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TO: GINNY FAY + SENATOR COTTEN FROM BOB MOTTLEY, (212) 830-2957
AND NICK BLENKEY, EDITOR OF MAKING LOG (212) 620-9263

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West Coast States May Gang Up on Tanker Industry

By WILLIAM DIBENEDETTO

Journal of Commerce Staff

WASHINGTON — Four West Coast states and Hawaii hope to form a bloc that would have wide authority to regulate tankers and oil spill response measures in their region.

The move could develop into a classic states' rights vs. federal law battle, and might eventually render ineffective large sections of a federal oil pollution response, liability and compensation law enacted by Congress last year.

For instance, the interstate group would have power to impose new standards for tank-

er design, equipment, and crew sizes. And it could regulate ocean activities within the 200-mile Exclusive Economic Zone of the United States.

"It's a pretty bad package; a dangerous device with a propensity for causing a lot of mischief," said Ernest Corrado, president of the American Institute of Merchant Shipping, a group that represents U.S. tanker and bulk operators.

"It's scary," said an oil industry source who requested anonymity. "The whole concept of a federal approach will be thrown out."

The Pacific Ocean Resources Compact the

states envision needs approval from only two of the state legislatures involved — Alaska, California, Oregon, Washington and Hawaii — before it is sent on to Congress.

If Congress approves, regulations passed under the compact have the full effect of federal law, including enforcement duties by federal agencies. In addition, British Columbia may become a non-voting party to the compact.

Sen. Sam Cotten, who chairs the Senate Special Committee on Oil and Gas in the Alaska legislature and is a principal sponsor

of the compact legislation, said, "We're very serious about this."

Even with the federal pollution law, he noted, "You have different states with different standards; under the compact there will be one set of rules for the West Coast."

"We surrender certain authority and so does the federal government. It's a trade-off."

Sen. Cotten said the compact idea is the result of about two years of work, and it could take a year or two to get all five states to pass it.

Under the compact authority, the states
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West Coast States May Gang Up To Regulate Tankers, Oil Spills

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would coordinate programs and draft regulations involving oil and hazardous substance spill prevention, transportation, response planning and environmental monitoring and research.

Identical compact legislation pending in each state legislature says the states "do not have an effective means to address mutual concerns related to transport of oil and hazardous substances in waters within and beyond (their) jurisdiction that may jeopardize ocean resources."

It adds, "The existing system of response to spills fails to provide adequate protection to ocean resources."

Leo Brien, president of the Pacific Merchant Shipping Association, said, "It's very early in the process, but this is clearly causing us some problems."

It seems "very premature," he continued, because California, for example, recently passed comprehensive spill legislation and the federal pollution law was enacted last August.

Mr. Brien said it won't be easy for states to agree on final compact

legislation, and it faces an uncertain future in Congress. He noted that Congress has approved over 200 state compacts, but this one is a "radical departure" because of its anticipated scope.

Mr. Corrado noted that the five states' congressional delegations comprise 27% of the vote on Capitol Hill. "That would give them a big start right away" toward congressional approval, he said.

"Nobody envisioned this," he continued, adding that the compact concept seems to nullify the oil pollution act.

than that of former Gov. Bill Sheffield, a businessman-turned-governor who also brought a crew of political newcomers to Juneau. Former Gov. Steve Cowper, a former legislator, also made his share of first-year mistakes.

But others say things are far worse. The
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Janet Halvarson Photo by Al Geist

'Time for new blood' at FVCB

By Al Geist
For the Journal of Commerce

FAIRBANKS — "These are high-pressure jobs and usually people don't stay longer than five years. By that time, the talent they offer has been used and it's time to bring in new blood." Those are the words of Janet Halvarson, on her last day on the

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Environmentalists have appealed Forest Service plans for the Tongass National Forest. The Tongass Reform Act of 1990 — an action industry representatives say could seriously harm the ability of independent small sawmills to operate economically in Southeast Alaska. Story, Page 11

PACIFIC OCEAN COMPACT

Bill aims at increasing state influence

AK J of Commerce 2/18/91

By Don Byron
Alaska Journal of Commerce

Legislation introduced earlier this month in all five Pacific Ocean states would strengthen the hands of the states in preventing oil spills in their waters all the way out to the 200-mile limit, according to the bill's Alaska sponsor.

The Pacific Ocean Resources Compact will, said Sen. Sam Cotten, D-Anchorage, "enable us to set standards for ships and routes, establish regulations, and speak with one voice on activities affecting our joint resource — the Pacific Ocean."

The compact would include Alaska, Hawaii, Washington, Oregon and Califor-

nia. The interstate deal would require congressional approval.

The province of British Columbia could also join the group, either as a non-voting member, or, if Congress and the Canadian federal governments approved, as a full member. Each member state would have an equal vote.

"We'll invite British Columbia to participate," Cotten said. "They're obviously an interested party."

Under the legislation, the compact would undertake a united effort to prevent spills of oil or other substances harmful to the environment and fisheries of the Pacific.

It would set standards for such things as crews, equipment and routes used for ship-

ping oil and other hazardous materials within the compact area. Of specific concern to Alaska could be such issues as tanker design, tug escorts, safety equipment and crew size and training. "It would expand state influence," Cotten said.

A Hickel administration spokesman did not respond to a request for the governor's position on the bill.

The compact would exist only for regulation of shipments of oil and hazardous substances, and would not address such other interstate (and international) issues as resource management or allocation, or fisheries regulation.

Historically, interstate compacts have
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State LUST assistance not enough

By Tim Bradner
Alaska Journal of Commerce

It now appears likely that the new state underground storage tank assistance program approved last year by state legislators may not achieve one of its key goals, helping small businesses with underground tanks meet new federal requirements for financial responsibility.

Environmental Protection Agency requirements for \$500,000 to \$1 million in insurance go into effect this April for some larger fuel storage operators and in October for small firms who own one to 12 tanks.

It was hoped that the state assistance program would substi-

tute for the federal financial responsibility, or insurance, requirement. But state and EPA officials now think the funding mechanism for the state program — tank registration fees and some \$10 million in general fund appropriations over two years — will be inadequate to meet this need.

EPA officials in Seattle are reportedly looking at different ways federal regulations can be interpreted, but they are not optimistic. If the program doesn't qualify, owners of underground fuel tanks will still be required to get insurance, although the new program may help if its loan and grant provisions can assist small firms do required site assessments that will make insurance affordable, or even possible. Site

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Hawaii, Guam, Puerto Rico and the Virgin Islands. Office of Personnel Management officials told Alaska's congressional delegation that such cuts were being considered, although they said any action would be held off for at least eight months. The allowance is tax-free, and if it is lost, federal workers would lose \$3,000 to \$10,000 per year. Federal officials will publish the 295-page report by Wisconsin-based Runzheimer International in the federal register. After a 90-day period for public comments, the Office of Personnel Management says it will spend two to three months studying possible changes. As one of the biggest employers in Alaska, a cut of such magnitude could have substantial effects on the state's economy.

Interior now says ANWR oil discovery chances are 50 percent. The Interior Department has revised its estimates of finding oil in the Arctic National Wildlife Refuge, and now says there is a 50 percent chance of finding a commercial oilfield. Earlier, the agency gave a 19 percent chance. The federal Bureau of Land Management

Hickel and Young: Raise industry royalty to cover state's loss. Gov. Walter Hickel and Congressmen Don Young are now saying that if Congress doesn't give Alaska its "fair share" of federal oil royalties from any ANWR production, oil companies should pay higher royalties to help make up the difference. Industry generally pays 12.5 percent royalties on federal leases, and Alaska, under current law, would receive 90 percent of that. As part of legislation opening ANWR to exploration, Congress may scale back the state's share to 50 percent.

Terrorism fears dampen Japanese tourism, flights via Alaska. Fears in international terrorism is having harsh effects on Japanese tourism to Europe, the economic core for passenger flights that continue to stop at Anchorage International Airport. State airport officials said 20 percent of the international flights refueling in Anchorage may be cancelled this month. One Japan Air Lines Boeing 747 landed recently with just 19 passengers on board.

Oil prices will rebound dip: British Petroleum's officer told Alaska business company believes a short-term glut could depress prices a Gulf war, but that market likely restore an equilibrium \$20 to \$25 per barrel range, told listeners at a Resource Council breakfast that so barrels of recoverable oil produced in Alaska, and business experts think another barrels can be developed. invest some \$2.5 billion in the next few years, it was said.

Details on Hickel's Exxon proposal. A few details emerged of a proposed settlement between Gov. Walter J. Hickel and Exxon over ongoing oil spill litigation. cleanup would be paid from a fund to be established by Exxon, H. lawmakers in Juneau. Hickel federal studies into the Exxon put the damage assessment at \$1.2 billion. Hickel has proposed a \$1.2 billion settlement.

Pacific Ocean Compact

Continued from Page 1

been used to try to deal with other problems that transcend state boundaries, such as air pollution, land-use planning and water allocation.

Industry's response has, so far at least, been favorable, Cotten said. "They'd rather have one set of standards and regulations instead of potentially five or six," he said.

"I'm inviting criticism," Cotten said, but he added, "The benefits are pretty clear for Alaska."

The compact is the result of work by a couple of interstate bodies, Cotten said. One was the Pacific Fisheries Task Force, with four Alaska legislators (Sens. Dick Eliason and Fred Zharoff and Reps. Cliff Davidson and Mike Navarre) as members. The other was the Ocean Resources Committee of the Council of State Governments' Western Conference. Cotten, then a state representative, was vice chairman of the committee.

But Cotten said the major factor pushing the states toward the compact was the 1989 Exxon Valdez oil spill.

The compact would coordinate plans for responding to oil or hazardous substance spills, and would assemble and keep a directory of personnel, equipment, technical expertise, organizations and other resources.

If Alaska does not join the compact, "the other states will," he said.

The Pacific Compact legislation was introduced in the other participating states by state Sen. Bill Bradbury of Oregon, Assemblyman Dan Hauser of California, state Sen. Jack Metcalf of Washington and state Rep. Peter Apo of Hawaii.

Co-sponsors with Cotten on the legislation, SB 102, are Sens. Eliason, Zharoff and Arliss Sturgulewski.

Correction

In a Feb. 4 story, the name of Alaska Housing Finance Corp.'s Tom Hulin was misspelled. Also, Hulin was mistakenly identified several times in the story as the agency's CEO, or chief executive officer. He is chief operating officer.

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