

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86 / 2

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1 the rest were 5, 10, 15 percent effective on the line. And
2 there's a lot of problems. I understand one of them is the
3 heat in the building. I mean, those are very sensitive
4 technical equipment, and you have a problem in the bush
5 with keeping the fuel oil going and having it on line. And
6 I think this is something that needs a lot more attention
7 and a lot more effort put into it to back them up.

8 THE MODERATOR: Thank you. Miss Bennett.

9 MS. BENNETT: I do not have technical knowledge of how
10 the telecommunications systems works, but I feel very
11 strongly that we need not only to continue funding but that
12 this is a very important area for us to increase funding in.
13 I can't think of a better use of state funds than to put
14 into systems. As Mr. Parker said, it benefits so many
15 different areas. There are not many places that we can put
16 that in that will benefit all the areas of Direct Service
17 that we've been discussing. And I won't belabor that point.
18 I hope that most people would agree with that. I think
19 that our community colleges should all be connected to the
20 computer network that some of them are connected to. The
21 phone bills at the community colleges are tremendous, and
22 it doesn't seem that that would be necessary. I believe
23 there are three or four community colleges now on a
24 computer network where they can send messages and it's very
25 cost effective and that's an area that should be increased

1 also.

2 THE MODERATOR: Thank you. Mr. Stump.

3 MR. STUMP: Yes. I'd like to refer to a problem in
4 Southeast Alaska, that is outlying logging camps; smaller
5 villages have problems that are very similar to the -- very
6 similar to the problems of the bush. And I think it's
7 simply a matter of recognizing that these problems are just
8 as much a problem in these communities in Southeast Alaska
9 as they are in the bush route, interior and eastern Alaska
10 an to see more attention paid to those. You're talking
11 about lack of phone communications. The bulk of the
12 logging camps in Southeast Alaska are the only kind of --
13 which are isolated in the fact that they have no road
14 connections to town, so their health problems are very
15 similar to the situations in the bush communities. Their
16 only means of communications is through a privately
17 operated radio telephone network run through the Alaska
18 Loggers Association, one in Ketchikan and one in Sitka.
19 And the level of service and the expense of the service is
20 quite low from service and from expense quite high. So
21 they certainly could use more state aid in that area.

22 Another thing regarding communications activities
23 the State that I'd like to address is the role of State
24 agency telecommunications facilities equipment and
25 personnel. There's an increased and quite, I think, unfair

1 kind of competition where these facilities that are paid
2 for by State monies are leased out or used by private
3 groups and also just in the agency use that is preventing
4 private concerns to compete for those projects or
5 activities. And I think that's something that has to be
6 addressed or you'll see the State simply preventing the
7 development of the private companies or groups in
8 developing those capabilities and whatnot. And that to me
9 gets -- goes back to the question of when you have a
10 displacement of various private groups in the field, you
11 have the affair of the control of the State over our
12 private capabilities. And I think that's something that we
13 again have to be cautious of. And that's all.

14 THE MODERATOR: Thank you, Mr. Stump.

15 Mrs. Bullock.

16 MS. BULLOCK: I have nothing to add. It's a learning
17 process for me as much as anything.

18 THE MODERATOR: Thank you, Mrs. Bullock.

19 Mrs. Burnett.

20 MS. BURNETT: Yes. Just one comment in planning for
21 the future. In medical emergency services, it's come to my
22 attention recently that -- depending on the area that
23 you're calling from -- there are many different numbers,
24 and we've been working towards some kind of a system of
25 common numbers for all the areas. Like if you call 911 in

1 one area it means one thing, and this is also with police
2 and so on. And if somewhere down the line the right ears
3 could hear, all of this state could be very beneficial if
4 we had common numbers that meant the same thing, which is
5 the essence of communication anyway, if we all knew what we
6 were talking about, when there's an emergency that occurs
7 and you pick up the phone and you get the right one at the
8 right time instead of going through two or three dispatchers.

9 The other thing is I would really like to caution
10 about is the expansion. I keep hearing about how great
11 educational TV is going. We had a program federally funded,
12 and it wasn't continued, it wasn't successful. And before
13 we reinvent the wheel in expanding educational TV, we have
14 to realize it's a very dehumanizing way of learning. It's
15 very sterile. Children are used to being entertained by TV,
16 Sesame Street. Public television has been very successful
17 because it does entertain. The cassettes and films are a
18 tool, a learning tool, and they should be a supplement of --
19 or an expansion, perhaps, of our system. But I really
20 caution you as far as a very expensive program of expanding
21 public state system of TV. Thank you.

22 THE MODERATOR: Thank you, Ms. Burnett.

23 Mr. Ackerman.

24 MR. ACKERMAN: I believe the stations should be
25 expanded, maybe not necessarily for the total education

1 process. But I think as Mrs. Burnett says, a good
2 supplement. Everybody should have an earth station. They
3 should have reliable communications. And I think what
4 they've done -- I've participated in several teleconference
5 hearings and testified before the Legislature in Fairbanks,
6 and I think these legislative offices with telecommunications
7 should also be expanded. It makes your government
8 successful. We are a large state. And I think with the
9 expanding of telecommunications, we can bring it a lot
10 closer together. We can solve a lot of our problems rather
11 than being shoved off in a corner. And I think that we
12 really need to put high priorities of our expansion of
13 telecommunications within the State.

14 THE MODERATOR: Thank you, Mr. Ackerman.

15 Mr. Sears?

16 MR. SEARS: I'd kind of like to expand on what Mr.
17 Ackerman said. There's been a move to -- a bill and
18 initiatives and other forms of legislation to move the
19 capitol of the State from Juneau to Willow, and one figure
20 that was quoted in the Frank initiative was \$9 million,
21 which coincidentally was the first figure that was given
22 for the construction of the oil pipeline. There were cost
23 overruns in the oil pipeline.

24 The buildings in the capitol -- the buildings are
25 essentially symbols. What you do in the capitol is

1 communicate. There's a lot of intercommunication, which is
2 the basis of government. And what I would strongly suggest
3 is that a very strong, highly developed communications
4 network be adopted for the purpose of legislation for the
5 Legislators, keep the capitol in Juneau and build some
6 buildings up here, but don't -- you know, leave the staffs,
7 leave the records in Juneau and have instantaneous
8 communication between there. And let the Legislators meet
9 in a more convenient place, but let there be strong
10 communications between the Legislators and Juneau to defray
11 the cost of moving an entire capitol inland. Thank you.

12 THE MODERATOR: Thank you. Mr. Jacobson.

13 MR. JACOBSON: I don't have anything.

14 THE MODERATOR: Okay. Mr. Fisher.

15 MR. FISHER: Yes. I would hope the communications
16 would promote more of a sense of community and decreased
17 polarization that apparently has accumulated in the State.
18 I would hope that the increase in communications wouldn't
19 cause further override some of the cultural differences in
20 the rural areas. And that's a real problem. We homogenize
21 everybody so we all act alike, think alike and have a
22 common background; that's going to be pretty monotonous.
23 But right at the present time, we could do something very
24 tangible and very down to earth to remove the obstacles of
25 communicating between people with the government. We could

1 accept collect calls from anywhere in the State but any
2 executive elective judicial branch. We did a study one
3 time about two or three years ago and then estimate was
4 about \$100,000. Say it was \$300,000. That's peanuts
5 compared to the money we spend, and to accept calls on the
6 telephones that are working from throughout the State would
7 probably bring a much better sense of communication with
8 the State and hopefully better factual information. What I
9 would suggest is a tangible, immediate step that could be
10 taken by the coming Legislature very quickly. That's all I
11 have.

12 THE MODERATOR: Thank you, Mr. Fisher.

13 Mr. Dahl.

14 MR. DAHL: Thank you, Mr. Chairman. I appreciate the
15 chance to be near the end here, because I want to summarize,
16 if I can -- next to the last, maybe -- I want to summarize
17 by suggesting some of the problems that you've suggested
18 and talk about that in terms of goals that we might have or
19 objectives that we might have to solve those problems.

20 We've talked about ourselves as a separate people.
21 We've talked about ourselves as being geographically
22 isolated. We've talked about ourselves as being culturally
23 isolated, culturally separated, emotionally isolated,
24 emotionally separated -- maybe spiritually isolated and
25 spiritually separated, too. I think the -- I also wrote

1 down the capitol move as something that perhaps needs to be
2 addressed in this area because it seems to me that the
3 capitol move initiative was a communications problem. It
4 was a response to frustration of people that were having
5 difficulty communicating their needs and desires and hopes
6 and dreams to the Legislature.

7 I think part of that, certainly, was
8 irresponsible media hype, but we need to realize that in
9 the context of that media hype there was a propose that was
10 identified. The solution may be the wrong solution, but
11 certainly the problem is a real one. How do you
12 communicate ideas to Legislators? I think we -- a lot of
13 water has gone under the bridge since that initiative
14 passed, and the opportunities and possibilities of a
15 telecommunications network in this State may be available
16 now so that the problem of communication can be solved.

17 Last night, Mr. Fuller talked about one of our
18 goals being an integrated society that there's no such
19 thing as racial differences, because of all the biological
20 things that went into the whole concept of race. I think
21 what that does not say, though, is that there is no such
22 thing as cultural differences, because there are those of
23 us who had the great opportunity to travel around a little
24 bit in the State, recognizing that there are significant
25 cultural differences that need to be bridged. They need to

1 be understood, they need to be maintained, if they want to
2 be maintained.

3 And one of the things that communications can do
4 to help us solve the problem of being isolated is to
5 increase our understanding of each other. I see that as a
6 worthy goal. Training in assistance and medical and the
7 rest of the problems that have been raised by this group
8 are certainly important.

9 Another thing that was raised last night that
10 needs to be inserted into this discussion in relationship
11 to the university courses or university study is the
12 possibility of feedback. It's no longer necessary for
13 educational TV to be one-way. Feedback can be made and
14 need not be nearly as sterile as how we traditionally
15 thought it to be. I think we have great possibilities in
16 solving some of the problems that we have in communications,
17 and I hope that we will use them as creatively as possible.
18 Thanks.

19 THE MODERATOR: Thank you, Mr. Dahl. Mr. Ron Hohman
20 is here, and he has some input on the communications area.

21 MR. HOHMAN: I'm Ron Hohman from the Bering Strait
22 School District. Some people call it the BS District. But
23 I prefer that you not call me that way.

24 For the past three years I've been Chief
25 Administrator for that school district which has been

1 charged with the implementation or actually the
2 establishment and then implementation and then operation of
3 the new REAA school district. We've had some of the same
4 types of problems that have been mentioned around the table,
5 and it's really been somewhat difficult in the
6 establishment and development of the new school district in
7 rural Alaska when you don't have the basic communication
8 privileges that sometimes are -- at least available in the
9 urban areas.

10 The school district or any organization generally
11 you have regular staff meetings, which is something that we
12 aren't privileged with. Although we do maybe once a year
13 have a staff meeting with our administrators. But the
14 80,000 geographical miles that kind of spread our district
15 apart creates the difficulty, if you don't have staff
16 meetings to rely on some form of communication. We do that
17 through memos or maybe via the AM radio. But it's
18 generally one-sided. So we don't have the opportunity to
19 have the dialogue. That's been very difficult, and now as
20 I see it, I think it's probably been our number one problem
21 in just organizing the district.

22 The other thing that I see happening now that can
23 really benefit us in refining and improving would be the
24 benefits that telecommunications would have for
25 instructional programs. So I support the comments that

1 have been made regarding the basic need for a
2 communications system that can provide us with the daily,
3 reliable effort in keeping some of our instructional
4 programs operating, as well as improving the delivery
5 system to maximize some of the State expenditures that can
6 come from a televised network of specialized instructional
7 courses.

8 THE MODERATOR: Thank you, Mr. Hohman.

9 We have a gentleman from a State agency, Larry
10 Golden, sitting in the back of the room. Do you desire to
11 have some input?

12 MR. GOLDEN: Yes, I would.

13 THE MODERATOR: You have the floor.

14 MR. GOLDEN: I'm presently working for the Central
15 Interim Committee on Telecommunications. And I'm sure some
16 of you will be very pleased to hear that there's several
17 projects underway now that are very specifically geared to
18 addressing some of the concerns that you've raised in this
19 discussion here.

20 Personally, I find it very gratifying to see how
21 the conversation has gone from very specific projects and
22 needs to larger issues, and goals for telecommunications in
23 the State. And I think that that's very important.

24 There's a tendency on the part of people to think
25 that issues dealing with telecommunications by virtue of

1 the fact that it's technical are the sole province of
2 engineers and perhaps FCC regulators and economists and
3 that sort of thing. But the bottom line as to goals, why
4 we're involved in telecommunications is very much a public
5 issue, and I think it suffers from the lack of continuous
6 public input into what it should be about, why we are doing
7 this. And I just want to say a couple things about that.

8 Some of the implications of telecommunications,
9 improved telecommunications are very obvious to us, such as
10 the availability of medical services, the need for phone
11 service in small communities where there is none at a point.
12 And we can relate to what those kind of services provide to
13 us in our everyday lives and how they help us. Some of the
14 broader communications of telecommunications aren't all
15 that obvious to us and need to be addressed and some of the
16 latter comments that were here, I think dealt with those.

17 Basically, telecommunications is a social tool, a
18 tool that you use to build your own society as you wish to.
19 And if you function in this way when it's set up to be
20 interactive system -- and I'm just talking two basic terms
21 in telecommunications. Broadcast system and interactive
22 system.

23 Broadcast system that's set up so there's one
24 central point sending a message to everybody and it's the
25 same message and you sit and you watch and you listen to it

1 and you like it or you don't like it and it ends.
2 Television and radio are like that and they certainly are
3 very valuable techniques.

4 Interactive techniques such as the telephone
5 computer system, competent communicating systems in the
6 long run prove to be much more efficient, much more
7 valuable as nuts and bolts, day-to-day things that
8 everybody in their own community can use to get the
9 information that they need to hear to make the decision on
10 a local basis and plan things for themselves. I think it's
11 axiomatic that as people have more access to information as
12 they know what's going on individually and groups in the
13 communities they demand to have more say in decisions.
14 This gets us down to the potential telecommunications,
15 either centralize the world or decentralize the world. And
16 it can go either way. And somebody will have to set
17 policies on that. And that kind of choice -- or those two
18 outcomes are very much dependant upon the economic
19 structure of telecommunications, which is a perfectly
20 complicated matter, but it's also based upon some very
21 simple policy decision.

22 I was involved in planning and setting up
23 lectures, teleconference network. I think that's a prime
24 example of an interactive system. And it's decentralized
25 that anybody at any time can get into the system and ask a

1 question of a legislature and get a response or provide
2 information to that legislator.

3 for the time being, I'll drop the whole thing
4 about interactive networks and say that I hope I made the
5 point that they're much more flexible. And it's something
6 that gives you and each of your communities information
7 that you need access to make your own decisions based on
8 that information, plan, use them as tools.

9 In the area of broadcasting, several people have
10 brought up the question of how do we bring Alaska together?
11 I don't have a simple answer to that, but I think that
12 broadcasting can provide some of the answer. National
13 networking of both commercial and public broadcasting, I
14 think, tends to have the effect of assimilating everybody
15 into a unified culture. Certainly we all want to know what's
16 going on all over the place. That's important. We can't
17 live in isolated pockets.

18 But at the same time, I think it's also incumbent
19 upon the broadcasting entity both publically supported and
20 commercial to do something about supporting the concept of
21 regionalized broadcasting so that people in various parts
22 of the State can see their own region of the State or hear
23 their own region of the State reflected back to them. To
24 help them in determining their own identity of who they are,
25 where they want to go to from here. And then also to

1 network that kind of programming so that people in other
2 parts of the State know what's happening everywhere else.
3 This would help us to bring us together, but at the same
4 time it could give us healthy respect for ourselves in our
5 own areas and a healthy respect for people in other areas.
6 I'll let it go at that. Thank you very much.

7 THE MODERATOR: Walt Parker. Did you have a question?

8 MR. PARKER: Yes, Mr. Chairman, in response to this
9 range of comments and specifically to Miss Burnett's
10 comments -- you know, the reason I didn't recommend any
11 more television was very sensitive to that particular
12 aspect in education. And my concepts of this are colored
13 by 30 years ago trying to -- sitting in the midst of the
14 Alaska bush and trying to get my wife through high school
15 and some of my older kids through the primary grades using
16 correspondence courses. I was doing -- I could do great on
17 the -- at the junior level. I had a college degree by then,
18 but I could do great at the -- with the K through 6. But
19 when I went into high school chemistry and physics, I was
20 lost trying to get my wife through that. So I think in
21 those particular areas where you view a whole mix of things
22 going out, computer instructor -- you're computerized
23 instructors and so forth part of the students must, you
24 know, involve themselves, not to sit there and just have
25 them dumped on them is what we're thinking in terms of, as

1 far as educational telecommunications goes.

2 THE MODERATOR: Thank you, Mr. Parker.

3 Yes, Mr. Borodkin.

4 MR. BORODKIN: Yes, one thing I forgot to mention is.
5 During the initial installation of equipment I think
6 everyone in this room that's familiar with the system --
7 they have breakdown after breakdown, and this was because
8 of equipment being so new. And as time went by they've
9 made improvements. And I didn't realize that there were
10 this many breakdowns.

11 Is it possible that the telephone link that's
12 breaking down is because of an operator that isn't paying
13 attention to the equipment? I don't know what the system
14 is. It may have automatic switching. Could anyone answer
15 that?

16 MR. PARKER: Mr. Chairman?

17 THE MODERATOR: Go ahead, Walt.

18 MR. PARKER: Under the -- at the request of the
19 Lieutenant Governor, why, Alaska is sharing a working group
20 on the level of service to the small earth stations to work
21 out this whole range of problems that's made the telephone
22 service unreliable up to now, and they're making some
23 progress.

24 Do you want to say any more about that.

25 MS. THOMAS: Miss Barbara Thomas. I'm with that

1 Alascom. We had been going back through all the failures
2 at the small earth stations and trying to see a pattern of
3 causes. Power is obviously a big problem, and we're
4 looking through to the redundancy of service, and so we're
5 working with the governor's office and several other people
6 around the State working to solve these problems.

7 THE MODERATOR: Thank you. Miss Thomas. Mr. Fisher.

8 MR. FISHER: Question. It would be interesting to know
9 how many people here have experienced the teleconference or --
10 teleconference system of the legislative information system.
11 It would be kind of interesting to know how many of us
12 actually have been involved in that. (Indicating.)

13 MR. FISHER: What is that, roughly one-third of us?
14 I would recommend that system as an example of what can be
15 done and how it can make you kind of a village round-table
16 discussion right in the middle of that conference.

17 THE MODERATOR: Thank you. We're going to have to
18 move along here. It's pressing on lunchtime. She needs to
19 check her tape. All right. Then I have input that's very
20 important.

21 (Short recess.)

22 THE MODERATOR: Mr. Kocsis has some input.

23 MR. KOCSIS: Sure. I'm hearing everybody agreeing on
24 the potential of the system. From the legislative
25 standpoint I would ask the group and each individual, I

1 guess, to consider: What does it mean when you have the
2 interactive capabilities we're talking about or developing
3 it? At some point, I suspect -- and Walt, I may be wrong --
4 we may be able to put dishes into every house had Alaska
5 and have interactive TV. That may be long in the future.
6 I don't know. I can foresee it. What have you that
7 potential. What does it mean? Is a town meeting in the
8 old sense of New England? Is that what we're looking for?
9 What will it mean when a person can have it in their own
10 home in their own community and respond to questions from
11 the center of government? What is going to be the role of
12 the Legislature? What must we pay attention to when this
13 interaction is going on. I would hope the group would just
14 address this kind of thing. Is this? Democracy. I'm
15 talking about an interesting paper that Mike Bradner wrote
16 in '78. I recommend you get ahold of it. It should be in
17 the information offices. Take a look at it and please begin
18 on address that kind of question. The Legislature is going
19 to have to when does it mean when citizens can sit in their
20 home and interact with each other from all over the State?

21 THE MODERATOR: Thank you. I'd like to take this
22 opportunity now to make my input.

23 My family owned an independent bush telephone
24 company in the bush. We have operated -- we started our
25 first fully automatic unattended telephone exchange at

1 teller in 1967 and had an interface for long line service
2 with a Faranon VHF point, very high frequency radio. It
3 was very poor, highly susceptible to precipitation, noise,
4 ignition noises of all kinds. Finally after a number of
5 years and much hassling, our Alascon finally changed that
6 up for an UHF link. That is somewhat better but leaves
7 much to be desired.

8 We own and operate a private line telephone
9 system in Shismaref Alaska and one in Wales. Those areas
10 have been sadly neglected in the area of satellite earth
11 station communication because we already had local
12 telephone exchange service. Because we had the ability to
13 develop a local telephone exchange system, we were
14 penalized in the State satellite earth station program and
15 still are.

16 I subscribe to the philosophy that the local
17 exchange companies own the interface long line equipment
18 that interfaces in their exchange in their service area.
19 Then if there is a technical problem in that exchange
20 service area in the local exchange service area there can
21 be no buck passing. The long lines carrier can say, well,
22 it's in your end of the the local exchange service company
23 can't say well the problem is in your earth station or it's
24 in your VHF equipment. Your UHF equipment. There can be
25 no buck passing. Now, they -- the present existing

1 satellite earth stations that the legislature funded with
2 the five million dollar appropriation amount to
3 contemporary artifacts, and my company has had an
4 application pending for satellite earth station ownership.
5 We've had other applications pending in the mail. We
6 expect to train the local people, bona fide certificated
7 residents in the areas to maintain this equipment.

8 The cost of maintaining the satellite earth
9 station and other long lines equipment by Alascom in all
10 areas of Alaska are astronomical. The IBW, the Teamsters
11 and the union agreements that they have with the
12 technicians and such state that if a technician spends the
13 night in a village away from his home base, he is paid
14 eight hours pay at time and a half at \$17 an hour or \$204 a
15 night. And they call that sleeping bag time and that's all
16 billed in the rate base. It's no wonder that Alascom
17 sought an 87 percent rate increase in the interim state
18 service.

19 I urge that we have total saturation, a
20 satellite communications throughout all of Alaska. Junk
21 microwave systems that exist between Nome and Tin City
22 where they've built a repeater station on a hill 3870 that
23 is untenable and has been a perpetual source of problems
24 and outages. Go to a total satellite communications
25 configuration throughout the State.

1 Now, next year my company will be building local
2 private line exchanges in seven four communities. White
3 Mountain will be a tough one. No satellite earth station.
4 There's a piggyback shop. But in another village where
5 there's only a mere hand full of people counsel there's a
6 satellite earth station. There were people there at the
7 time the earth station was installed, and then there was an
8 exodus to White Mountain and people put their kids to
9 school up there and that village for the most part -- I
10 don't believe there's more than four or five people there
11 this winter. That's a very real waste.

12 There's a lack of cooperation between Alascom and
13 the State telecommunications dealing with the area of the
14 satellite communications that the State has in their
15 warehouse. There are approximately 20 of them. And this
16 must be resolved in the best interest of the people, State
17 of Alaska and quit Mickey-Mousing around with it. I went
18 out -- I operated the low frequency radio communication
19 just like Walt Parker. Many of us in this room for many,
20 many years. When I served in the Legislature I needed
21 better communications to communicate with my family and my
22 business. And I went to General Telephone Company -- I
23 asked them, you know, how about building a local telephone
24 exchange company in the bush out here so we can communicate
25 in the villages and get away from this low frequency radio.

1 And I -- the manager from Pacific Northwest sat back and
2 his big chair and put his foot on the desk and said,
3 however, there would be more telephones in a motel and they
4 weren't interested. So I wasn't interested and rolled up
5 my sleeves and left.

6 As Alaskans we are interested in telecommunications.
7 That's come out. It's come out right here at this table
8 today. They are profound communication. The new
9 technologies that are here they've arrived are hoping to
10 further through fiber optic. Through one fiber optic the
11 size of my little finger we can carry 3600 separate
12 communication messages, in fact, simply transfer data
13 transfer television and telephone voice modulation,
14 conversation. The same cable. It has arrived. The
15 position we are in in telecommunications today now with the
16 new technology that's available. But we don't have places.
17 That's where we were in 1950.

18 Walt, am I on the right wavelength? How do I
19 come on?

20 Mr. PARKER: You're right in that you don't want to be
21 afraid in modern telecommunications to junk or old
22 equipment, you know, because it's usually a better buy to
23 move into the new stuff as fast as you can. Just don't get
24 too attached to maintaining the old system. You know, we
25 have out space earth stations we bought only five years ago.

1 five years ago they were the cutting edge of technology.
2 They're not any more.

3 THE MODERATOR: It's lunch time. This little lady has
4 worked like a Trojan slave --

5 MR. ACKERMAN: I have one brief comment, Mr. Chairman.

6 THE MODERATOR: Mr. Ackerman. Pardon me, please.

7 MR. ACKERMAN: I was at Tanana this summer and we were
8 placing control systems in the school there and while the
9 telephones were out one day, I was there -- we were there
10 for three weeks total this summer different times. But the
11 thing I think that stressed me the most when I left -- and
12 I really believe the telecommunications should be expanded --
13 was that when we filed our flight plan the FAA flight
14 attendant said he only had one way communications, that he
15 couldn't dial out. But when we got to Fairbanks and we
16 cancelled our flight plan that he would know about it. And
17 I think that back up systems -- essentially, some sort that
18 we have constant communications. And I don't think that we
19 can rely entirely on telecommunications. But I think that
20 we have to have reliable back up system. It's just a
21 matter of survival.

22 THE MODERATOR: Redundancy.

23 MR. ACKERMAN: It's survival.

24 MR. PARKER: We needed it for military uses and so
25 forth. We built in all the redundancy we needed, so we

1 shouldn't be afraid of redundancy.

2 (A lunch recess was taken.)

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AFTERNOON SESSION

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3 THE MODERATOR: The meeting will come to order. We're
4 back on the record. We finished the communications portion,
5 and it's been suggested by several members of our group
6 that we proceed here and now to draft our group statement
7 or resolution. And then before this input gets rusty in
8 our mind. And the way things are going, certainly, yes, it
9 most certainly has merit. And I would then, therefore,
10 like to get into the area of drafting a resolution based on
11 general consensus of the body, on the general consensus of
12 the body in the area of our communications posture in
13 Alaska.

14 It seems to me that the majority of the input
15 concentrated in the area of expansion and upgrading. Is
16 that substantially correct?

17 MS. BULLOCK: Uh-huh, I think so.

18 THE MODERATOR: And that's saturation, totally
19 statewide from Shemya to Ketchikan to Brumeaux to Barrow to
20 Point Hope, wherever.

21 MR. STUMP: I think that if we take as we're making
22 recommendations and going along through crosses and dealing
23 with different concerns of government services and various
24 other things that there's a real tendency in not providing
25 a really valid prioritization of the thing because,

1 obviously, people are going to say, yes, we want the best
2 communications that we can get. And yes we want the best
3 education and whatnot. And I question how we can get away
4 from just giving recommendations to the Legislature that
5 says, "we want everything." I don't know if there's a way
6 that we can do that. I think maybe a possibility would be
7 to perhaps at the end of the discussions of these various
8 things we've made resolutions as we went along or we've
9 gone back to the ones we covered yesterday this morning and
10 made resolutions to then maybe reserve sometime to make
11 some kind of attempt to provide a better prioritization and
12 to allow people to attempt in their own mind to say when it
13 gets right down to the nitty gritty what they want to see,
14 what they feel is the most important in those ways.

15 MS. BURNETT: I think there's also a danger in saying,
16 you know, like the gentleman commented on, that we want all
17 these things but we have to recognize the ongoing operation
18 and maintenance, the change in state of the art, the
19 limitations of space and time construction. I realize that
20 isn't our job totally, but in prioritizing I think we
21 should keep those factors in mind.

22 THE MODERATOR: All right. Walt Parker, author of the
23 paper, I feel, might have some input now in the formation
24 of position on communications. And I'd like to call on
25 Walt to give us his thoughts.

1 Mr. PARKER: Well, I think in the discussions before
2 lunch that focused on the real areas of importance, which
3 is simply to make it possible for communications to
4 function throughout the State at a much higher level of
5 reliability than they are now. And for the system to be
6 inexpensive enough so that it's open to everyone, you know,
7 it's the old problem in designing a system that's supposed
8 to be available to the total public. If you cost it too
9 high, why, you cost out a whole range of people. So it's
10 the availability both in terms of having a system to utilize
11 and also the cost of it.

12 I think there are areas of concern that I heard
13 you addressing before lunch that I'd like to see followed
14 up on. As far as getting into all the other problems, why,
15 you just about have to sit down and write a major position
16 paper to do that. And the overall importance of
17 communications as opposed to a whole range of other areas
18 that I regard as a proper level forgetting into here.

19 MS. DUYACHAK: Senator, do you think if I put some of
20 these things up on the board it would help?

21 THE MODERATOR: Fine, please do.

22 Mr. ACKERMAN: Mr. Chairman, we're fortunate to have
23 Mike Bradman with us. He's going to come here for a couple
24 hours this afternoon. He's done papers on finance here and
25 has quite a bit of experience on the gas and oil industry.

1 I wonder if it would be before too much longer if we could
2 hear from him on the oil and gas policies.

3 THE MODERATOR: That would be very beneficial to have
4 Mike's expertise or input here. We're really behind.
5 We're covering a tremendous amount of trail in a very short
6 period of time, and we lost literally an hour yesterday.
7 We lost time this noon and started late this morning. I'm
8 apprehensive about the net result of this conference on
9 account of the time factor. It puts us -- we're penalized
10 had at the very beginning.

11 Mr. ACKERMAN: I think it would be very beneficial if
12 we hear something firsthand from Mike on some of our
13 financial problems and our resources and our oil and gas
14 policy. I think he has much experience in the two areas,
15 and they are both closely related.

16 MS. BULLOCK: Could we finish this communications
17 first?

18 THE MODERATOR: Since we're into it it shouldn't take
19 too much longer to get the general consensus.

20 MS. BULLOCK: It shouldn't take long.

21 THE MODERATOR: -- together here on a position
22 statement on communications. There is input from bush
23 people that will be saddled with emphasis on educational TV.
24 Mrs. Burnett touched on the area of barrenness of the human
25 input in the classroom, sterile delivery system. We do not

1 want that. We do not envision that it would be a totally
2 sterile delivery system at all. The delivery system would
3 be maintained by the classroom teachers. Testing and
4 tutoring would be conducted by the teachers in the
5 classroom. The teachers would have to be prepared to
6 conduct the courses of instruction in the event of
7 satellite earth station failure or failure within the
8 equipment facility.

9 Yes, Mr. Ackerman?

10 MR. ACKERMAN: In telecommunications you do have two
11 way communication, and I think we ought to stress the
12 telecommunications a little bit longer than with we --

13 THE MODERATOR: Right.

14 MR. ACKERMAN: We're running -- we're having a class
15 in Juneau now, and the instructors in Fairbanks. And it's
16 a two-way thing --

17 THE MODERATOR: That's right.

18 MR. ACKERMAN: All the way through, and I think that
19 that's something that we really should explain and put an
20 emphasis on.

21 MR. BORODKIN: Mr. Chairman?

22 THE MODERATOR: Yes, sir, Mr. Borodkin.

23 MR. BORODKIN: The satellite, in the event it breaks
24 down you have back up system whereby you could use video,
25 cassette type thing that you can plug in without too much

1 problem. So that's one way of, you know, you have that
2 back up

3 THE MODERATOR: We're doing that now to some extent.
4 Yes.

5 MR. BORODKIN: They're using it in some areas.

6 MS. BENNETT: Mr. Chairman could I ask a question of
7 Mr. Parker

8 THE MODERATOR: Yes, Miss Bennett.

9 MS. BENNETT: Mr. Parker when you mentioned that our
10 earth stations that we bought five years ago were already
11 on the verge of being outmoded -- if a lot of money is put
12 into a telecommunication system, now, is that likely to
13 happen soon again or are the systems -- is it built into
14 them that the new technology can be utilized or --

15 MR. PARKER: You've got to regard your
16 telecommunication systems just as you do your car. It's
17 not going to last forever. It depends on how often you
18 replace it depends on how well you want it to operate.

19 MS. BURNETT: Excuse, sir. I don't think you can
20 compare it to a car. Lots of the State of the art
21 punctuates such that by the time -- I just felt that a
22 comparison in communications -- telecommunications and
23 phone systems and so on is not a good comparison because
24 the State of the art fluctuates at such a rate that
25 sometimes by the time we get a system installed it is

1 already obsolete or at least it's functional. Don't
2 misunderstand me but you have to re train your people in
3 order to make it --

4 Mr. PARKER: You have the same problem with computers.

5 MS. BURNETT: True.

6 Mr. PARKER: We'll have the mini rapidly advancing
7 system. What I'm saying is you have to make a decision
8 sometime --

9 MS. BURNETT: Right.

10 Mr. PARKER: -- and so you just have to make your
11 decision on the basis that what you're buying now is going
12 to serve your needs for now and evaluate your position five
13 or 10 years down the line as to whether it's still serving
14 your needs, whether it's better to buy a new system or
15 better to upgrade the system that's partially obsolescent.
16 The problem with the smaller stations now is it's not
17 enough capacity in most of them to serve most places to
18 provide adequate telephone services and do all the things a
19 lot of people want to do in education and health service
20 and so forth. So the question you're faced with
21 technically is whether you want to add on to existing
22 smaller stations or whether you want to buy a complete new
23 small earth station. Well, that's an answer that you have
24 to have some analysis you. Have to come up with your best
25 option, something that I'm not capable of providing you at

1 this time or even coming close to providing you because the
2 work -- the preliminary investigation hasn't been done as
3 to which is best -- the best option there.

4 MR. STUMP: I question whether or not this group has
5 the ability to make -- to really even consider those
6 particular concerns. It seems to me that if we were to
7 just stick with establishing our needs, trying to
8 prioritize our needs, that we could be doing the best
9 service we can for this legislative affairs counsel, and
10 perhaps maybe we should get right to that.

11 THE MODERATOR: This is why I alluded not to the
12 hardware but to the saturation of the system.

13 MR. PARKER: Mr. Chairman, it depends on whether you
14 want a communication systems that's like the one it is now
15 with a voice that's hard to use, it's expensive to use or
16 whether you want one that's easy to communicate at every
17 level and some effort is made to spread the cost of
18 operating the system as to total impact and not upon the
19 bush. So you've got the two areas, as I see it, the two
20 main areas of concern, how effective a system you want and
21 how you will finance it.

22 MS. BULLOCK: What are the costs involved, though?
23 You see? This is something we don't have the information.

24 THE MODERATOR: Yes, the cost on these new satellite
25 earth stations is coming down because there's so many

1 Bright young men from Stanford University and MIT and so
2 forth that have gotten into the act. There is so much of
3 that hardware available it's becoming highly competitive.
4 Like the first model T Ford. Then everybody started
5 building substitutes and locomobiles and Essex and Wimpit
6 and Chevrolet and you name it. There's no machine aircraft
7 manufacturers the same way.

8 MR. PARKER: Mr. Chairman?

9 THE MODERATOR: Yes.

10 MR. PARKER: This is -- it costs the existing carrier --
11 it needs to have something like 60 million a year in
12 revenue now to operate the system, isn't it? It's more
13 than that. In any case, most of that need is generated
14 from the urban areas. The extra costs for the rural areas
15 are probably on the order of a magnitude of 10 percent more
16 than what it costs to operate the system now to bring the
17 rural system up to a level that is comparable to what the
18 urban areas --

19 MS. BULLOCK: 10 percent more.

20 MR. PARKER: Yeah, 10 percent more, roughly what
21 revenues Alaska would needs.

22 THE COURT: The new hardware is on -- it's on cards
23 that a housewife could maintain.

24 THE MODERATOR: Mr. Dahl.

25 MR. DAHL: In the interest of time, rather than get

1 too much into some of the details that really are far
2 beyond the technical skill that we're able to muster right
3 here at the moment I've drafted some language that I'd like
4 to present for discussion.

5 THE MODERATOR: Please proceed.

6 MR. DALL: A resolution on Communications: To expand
7 and upgrade communication service and facilities throughout
8 Alaska with special consideration to, one, television
9 conferencing for legislative and educational purposes, two,
10 efficient telephone systems with a single toll area
11 spreading the cost throughout the State, and three, other
12 appropriate technology with a goal of integrating Alaskan
13 society while preserving the contributions made by diverse
14 cultures.

15 THE MODERATOR: Very well done.

16 MR. ACKERMAN: Move to adopt, Mr. Chairman.

17 THE MODERATOR: There is a move to adopt. Is there a
18 second?

19 MS. BULLOCK: Second.

20 THE MODERATOR: Is there an objection?

21 (No response.)

22 THE MODERATOR: Discussion? No discussion? Question.

23 MS. BULLOCK: Question.

24 THE MODERATOR: Those in favor indicate by raising
25 their right hand.

1 (Indicating.)

2 THE MODERATOR: Those opposed.

3 (No response.)

4 THE MODERATOR: Thank you very much. Very well done,
5 Mr. Dahl.

6 MS. DUYACHAK: Would you like us to Xerox that and
7 distribute it to the people?

8 THE MODERATOR: Please do.

9 MR. BORODKIN: Mr. Chairman?

10 THE MODERATOR: Yes.

11 MR. BORODKIN: I'd like to suggest that here after I
12 think such a resolution before it's adopted and passed,
13 voted on we should be afforded a copy of that resolution so --
14 in writing.

15 THE MODERATOR: Would you care to -- would you desire
16 to make that motion rescind our action?

17 MR. BORODKIN: No, no, I don't.

18 THE MODERATOR: I must apologize. We're pressed for
19 time, and with the vote I believe it's a consensus of the
20 body that Mr. Dahl had it in focus.

21 MR. ACKERMAN: I was wondering if possibly we could
22 hear from Mr. Bradner before we get into another topic.

23 THE MODERATOR: Yes. At this time I'd like to proceed
24 to hear from a representative, Mike Bradner' in the area of
25 finances and oil gas policy. Mike Bradner you have the

1 floor.

2 MR. BRADNER: Thank you, Senator. I was asked and had
3 the opportunity to write a paper for your backup material.
4 I'm not sure how they've got these numbered. It's on B75,
5 towards the end of the book. And I tried to take a broad
6 conceptual sweep dealing with disposable be revenues and
7 all of that implies. And of course there were disposable
8 revenues derived basically from one good fortune. No magic,
9 perhaps, or skill or exceptional planning on the part of
10 the State. Just the good luck of a series of holes in
11 Prudhoe Bay which now will support over 75 percent perhaps
12 up to 90 percent of the State budget regardless of what
13 else we choose to do with the money.

14 The paper was developed with an idea of giving
15 people a background of basically what the policy of the
16 State had been in spending in territorial days, what it was
17 in the early period, what it was in the first periods of
18 excess revenue spending, meaning excess revenues in terms
19 that revenues were available clearly beyond the dimension
20 of what almost any other operating democratic government in
21 North America would simply dream about.

22 And I chose to suggest also that produces some
23 difficulty because it immediately impedes your priority.
24 And I tried to stress one thing in the beginning of that
25 paper, that perhaps the universal parameter of our American

1 policy has been you didn't have enough money. And that's
2 what made you select A or B over C or D. And now we've had
3 a little experience with having enough money to do some of
4 the things we wanted. We now face another arena of having
5 possibly from 15 billion to \$75 billion in excess revenues
6 between now and 1995.

7 I detailed in the early part of the paper
8 basically four things that a government could choose to do
9 under those circumstances: They can reduce their existing
10 revenues and lower taxes. We've heard a little of that.
11 That doesn't make a dent in our disposable revenue. We can
12 increase spending on our historically established services.
13 What we're familiar and used to spending money for, what
14 we're comfortable with. If you go outside of those bounds
15 you're going to have difficulty. We can try to find new
16 services that are more ordinary to government to spend.
17 We're talking about communication. As an example that some
18 other governments might not spend money, might not be so
19 traditional where we can simply allow the accumulation of
20 funds and with no use. Send it to New York and bury it
21 beneath the streets.

22 You can look at the last period of excess revenue,
23 and I think the message in terms of conceptual diagram that
24 I would like to leave is that was the easy job. Alaska,
25 like all governments, is spending money on education,

1 transportation, health and social services, in that order.
2 You get that by giving money to local government.

3 They then spend it on the people because that's
4 the government that delivers direct services directly to
5 the people with the exception of health and social services
6 in Alaska. It's not true in other states. Even health and
7 social services in other states go through local government.

8 The task was easy the last time around. We
9 simply spent money, the 900 million, by giving it to other
10 governments, and we spent it to maximize spending on
11 education, transportation to a much lesser extent on health
12 and social services. And if you want to look at the degree
13 we now fund those governments you could almost make a case
14 that it's not possible without distorting those
15 institutions dramatically to spend more money on it.

16 Now, there's some exceptions in rural areas where,
17 obviously, the service requirements have not been met and
18 partially because the difficulty of a lack of structure to
19 easily translate them.

20 THE MODERATOR: Uh-huh.

21 MR. BRADNER: In stressing these points you often have
22 heard that, well, also there aren't certain taxes that are
23 exacted in the rural area of the State. But any more urban
24 areas have complaint. 75 percent of the Anchorage budget
25 comes from other governments. As of 1977 the Fairbanks

1 borough, owned \$23 million as a borough indebtedness. As of
2 that time policy actions of the legislature the State paid
3 for \$40 million in those bonds leaving an indebtedness of
4 only \$3 million.

5 The point that I would like to stress is we try
6 to get a concept of where we are now. It's that is an un
7 think able situation. To any other government in almost
8 any other place in the United States or any democratic
9 society. So there's another thought that goes with that.
10 We really can't look for guidance, for precedence, from
11 other places. There just aren't any. So now we're in the
12 difficult situation, not having an easy policy parameter of
13 not having enough money. It makes it easy to tell you or
14 you or you why I can't do something. You don't have enough
15 money. You understand that. That's part of your daily
16 life. That is no longer a really viable answer for the
17 politition. So our caution flag sometimes of making our
18 options maybe should be there. If we recognize that
19 discipline has been removed we're in danger of trying to do
20 everything for everybody all at the same time.

21 The thrust of my paper tried to arrive at a point
22 by saying we've done the easy thing. We've increased
23 spending in the general service area to where in terms of
24 most of the urban community you probably can't increase it
25 too much more unless the State simply could run the whole

1 show.

2 THE MODERATOR: Uh-huh.

3 MR. BRADNER: And when you pay the whole figure sooner
4 or later you're going to call the shots.

5 Now, in terms of rural needs it's a different
6 question. But I would only submit that in terms of the
7 dimension of money before us, what you could possibly spend
8 to meet those needs -- you're going to meet the needs
9 because the money is going to be there. You really arrive,
10 then, at the next dimension of: What do you do when you've
11 spent money relatively to the maximum where government is
12 used to spending money. And that brings you to a very
13 uncomfortable point in how our government has been used to
14 operating. Because it brings to you the point, then, of
15 what role government has in insuring there's some economic
16 equity. In insuring the fact that government is rich
17 doesn't mean that the private individual benefits other
18 than having this child go to a little better school or, you
19 know, having a flushed toilet and a few other things. It
20 doesn't mean that he can pay his house payment with it and
21 survive in an economic society.

22 What we have learned at this point -- that every
23 time we poke hole in Prudhoe Bay or the Beaufort Sea or
24 anywhere else that economic development is simply
25 inescapable, to fairbanks, the urbaners. That's why your

1 economic structure exists. It may not always be the kind
2 of development you want, but something is going to happen.

3 I once heard the statement that there's one group
4 of people who will inescapably benefit from native land
5 claims. And that's the people in the urban economic
6 structure. Because regardless of what happened out in the
7 field is an economic benefit in the Senate.

8 THE MODERATOR: That's right.

9 MR. BRADNER: But what I would submit is the converse
10 isn't true, that general development doesn't necessarily
11 mean that people in the outer reaches of your economic I
12 can structure benefit. And the thrust of my paper -- I
13 brought it up to the point of suggesting that whether we
14 like it or not and whether people at this table
15 philosophically believe it's a good idea or not, if the
16 State is going to be dabbling in direct economic
17 participation or direct energizing by some means the
18 economic structure with the next series of disposable money
19 that you have. And that that situation is maximized by the
20 fact that Alaska also is an owner of resources.

21 It might interest this group to know that the
22 State of Alaska is the second largest oil reserve holder in
23 the United States. So when you put the de facto situation
24 together, whether we think it's a good idea how closely
25 government operates within the private structure we're a

1 gigantic resources corporation. If you put that together
2 with the fact that you generally have excess capital that
3 it probably means one way or the other that state policy is
4 going to reach out and try to find a bank to make those
5 revenues meaningful in terms of private paychecks. And
6 that is, perhaps, more realistic to recognize that not only
7 is that going to happen but it is happening. It's
8 happening as quick as you say bottom fish, state loans
9 program, not business loan programs. There's been talk
10 about public financing of a gas plan in Fairbanks, gas line
11 participation. It's coming all the around us. And that it
12 may well be useful to recognize the fact that that has
13 happened and is going to happen and try to direct that
14 policy to more prudent areas in the State. Which are
15 actually less wasteful than feeling that, you know, it has
16 not happened because it's there.

17 So I think, you know, the underlying thrust of my
18 presentation was that the oil revenues of the State as
19 derived has put the State in this financial position.
20 Again, I feel I'm going to be able to say that and be a
21 screaming, you know, believer that by golly government
22 shouldn't get in private business. The fact remains that
23 you were a multi-billion dollar financial corporation.

24 And the fact remains on the other side of the
25 fence that you are one of the world's largest and most

1 research corporations in North America.

2 And you have to find out what do you with those
3 two things and how you put them together. And I think the
4 second thrust is that it's easy for us to talk about how
5 you deliver money and what you do with money in those areas
6 that we're really in common agreement on. Americans have
7 always been willing to spend almost any buck they got their
8 hands on for education or on transportation or on health
9 and social services. I would include things like
10 communication within transportation. As long as you have
11 the money. And often a group you could get caught, and
12 it's easy to be talking about the details on how you
13 deliver those things.

14 The next area is extremely uncomfortable, and
15 it's unclear how to do it. There's lots of problems
16 accomplished.

17 THE MODERATOR: Thank you, Mr. Speaker

18 MS. BURNETT: Could I have one clarification before
19 you proceed?

20 THE MODERATOR: Yes, please.

21 MS. BURNETT: Mike, you said that -- or the impression,
22 I guess is that the municipalities really benefited from,
23 like, say, the holes punched in the ground and like the
24 bush or outlying areas did not.

25 Being involved a little bit with local government,

1 we were faced with tremendous problems that we had to solve
2 at the local level. We had double shifting in schools, we
3 had crowded schools, we had increased needs for special
4 services we had to increase taxes to pay for them. I want
5 you to explain a little further how the municipalities
6 benefited from this because I don't understand that.

7 MR. BRADNER: Well, we're both, of course, talking
8 about Fairbanks. The State got \$14 million of impact aid
9 to Fairbanks. When taxes went up a lot of it was because
10 the sales tax generated a lot more money coming into the
11 stores.

12 The very existence of the last pipeline in
13 Fairbanks increased the tax basis from \$300 million in 1973
14 to about 1.6 billion. Fairbanks now -- it's problem is not
15 that of having government -- we were a tax- poor community
16 in 1969. Our taxes were 28 mill, 2 mill short of the legal
17 limit. And as both of us know the taxpayer was in full
18 revolt. By 1972 we were at 15 mill. By 1976 we had \$1.6
19 billion tax base with only about 15,000 15,000 for
20 population. And so here we are. Fairbanks taxwise, is now
21 a more wealthy community than Anchorage. As per capita.
22 But that doesn't necessarily mean your economy is good.
23 That's just the point I'm talking about.

24 MS. BURNETT: Your quality of life is different.

25 MR. BRADNER: That's right.

1 MS. BURNETT: You said that you know these thing are
2 supposed to somehow improve the quality of life. I have to
3 disagree that it has improved the quality of life for the
4 municipalities as well as for the other. Maybe a few. But
5 overall the need to provide services and so on has
6 increased so that the volume of life has decreased in spite
7 of this. And they have not been a failure. If that's --

8 MR. BRADNER: Sure.

9 THE MODERATOR: Okay. Now we'll get it in order. We
10 will start with Mr. Tom Dahl and come down the table this
11 way.

12 MR. DAHL: I'd like to pass on this.

13 THE MODERATOR: All right, Mr. Fisher.

14 MR. FISHER: This is the one I wanted to skip over and
15 go on to resources.

16 MR. DAHL: Yeah, I did, too.

17 MR. FISHER: No, I'm going to skip. That's unusual
18 for me.

19 THE MODERATOR: Mr. Jacobson?

20 MR. JACOBSON: Same thing.

21 THE MODERATOR: Skip? Mr. Ackerman?

22 MR. ACKERMAN: I'm going to respond a little to what
23 Mike was saying. I was on Local Boundary Commission for
24 many. Lots of bush areas aren't even organized ment they
25 received no revenue sharing at all. And that was the only

1 thing available to them. And I think on a per capita wide
2 basis on the money we spent we spent it in the urban areas.
3 We did not spend it in the bush. And the bush is behind
4 and now is the time that we can catch up a little bit. The
5 North Slope Borough was created specifically -- I attended
6 the hearings when they formed that borough up there, and
7 they didn't even get public anything. Nothing off the 900
8 million. And that's why they formed the borough. And so
9 they could -- I think that's what Mike was saying. The
10 urban areas have got too much; it's just that the rural
11 areas have got too little. Now is is time --

12 MR. BRADNER: Mr. Chairman let me make one point of
13 clarification.

14 THE MODERATOR: Okay.

15 MR. BRADNER: I think what I'm trying to say, Mr.
16 Chairman because of pipeline or whatever reason -- your
17 service entity is irrelevant. Your personal economics grew
18 in a great peak you came crashing down. You're a little
19 squealing right now. But noticed in the rest of the State,
20 that those areas many of them went into depression 40 years
21 ago. But somehow because they were rule, you could of add
22 the word subsistence to them or else that was ignored. Now,
23 you're beginning to hear Anchorage squeak a little bit.
24 And you watch people respond and you watch that legislature
25 responspond right now. (Indicating.)

1 But in 1948 the Alaska railroad quit burning wood
2 in the Yukon River and the all wood yards dried up and the
3 cash economy dried up with it. There once was a fur
4 industry out there, and that was one of the magic renewable
5 resources. Somebody didn't want it any more and it was
6 gone. People used to be able to work in a lot of different
7 ways in mining operations, whether it was at Grant Creek or --
8 when I came to Fairbanks it was true from Oolahue to Luisa
9 and somebody else working in the summertime. Suddenly they
10 weren't there any more. In 1962, 1963 Chatanika shut down.
11 Chester shut down. But nobody knows. Now, Seattle, when
12 the SST contract was cut off the people jumped out windows.
13 The PHH's went bananas. Somebody noticed. What I'm
14 suggesting is that when you look at Alascom resources, Inc.,
15 and you are a large financial corporation one way or the
16 other we'll probably shake out of or dull drums and pursue
17 the problem creating the private economy, and there it is
18 wiped out and nobody's noticed.

19 THE MODERATOR: Okay. Mrs. Burnett.

20 MS. BURNETT: I'll pass.

21 THE MODERATOR: Mrs. Bullock.

22 MS. BULLOCK: Pass.

23 THE MODERATOR: Mr. Stump.

24 MR. STUMP: I'd kind of like to see our process for
25 discussing this to go more towards a discussion-oriented

1 thing rather than just one at a time making comments around.

2 THE MODERATOR: Do you want to change procedures.

3 It's perfectly amenable. It's irrelevant to me.

4 MR. STUMP: I think it would give us an opportunity to
5 get more involved in pertinent discussions and developing
6 our resolutions.

7 THE MODERATOR: Okay. Whatever is's the wish of the
8 body.

9 MR. DAHL: Mr. Chairman?

10 THE MODERATOR: Yes, Mr. Dahl.

11 MR. DAHL: I sense a need to deal with the one
12 remaining subject matter that we have, and that is resource
13 development or Resources. Before we get into how to spend
14 the money. I see that as a content thing rather than a
15 procedure thing, and I would suggest that we do that.

16 THE MODERATOR: I see the need to, if I may, address
17 the disposal of revenues in the -- in the vein of resource
18 development. They can be synonymous. If I may digress a
19 bit on this round table proposal that Mr. Stump suggests --
20 we have the youngest population in the United States, and
21 I'm convinced it will always be that way. Now, most young
22 people and young families, I believe, are very real, normal
23 people that are beginning to strive to build a family and
24 develop an estate. I see the canneries and the fishing
25 vessels and the processers owned by the Japanese. Because

1 the commercial banking system in Alaska was unable to cope
2 with the financing of Alaskans for ownership.

3 Now, I see no reason why the disposable resources
4 and in the long term investment funds and leveraging
5 section of our revenues from our nonrenewable resources --
6 why, then, therefore, since the commercial banking
7 structure obviously hasn't had the capacity to finance
8 these -- this industry where it would amount to Alaskan
9 ownership -- why we cannot develop a device that will make
10 ready financing available, bona fide Alaskans, where they
11 came -- develop ownership in the renewal resources and then,
12 therefore, become solvent, independent, healthy, the whole
13 shot. I just throw that out for some food for thought.

14 MR. BRADNER: However, I think where I've been going --
15 and the question is you use the State's financial corporate
16 wealth. In fact, \$75 billion the City made. You're as big
17 as the biggest bank in the United States. And you use the
18 fact as an omen. Other states aren't owners of resources.
19 That's a very rare exception. You own something, acres of
20 land, you get a cut of a percent. You have access to
21 marine resources and other resources. You own a three mile
22 limit of the coastline, 60 percent of the United States.
23 That is a gigantic resource corporation. You have the
24 financial corporation, the resource corporation. Do you
25 institutionalize those some way to develop your own

1 resources and through that then you create to develop your
2 own resources. You have a chance to direct the resources.
3 Because I want to point out something that's over here. We
4 are not a sovereign. We are a sub-sovereign. There's a
5 little thing that a politition doesn't like to recognize.
6 A commerce clause of the Constitution. I cannot interest
7 local hiring and have protection by governmental action of
8 business as much as I want to. But they resolved that
9 question 200 years ago up in Philadelphia. In the United
10 States Constitution it was not about freedoms and things
11 like that. That was the Bill of Rights. That was after.
12 The Constitution was the commercial document. At that
13 point they resolved the problems discriminating against
14 each other's trade. And so what I am suggesting -- and a
15 lot of us that have been through other -- as I think the
16 Moderator has -- is that, you know, you may find your
17 avenue for directing your policies to the best benefit of
18 your citizen, not by trying to act as a sovereign but
19 trying to act to control your resource wealth and financial
20 wealth, by directing it at a different place. I think
21 that's the question. Are you going to use those two roles
22 to develop the resource wealth. And then are you goin o
23 try to ease that -- not as government but as a manager to
24 see that it again fits the right people in the right places.

25 THE MODERATOR: All of that.

1 MR. BRADNER: So, it's all problems of economic equity.
2 Otherwise we can have some growing economic islands.

3 MS. BULLOCK: Mr. Chairman?

4 THE MODERATOR: Mrs. Bullock.

5 MS. BULLOCK: It may seem like an extraneous question
6 I'd like to ask Mike: How does the Alaskan municipal bond
7 bank authority operate with the thought, perhaps, we might
8 have a centralized financial institution through which
9 these monies would flow?

10 MR. BRADNER: Okay. There's a variety of things you
11 can move money for. The bonds pending usually had been a
12 device where government went and got East Coast money,
13 bought it back and reloaned it. And none of us who are
14 involved in this kind of thinking suggests that you should
15 use or loan money, but some way you can facilitate the use
16 of someone else's money. If you can get State institution,
17 part of a revenue bond, bring other money, use that with
18 your loan. Which leveraging money obviously, that's what
19 you do. And you don't, you know, ever use your own capital.
20 You use somebody else's capital.

21 THE MODERATOR: Right.

22 MR. BRADNER: There also -- we have many participants
23 in such efforts around the State. I don't think -- the
24 State can't be a joint investment and a profit making
25 corporation in the structure. There's lots of potential

1 Alaska owned partners in the State these days that worked
2 there 25 years ago. But don't exist in any strained
3 economic areas. They're rural areas.

4 THE MODERATOR: Mr. Stump.

5 MR. STUMP: Reference is made to foreign ownership of
6 corporations in Alaska, and it -- there's more, I think, to
7 the problem than just the inability to get the financing
8 local in or, you know, into residents or into Alaskan hands.
9 I think a lot of it had to do with just a matter of
10 expertise, and I think that the way that the native
11 corporations have responded to their wealth by getting into
12 management partnerships with people who do have the
13 expertise there's a possible solution to that to see the
14 ownership develop towards more Alaskan people involved and
15 whatnot and to still avoid the pitfall of having a
16 tremendous amount of wealth to go into nonefficient
17 management or un -- not as capable management people.

18 THE MODERATOR: But then in the example of Household
19 Finance, we -- for all these years for 50 years, we managed.
20 And all of a sudden, "Hey, they've gone the stateside route."
21 In order to get financing to buy aircraft, to compete with
22 the rising cost of fuel I had to go out to a financial
23 department and they went to the loan sharks and the loan
24 sharks bought him out and they owned 50 percent of the
25 stock. And there's no Alaskan-owned company any more.

1 That's what I'm talking about. We have the expertise in
2 Alaska to manage our industry, but we have the capacity to
3 go out and hire management to bring them in.

4 MR. BRADNER: Mr. Moderator, there's another good
5 example of the mill at Haines the timber; you would have to
6 sell a lot of timber at Fairbanks. They haven't sold
7 timber at Fairbanks for 15 years. They needed money to
8 finance their operation. They have to go farther and
9 farther for timber sales. The only money available is
10 Japanese money. Now, when somebody provides money because
11 they want to buy your product then we say we want the
12 product and we want all of it. So they just chip the sides
13 off the logs; they went straight to Japan. That mill has
14 been in the act of actually trying to get out under that
15 ownership pattern so they could go into additional
16 processing strictly for coming back into the Fairbanks and
17 Anchorage market. That's the kind of response your having.
18 They want the resource back over there on the cheapest
19 possible basis. That's the reason they buy it.

20 MR. STUMI: I beg to differ with you on that, Mike.
21 And I don't want to get involved in here, but I'd like to
22 talk to you more after because I'm fairly particular about
23 those circumstances; which I think you're confusing.

24 But to get back to the question of the State, how
25 the State is going to handle the excess revenues and how

1 it's going to get it in the hands, I would like to bring
2 out the problem of -- that you brought up, I think, very,
3 very well in your article here in the booklet of how to get
4 it into a private enterprise and to see that it gets to the
5 people in the most direct way allowing them the most direct
6 control or the most --

7 MS. BURNETT: Discretion.

8 MR. STUMP: -- discretion, individual discretion,
9 whether that be individual as a single person or an
10 individual partnership or corporation. But in order to
11 bypass the problems and the -- of bureaucratic control,
12 central planning and whatnot. I'm not disagreeing with
13 planning as a basis, but I think --

14 MR. BRADNER: But I'm saying that's only a problem
15 because traditionally we have not confronted it in the
16 United States. It chose to either be separate or tend to
17 be separate than we are. That is not true with other
18 governments in the world. British petroleum is one of the
19 most innovative petroleum companies in the world, one of
20 the most successful. Government owned, government finance
21 set up in a highly entrepreneurial fashion. Canadians are
22 very successful at it.

23 Now, many times they will opt never to be the
24 operator. They will always be a private operator. But
25 they are very direct participants. Now, I acknowledge that

1 the fact of getting into this agreement, lots of problems,
2 and there's going to be some losses and tragedies along the
3 way, but you're better off recognizing that, the fact of
4 what you're doing. We're already doing it. We'll hang
5 pretty words on it and pretend like we're not doing it but,
6 in fact, we're going down that channel whether we like it
7 or not and into that area. And I have simply advocated
8 that you recognize what we're doing and institutionalize it
9 so we can see the problems as they arise and also suggest
10 that by doing this in this way you have some control of the
11 resource actions in your state. The counter argument I
12 would make is excluding that you have no control.

13 THE MODERATOR: Mr. Borodkin.

14 MR. BORODKIN: Yes, Mr. Chairman, I agree with your
15 remarks and also Mr. Bradner. I think our renewable
16 resources are being taken over by the foreign countries.
17 And one reason is because of financing we cannot today get
18 out and get a \$10 million -- this is just an example. Get
19 a \$10 million pact from them to operate a processing plant.
20 We went through this exercise this year, and what happened
21 is we paid 15 percent interest and upward of that. So it's
22 pretty hard to survive when you're paying that kind of
23 interest. You just can't.

24 And if this trend doesn't change I think with the
25 native corporations that own 40 million acres you're

1 looking at huge amounts of renewable resources. Timber and
2 your hard rock minerals is going to go to the foreign
3 interests because of financing problems. This is a real
4 problem. It's -- there's no way around it unless the funds
5 that -- disposable revenues may be one way of solving this.
6 The Federal Government is not, you know, making too many
7 loans available for renewable resources. That's the real
8 problem. I just don't know how to deal with this. Right
9 now we're in a position of really breaking even because of
10 high interest rates and improvements we made, gear
11 financing, boat financing. It all takes money. Maybe
12 somebody else can carry on from there.

13 THE MODERATOR: Mrs. Burnett had raised her hand.

14 MS. BURNETT: I think, you know, in the overview we
15 all want the same thing for the, bush, whatever. We want
16 to improve the quality of life. We want to use the money
17 in a way that it won't be depleted and have something for
18 future generations. We found out last time around that the
19 politicians tried to meet the needs of the people when they
20 came and asked for more money. They raised the
21 expectations, perhaps, of local governments and so on, and
22 now that those revenues have decreased we're in a lot of
23 trouble. We need more. The municipal needs a 300 percent
24 increase to try to meet just basic services, police
25 protection, et cetera. That's just the facts.

1 What I think we all want to do is take this money
2 and get it into private enterprise. We don't want the
3 government to handle it for us. We want the least amount
4 of government possible. I would prepare a very simplistic
5 formula, maybe in addition to or maybe in lieu of revenue
6 sharing, is that we -- State government on a per capita
7 basis allocate to the municipalities investment capital to
8 be placed in local banks, perhaps on their capitalization
9 to handle it. We in the municipalities could run our
10 operating expenses from the interest. The banks would take
11 the total risk for loaning their money to the private
12 sector. We don't want to insure loans for people. The SBA
13 does it -- you, it doesn't work. It's a big operating
14 problem. Once you establish all these things then they
15 become government agencies that you have to keep funding
16 and funding and funding. We have something that would put
17 it so the people coming in, now, the scope of what you're
18 talking about, you know, the millions -- would possibly
19 have to have another formula. But I think for local
20 revenues, I do disagree with life. Our quality of life
21 didn't go up. It went down. The people -- the old timers
22 suffered. They had a lot of trauma. We had a lot of
23 problems during this time. They did spend more money.
24 State government spent more money.

25 So my proposal is to allocate, perhaps maybe

1 through the native corporations, through the Boroughs,
2 through the municipality, somehow on a per capita basis
3 this money and then that that capitol cold not be touched,
4 only the earning. that would give the basis for
5 capitalization through the private sector and let the banks
6 worry about whether they get bad loans or not from the
7 State.

8 THE MODERATOR: The banks got it and they took it and
9 invested it on the outside. And they'll do it again.

10 MS. BURNETT: Yes, but the local governments and the
11 people didn't have control. Only bureaucracy had control
12 of that.

13 MR. BORODKIN: Mr. Chairman, I do want to qualify my
14 comment that in no way that I am pitching for the native
15 corporations or -- I think what I was trying to say was if
16 there is a loan program, it should be on a statewide basis
17 not only for the area.

18 THE MODERATOR: Mr. Ackerman.

19 MR. ACKERMAN: I think what Mr. Bradner was talking
20 about you know with the cooperation of the development
21 between the State and the native corporations is an
22 appropriate thing. He is personally in area of. We're
23 looking at 40 million in Bristol Bay. We have processing
24 facilities for 20 million, and he's out talking to the
25 Russians and Japanese and everybody else to process our

1 timber. We've got one \$10 million plant that's really a
2 nip and tuck operation because it's 15 percent interest.
3 And that should have been a cooperative between the State
4 and the corporation or whoever it did, and that financing
5 shouldn't have been that difficult to develop an Alaskan
6 resource. You know, I don't like to disagree with Mrs.
7 Burnett on, you know, the quality of life in Fairbanks, but
8 we have one of 15 in the country trash compactors, and we
9 have a solid base disposable system second to none. It's a
10 very small one. It's the smallest in the United States.
11 It cost three and a half million dollars. That would not
12 have been available if it hadn't been for the impact funds
13 that went into the Fairbanks municipal economy. And that
14 is one benefit we did receive.

15 THE MODERATOR: There's one resource factor that is
16 being overlooked here in this area of disposable revenues
17 and term investments. And that is that the north Pacific
18 Fishery Commissioner rules by very rigid guidelines, and if
19 we do not utilize the fishery to its maximum benefit --

20 MR. ACKERMAN: Right.

21 THE MODERATOR: -- and it isn't harvested we have to
22 get the foreign fishermen to come in forever more. So
23 we're almost forced into a corner of getting into a crash
24 position to say -- to whole communities: Here's so much
25 gear. Go fish." We have to say to the airlines AI and so

1 forth -- we need so many planes to fly these fish out of
2 the communities. We have to say to the processors we need
3 so many processing ports to come in and get these or the
4 North Slope, Fishery Commission is going to dictate we lost
5 so much foreign gear to come in now and forever more.

6 MS. BULLOCK: What is the timing on that?

7 THE MODERATOR: I don't know the timing, but Senator --

8 MR. BRADLEY: Tilla.

9 THE MODERATOR: -- Tilla, sent us notes, and he's
10 deeply involved in that commission, and I strongly suspect
11 Bob Bommert knows, and other people. People from Bristol
12 Bay. Anderson and -- those people. Kodiak people.
13 Because that's their -- now, their cup of tea, they're
14 commercial fish oriented just as these gentleman -- Mr.
15 Borodkin and Mr. Alexie -- they've been up on the fishery.
16 They recognize it for what it is. We're going to have to
17 get off a high center and move. With efficiency and
18 dispatch authorized to protect the resources for Alaskans
19 for all time. And I say it's a crisis period that we are
20 in because if we don't move rapidly and efficiency we're
21 going to lose a substantial amount of that resource because
22 we didn't utilize it.

23 MR. BRADNER: Mr. Chairman, one clarification. I
24 didn't mean to infer that people necessarily living -- the
25 quality of life in Fairbanks improved necessarily, a period

1 of economic activity. What I do suggest is that when you
2 analyze not only Fairbanks but every other State in local
3 government and State you find the service profile has been
4 pushed to a level that the State policy makers are probably
5 very nervous about allocating too much more revenue for
6 fear of local control because you'll be becoming the only
7 funding source around. And we're very concerned about
8 going any farther and that the margin of revenues
9 immediately in front of us is fine. You can put \$150
10 million into that service area. You can put a hundred more
11 million dollars into it. And I could venture to say we
12 could put enough money into the banks with no problem that
13 the bank could come tiptowing back to the State legislature
14 and say, "Look, you're distorting our priorities, too.
15 It's not healthy for us." This fact, in 1970 that happened.
16 Because we didn't have deposits in the bank. We jolly well
17 put them there, and they told us very quietly to stop.
18 That leaves you at the next point.

19 THE MODERATOR: We're going to have to stop here and
20 change the tape.

21 (Short recess.)

22 THE MODERATOR: We're back on the record.

23 MR. DAHL: Mr. Chairman, I understand that Rob Kocsis
24 has been asked to leave? Is that correct?

25 THE MODERATOR: Asked to leave?

1 MR. DAHL: Or encouraged not to participate in this
2 group?

3 THE MODERATOR: I was not aware of it.

4 MR. DAHL: Okay. I think he misunderstood, then,
5 because I think his participation here -- it's been very
6 helpful for me to expand my thinking.

7 THE MODERATOR: Where did that come from?

8 MR. DAHL: I'm not sure. I think we should make a
9 point that he needs to be invited.

10 MR. BRADNER: Mr. Chairman, I might offer one point of
11 clarification. I found myself in on the creation of the
12 permanent fund. And it's a broad conceptual thing. I was
13 for it. Where I began to see it go from there I began to
14 become very uncomfortable. And I found it to be a period
15 when -- because people were comfortable and relatively
16 prosperous that, you know, everybody said, "Wow, let's just
17 put the money away for ever more." That was the tenor of
18 the political current, whether it came from the Anchorage
19 Chamber of Commerce or anyone else. And I found myself in
20 the position of saying, "Wait a minute. A minimum of funds
21 should be available for -- and there's a difference --
22 present and future generations. And there's one bill in the
23 Legislature that reads only "future generations." And
24 money can be a tool for today and tomorrow and be used to
25 guide a lot of social benefits and economic benefits in the

1 State. I think only as a moment of panic right now because
2 some people -- the concept was maturing and people were
3 beginning to have some change in concepts and different
4 ideas. Now suddenly because of restricting economy and
5 federally tight money maybe some people panicked too far
6 the other way. But that will pass.

7 MS. BULLOCK: Mike, do you have any feel for the
8 legislature that's coming up about what their thoughts
9 might be or what the trend might be?

10 MR. BRADNER: Two years ago was very much short of a
11 purist's permanent fund concept. Last year less, this year
12 even less so. Mainly because I think the temperaments in
13 rural legislators who also have had great reservations
14 about the permanent fund.

15 THE MODERATOR: Mike, I would like to see legislation
16 that would handle these funds within the states through the
17 state banking institutions to strengthen our banks, to
18 strengthen our communities, our business communities.
19 Consequently our communities. But I don't want to see
20 these funds channeled outside of the State of Alaska where
21 they will not be put to work for the development of the
22 renewable resources and non renewable mineral resources of
23 Alaska.

24 So one of the reasons that -- one of the
25 principal reasons that fishing industry in total is

1 virtually controlled by the Japanese today, is because the
2 Alaska banks didn't have the capacity to handle the
3 financing the industry needed and the outside participating
4 banks weren't willing to participate. And now if the
5 Legislature will roll up its sleeves and go to work and sit
6 down eyeball to eyeball with Alaskan bankers and put it
7 together we can turn that around. Fishermen can get \$10
8 million from Alaskan banks at the legislatively interest
9 rate that the bank manages for managing it. Give the bank
10 2 percent of the action for handling it. We can -- our
11 people can become the most viable, independent, well to do
12 people per capita, perhaps in the free world by this
13 approach.

14 Mr. Dahl.

15 MR. DAHL: Mr. Chairman, I've been concerned -- I had
16 the same concern in 1969 that I have today, and that is
17 that our effort result in not only increasing government
18 service but an increase in the size of the State
19 bureaucracy.

20 THE MODERATOR: Yes.

21 MR. DAHL: I think it's critical -- well, I agree with
22 Mr. Bradner in that we have -- the world is fresh for us.
23 We have a different set of decisions to make in that the
24 reason that other jurisdictions, other governments are
25 opposed to the increase in bureaucracy is that they can

1 afford that bureaucracy. We are not in that position. I
2 can't afford a large state bureaucracy, and I fear that.

3 THE MODERATOR: I do to. Scared to death.

4 MS. BULLOCK: So do I.

5 MS. BURNETT: Nobody wants it.

6 MR. DAHL: I don't know if we don't want it. I know
7 on one hand we say we don't want it. On the other hand we
8 say, "Provide services. Provide services, provide
9 services." And I don't think you can provide services
10 without people to do it. Unless the -- and I think it has
11 to begin with this group maybe -- we begin with the
12 philosophical position that supports a free enterprise
13 stance.

14 MS. BURNETT: Yes.

15 MR. DAHL: Now, if we are really creative we will
16 develop the kind of funding sensitivities or --

17 THE MODERATOR: Mechanisms? --

18 MR. DAHL: -- programs or projects or whatever that
19 will allow private enterprise in Alaska to be viable. One
20 of the geniuses of the act that established the Alaska
21 renewable resources corporation, I believe is what that's
22 called --

23 THE MODERATOR: Right.

24 MR. DAHL: -- is very low overhead, three trustees, a
25 good chunk of money - I can't remember how much, but a

1 bunch -- that they were encouraged to use as venture
2 capitol for renewable resource activities in the State.
3 That is, or for example: Fisheries, timber, any other
4 corporation -- one of the reasons that private enterprise
5 has had this status is they can't get money for things.
6 Alaskan banks are not creative in their financing. It's
7 easy for an Alaskan bank to say, "I'm sorry we don't have
8 the money." And that's why many Alaskan businesses are
9 forced to go outside to get funds. Well, why should any
10 Seattle bank loan money to an Alaska business with the
11 Seattle economy burgeoning the way it is. It doesn't have
12 to.

13 Venture capital is critical, and it seems to me
14 that State partnership with private enterprise, State
15 providing funds for private enterprising in creative ways --
16 one of the things I've been talking about with Mr. Kocsis --
17 it's not a few considered, but it's a fresh idea for a lot
18 of us, and that is for the state to provide a -- an
19 airplane, for example. An air taxi operator in a bush
20 village needs an airplane that will provide all kinds of
21 services to the area. He does not have the capital to do
22 it. Where does he get that capital? He -- does he borrow
23 the money? Maybe. That's certainly one approach. It's a
24 very traditional approach. There's a more creative way to
25 do it and that is for, the State to buy the airplane and

1 lease it to that air taxi operator where the revenue that's
2 generated by his own service pays the cost of the lease and
3 the insurance, no risk to the state and the airplane is
4 dumped into a mountain the state is paid because -- by the
5 insurance, yet it provides this air taxi operator with the
6 capital that he needs to provide the kind of equipment
7 that's necessary. And this sort of thing can translate
8 into various kinds of business ventures, and I think it
9 should.

10 THE MODERATOR: All right. Now, would this instrument,
11 then, be handled -- serviced by a bank in that air taxi
12 operator's area?

13 MR. DAHL: I don't think even the bank has to involve
14 at all.

15 THE MODERATOR: So hoping the bank on the other hand,
16 has air taxi operator clients that they're financing
17 aircraft that -- and these two taxis are competitors. Then
18 how does that fit? There can be a discrimination there
19 against the banking system's client and the banking system.

20 MR. KOCSIS: May I respond? One of the things you can
21 look at in that instance is, if the state is involved they
22 could allow the local bank to be the processor in the
23 service organization for that particular instrument. What
24 the state would do in a situation like, that I would
25 suspect, is they would be able to control the amount of

1 service charge. Banks make their money on that sir service
2 charge.

3 If the state is willing to make a commitments,
4 the bank should be allowed to make some profit, but it
5 ought to be held at reasonably, so that the citizen does
6 have the benefit directly than the state is trying to get
7 to. The bank will still make money. They will not make as
8 much money because we will control the spread.

9 THE MODERATOR: All right. Now here if you have a
10 young fellow with no seed money. You know? Strong
11 character like a young man I know at Nome, Chuck Fagastaf.
12 Started in with just nothing, just nothing. But he had
13 character. He was industrious. He was sober. He was
14 aggressive and positive. And he's off and running today.
15 Now, in my own experience in getting started -- and I
16 talked with a man that is deceased -- he's gone now but was
17 a friend 33 years ago, Captain Austin E. Lathrop at
18 Fairbanks. He owned the bank in Fairbanks. I met him as a
19 student when I was a student at the University of Alaska.
20 The Captain told me -- he said, "Young fellow, if you have
21 an idea and you can satisfy yourself in your own mind you
22 can make it work. But you don't have all the expertise to
23 handle it, you can hire brains for 35 hours a week." Now,
24 this was 33 years ago. We can do the same thing today for
25 \$35,000 a year. I banked at that bank for 33 years, and I

1 started in there -- when I started in there, I had -- I
2 started out with a savings account of \$12.50. And I've
3 borrowed probably a couple million dollars at that bank
4 down through the years. I had the finest kind of treatment.
5 But I started with nothing. This is what I want to see
6 happen. Character loans. They have to be careful, they
7 have to be well screened, but character loans so that our
8 people in our rural communities don't have anything but
9 have a resource they can develop, can get bankrolled.

10 Mrs. Burnett.

11 MS. PURNETT: Mr. Dahl, I don't know the -- you seem
12 to know more about this corporation. You said you had
13 three executives what's the State corporation that was
14 goint to loan?

15 MR. DAHL: Alaska Renewable Resources Corporation.

16 MS. BURNETT: Could you tell me how long ago that was
17 set up this.

18 MR. DAHL: No. last year?

19 MS. BURNETT: As I understand it, over a year ago --
20 and they hired these three executives at over 50,000 per
21 person and they have yet to make a loan. That's why I
22 believe in the private sector. A bank would go broke on
23 that kind of operation.

24 THE MODERATOR: You better believe it.

25 MS. BURNETT: A bureaucracy -- you know, it doesn't

1 service the people.

2 THE MODERATOR: I think she should dump them.

3 MR. BRADNER: Mr. Chairman, there's a variety of ways
4 that partnership -- financial partnership between state can
5 be set up. And it would be a mistake to think you could
6 conceive anyone that would do it.

7 Now, there's a real naive approach of the
8 resources corporation. First of all you have three
9 commissioners helping people package loans and develop them
10 at the beginning and then they're going to approve the loan.
11 You know, no banking institution or anything would set
12 itself up that way, a slightly different bunch of cats.

13 And I think most what we would find would emerge
14 in any partnership is where a lead role is taken in a
15 private institution, package is a resource project together,
16 bringing it to participation because that does allow the
17 single thing that Mr. Chairman mentioned, that the banker
18 can use.

19 And a bureaucrat -- because you're taught that
20 basically it has a hard time using. line up two loans side
21 by side, one looks good but something up here tells you
22 it's bad. (Indicating.) And it may be just the sheer
23 talent and ability and confidence in the people running the
24 show that it doesn't quite look as good on paper and it
25 smells good. And with the private operator doing the

1 packaging it allows for that kind of intuition to be
2 applied to the process. And I would think certainly --
3 because again I'm saying we all get back with this image
4 that bureaucrat sitting there parceling out loans. I think
5 that's what we're talking now because we sort of come in
6 backing in the door to anything. We just set up sort of
7 conventional state loan programs. And of course that's all
8 we know so that's what we do. There's all kinds of
9 packaging, I think -- I certainly conceive of any financial
10 partnership being one of -- where generally the package is
11 developed and brought to you by private individuals, barkers,
12 maybe an outside loaner. You know. There's all kinds.
13 And a broad sweep in a state policy should encourage the
14 development of the institutionalization that facilitates
15 this partnership between state and private industry. And
16 we do hope maybe there's enough state input that a priority
17 may be directed to pushing development where it's the most
18 needed. The demographics are best.

19 MR. ACKERMAN: Mr. Chairman, I wonder if possibly we
20 could get this down on paper and circulate it for, you know,
21 consideration as one of our concepts?

22 THE MODERATOR: I think it's time that we get it down
23 on paper. We've kicked it around and that beat it to death. .

24 MR. ACKERMAN: I wonder if Mr. Bradner has got it on
25 something or possibly --

1 MS. BURNETT: How about Mr. Dahl?

2 MR. BRADNER: The points he sort of drew --

3 MR. DAHL: I haven't finished it, Mr. Chairman, but
4 I've got a start. Alpha group resolves that the
5 Legislature adopt the policy of a financial partnership
6 between the state and private enterprise in cooperation
7 with local banks in order that -- and that's where I
8 stopped.

9 MR. ACKERMAN: Mr. Dahl and Mr. Bradner confer.

10 MS. BURNETT: The availability of funds to be allocated
11 to a private sector, something to that effect.

12 MR. DAHL: As long as you don't use the word
13 "infrastructure." I have to idea what that is.

14 THE MODERATOR: And let's get incorporated in there
15 right down to the gut hard character loan approach where we
16 have people without collateral that are of strong character.
17 They're young and healthy and aggressive and progressive,
18 that all the indicators are with reasonable diligence,
19 they'll be able to pay that loan back.

20 MS. BURNETT: At an expedient process or something
21 that will move this thing. You know, a year of three
22 \$55,000 people isin credible to me. That haven't made a
23 loan. Money to burn.

24 MR. BORODKIN: Would that be a prime rate or what --

25 MS. BURNETT: No, we can't get into -- we can't.

1 THE MODERATOR: No, it would not be prime. It would
2 be at a lower interest factor.

3 MS. BROWN: That prime rate doesn't apply.

4 MS. BENNETT: That's right. That should be in the
5 resolution. That's what we're trying to do.

6 LINDA BROWN: That definitely should be. We may wind
7 up with -- paying prime rate.

8 MS. BULLOCK: Probably something should be in there
9 about the difference between the lending and what the bank
10 is going to get out of it, too. So if there's some
11 suggestion the way we'd like to see this operate.

12 THE MODERATOR: Mr. Dahl, did you hear Mr. Bullock?

13 MR. DAHL: I'm sorry.

14 THE MODERATOR: Let me repeat that, Edith.

15 MS. BULLOCK: Well, I was saying that I think there
16 probably should be something in there that would say that
17 the bank would get the certain percentage limit this so
18 that they do not have that ability to --

19 MR. KOCIS: Mr. Chairman, while Mr. Dahl is posing
20 here I might tell you something. There's such a plan that
21 is asking you -- I want it on the record the Senate Bill 1
22 which is pending before the Senate right now combines a lot
23 of what this group is talking about, and broadly what it
24 does is the State has to manage its money the most
25 efficient fashion, Senate Bill 1 is responsive to money

1 problems the State has right now, the potential. We have
2 the permanent fund. What it says is the State's major role
3 concerning its money is to manage it wisely. The kind of
4 investments you put your money into your most secure don't
5 exist in Alaska for the most part there's government papers
6 and grade A stuff that's outside. So you invest it in that
7 and take the income from that investment and you leverage it
8 and use some principal and create some way, then, after
9 you've got this bundle of money that you've leveraged based
10 on the income from the responsible investment and you
11 distribute that to people. Senate Bill 1 says you do it
12 through the loan program. If the banks can participate in
13 that program to the effect they can service the loan and
14 they can the state will fund the loan out of this fund.
15 The banks are controlled, however, in the amount of
16 interest they can charge or service charge they can level.
17 Now, because the state is involved -- and we think we can
18 package the loans properly -- you're getting tax exempt
19 revenue bonds as the source of the money. That means that
20 it comes in view at the lowest possible level of any money
21 in the country, if the bonds will sell because them because --
22 guarantees you're able to provide on the income at the same
23 time. Under the Internal Revenue code there's a loop hole
24 that says for any amount of tax exempt bonds -- if you
25 issue \$100,000 you're allowed to indicate and issue 25

1 percent above that at the same interest rate, the tax
2 exempt rate. That 25 percent can go to any purpose. It is
3 not restricted to public purpose investment. The central
4 bill brings together the management of all the money in the
5 State including that surplus in the general fund, puts its
6 in a big pool and makes it available for the guarantee and
7 says now we've got some leverage capability here. When you
8 start issuing bonds and real sigh the 25 percent that comes
9 in at the same right -- well, if you've got a billion
10 dollar bond you've got a lot more than 25 above it than if
11 you're issuing a hundred thousand. It's arrangement
12 technique. But the approach that the Senate is taking, if
13 what I'm hearing is correct -- I think you're indicating
14 something along those lines. There's a lot of problem
15 about the leveraging and there's a lot of problem about how
16 you give it out to the loan program. You can't charge much
17 more than, I think -- a rate of percent and a half above
18 what you get the money in for.

19 MR. BRADNER: Yeah. Tax exempt bonds -- there's a
20 stating that federal rule you can only be above so much.
21 We ran into the reverse problem a few years ago. Alaska
22 Finance Corporation dropped so low due to a lucky sale it
23 created such a run on money that it was -- I mean, it wiped
24 it out prematurely. But I would say that it's a standard
25 practice now for any money that's facilitated through

1 government carry limitations on it. No bank is going to be
2 able to mark you up on excessive interest rate.

3 MS. BULLOCK: What about the rate that the State would
4 get? Is that

5 MR. BRADNER: The practice to date has been for the
6 State to run, you know, at a certain margin below the rate
7 going at the normal market.

8 MS. BULLOCK: Below the prime rate.

9 MR. BRADNER: From time to time you may have to have
10 some unusual ability because you can get the situation
11 where you can -- you know, if the Feds knock the rates
12 upright now we can create a run on your funds and you may
13 want -- you know, like you might want to give the governor
14 the authority at any time to curtail the flow of funds.

15 MR. KOCISIS: I think it's real important that people
16 look at the State function in two ways. One is the
17 creation and management of money. The other is the
18 distribution. And in that position you've got enough. If
19 you manage it well, you can literally leverage everything
20 you'd ever dream of doing. The question is is it really
21 responsible? Do you really want that much money out? The
22 management function, if you organize it right, will allow
23 you to do. Walt wants transportation -- hell, we can do it
24 all, if you manage it right. We can manage some of the
25 money necessary to do it. You're at the responsible

1 distribution level. I think the Legislature sometimes
2 fails to separate that.

3 MS. BENNETT: Mr. Chairman, when we talk about loans
4 for private enterprise are we including craft cooperatives
5 and things of this kind also? We're not speaking just -- I
6 assume that it would, wouldn't you?

7 THE MODERATOR: I don't know why not.

8 MS. BENNETT: They're a money making enterprise.

9 MR. BRADLEY: Sure.

10 THE MODERATOR: It's enterprise.

11 MR. BRADLEY: I just want to say now that everything's
12 died down, and our two men are down there drafting that
13 resolution.

14 I'd just like to back up what Michael said. In '75
15 I personally was a great backer of what's tur ed out to be
16 the House's version of permanent fund or conception. Mr.
17 Kocsis has referred to it as a management tool that was
18 rather conservative. I've now come 180 degrees by looking
19 at -- I think the Senate version of the Senate Bill SB-1 is
20 a much more humane and progressive and dynamic document in
21 the house. And like Mr. Bradner, my personal friends are
22 on the other side, or were on the other side along with
23 myself. But I don't know how to explain my renaissance
24 except that, you know, times change and your views change.

25 THE MODERATOR: Right. They sure do.

1 MR. BRADLEY: And I think that character loan -- from
2 a guy with gray hair I'm -- I'm really impressed.

3 THE MODERATOR: Thank you.

4 MR. BRADLEY: No, really, seriously. Because that's
5 absolutely okay, you know. There are all sorts of people,
6 you know, young people which I'm not that much any more.
7 35, but....

8 MS. BENNETT: We have to be careful, too, that
9 everything is a viable business.

10 MR. BRADLEY: It should be reasonably viable.

11 Let me tell you I really think we've got a great
12 problem in the state with excessive timidity. Nobody's
13 willing to take a chance, nobody's willing to absolutely
14 want to study it to death. You want to hire every
15 consultant in the world so you can't make a mistake.

16 Now, maybe in New Jersey you know they've already
17 gone through their formulating period and they're all
18 messed up. But in the frontier -- in a frontier setting
19 you've got to be able to -- I mean, that's what pioneering
20 is all about. Every pioneer didn't -- you know, a lot of
21 them got bushwhacked and starved, you know. You've got to
22 take some chances, reasonable chances.

23 MR. KOCSIS: We did do some things for the people of
24 Alaska, for ourselves. That can't be done anywhere else.
25 When you talk about the credibility of the individual

1 involved. You've got to be responsible but we want to move
2 in many direction of allowing decent people in this State
3 to benefit of their own mind, trusting each other. Hell,
4 /ST it doesn't mean anything to be in Alaska I guess we
5 could pose a system like the rest of the world. But we
6 think it means something. We thought enough to come here
7 and talk about it. It's irresponsible to the Legislature
8 not to give you an opportunity and what they're basically
9 saying -- I work for them -- I hear we are frightened to
10 let the people make that decision, so we sit on them.

11 MR. BRADLEY: And even more they're questioning their
12 own manhood, or womanhood that we don't know, enough the
13 shysters from New York they might take us, you know. I mean
14 pound for pound, we're brighter than they are because we're
15 here. It's clear on the face of it.

16 MR. BRADNER: I think what Bob has referred to is very
17 valid today. There seems to be a tremendous fear that some
18 private operator is going to get one buck away from you,
19 you know, and somebody's going to say, "Aha, you let Mr.
20 Big take you for a ride." But, boy, you let a bureaucrat
21 throw it off the dock, you know --

22 MR. BRADLEY: Or not do anything, you know.

23 MR. BRADNER: You really have to get back to the point
24 where you say you're not afraid to make some decisions or
25 try some avenues and maybe come up with egg on your face

1 occasionally and --

2 THE MODERATOR: For 12 years when I was on the House
3 Senate Finance Committee there was a feud every year, the
4 Alaska veterans' revolving loan shark. It was a healthy
5 fund. They had a loss of one-half of 1 percent per year
6 and here last year it evolves that it's in trouble. And
7 people want to abolish it do away with it wipe it out
8 because it's in trouble. It's in trouble because it's a
9 people thing. The people that managed it let it get in
10 trouble. Get rid of the people and get new people to
11 manage it. Don't get rid of the program. The program's
12 right, the people aren't.

13 MS. BULLOCK: What about the farm loan, revolving fund?
14 Same thing?

15 THE MODERATOR: Same thing. It's a people management
16 thing.

17 Mr. Dahl.

18 MR. DAHL: Mr. Chairman, we have drafted a resolution,
19 but in considering if you'll have to realize this is not a
20 race horse. This is a camel.

21 THE MODERATOR: Right.

22 MR. DAHL: This camel is a horse that was put together
23 by a committee, and that's what this resolution is.

24 I have a Pollock story about that.

25 Alpha Groups resolves that the legislature adopts

1 a policy of a financial partnership between the State and
2 private enterprise in cooperation with local financial
3 institutions with a view toward, one, supporting private
4 enterprise through the provision of venture capital, two,
5 capital support for projects and equipment through leases
6 with the lease rate based on actual revenue received from
7 use of the product and, three, approval of borrowers based
8 on relevant factors beyond those presently considered by
9 banks. The State economic policy should be developed with
10 goals of desirable social and economic development looking
11 toward the improvement and strengthening of the private
12 sector.

13 THE MODERATOR: I'd like to change one of the hooves
14 on the camel.

15 MR. DAHL: Just give it another hump.

16 THE MODERATOR: Okay. Leases or lease purchases? How
17 does that fit?

18 MR. DAHL: Fine. Some of these things are going to
19 surface as a result of such a program they're going to be
20 so good some of the banks are going to say, "Hey, we'd like
21 to have a piece of the action.

22 MR. DAHL: Mr. Chairman, before we move on this I
23 would suggest that we have our support staff type this and
24 get copies of it before us so we can see what the language
25 is and move in that direction.

1 THE MODERATOR: Is there any objection?

2 (No response.)

3 THE MODERATOR: No objection. It is so ordered.

4 MR. DAHL: Thank you, Mr. Chairman.

5 MR. BRADNER: Mr. Chairman, one maybe final comment:
6 I had the experience of being in the Legislature a number
7 of years, and you thought you were dealing with a lot of
8 problems outside your urban areas, and after a while you
9 found out you were treating the end product and you try to
10 provide a water system or help with a housing program with
11 some of these. But you could never get at the main problem,
12 and that was the economic base. And by instinct as a
13 politician you knew in the first place you didn't have the
14 revenue to even try. The basic resources and tools weren't
15 there.

16 Alaska, Inc., as I call it, your resource base
17 was very immature. So you really were just beginning to
18 feel that. And you had no real ak excess revenues and so
19 you've dealt with the problems the only way that we had a
20 system to do it, and that was dealing with the end products
21 of just, you know, reaching in and doing what you can. And
22 I think now something's changed and you have two very
23 interesting tools to deal with, and another one that the
24 Land Claims Act gave you, which is this quasi public
25 private entrepreneurial treaty that exists in the form of

1 the land corporation, who would have their own set of
2 problems and their own successs and their own mistakes.

3 And only one following comment. I think how
4 bewildered the State is and unsure of going into this area
5 is exemplified by the fact that the Land claim settlement
6 is now eight years old, and I will defy you to find one
7 place fundamentally where the State has chosen to recognize
8 the value of that resource and the State has a great value
9 of working functionally with it to try to help facilitate
10 an economic base, you know, out yonder. And, I mean, eight
11 years is an awful long time, but it's better than nine
12 years. And so there's really three potential tools laying
13 there that weren't there in the years that yourself, Mr.
14 Moderator, and I serve in the legislative body.

15 MR. ACKERMAN: This is a point we taught to bring out
16 because we haven't looked at it, and we've sort of excluded
17 it.

18 MR. BRADNER: Certainly. People always say, well, gee,
19 why don't the corporations do something? And of course the
20 reason is capital. And to seek reasonable security and
21 reasonable profits, you know, do something back home. But
22 it might be very interesting for the State to look and see
23 how they could help secure and facilitate the use of the
24 corporation's capital back home without making them, you
25 know, at an extreme risk situation. I think we have to

1 recognize their capital is no different than anybody else's
2 capital.

3 THE MODERATOR: Mr. Bradley.

4 MR. BRADLEY: Excuse me. Go ahead, Gary.

5 MR. ACKERMAN: I think this gets to the point that in
6 eight years we have to start doing things in cooperation
7 with the native corporations. You know, we've got 103
8 million with the 40. That's 43 million acres, you know,
9 that's available to us that's under federal control. And I
10 think we have to live with it in joint participation. And
11 I think this is something that really needs to be included
12 in our sale. I think you know we really need to bring it
13 out in the light of day to look at it and start talking
14 about it and start working together in these areas.

15 MR. FISHER: Instead of hoping it will go away?

16 MR. ACKERMAN: Right.

17 MR. FISHER: that's what I hear of the land claims.
18 For eight years the State says I could go that way.

19 MR. ACKERMAN: Well, we started out with land claims
20 and we were talking -- we were talking about a million
21 acres of land. And then we finally, you know, said why a
22 million acres if we could get a hundred million acres from
23 under the feet the federal domination the entire stating
24 going to benefit from it and we ended up with a compromise
25 of 40 million acres. It's not under the federal domination.

1 So now we should start with the 103 million we had from
2 statehood we should start looking at joint development in
3 things, you know. And we really need to get on the road
4 with it. And like I say there's no reason for going nine
5 or ten years before we start looking at it.

6 THE MODERATOR: You're going to have to get that land
7 in production, get it yielding revenues as soon as it's
8 transferred because in twenty years time after it's
9 transferred then it's subject to fee -- fee simple title
10 land is subject to taxation, if the State elects to tax it.
11 It's going to have to be yielding revenues in order to pay
12 the taxes or they'll lose it.

13 MR. KOCSIS: Shouldn't we draft a resolution of this?
14 Presently, there's a real strong feeling we ought to get
15 out on the record. I agree with you.

16 MR. ACKERMAN: The straight resolution is appropriate.
17 For one thing we were talking about it before earlier in
18 our transportation costs. You know we pay for a round trip
19 ticket and get a one way ride. If we start developing
20 these areas, you know, we can start, you know, getting a
21 round trip ride. We have to do that first -- it's
22 essential.

23 THE MODERATOR: Mr. Bradley.

24 MR. BRADLEY: Mr. Chairman, I didn't want to miss this
25 opportunity to put my good friend Michael on the hot seat.