

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

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

7 I am in the bottom fish business, incidentally.

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

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

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

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

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

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

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

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

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

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

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

10 MR. NAUGHTON: Yes.

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

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

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

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

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

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

1 enough leverage.

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

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

18 MS. PORTER: Money.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 And everybody talks about the bottom fish.

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

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

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

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

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

18 (A recess was taken.)

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

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

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

1 he said. Was it development-oriented?

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

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

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

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

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

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

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

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

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

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

16 MR. ECKHOLM: As the Americans.

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

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

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

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

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

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

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

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

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

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

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

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

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

11 MS. SCHIRMER: In the next three years.

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

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

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

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

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

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

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

6 MR. NASKE: We're subsidizing everything.

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

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

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

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

16 MR. ECKHOLM: They're going crazy.

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

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

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

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

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

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

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

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

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

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

1 get it unless we do something now.

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

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

6 MS. PORTER: Guaranteed.

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

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

12 MR. HARTLE: Can we say provide financing?

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

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

23 MS. PORTER: With who?

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

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

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

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

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

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

25 You have two things. You have absolute Japanese

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

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

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

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

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

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

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

6 MS. PORTER: I realize.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 We already know particularly through "Isca" and

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

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

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

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

16 MS. PORTER: Absolutely.

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

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

1 ownership of the seafood processing industry.

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

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

1 problem.

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

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

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

19 And fishing within the 200-mile limit.

20 I appreciate everything you're saying.

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

1 interests and give it up completely.

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

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

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

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

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

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

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

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

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

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

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

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

18 MR. DIRKIN: That's right.

19 THE MODERATOR: What do we do?

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

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

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

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

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

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

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

24 How are you going to solve those problems?

25 THE MODERATOR: Your frustration is 25 years ago that

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 that away. Nobody else wanted it.

2 MR. POMEROY: Beg your pardon?

3 MS. PORTER: Nobody wanted it.

4 MR. POMEROY: That isn't so.

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

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

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

8 recommendation.

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

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

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

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

24 MR. ECKHOLM: World markets?

25 MR. MCGINNIS: World markets.

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

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

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

12 MR. DIRKIN: That's it.

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

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

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

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

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

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

10 MR. ECKHOLM: Thank you.

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

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

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

1 association is not a subsidy.

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

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

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

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

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

11 MS. PORTER: It never said subsidy.

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

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

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

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

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

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

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

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

17 MR. POMEROY: Well --

18 MS. SCHIRMER: Can we move the question?

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

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

23 THE MODERATOR: Any further discussion?

24 Any objections to the motion?

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

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

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

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

13 THE MODERATOR: You can't.

14 MS. PALMQUIST: That settled that real fast.

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

18 Any discussion?

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

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

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

25 MS. PALMQUIST: How would you do that?

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

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

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

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

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

12 MR. HARTLE: Is this first part constitutional?

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

15 MR. ECKHOLM: They're there already.

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

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

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

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

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

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

4 MR. ECKHOLM: So we could recommend --

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

8 MR. ECKHOLM: Okay.

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

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

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

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

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

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

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

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

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

4 DELEGATE: That was on our domestic.

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

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

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

18 MR. POMEROY: What is the question?

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

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

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

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

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

6 MR. MCGINNIS: Very well.

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

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

11 MR. ECKHOLM: Should be levied on?

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

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

14 Passed.

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

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

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

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

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

5 MR. ECKHOLM: We can break now --

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

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

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

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

1 have it ready for the legislature.

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

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

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

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

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

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

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

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

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

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

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

11 MR. DIRKIN: Then enough.

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

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

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

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

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

1 sufficient. I would say as productive as possible.

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

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

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

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

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

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

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

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

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

10 MR. ECKHOLM: Senator Merdes?

11 MR. MERDES: Yes.

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

13 MR. MERDES: You got time limits.

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

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

17 MR. ECKHOLM: What was the recommendation?

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

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

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

25 MR. ECKHOLM: The State should vigorously continue to

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

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

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

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

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

10

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

13 MR. MERDES: I was thinking of bananas.

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

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

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

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

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

24 THE MODERATOR: You have three minutes.

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

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

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

15 (At this time a brief recess was taken)

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

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

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

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

5 MR. ECKHOLM: Did you make significant changes?

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

9 MS. SIMONDS: Did you delete anything?

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

13 MS. SIMONDS: What was it?

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

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

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

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

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

1 hours, and here it is.

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

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

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

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

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

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

15 MS. SCHIRMER: Yes.

16 MS. PALMQUIST: All right.

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

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

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

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

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

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

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

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

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

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

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

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

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

16 MR. POMEROY: Stop where?

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

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

25 You drop out the quid pro quo.

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

2 MS. PALMQUIST: Yes.

3 Then for eight you will have former number two:

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

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

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

16 This is in essence alternates to nursing home
17 care.

18 MR. ECKHOLM: Go over that change again.

19 MS. PALMQUIST: "Expensive institutional health care
20 (hospitals, nursing homes, residential centers) should be
21 sought, including pilot programs in coordinated home
22 health-home support care, with services available not only
23 from nurses, but also for doctors for in-home assistance."

24 MS. SHROYER: Is that coordinated or consolidated?

25 MS. PALMQUIST: Coordinated.

1 We took out ten entirely.

2 Then 11 becomes 10: "Since all forms of
3 accidents are responsible for the highest percentage of
4 Alaska deaths and a major portion of health care dollar
5 expenditures, special massive attention should be given to
6 the fundamental causes of those accidents and the
7 relationship thereto to other social and health phenomena,
8 and that a bold program of education and prevention be
9 developed."

10 The next one, instead of 12, will be numbered 11:
11 "All third-party insurance payment mechanisms for health
12 care in Alaska should be required to cover mental illness
13 services in much the same way as they cover physical
14 illnesses at the present time."

15 And 13 will become 12 and we have some change
16 there: "Legislative and executive branch decisions should
17 be directed toward more extensive utilization and funding
18 of community mental health centers and several small
19 regional juvenile residential facilities should be provided
20 for mentally disturbed juveniles."

21 The rest is eliminated.

22 So you take out the word "the" ahead of "community
23 mental health centers," and you add the word "and."

24 14 will be 13. That's as it is. There's no change.
25 Do you want me to read it?

1 "That the legislative and executive branches
2 provide for detailed analyses regarding the financial
3 impact of improving the current payment level of \$120.54
4 per month per recipient under the Aid to Families with
5 Dependent Children Program under AFDC, the monthly payment
6 for mother and child is \$350 versus \$608 for two persons
7 under the Supplemental Security Income Programs.)"

8 15: "Since \$80 per month per person for certain
9 needy persons in the State is not sufficient to deal
10 realistically with those eligible, a detailed study should
11 be provided to determine the future structure and coverages
12 under the general relief and general relief medical
13 programs."

14 MR. POMEROY: That's 14?

15 MS. PALMQUIST: That is now 14.

16 15 will be: "The legislative and executive
17 branches of government should attempt to influence more
18 strongly the Federal Office of Management and Budget in
19 order to adjust the official poverty guidelines for Alaska
20 to bring it in line with financial realities and remove the
21 current discrimination against Alaska's needy made possible
22 by the policies of the Federal Office of Management and
23 Budget."

24 MR. MCGINNIS: Grammar: It should be them.

25 MS. PALMQUIST: "Bring them in line."

1 MS. SHROYER: Why does it say "made possible by the
2 policies"?

3 MR. MCGINNIS: The Federal Office of Management and
4 Budget can do what they want to do. They have discretion.
5 They can adjust it if they wanted to. It does not take
6 congressional action. Only we can do it, with pressure and
7 persuasion.

8 MS. PALMQUIST: 17 will become 16: "That the
9 legislative and executive branches provide for an updated,
10 comprehensive study of the status of Alaska's elderly
11 population, with special emphasis on the adequacies of the
12 financial assistance provided to elderly eligibles and
13 with special review of the effects of inflation on the
14 fixed income of retired persons." And add: "And, in
15 connection with a proposed Older Alaskans' Commission,"
16 which is going to be a recommendation coming out of the
17 interim legislative committee.

18 MR. POMEROY: In connection with what?

19 MS. PALMQUIST: In connection with -- add the words
20 "Retired persons" and remove the period, "and in connection
21 with a proposed Older Alaskans' Commission."

22 18 will become 17: "The legislative and executive
23 branches of government in Alaska have recently provided for
24 a comprehensive Corrections Master Plan for Alaska."

25 Ahead of the next sentence insert: "After public

1 hearings are held in the affected communities, only those
2 portions of the plan deemed to be acceptable should be
3 strongly supported by the legislative and executive
4 branches in order to improve both facilities and services
5 in urban and rural areas of Alaska."

6 MR. NASKE: Say that again?

7 MS. PALMQUIST: Ahead of the second sentence, include
8 the words "After public hearings are held in the affected
9 communities, only those portions of the plan deemed to be
10 acceptable should be strongly supported by the legislative
11 and executive branches in order to improve both facilities
12 and services in urban and rural areas of Alaska."

13 19 will be 18: "Limited and new programs such as
14 Treatment Alternatives to Street Crime and New Start Center
15 have demonstrated efficiency and adequate rate of success
16 in assisting in the continuing rehabilitation of ex-
17 offenders. It is in the interest of every citizen of Alaska
18 that such ex-offenders be assisted in developing new life
19 patterns free of crime and deserve adequate staff and
20 financial support to assist in that goal."

21 I think we all saw the movie this morning and
22 that has some aftereffect on that. There's no change in
23 that.

24 20 will be 19: "Even though public assistance in
25 the form of money transfer payment programs and social

1 services based on counseling do not have the same goals,
2 human service centers in various communities throughout the
3 State should be co-located in order to serve citizens in a
4 more efficient manner."

5 An explanation: The Department of Health and
6 Social Services now has public assistance done by one staff
7 and they have counseling done by social workers as another
8 staff. This is that they should be co-located so that they
9 work closely in harmony with each other.

10 21 will be 20: "Since Alaska does not operate
11 any social service child care institutions and only one
12 correctional juvenile institution," which, as you know, is
13 McLaughlin, "revision should be made in the 'purchase of
14 services' statutes by amendment in order to fund those
15 privately operated programs giving care to juveniles whose
16 care has been made a State responsibility more nearly on
17 the basis of actual full cost of care."

18 No change in the wording.

19 22: "The legislative and executive branch,"
20 which is 21, "The legislative and executive branches of
21 government should make provisions whereby a reasonable
22 percentage (approximately one percent)" but we agreed on
23 one percent "of the human services budgets of the State
24 could be utilized by the executive agencies for research
25 and evaluation purposes in order that full data may be

1 available and proper evaluations made to play sound
2 statistical and programmatical bases under all expenditures
3 in the field of human services."

4 Mr. Chairman, the committee moves the adoption of
5 these recommendations.

6 MS. PORTER: Mr. Chairman, there are two additional --

7 MS. PALMQUIST: Rosemary, did want to make another
8 addition in the field of education.

9 MS. PORTER: I have the legislative support
10 adventure-based education for youth on an ongoing basis.

11 I have another one that I would also like to
12 suggest for the group's consideration, and that is
13 continued support by the State legislature for crisis
14 centers throughout the State.

15 MS. PALMQUIST: If the members of the committee have
16 any objections to adding that to our report? Hearing none,
17 then those will be items 22 and 23.

18 THE MODERATOR: Thank you very much.

19 MR. ECKHOLM: Have you gotten those added to your list,
20 Rose?

21 MS. PALMQUIST: As soon as Rosemary gives them to me,
22 they will be added to this.

23 MR. ECKHOLM: Can I have your copy as the final copy?

24 MS. PALMQUIST: Yes.

25 THE MODERATOR: You heard the motion by the

1 subcommittee to adopt these resolutions. Any discussion?

2 MR. POMEROY: Do we hear the remaining two, or not?
3 Are they available?

4 MS. PALMQUIST: They just were read. "The legislature
5 support adventure-based education for youth on an ongoing
6 basis." That will be 22.

7 Number 23 will be: "Continued support by the
8 legislature for crisis centers throughout the State."

9 Those are our recommendations, Mr. Chairman.

10 MS. PILLIFANT: Is the State supporting crisis centers
11 at this point in time?

12 MR. MCGINNIS: I don't know if they are supporting all
13 the crisis centers, but there are a number of crisis
14 centers which are supported through both federal and State
15 LEAA funding. Battered women shelters, defense shelters.

16 MS. PILLIFANT: I wasn't thinking in terms of those
17 sorts of things. I was thinking --

18 THE MODERATOR: Discussion.

19 MR. POMEROY: Open for discussion?

20 THE MODERATOR: Sure.

21 MR. POMEROY: First I think I should like to thank the
22 committee for taking a most extensive and comprehensive
23 document and spend the time at dinner on it while I was
24 having martinis in preparation for this encounter.

25 I think the only thing appropriate to say is that

1 I believe, I still believe, that the scope and the
2 character of this is something that might better not have
3 come before this group. But it has, and certainly whatever
4 I might have in question at various things here would not
5 be important enough to open up for further discussion,
6 because I note in much of this it's implicit that a lot
7 more work is going to be done. Is that right?

8 MR. MCGINNIS: Indeed. Preprimarily, yes.

9 MR. POMEROY: And so, with that, all that I might have
10 said I eliminate except for one thing: I note that we're
11 going to have to deal with financial matters. We probably
12 will be talking about the rate at which public costs are
13 increasing. There may be a good deal involved in here in
14 the accumulation of increased public costs and I mention
15 now only in the event as we go along with the other subject
16 we're taking up, that I recommend that we keep in our minds
17 the extent to which we may be just talking about cost for
18 State government going up like that instead of going up at
19 a lower rate.

20 And I want to thank Rose, particularly, because
21 she and I had some discussion earlier.

22 MS. PALMQUIST: Thank you, Harold.

23 MR. MCGINNIS: I would be deeply concerned for the
24 same reason that Mr. Pomeroy is concerned. On balance, when
25 you take the entire package and think in terms of a decade

1 rather than a year or two, the cost of mechanisms could
2 easily offset the increased cost with a better, more
3 effective system. And the detailed studies and analyses
4 would have to be made in cost avoidance.

5 MS. PALMQUIST: Some of the sections that deal with
6 the medical expenses of people that are in very low incomes,
7 we might actually save money with the recommendations.

8 MR. HARTLE: For instance, the first recommendation is
9 sure to be cost effective and cost avoidive to a
10 significant degree.

11 MS. SCHIRMER: I wonder why the business about Alaska
12 Psychiatric Institute was removed.

13 MR. MCGINNIS: May I?

14 MR. ECKHOLM: Surely

15 MR. MCGINNIS: The committee discussed at some length
16 and thought that should be something done as a regular
17 departmental function in any event, and that it would be
18 done anyway, and we wanted to get as much language out of
19 this as possible. We would like to have reduced 50 percent
20 more language, and maybe even a little more editing, but we
21 wanted to cut away as much as the nonessential as possible.

22 MR. ECKHOLM: Do you think it might be some indication
23 that we would accept these recommendations but note
24 somewhere that we accept them based upon the paper
25 developed by Dr. McGinnis and they're primarily from those

1 recommendations?

2 MS. PALMQUIST: Well, we used these like in the
3 legislative area as a markup, so actually I would hate to
4 limit our recommendation to, really, that we went over his
5 recommendations. Because we used the recommendations for
6 our own evaluation and changes. So, actually, by now they
7 are the recommendation of the committee.

8 MR. POMEROY: That's a good identification you used as
9 a markup.

10 MR. MERDES: Like Harold, I really think this is well
11 thought, obviously well thought through documents and ideas.

12 I have a suggestion. I guess all of us, no matter
13 what part of the life or economic part of life we come from,
14 have some criticism of health and welfare. I don't care
15 what category you're in. And I think it would help the
16 legislature in a creative way if we made a general
17 statement. I have no hangups with any of these specific
18 suggestions. I just wrote out something here that I'd like
19 to try on you. And I don't have any pride of authorship,
20 but this is my feelings on this, that as the spirit
21 underlying each of these policy recommendations, we
22 Alaskans strongly urge the legislature and executive branch
23 to encourage whenever feasible the adoption and
24 implementation of programs to encourage local input,
25 incentives and providing for self-help and any other

1 creative project encouraging human dignity.

2 MS. PALMQUIST: We have no objection to that.

3 Speaking just for myself, my own thinking was that I would
4 have gone much further than this, but I would have
5 increased prevention in all fields of social problems:
6 Employment, juvenile delinquency, adult delinquency, family
7 problems, you know, the run-away child and so on.

8 And especially in the field of the elderly, I
9 would like, really, eventually, to impact upon the State
10 the development of opportunities and programs which
11 eventually will take us off of the state's support system.

12 THE MODERATOR: Any comments on Ed Merdes'
13 recommendations?

14 MR. MCGINNIS: It would be incorporated?

15 MR. POMEROY: I suggest we incorporate it and ask by
16 unanimous consent.

17 MR. HARTLE: I agree. Also, I notice in your statement
18 there about local input, and that's very consistent with
19 several of the recommendations in here.

20 MR. MERDES: I know Fred would be one of the first to
21 be for this, but let's write and it and tell them where
22 we're coming from.

23 MR. ECKHOLM: I think we should make it the first
24 recommendation.

25 MS. PALMQUIST: I seconded Mr. McGinnis' thought that

1 we add it.

2 MS. SHROYER: That's going to be my suggestion, put it
3 at the beginning to keep it in mind.

4 MR. MERDES: I'm asking unanimous consent that we
5 adopt the entire recommendation.

6 THE MODERATOR: You heard the motion. Is there any
7 objection?

8 MR. MCGINNIS: I have no objection. I'd like to
9 comment before you vote, if I may. I have a feeling, and I
10 could be wrong about this, that this whole area of concern
11 has had more thought and attention in this group than in
12 any of the others. It was my privilege to visit many of
13 them and they suffered from a very understandable human
14 problem. They have the whole word of Alaska coming down on
15 them and schedules got off. And the sort of the Direct
16 Services thing would yield first to transportation, then to
17 roads, then to highways, then to others and some of them
18 wound up saying nice little things in a sentence, which was
19 nice.

20 But I would hope this group, if you adopt it,
21 could strongly support it in the general session with a
22 thought, and I think you'll find some of them may make a
23 few scattered comments. But whatever support this field is
24 going to get probably is going to come out of the Delta
25 Group.

1 MR. MERDES: We appreciate your time.

2 MR. MCGINNIS: I appreciate it. My name falls here.

3 McGinnis comes under Delta. I was told this is where you go.

4 MR. ECKHOLM: Rose, could you add Senator Merdes'
5 preamble?

6 MR. POMEROY: I should like to note, Jack, if I may,
7 that of everything that we've talked about so far, this
8 most specifically concerns deep social purposes. Better
9 care of children and all the things involved.

10 THE MODERATOR: I believe everyone understands the
11 motion now, or the recommendations, including Ed's, right?
12 Further discussion on it?

13 MR. POMEROY: Move adopted by unanimous consent.

14 THE MODERATOR: Unanimous consent has been asked. Is
15 there any objection? All right. We passed it.

16 Now, with your thought in mind, Fred, this group
17 has done this. You've told us another group spent three
18 hours on education. That will be our next topic. What kind
19 of time frame should we put it on that, if any?

20 MR. MERDES: Let's play it by ear.

21 THE MODERATOR: Just be aware that another group is
22 coming in with heavy recommendations on education.

23 MR. POMEROY: This isn't quite jocular, I think we
24 could do not much better than to adopt Ed Merdes' opening
25 statement concerning our university system, and then if

1 there are any specific things beyond that as to what the
2 scope of it should be, how about that?

3 MR. ECKHOLM: Would you like to make that in the form
4 of a recommendation?

5 MR. POMEROY: Yes. Don't say it's an unmitigated
6 disaster.

7 MR. MERDES: I'll leave that out.

8 MR. POMEROY: His statement concerning what should be
9 the aim of our university as to its quality and scope. I
10 mean, just what he said without --

11 MR. ECKHOLM: So we should go back and pull it out?

12 MR. MERDES: I have it on the tape recorder, so I'll
13 give it to you.

14 MR. ECKHOLM: I would sort of like to hear a replay of
15 that.

16 MR. MERDES: I don't want to replay it to you but we
17 can we replay it later. I'll shorten it up later, I'll
18 guarantee you.

19 MR. POMEROY: It condenses very nicely. You have to
20 condense most of what he says.

21 MS. SCHIPMER: In one of our previous recommendations
22 earlier today, I think we talked about developing
23 excellence in the university with regard to resources. And
24 I can't remember whether we included in that something
25 about forestry. Because the only forestry programs that I

1 know in the State are Shell and Jackson. I may be wrong.
2 But that's about the only place in the State I know of any
3 forestry program.

4 MR. MORGAN: They have a forestry soils lab at the
5 university. They have an oil and forest institute there.
6 But as far as formalized programs, no.

7 MS. SCHIRMER: I think -- as far as our suggestion
8 was the university should strengthen their departments in
9 archaeological, geographic, agricultural, mineral studies,
10 oceanography, fishing and timber for the northern latitudes.

11 MR. MERDES: We adopted that already.

12 MS. SCHIRMER: I couldn't remember if the forestry
13 business was in there.

14 MR. NASKE: Why did we restrict it to those disciplines?
15 If you do that, legislative intent will be focused on these
16 particular disciplines.

17 MS. SCHIRMER: Maybe it needs to be.

18 MR. NASKE: I don't think so. I'm sure these
19 disciplines are very important. But why not say that
20 matters of concern to peoples living in northern latitudes.

21 MR. MORGAN: I thought we made that statement.

22 MR. ECKHOLM: We do have it.

23 MR. NASKE: Rather than saying fisheries and forestries.

24 MS. PORTER: We changed it back from natural resources.

25 MR. MORGAN: The first one I recommend is history.

1 MR. NASKE: History? What's history?

2 THE MODERATOR: I think, if we understand Ed Merdes'
3 comment, is to devote the next ten years to building the
4 greatest university we can. That's more than forestry or
5 fisheries; that's a great university.

6 MR. MERDES: Excellent.

7 MR. POMEROY: It actually embraces anything we might
8 suggest here as to scope.

9 MR. MERDES: But you particularly want it adapted to,
10 for example, the north. I agree with Claus that the
11 oceanography, the fact that we have oil and fisheries and
12 timber and geophysical. You don't want, for example, I
13 don't think we should worry about --

14 MS. SCHIRMER: Citrus fruit.

15 MR. NASKE: Near Eastern studies.

16 MR. ECKHOLM: If I may --

17 MR. NASKE: Biggest university, the best one, in
18 matters pertaining to the northern latitudes.

19 MR. ECKHOLM: We have already adopted this.

20 Number 11: Excellence in the matters pertaining
21 to resources of the northern latitudes. That would
22 encompass timber as well.

23 MR. NASKE: I'd like to make a recommendation that in
24 view of some loose change rattling around in pockets,
25 perhaps we should urge the legislature to ban Alaskan

1 residents tuition-free attendance at the statewide system.

2 MR. MERDES: That's going to be in it. That will be
3 written up.

4 MS. PORTER: I would feel a lot better if we had
5 building, you know, a University of excellence, and then
6 maybe specializing in those fields.

7 MS. SCHIRMER: We've got two things that we've talked
8 about: His general statement and then we've already passed
9 this other one, which had to do with resources. And I think
10 we're doing it appropriately.

11 MS. PORTER: Okay.

12 MR. POMEROY: Actually, the reason I recommended his
13 words is because I thought it was so all inclusive. It
14 actually is a university in Alaska of the United States for
15 the Arctic. That is the way he identified the whole thing.

16 MR. MERDES: That was the spirit. I think we should
17 have the greatest Arctic university in the world. For
18 example, what did Dr. Fuller say? Where is Alaska located?
19 That was amazing, that center crossroads, remember? So we
20 ought to be the greatest university, because right in the
21 center of the Arctic.

22 MS. SIMONDS: The greatest State should have the
23 greatest university.

24 MR. NASKE: The thing that upsets me is the federal
25 government has a clearly spelled-out policy for an Arctic.

1 There's no policy for the Arctic and a big chunk of the
2 American territory lies in the south Arctic. The point
3 comes now where the Navy is thinking of abandoning the
4 Arctic research lab, the only base from which any arctic
5 research has taken place over the last 20 years or so. We
6 have no policy, and yet a good chunk of our oceans and land
7 and so on is in this sub Arctic and Arctic area.

8 THE MODERATOR: The danger we run, though, in talking
9 about arctic education as opposed to general education is
10 that the kids that Ed said are leaving, or kids are going
11 somewhere else for a general education will continue to do
12 so. And if they have a choice of an arctic university
13 versus a good general university, many of them will
14 continue to go out.

15 So I guess what I'm saying is don't get too
16 narrow here if you want the kind of thing you describe in
17 your opening remarks.

18 MS. SHROYER: I don't think that we would necessarily
19 give up our wonderful general university by improving an
20 Arctic, complete Arctic university group of departments. We
21 don't have to necessarily give up one for the other.

22 MS. PILLIFANT: We have to build the first one.

23 MS. STRASSBURG: Wouldn't that bring in students from
24 outside who are genuinely interested in the arctic, but
25 they won't get that sort of thing in their own localities.

1 MR. POMEROY: Mr. Chairman, I paid particular
2 attention to what Ed said. Part of it slips in because all
3 of the other things we talk about, whether it's timber and
4 whatever it is, it doesn't have to do with our having
5 ourselves stand out in some direction. And we're going to
6 spend more money per person than we are now. There's no
7 question about that.

8 I think perhaps the foremost area in which we can
9 stand out as a State, together with the service of the
10 people.

11 MR. MERDES: I just want to make one observation. It
12 struck me, I was with a bunch of students and as I
13 mentioned it, I wanted to try it out what they thought of
14 the university. Those kids want this university to be
15 outstanding. But we Alaskans go back in the territory. The
16 thing right under your nose, the thing that you could
17 usually do the most, you always overlook. And I think this
18 opportunity, if everybody agrees in this, I was in the
19 legislature. Ed, you know what I'm talking about. The
20 university has always been a political battle in the
21 legislature.

22 If the whole State would get behind the
23 university, if it's not a political battle anymore, you're
24 going to get excellence. We're the grass roots. We're the
25 ones who send the legislators down there. And we will get a

1 good university, because we'll tell them we want it. That's
2 the whole spirit behind the whole thing. Legislators get
3 the message, right? We got a broad spectrum of Alaskans
4 here.

5 I consider it a compliment.

6 MR. POMEROY: Well, it was deserved.

7 MR. MERDES: Leadership. What did Buckminster Fuller
8 say last night, the greatest thing we got is the human mind.
9 We're just carrying out what he said last night. That human
10 mind is the most beautiful thing in the world.

11 I really appreciate your remark.

12 MS. SPARCK: I think we're rehashing the same words
13 over and over and I think we ought to get on with it.

14 MR. ECKHOLM: Do we have any recommendations on
15 education?

16 MR. HARTLE: In line with talking about building up an
17 Arctic studies part of the university and in line with what
18 Mr. Naske said about the federal government lacking a
19 policy, he mentioned specifically follow up on the Naval
20 arctic research lab. The federal government is tentatively
21 planning to abandon that, abandon the funding of it. If the
22 federal government decides to abandon it, the State should
23 at least consider operating it.

24 It's a matter of funding that is causing it to be
25 abandoned. And if we could include it as part of the

1 university, I don't know if the federal government would
2 lease it to us for operating it, or if we would have to buy
3 it or what. But we should look into it, because it's a
4 fantastic facility, from what I've understood. So what I'm
5 saying is save money for the Naval reserve lab.

6 MR. PARKER: The buildings, the physical structure
7 belongs to the government. Since the Navy is giving it up
8 anyway, it probably wouldn't be too much of a job to have
9 the physical structure transferred. It's a very expensive
10 plant to operate, so it's why the Navy wants to get out.
11 They just want to get rid of the housing costs.

12 MR. NASKE: It's the only base we have. The only one.

13 MR. PARKER: The only thing, Mr. Chairman, we don't
14 have a discipline for polar studies. Ohio State has one,
15 Vermont has one, Colorado has one.

16 MR. NASKE: Cambridge, England, has one.

17 MR. MERDES: University of Washington.

18 MR. ECKHOLM: I'll write down these recommendations
19 then we'll go back over them all again.

20 MR. MERDES: I just heard that they funded it for
21 another year.

22 MS. PORTER: I would suggest separation of the
23 community college system from the University of Alaska.

24 MR. PARKER: Was that a part of Ed's statement. I heard
25 so much, I don't know.

1 MR. MERDES: I think it's extremely controversial. I
2 know everyone in this room has strong feelings on it and I
3 personally would not want to let it mix. I rather have them
4 go through the process. Because we got a separate community
5 college system right now.

6 Personally, I don't want to throw that into the
7 bag because it will just, I think, just blow up the whole
8 program. I personally would not want to, because when I was
9 in the legislature -- even right now that's a horrible
10 thing.

11 MR. NASKE: Create another board of regents, another
12 set of administrators.

13 MS. PORTER: All it will do is create another set of
14 regents. They are not able to get anything out of the
15 university. They are self-serving, they hold everything.
16 They simply will not give credit for classes even though
17 they're taught by the same instructor at a community
18 college. They want people on campus. That's their main
19 purpose. I can understand that.

20 Now the community colleges are in the process of
21 getting their own accreditation. They should not only be
22 allowed to stand on their own, own funding, own
23 administration, have their own accreditation, but also go
24 into an acceptable four year program.

25 MR. MCGINNIS: I believe that we need to be very, very

1 cautious at this point for a variety of reasons. If we
2 upgrade the quality or consistently upgrade at the higher
3 education level under the university umbrella, those should
4 float into colleges as well. When you look at Alaska in
5 perspective, the whole community is no bigger than perhaps
6 Tacoma, Washington, perhaps a fairly middle-sized city.
7 Cities suffer more from fragmentation.

8 There are many ways available to the legislature.
9 We found it within certain executive agencies, including
10 our own. They can be persuaded in due course to allocate.
11 There are mechanisms in which they can express the will of
12 the legislature if they wish to do so. It seems if the
13 system is now fragmented, it will open up a very explosive
14 area.

15 If there are problems in the board of regents in
16 their dealings with community colleges, those problems
17 should be worked out and citizens and the legislature
18 should help them do it. But to create a separate board and
19 a separate group.

20 Now, if they were going to get a quotation
21 through the junior colleges, two-year colleges, that's
22 quite all right. But at this point in our history to
23 fragment them further I think would be a mistake.

24 The only other thing I wish to say is, I would
25 hope that Ed would consider adding to his good statement

1 some concept along the line that there ought to be
2 encouraged in Alaska a fundamental policy shift in terms of
3 thinking about education. Namely, as long as we think of it
4 as an expenditure, like we go and buy a loaf of bread and
5 eat it and expend it, it's gone, this is an opportunity by
6 which these dollars are not, in the true sense of the word
7 expended, they are invested.

8 Perhaps some of the best investments, talking
9 about investing our permanent fund, some of the best
10 investments we will ever make will be in the investment in
11 upgrading the competence of our young citizens.

12 MR. MERDES: Fred, I agree with you. I'd like to have
13 Fred assist me, if you don't mind, Mr. Chairman, to write
14 this thing up, or anybody that wants to work with this. I
15 have no pride of authorship, but that's an excellent idea.

16 MR. PARKER: Following up on that concept, if you're
17 going to have a great university, it can't be subject to
18 the vicissitudes of every funding cycle. All great
19 universities have rested on a reasonably independent
20 financial base, including the great land grant universities
21 can provide operating revenues. So there has been the flow
22 of dollars to support a reasonable degree of independence.

23 Fred mentioned the heritage fund. Across the
24 board in a certain fairly large segment of them, and I
25 think Ed the other night mentioned endowed chairs. That's

1 the sort of thing, I think, where you create that kind of
2 base in a great university. Because the whole idea, you're
3 not going to have it until you have a level of independence.
4 You can't expect to swing the university out there and have
5 it respond like it was a State agency, which is generally
6 the way it's been treated. I think some concept between the
7 heritage fund and higher education in this State, not only
8 the University of Alaska, but every institution, is
9 something that should be pursued, eventually.

10 MR. POMEROY: I associate myself with Dr. McGinnis'
11 statement. I think we shouldn't dilute the main thing we're
12 presenting, get it mixed up with anything else.

13 MS. PORTER: If we're going to have a great university
14 we're not going to have a community college of great
15 excellence. Because the university simply will not allow it
16 to happen. Different kinds of things occur at community
17 colleges than occur at universities. The university system
18 is short-changing the community college system. The two of
19 them in this State are not compatible.

20 We're not dealing with a town the size of Tacoma,
21 we're dealing with a huge State; huge. And the coordination,
22 the communications are just insurmountable. Where the
23 university gobbles up a community college system, the
24 community loses because you don't any longer have a
25 community college where someone can run in and take a

#30:13

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LEGISLATIVE COUNCIL, STATE OF ALASKA

Conference on Alaska's Future Frontiers

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Reported by: Louise K. Mizota CSR

1 couple of courses. You have to enter into a program and
2 name your major. That's ridiculous.

3 MR. ECKHOLM: I think that this is very interesting,
4 but let's limit it on community colleges to two or three
5 more questions, then we'll move on.

6 MS. SCHIRMER: I'd like to somehow put into our
7 recommendations that we do not wish this to be a monolithic
8 improvement in the university. We want them to continue to
9 attempt to spread throughout the State an opportunity for
10 higher education.

11 MR. MCGINNIS: Mr. Chairman, may I say one more thing?
12 It's terribly important. One of the best insurances in the
13 long run to assure quality at the community college level
14 would be if it does have a strong identification with the
15 university.

16 The problems over the country often have been
17 that there has been a dichotomy between the upper level and
18 graduate studies in the lower level so that very often
19 students go through two years only to discover that what
20 they did makes not much difference in building for the
21 upper division and graduate levels. If they are autonomous
22 and separate, that have a vital link with what the whole
23 continuum of higher education ought to be.

24 The other thing troubles me and insists that we
25 really begin to look at the importance of the quality of

1 the vocational programs in our community colleges. Why is
2 it, for example, that we spend \$30,000 or more a year to
3 prepare someone to repair our heart? Because it's important,
4 it has to be done, he has to be very, very good.

5 Yet, the man who fixed our airplane motor who has
6 300 people's hearts suspended up there, he had better be
7 good in knowing how to check all these things that are
8 indeed now life-and-death matters. But we have relegated
9 many of these vocational programs to second-third-fourth-
10 rate status, and we ought to begin to put a value on the
11 quality that is necessary for those people as well as the
12 one who is studying geology and metaphysics and teaching.
13 Those things. But be assured those who know most about
14 teaching can keep on in it.

15 I think the present system is terrible. But it's
16 not going to be better by separating it but by helping the
17 people to improve it, rather than to say we're going to
18 contribute to a further disintegration.

19 MR. NAUGHTON: The State constitution says that the
20 University of Alaska shall be governed by a board of
21 regents. So don't go to the legislature thinking that
22 you're going to change anything in the university.

23 Now, I've listened to all the reactions to the
24 proposed policy on community colleges, and I agree. You
25 have to think of higher education as an investment. And we

1 don't want to think of this thing as a monolith. But the
2 thing is, look at your populations. Where is Alaska's
3 stable population? Where is the population? If you invest
4 in it today, will it be here 20 years from now? It's not in
5 the urban centers. It's five years in, and get out.

6 So, if you build these monoliths here or in
7 Fairbanks and you don't pay attention to the only place
8 where higher education is delivered in the rural areas of
9 Alaska, you're going to miss that. You're going to invest
10 all your money in people who then will leave and you will
11 have done the Lower 48 a great service.

12 MR. ECKHOLM: Thank you, Ed.

13 MR. POMEROY: I have more confidence with respect to
14 where we can go with education than in many other things we
15 are doing. We have been going through a lot of growing
16 pains; we are very, very young. And I believe that the
17 university, actually, if our recommendation is taken as
18 well as it's stated, and I think it will rise to the
19 greatness we can have.

20 And problems that were in this and we are
21 concerned about getting worse will not get worse, they'll
22 get less.

23 THE MODERATOR: I'd like to get back to what Ed was
24 saying. I agree with you. That's right. The stable
25 population is out there. And the people you want educated

1 out there, I'm not sure I agree with Rosie, but I know what
2 she's saying. How do you come down on this? Are the
3 community colleges out in the bush going to be better if
4 they split?

5 Experience has instructed me that they will be
6 better off separate from the university. Because the
7 history is that the central administration goes in and
8 raises their budgets. And there's nothing we can do about
9 it as citizens, nothing the legislature can do about it.

10 THE MODERATOR: That's right. Can't the legislature do
11 something?

12 No, sir, the university is governed by the board of
13 regents.

14 MR. MCGINNIS: Mr. Chairman, I'd like to discuss this
15 one minute further.

16 MR. ECKHOLM: It's very important, I agree, so let's
17 it discuss it for just a little bit longer.

18 MR. MCGINNIS: The later few years I've seen a drastic
19 change in what the legislature can and in fact is now doing.
20 One example is we used to have medical assistance budgets.
21 There are five or six pieces under it. Now they are
22 appropriating by each title, separate, once they have said
23 this is where it's going. So there are options to the
24 legislature.

25 But the constitution does not say that the

1 Department of Social Health and Services shall be governed
2 by somebody other than the legislature. It says it will be
3 controlled by welfare. So they can control that budget. But
4 they cannot control the University of Alaska.

5 MR. MERDES: They do now.

6 The way they do it is they pretend they don't
7 know what the condition the books are. If you ask to see
8 them, they'll say the books are so screwed up.

9 MS. SIMONDS: I would like to have added to our
10 resolution on education funding for the literacy projects,
11 especially the one at Anchorage. It teaches basic English.

12 MR. ECKHOLM: Let's finish the university discussion.

13 MS. SIMONDS: I'm sorry. I didn't realize.

14 MR. MERDES: I think this is a most interesting
15 discussion so far. There's strong feelings about community
16 colleges and really people have convictions. I think
17 there's been a legal opinion. I think we ought to check it.
18 The constitution says there's a board of regents of the
19 University of Alaska. You may have a legal problem. You
20 should consider a constitutional amendment if you feel that
21 strong.

22 My feeling is this. I think we ought to have a strong
23 statement coming out of this board here to the effect that
24 community colleges are a vital and integral part of the
25 Alaska higher educational system.

1 In the past everybody ignored it in many respects,
2 especially in the rural areas, and that we urge the
3 legislature to give the highest possible priority to
4 community colleges and the work that community colleges do.
5 I don't think we ought to increase a severance, because you
6 lose the whole thing and cause all kinds of trouble. But I
7 absolutely agree with you.

8 MS. PORTER: Why not stick your neck in it?

9 MR. MERDES: I don't think it's legal. As a matter of
10 fact, Ed, I'd like to see you write something up, and you,
11 Rosie. I'll help you.

12 MS. PORTER: I can write it myself.

13 MR. MERDES: You're going to lose the whole damn thing,
14 because it's bitterly, bitterly fought.

15 MR. NASKE: I just don't think that we can build a
16 strong or a recognized university in a State of 410,000
17 people that consist of three urban campuses, 12 community
18 colleges and Heaven knows how many adult extensions centers.
19 It cannot be done. We have to make a decision one way or
20 the other. If we want to provide equal services, mediocre,
21 in every area of the State, then that's what we should
22 decide, or the recommendation we should make. If we want to
23 create excellence, that takes a lot of money, and you can't
24 do it in 20, 30 centers. You cannot build a reputation in
25 Bethel or Kodiak or Mat-Su Valley.

1 MS. PORTER: But you can provide needed education that
2 people are not going to get in the villages and in Bethel
3 and in 57 villages and an area the size of Oregon because
4 the university wants them on campus at Fairbanks and at
5 class taking correspondence courses or your own village.
6 That's a crime. We're preventing thousands of people from
7 getting higher education by not separating the community
8 colleges and the university.

9 MS. PILLIFANT: My children have to go to Fairbanks.

10 MR. NASKE: I graduated from high school in --

11 MR. MERDES: There were two possibilities. The
12 legislature didn't come to me and rush to me and say, "Claus
13 Naske, you graduated, you don't want to go to Fairbanks or
14 Seattle; we'll establish a community colleges for you here."

15 MR. NASKE: They want you because you're a warm body.

16 MS. PORTER: I think that's a dirty argument.

17 MR. NAUGHTON: If Dr. McGinnis hadn't got the Methodist
18 University to Anchorage, the university would only be in
19 Fairbanks today.

20 MS. PORTER: We're talking about teachers aides which
21 have gone on to get an A.A. in their own village. Women who
22 are married, who can't afford to live in Fairbanks. What
23 are they going to do? Drag their husbands and kids with
24 them?

25 MR. ECKHOLM: Is there any way we can guarantee the