Date: 3/20/87

Approved by: Warren W. Endicott, Executive Director
Agency: Legislative Affairs Agency

Date: 3/20/87

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

RECEIVED

MAR 20 1987

LEGISLATIVE FINANCE

**A SEARCH FOR CONTROL:
THE EFFECT OF ALCOHOL ON
PUBLIC RIGHTS AND PRIVATE WRONGS**



**REPORT TO THE LEGISLATURE
JOINT SPECIAL COMMITTEE ON LOCAL OPTION LAWS**

**Representative John Binkley, Chairman
Senator John Sackett
Senator Vic Fischer
Senator Edna DeVries
Representative Katie Hurley
Representative John Sund**

EXECUTIVE SUMMARY

March 1986

**Prepared by
Laurie H. Otto
Otto & Constantino, Attorneys at Law
P. O. Box 9028
Bethel, Alaska 99550**

Since Alaska communities are extremely diverse, the tools available to fight alcohol abuse must be equally varied. Approaches to controlling alcohol that are effective in urban areas are unlikely to work in the rural villages of the state. Similarly, alcohol control mechanisms that help stop the disintegration of homogenous and isolated villages, would be completely out of place in a complex urban community. Laws must be flexible enough to provide solutions to the problems faced in all communities.

Villagers repeatedly told the Committee that they want the power to completely prohibit alcohol. The broad range of problems that are associated with alcohol abuse, and which are set forth in the Committee Findings of Fact, legally and morally justify legislative action that grants villages that power. Therefore, the recommendation of the Committee is that the local option law be amended and that communities be granted the power to ban possession of alcohol

A SEARCH FOR CONTROL:
THE EFFECT OF ALCOHOL ON
PUBLIC RIGHTS AND PRIVATE WRONGS

EXECUTIVE SUMMARY

Introduction

The numbers of social problems stemming from alcohol abuse in Alaska are staggering. The ravaging effects of alcohol are particularly acute in the isolated native communities of rural Alaska.

As a result of the enactment of the present local option law, villagers are precluded from banning alcohol. Many villagers want the power to ban alcohol in their communities because they believe that alcohol prohibition is a way to prevent serious social problems from occurring. Moreover, many villagers and expert analysts believe that existing bans on importing alcohol cannot be enforced unless possession of alcohol is also banned.

In response to requests made by the city councils of several communities in the Yukon-Kuskokwim Delta, the Fourteenth Legislature created the Joint Special Committee on Local Option Laws. The mandate of the Committee was to take testimony and collect data on the question of banning possession of alcoholic beverages within a community.

Eighteen hearings were held by the Committee during the months of November and December 1985. Hearing locations were limited by financial and time constraints to communities located in the western and northern areas of Alaska. These two areas were chosen because most of the communities which have taken advantage of the existing local option law are in western and northern Alaska.

Two significant facts were made clear to the Committee as a result of the hearing testimony. First, villagers want to have strong and healthy communities. However, their ability to turn this desire into reality is limited because they do not have meaningful input into, and thus control over, most of the governmental decisions that directly affect their lives. Second, the problems related to alcohol abuse in the villages cut across every aspect of community and family life.

After considering a vast body of evidence, the Committee found that the harm caused by alcohol abuse is so pervasive, serious and overwhelming that villages should have the authority to ban possession of alcohol. The Committee, therefore, proposed legislation that would add a new alternative to the present local option law and that would allow communities to implement a ban on alcohol. Violation of a ban on possession of alcohol would be punishable by a fine and violators would not receive a criminal record.

The proposed legislation authorizes the Alaska Supreme Court to set a bail forfeiture schedule for violations of the law. Because the statute allows for bail forfeiture, persons not contesting a citation for possessing alcohol could simply mail the appropriate amount of bail to the nearest court in lieu of a fine. Because many villagers have limited access to cash, community services performed under the direction of the city or village council could be substituted for cash bail. One hour of community service would be equal to \$5.00 in cash. Confiscation and forfeiture of liquor possessed in violation of the ban would be permitted.

History of Alcohol Regulation in Alaska

From the time of initial Russian contacts with native Alaskans, through the present-day local option legislation, alcohol regulation has been a consistent theme of law enforcement in rural Alaska. Until the last ten to twenty years, federal statutes, state statutes, village ordinances, and community sanctions have all been used as control mechanisms to prohibit rural Alaskans from using alcohol.

Most recently, the legislature adopted the existing local option law in 1980. Under the local option statute, communities that want to limit the importation or distribution of alcoholic beverages can hold elections and choose one of several options for regulating alcohol. The available options are:

1. Prohibition of the sale of alcohol;
2. Prohibition of the sale and importation of alcohol;
3. Restriction of the types of license available for selling alcohol (i.e., beer and wine only);
4. Restriction of alcohol sales to community-owned liquor stores.

Studies of Alaska's Local Option Law

In-depth studies have shown that communities are adopting a wide variety of control measures, including the local option law, in an attempt to prevent residents from abusing alcohol. The local option law is an indirect method of controlling alcohol-related behavior and is used because villages do not have direct control over either the use of alcohol by community

Finding Number Seven: The dangers resulting from alcohol abuse are particularly acute in rural Alaska because the communities are small, isolated, without adequate law enforcement, without adequate health care facilities, and populated by people who are closely related and interdependent.

Finding Number Eight: The most damaging type of abusive alcohol-related behavior is that which affects innocent victims, such as children and elders. Children are particularly vulnerable, and as a result of parental alcohol abuse, suffer from a broad range of serious problems.

Finding Number Nine: The abusive use of alcohol perpetuates an escalating pattern of crime and violence from generation to generation.

Finding Number Ten: The most serious harm to the innocent victims of alcohol abuse takes place in private homes and behind closed doors. In communities that have chosen to ban the sale and importation of alcohol, and that have significant alcohol-related social problems, most drinking takes place in private homes.

Finding Number Eleven: The economic cost of alcohol abuse is high and cannot be afforded by either the state or rural communities.

Finding Number Twelve: A significant number of rural Alaska communities want, and would use, the authority to ban possession of alcohol. These communities have had a long-standing belief that alcohol should be completely banned, and this belief is based on a lengthy history of alcohol prohibition in rural villages.

Finding Number Thirteen: The policy decision to ban possession of alcohol is one that must be made by local governments. If local authorities are precluded from making such a decision, self-government efforts are undermined, respect for the state legal system is lost, and the public welfare is damaged.

Finding Number Fourteen: Although Alaska law permits communities to ban the sale and importation of alcoholic beverages, the present law is unenforceable because the possession of alcoholic beverages, including homebrew, is permitted.

Committee Conclusions

The severity of Alaska's problems with alcohol cannot be overemphasized, or exaggerated. Alcohol-induced tragedies have become a reality of daily life across the entire state. Every possible tool must be available for use in combatting the threat posed by alcohol.

- * Most cases of child abuse and neglect involve alcohol abuse. Many children of drinkers suffer from malnourishment, and some have health problems caused by mothers drinking during pregnancy.
- * Children of drinkers follow in their parents' footsteps by using and abusing alcohol.
- * Elders become uneasy and fearful, and cannot eat or sleep, as a result of concern about the behavior of alcohol abusers. This fear and unease causes problems which require medical intervention.
- * The use and abuse of alcohol is threatening the structure of the extended family. Children and grandchildren in some families are either excluded, or exclude themselves, from extended family activities in an effort to be protected from alcohol abusers.
- * Alcohol abusers can interrupt critically important subsistence activities.
- * Essential and irreplaceable family tools, such as snowmachines and boat engines, are broken or destroyed by persons under the influence of alcohol.

The Social Costs of Alcohol Abuse

The overall level of alcohol consumption, regardless of beverage source, determines the prevalence of dangerous drinkers and alcohol-related problems, both nationally and within Alaska. Alaska has a high rate of annual consumption in comparison to both the rest of the world and the rest of the United States. Moreover, Alaska has historically shown a dramatic increase over the years in the average annual alcohol consumption rate.

In analyzing which factors most affect per capita consumption rates, a recent study pointed to three variables: the cost of alcohol, the hours in which alcohol is available for sale, and the number of outlets in which alcohol may be purchased. Thus, states with "strict, tight or conservative" liquor laws were found to have low per capita consumption rates, and states with "permissive, loose, or liberal" liquor laws had high per capita consumption.

Chronic alcohol consumption has toxic effects on every part of the body, with medical consequences ranging from slight impairments of physical condition to life-threatening diseases. The most common location of the disease is the liver; however, alcohol may also directly injure the gastro-intestinal tract, muscles, and the pancreas. The cardiovascular system, the nervous system, and the endocrine system may be damaged by alcohol. Finally, there is evidence of a strong association between chronic alcohol use and cancer of the stomach, large intestine, pancreas, and liver.

Studies have consistently shown that alcoholics and heavy drinkers have significantly higher death rates than the rest of

the population. The numbers of homicides, suicides, and accidental deaths are increased as a result of alcohol. Native Alaskans have a particularly high alcohol-related suicide rate. The leading cause of death in Alaska is "accidents" and the rate of of accidental death is over twice the national average. A majority of Alaska's accidental deaths are alcohol-related.

Alcohol and violent crime are inseparable in Alaska. Many different studies have shown the close link between criminal activity and the abusive use of alcohol. The highest correlation between alcohol and crime is with violent acts committed in rural Alaska.

Studies have shown that a strong relationship exists between problem drinking and spouse abuse. The domestic violence problems linked to alcohol were not limited to incidents of spouse abuse; child abuse and parent abuse have also been found to be common. In comparing men who abuse their spouses with those who do not, researchers have found that the abusers had a history of exposure to spouse abuse in their childhood home. These findings suggest that spouse abuse may become more widespread as children from violent homes make families of their own.

Heavy drinking during pregnancy increases the risk of miscarriage and can result in alcohol-related birth defects. When consumed in large amounts, alcohol can cause fetal alcohol syndrome.

There is a substantial relationship between having an alcoholic parent and development of alcoholism. Children of alcoholics are frequent victims of incest, child neglect, and other forms of violence and exploitation. In 90% of child abuse cases, alcohol is a significant factor. Children of alcoholics are prone to experience a range of psychological difficulties, including learning disabilities, anxiety, attempted and completed suicide, eating disorders, and compulsive achieving.

The economic cost to society from alcohol abuse is high. Various methodologies have been used for measuring the cost of alcohol abuse to the State of Alaska in dollars. One study concluded that the total cost for fiscal year 1984, including direct and indirect costs, was \$195,500,000. Another analysis of the economic cost of alcohol abuse during the same period found the cost to be \$185,294,061.

Legal Issues Presented by Proposal to Ban Alcohol

Under federal law, states are given the power to absolutely prohibit, or to limit and regulate, traffic in intoxicating liquors within their borders. The Alaska Supreme Court has recognized that the legislature has the power to impose either complete prohibition or any other conditions deemed necessary to protect the people of the state.

A ban on the possession of alcohol would not violate the protection given to individual privacy rights in the Alaska Constitution. The courts have repeatedly held that the right to privacy must yield when it interferes in a serious manner with the health, safety, rights and privileges of others or with the public welfare. "No one has an absolute right to do things in the privacy of his own home which will affect himself or others adversely," according to the Alaska Supreme Court.

The Court has found that there is an unmistakable correlation between alcohol consumptions and poor health, death, family violence, child abuse, and crime. Based on this correlation, the court has upheld the portion of the current local option law which allows communities to ban the specific reference to previous rulings of the Alaska Supreme Court that had expressly recognized "the deleterious effects of consuming alcoholic beverages" and that had expressly found alcohol to be more dangerous than either marijuana or cocaine.

Committee Findings

Finding Number One: The abusive use of alcohol interferes in a serious manner with the health, safety, rights, and privileges of Alaskans, and with the public welfare.

Finding Number Two: The public health and welfare will, in fact, suffer if the abusive use of alcohol is not controlled.

Finding Number Three: The prohibition of alcohol in rural Alaska villages is an effective tool for controlling the abusive use of alcohol.

Finding Number Four: Serious crimes, and a wide variety of other social problems, could be prevented if the possession of alcohol were prohibited.

Finding Number Five: There is a strong and unmistakable correlation between alcohol consumption and poor health, fetal damage, death, suicide, crime, family violence, family stability, and child abuse.

Finding Number Six: The level of dangerous alcohol-related behavior is directly tied to the level of alcohol consumption, and the level of alcohol consumption is directly tied to both the cost and availability of alcohol. A law prohibiting possession would limit the availability of alcohol, and would increase the cost of illicitly-available liquor.

members or the resulting alcohol-related deviant behavior. Local option is considered to be a significant and indispensable tool because it helps prevent problems from occurring.

The most frequently used option allows for banning the sale and importation of alcohol. The use of the most restrictive option reflects the desire of many villages to severely limit access to alcohol. If villages could totally prohibit both the manufacture and possession of alcohol, many communities would opt for complete prohibition.

In the communities that have implemented the local option law, there has been a significant reduction in alcohol-related dangerous behavior. After adoption of the local option law, communities have less public drinking and public drunkenness, declines in the amount of alcohol-related interpersonal violence and accidents, and marked improvements in the physical appearance and scholastic performance of the children of drinking parents.

In addition to the direct benefits, other positive side effects of the local option law have been identified. These benefits resulted from the process used in making the decision to regulate alcohol. By implementing the law through an election, the burden of responsibility for the law shifted from the council and village leaders to the entire voting population. As a result, both lawmaking and enforcement have been made easier.

Villagers' concerns about alcohol are not based on moral judgments about drinking, or a desire to intrude on the power of individuals to make decisions about their personal health. The primary reason people want to ban alcohol is because it is intimately related to the deaths of village members. The deaths of young people are of particular concern because many villagers believe that the survival of their culture is completely dependent on the caliber of future community leaders, many of whom are dying in alcohol-related incidents.

The 1985 Local Option Hearings

Alcohol is involved in a wide range of social problems occurring in Alaska communities. Some of the problems described during the testimony are:

- * Virtually all of the violent crime is alcohol related, as is a majority of all types of criminal activity in Alaska.
- * A large number of deaths, including suicides, are alcohol related.
- * Children of alcohol abusers suffer problems with their schooling. They do not get enough sleep at night and do not get their homework done because of parents drinking and partying in the home.

4/7/87

SCR 18

Banning Possession of Alcohol



Prepared by

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for

Tanana Chiefs Conference, Inc.
Under Contract With the Joint
Special Committee on Local Option Laws

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BANNING POSSESSION OF ALCOHOL

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INTRODUCTION

A series of laws passed by the State Legislature allows villages to make choices for controlling alcohol. These laws are called "Alaska Title 4 Alcohol Local Option Laws" and are often referred to as "local option laws." An option is a choice. It means that a village can select one of several choices to control alcohol use in the village. A village also may choose not to hold an election on any of the options.

A law passed by the Alaska legislature in the spring of 1986 allows villages to hold elections to vote on banning the possession of alcohol. This is the fourth choice for controlling alcohol that the unincorporated villages can consider, and the fifth choice cities can consider under state law. Altogether, options the villages have for controlling liquor are to:

1. Sell liquor only with a SELECTED LIQUOR LICENSE. The type of alcohol sold, or where and when it can be sold can be controlled under this option.
2. Stop the SALE of alcohol in the village. Liquor could still be made or brought into the village.
3. Stop the SALE AND IMPORTATION of alcohol in the village. The person must be caught in the act of selling or bringing it in.
4. Sell liquor only with a COMMUNITY LIQUOR LICENSE. Only cities can vote on this option, and if adopted, the city would operate the store or bar.
5. Ban the POSSESSION of alcohol in the village. This is a new option that was recently added to the other options.

The new option, banning possession of alcohol, is the strongest law for controlling alcohol in the village. If a village already has another local option law and wants to vote to ban possession of alcohol a new petition is started and a new election is held. This

law is then added to the existing local option laws. In order to adopt the new option, a village does not have to repeal the old option. Of course if alcohol becomes illegal to possess in the village, any liquor licenses in the village would be cancelled.

This law does not include wine used for religious purposes in church services. It also does not include alcohol which has already been consumed. For example, a person could not be fined under this law for coming back to the village drunk. However, if a person has not been out of the village and becomes drunk, this could be used as evidence that the person possessed alcohol.

Banning possession of alcohol in the village is a community statement. It cannot be enforced without community support and cooperation. This is not the total solution to village alcohol abuse but could be a part of the village effort to help people in a village with alcohol problems and to help the village reduce alcohol related crimes. The state is not pushing the alcohol local option law on anyone or on any community. The most important decision concerning the alcohol local option laws is whether to consider it at all.

For more information and assistance, contact:

Village Government Services
Tanana Chiefs Conference, Inc.

Fairbanks, AK 99701

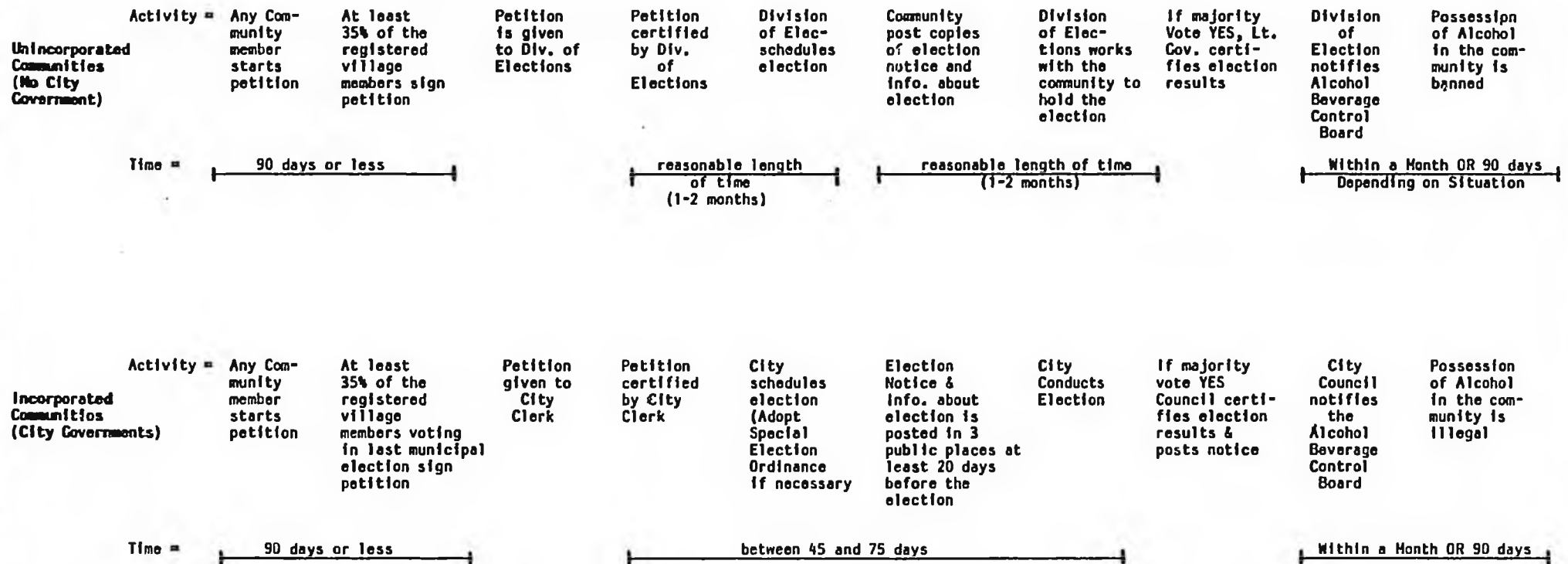
Tele: 452-8251

or

Your local office of the
Department of Community & Regional Affairs

* The terms "unincorporated," "incorporated," "established village," "community" and "village" are all used in this booklet. "Village" and "community" can both be used to describe the same thing. The terms "unincorporated" and "established village" both refer to villages without city governments. "Incorporated" refers to a community with a city government.

Procedure for Banning the Possession of Alcohol in the Village



PETITIONING FOR ELECTION

Residents of a community show their desire to hold an election by signing a petition. A petition explains that a person or people want something. In this case, the petition says that people want to vote on one of the local option laws to control alcohol in the village.

Starting a Petition

Anyone can start a petition. The person passing around a petition need not be an official or serve on the village or city council. However, only registered voters can sign the petition, only people registered to vote within the State of Alaska can vote in a local option election. If a person is a registered voter but did not vote in the last regular state or municipal election, the person may still sign the petition. If a person is not a registered voter, he or she may register and then sign the petition. A current list of registered voters can be obtained from the Division of Elections by calling or writing one of the following offices:

Division of Elections

Director
Pouch AF
Juneau, Alaska 99811-0105
Tele: (907)465-4611

Regional Offices

Districts 1 - 4
Southeast Election Supervisor
Pouch AF
Juneau, Alaska 99811-0106
Tele: (907)465-3021

Districts 5 - 16, & 27
South Central Election Supervisor
1313 E. 3rd Avenue
Anchorage, Alaska 99501-2879
Tele: (907)276-8683

Districts 17-21, 24 & 26
Central Election Supervisor
Fairbanks Regional Office Building
675-7th Avenue, Sta. H
Fairbanks, Alaska 99701-4594
Tele: (907)452-5111

Districts 22, 23, 25
Northwest Election Supervisor
Alaska State Office Building
Nome, Alaska 99762-0577
Tele: (907)443-5285

Collecting Signatures

All signatures on a petition must be collected within 90 days. The signatures may all be collected in one day or in one week, but they must be collected within a 90-day period. The 90 day period begins on the first day someone signs the petition. If there are not enough signatures within 90 days, the petition is "dead". The only way to hold an election in that case is to start a new petition.

Wording the Petition

In order for a petition to be valid, the exact language of the alcohol local option laws must appear at the top of the petition. For example, for a petition asking to hold an election to vote on the ban on possession of alcohol in the village, the question at the top of the petition would be:

"Shall the Possession of Alcoholic Beverages be
Prohibited in _____ (YES or NO)"
(Name of Village or City)

Using Sample Petition from this Manual

Sample copies of petition forms for holding an election on banning possession of alcohol in the village are on pages 19 through 24. If a petition form from this manual is chosen, it should be xeroxed, typed, or hand written in ink. A community can make up its own petition following the sample petitions in this booklet. The name of the community must be on the top of the petition as well as the exact language of the question in the state statutes.

There are several differences in the procedure for petitioning and holding a local option election between communities with city governments (incorporated communities) and communities with no city government (established villages or unincorporated communities).

Petitioning Procedures for Unincorporated Communities

In a community with no city government, 35 percent of the voters registered with the state must sign the petition. For example, if a community has 100 registered voters, at least 35 of those voters must sign the petition. To determine how many voters make up 35 percent, multiply .35 times the number of registered voters in the village. It is a good idea to get as many signatures as possible in case some people signing the petition are not registered voters.

When there are enough signatures, the unincorporated communities send the petition to the Director, Division of Elections, Pouch AF, Juneau, Alaska 99811. Call 586-6181 if there are any questions. If the petition has been done correctly, the Division of Elections will then schedule and help conduct an election within a reasonable period of time. Sample copies of petition forms are on pages 19 through 21.

Petitioning Procedures for Incorporated Communities

In incorporated communities, 35 percent of the number of registered voters voting in the last regular municipal election must sign the petition. If a person is a registered voter but did not vote in the last regular municipal election, the person may still sign the petition. To determine how many signatures are needed on the petition, multiply .35 times the number of voters participating in the last regular municipal election.

When there are enough signatures, the petition is given to the city clerk. The city clerk will certify the petition if it was done properly. The clerk will then ask the city council to schedule an election within a reasonable length of time. This has been interpreted to be between 45 to 75 days.

Sample copies of petition forms for holding an election on banning possession of alcohol in an incorporated community are on pages 22 through 24.

ELECTIONS

An election can be scheduled once a petition requesting that an election be held to vote on banning possession of alcohol is complete. Unincorporated communities file their petitions with the Division of Elections, which helps conduct the elections. The petitions in incorporated communities are filed with the city clerk, and the city governments conduct the elections.

Election Procedures for Unincorporated Communities

Setting the Date for the Election

When enough registered voters have signed the petition, the petition and a letter asking that a special election be held as soon as possible, should be sent to the director, Division of Elections, Pouch AF, Juneau, Alaska, 99811. The director of the Division of Elections will appoint a regional election supervisor to help the unincorporated community hold the requested special election. The community and the Division of Elections can work together in scheduling the election for the best time for the village. If the Division of Elections schedules an election at a bad time for the village, the village can request a schedule change. Some reasons for changing the date of the election may be that many registered voters are away from the village berry picking, moose hunting, or at fish camp or fire fighting.

Posting Notice

An unincorporated community may want to post copies of the petition and notices of the election in several public places. This will generate discussion on the matter and will help people decide how to vote.

Majority Voting

A majority of registered voters must vote "yes" on their ballots for the option to become a law. For example, if 80 people vote, at least 41 must vote "yes" for the option to pass. Any number more than half of those voting must be cast in favor of the option in order for it to pass. A sample ballot is on page 26 of this booklet.

Results of the Election

The results of the election will be sent to the lieutenant governor for certification. The village then posts notice of the election results in at least one public place. The Alcohol Beverage Control Board must be notified of the election results. The Division of Elections should notify the Alcohol Beverage Control Board for the unincorporated communities. It is important that the board be notified because it issues liquor licenses. It wouldn't be appropriate for the board to issue a liquor license in a village where possession of alcohol is prohibited.

Effective Date of the New Law

The new law goes into effect 90 days after the election results are certified if the village has no other local option law or has selected liquor licenses or community run liquor stores. It goes into effect the first day of the next month following the certification of the election if there is another local option law prohibiting sale or sale and importation of alcohol. Once adopted, this ban on possession of alcohol becomes state law.

Spreading the Word

In order to help enforce the law, it is a good idea for communities to spread the word that it is illegal to possess alcohol in the village. It would be especially important to contact air services

serving the village so they will know not to bring shipments of alcohol into the village. The village may also consider:

- Advertising on local TV and radio stations
- Advertising in locally distributed papers
- Posting notices around the village or at the airport
- Displaying posters in neighboring communities

Election Procedure for Incorporated Communities

Scheduling the Election

After the petition has enough registered voter signatures, it is given to the city clerk. The election to vote on the matter must be scheduled no less than 45 days and within 75 days after the petition has been certified by the city clerk and given to the city council. The alcohol local option question can be voted on at a regular election, a primary election, a general election, or at a special election. If there are other issues to be voted on, the question must be placed on a separate ballot form. A sample ballot is on page 25 of this booklet.

Separate Ballots

The option question must be placed on its own separate ballot. No other questions may be on the same ballot. The language on the ballot must be exactly the same as it is in the statute. For option number four, banning the possession of alcohol in the village, the question is:

"Shall the possession of alcoholic beverages be prohibited
in (name of municipality or village)?
(Yes or No)"

Special Elections: Cities must have a special election ordinance in order to hold a special election. Special elections can be scheduled by the city council no less than 20 days and within a

reasonable length of time after the petition has been certified by the city clerk and given to the city council. Any registered voter may be appointed to be an election judge. Separate election ballots must be used. The question cannot be on the same ballot with any other matter. An election notice must be posted for no less than 20 days before the election in three obvious public places. It is also a good idea to post a sample ballot.

If a special election is to be held, the city's special election ordinance must be followed. If there is no special election ordinance, one must be passed by the city council. An example of such an ordinance is:

Special Election Ordinance

The council may, by resolution, call a special election upon giving at least a twenty (20) days notice.

Regular Municipal Election: Regular municipal elections are held the first Tuesday of October and every year unless another date has been selected by municipal ordinance. The petition for holding the election must be filed with the city clerk at least 90 days before the regular municipal election. Any registered voter may be appointed to be an election judge. The alcohol control question must be placed on its own separate ballot. An election notice must be posted for 20 days before the election in three obvious public places. The notices may be posted for longer than 20 days.

Primary Elections: Primary elections occur in August once every two years before a general election. The municipality must appoint its own election judges to work with the separate alcohol local option ballots. The petition must be filed with the city clerk at least 20 days before the primary election. Separate election ballot forms must be used. An election notice must be posted for 20 days before the election in three obvious public places. The notice can be posted for more than 20 days.

General Election: General elections occur in November once every two years. The municipality must appoint its own election judges to work with the separate alcohol local option ballots. The petition must be filed with the city clerk at least 90 days before the general election. Separate election ballot forms must be used. An election notice must be posted for 20 days before the election in three obvious public places. The election notice can be posted for more than 20 days.

Results of the Election

If more than half of the voters vote "Yes" on the ballot question, the option becomes law for everyone in the municipality 90 days after the city council certifies the election results. For example, if 80 people vote, 41 must vote "Yes" for the option to become law. The city council must certify the results of the election within a reasonable length of time. "Certification" means that the City Council prepares and signs a statement about the results of the election. Then the city posts notice of the election results in at least one public place.

The city must send the election results to the Alcohol Beverage Control Board. The address is:

Executive Director
Alcohol Beverage Control Board
550 W. 7th, Suite 350
Anchorage, Alaska 99501
Tele: 277-8638

Effective Date

The new law goes into effect 90 days after the election results are certified if the village has no other local option law or has selected liquor licenses or community run liquor stores. If there is another local option law, prohibiting sale or sale and importation of alcohol, the ban on possession takes effect on the first

day of the next month following the certification of the election. The ban on possession of alcohol becomes a city ordinance. The city must post notice of the prohibition of alcohol in the community.

Spreading the Word

In order to help enforce the law, it is a good idea for communities to spread the word that it is illegal to possess alcohol in the village. It is especially important to contact air services serving the village so they will know not to bring shipments of alcohol into the village. The village may also:

- Advertise on local TV and radio stations
- Advertise in locally distributed papers
- Post signs around the village or at the airport
- Distribute posters in neighboring communities

PENALTIES

Violating the new alcohol local option law banning possession of alcohol in the community is not a criminal violation. A person who breaks this law can be fined and/or have property taken away, but cannot be put in jail. A person who contests the citation does not have a right to a jury trial or to a court appointed lawyer.

Once the ban on possession of alcohol goes into effect, the village law enforcement officer can take alcohol away from people and give them a citation. If there is no law enforcement officer in the village, the nearest trooper can be called to come to the village. It is possible for any village member to take alcohol away and call the troopers, but this could be dangerous. The Department of Public Safety prefers that a law enforcement officer handle the situation. Besides taking alcohol away, other things can be taken away from the offender. They include materials and equipment used in the manufacture and/or sale of alcohol as well as aircraft, vehicles or boats used to transport alcohol.

Enforcement Boundaries

In unincorporated communities, this law is enforced within a five mile radius of the village post office. In an incorporated community, this ordinance is enforced within the municipal boundaries, and no liquor licenses will be issued within a 5 mile buffer around those boundaries.

Fines

If a person is cited under this law, the fine is \$100 for each of the two offenses and a mandatory court appearance for the third or more offenses. Courts could fine a person up to \$1,000 for the third or more offenses. A person can pay the fine by mailing it to the court at the address listed on the citation form or, the fine can be personally delivered to the court. The fine must be paid within 30 days.

Community Work

Community work can be done instead of paying the fine. The community work is equal to \$5 per hour. The city councils or village councils in unincorporated communities designate the community work to be done. A form stating that the work has been done is filled out, attached to the citation and sent to the court listed on the citation. The community work must also be done in 30 days. A person may choose to pay part of the fine and make up the rest through community work.

Failure to Pay Fine or do Community Work

If a person fails to pay the fine or do community work, the citation becomes a summons to court. The person must pay his own way to the court listed on the citation. The date for the court appearance will also be on the citation. The person does not have a right to a court-appointed lawyer but may hire one at his or her own expense. If the person does not pay the fine, do community work or appear in court after that 30-day period, they are considered in "contempt of court". Being in contempt of court is a criminal offense and if the court follows through with such prosecution, a person can be punished under that law.

* * * * *

Bootlegging

"Bootlegging" or selling alcohol without a license is against state law. This is illegal in the village whether the village votes to ban possession of alcohol in the village or not. The penalty for the first offense of bootlegging is 10 days to one year in jail and/or up to a \$5,000 fine. A second offense can be punishable by 10 days to five years in jail and/or up to a \$50,000 fine.

Penalties Under Importation

If, under the other alcohol local options, a village votes to stop sale and importation of alcoholic beverages, the penalty for importing depends on the amount of alcohol that is brought into the community.

Less than 12 liters (about 16-1/2 fifths) of hard liquor or 24 liters (about 13 half gallons) of wine or 45 liters of beer (about 22 six-packs) is a Class "A" misdemeanor. Penalty is up to one year in jail and/or up to a \$5,000 fine.

More than 12 liters (about 16-1/2 fifths) of hard liquor or 24 liters (about 13 half gallons) of wine or 45 liters (about 22 six-packs) of beer is a Class "C" felony. Penalty is up to five years in jail and/or up to a \$50,000 fine.

ENFORCEMENT

If the ban on possession of alcohol is the only local option law in the village, it becomes effective 90 days after the certification of election. If the village has another local option law such as a ban on sale and importation, possession of alcohol becomes illegal on the first day of the month following certification of election results. The village public safety officer (VPSO) or other law enforcement officer can then take alcohol and issue a citation. The chief, village council members or anyone in the community can take alcohol away from someone but this could be dangerous and the Department of Public Safety prefers that it be done by law enforcement officers. Loss of the alcohol can be a large punishment in itself. It can also stop potential problems by keeping people from getting drunk or more drunk.

Fines

If a citation is issued, the fines for possessing alcohol are:

- \$100 for each of the first two offenses.
- A mandatory court appearance for the third or more offenses.
If convicted, the fine could be up to \$1,000.

Paying the Fine

A person has three choices in paying the fine. He or she can:

1. Mail or deliver the money to the clerk of the court.
2. Perform community work at \$5 per hour to work off the fine. The community work is directed by the city council or by the village council if there is no city. After the work is completed, a form and a copy of the citation must be mailed into the clerk of the court.

3. Pay some money and work off the rest of the fine.

If a citation has been issued and a person does not pay the fine or do community work, the citation becomes a summons to court. The date and place will be written on the citation. The person must go at his or her own expense. If the person then does not appear in court, he is then in contempt of court and can be punished for that offense.

Violating the ban on possession of alcohol in the village is not a criminal offense, and a person is not jailed for breaking that law. If a person wishes to contest (protest) the citation, he or she does not have the right to a trial by jury or to a court-appointed attorney. However, if a person fails to pay a fine or do assigned community work and then fails to appear in court, he or she is then guilty of a criminal offense (contempt of court) and can be punished for that offense.

Search and Seizure

State law regarding search and seizure must be followed. If alcohol is in plain sight it can simply be taken away. If the alcohol is out of sight, the VPSO or VPO (Village Police Officer) must have "probable cause" in order to get a search warrant. The definition of "probable cause" is ultimately determined by the courts. The basic idea is, however, that the VPSO or VPO must have solid reason to believe that alcohol is in the place where he wants to look. Baggage coming through the airport cannot all be searched for alcohol. There must be certain reason to believe that alcohol is in a bag, and then a search warrant must be obtained. Search warrants can be gotten over the phone if there isn't a state judge, or a magistrate in the village.

Community's Role in Enforcement

How well this law is enforced will depend upon village attitudes and efforts. The village must support their VPSO or VPO. The councils need to complain to the court system if contempt of court proceedings are not begun when fines aren't paid and court appearances aren't made.

The village can encourage people to comply with their laws by posting signs at the airport, along roads and rivers leading into the village, and in neighboring communities. The councils should also contact local air carriers so they will know not to bring alcohol into the village. Ads can be placed in local newspapers or aired on local radio or TV stations. The community can take an aggressive stand and go beyond minimum requirements to help enforce the law.

UNINCORPORATED COMMUNITY - ESTABLISHED VILLAGE
NO POSSESSION

PETITION FOR SPECIAL ELECTION

WHEREAS, we, the undersigned registered voters of the established village of _____ wish to take action regarding alcohol use in our community, and;

WHEREAS, we the undersigned registered voters of the established village of _____ wish to vote on an option under State Title 4 Alcohol Local Option Law as soon as possible, now, therefore,

WE, THE UNDERSIGNED voters of _____ HEREBY petition the Director of the Division of Elections that a special election be conducted pursuant to Alaska Statute 04.11.502, with the following question on the ballot:

"Shall the possession of alcoholic beverages be prohibited in _____? (Yes or No)."

The date of the first circulation of this petition is the _____ day of _____, 198_. All signatures on this petition must be secured within 90 days of this date of first circulation.

Signature	Printed Name	Date of Signature (Printed)	Residence Address (Printed)
1. _____	_____	_____	_____
2. _____	_____	_____	_____
3. _____	_____	_____	_____
4. _____	_____	_____	_____
5. _____	_____	_____	_____
6. _____	_____	_____	_____
7. _____	_____	_____	_____

