ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672
89 SCOMM 9: HOUSE SPEC. COMM. ON PERMANENT FUND 1977-78

complex in Alaska. The proposal contemplates production of aromatics, olefins and their intermediates. This facility would also produce gasoline, arctic diesel and jet fuels at approximately 30,000 b/d for in-state use through existing channels of distribution. The proposal also encourages the possiblity of more advanced processing facilities by the private sector. Petrochemicals would be marketed preferentially in Alaska, in the U.S. and to customers outside the U.S. ALPETCO estimates a three to four year design and construction period and proposes to buy, transport and market, as a condition to any agreement with the State of Alaska, the state's royalty crude to contractually bound purchasers in Alaska and the lower 48 during the interim. ALPETCO pledges the "latest technology available" to meet all federal, state and local regulations.

ALPETCO has indicated a preliminary preference for Valdez, the terminus for the North Slope Pipeline, but, "has reached no conclusion." The cost of siting is "disproportionately important to the project. The complex will cost approximately $1.5 billion and will permanently employ fifteen hundred people with an estimated average annual payroll of $34 million. Three-hundred fifty of these jobs will be associated with marine transporation of the products. Up to two thousand people will be employed in the three to four year construction phase with a gross payroll of $38 million. ALPETCO commits to some form of Alaska hire as a "fundamental building block

of its corporate responsiblity in which the company will reside." It will also "plan for and realize" the development of the comprehensive training program associated with petrochemical and marine employment. The new facility will generate up to $100 million per year in local and state taxes.

According to Kuhn Loeb & Co. Incorporated and E. F. Hutton & Company Inc., financial advisors and investment bankers for Alaska Petrochemical Company, a twenty-five year crude supply commitment and assurances that preliminary details (e.g. permits) will be expeditiously processed by the State of Alaska are deemed essential to successful financial arrangements.

Alaska Petrofining Corporation

A. General Information

Alaska Petrofining Company is a sponsoring group consisting of the Sealaska Regional Native Corporation, Henry J. Kaiser Co. (Kaiser Aluminum), Southern California Edison, Dow Chemical Company and Pacific Gas and Electric Company. Project financing will be handled by Stone and Youngburg, investment bankers. CH_2M Hill, a west coast environmental assessment firm, will be involved in the environmental conservation plans. UOP Process Division of UOP, Inc. is responsible for refinery process design. It is interesting to note that this group has provided complete process designs for sixty-five basic refineries. Henry J. Kaiser Co. will perform detailed engineering and construction management.

UOP Management Systems will provide operational management.

B. Proposal

The Alaska Petrofining Corporation seeks to install a world scale size 250,000 b/d capacity completely integrated fuel, petrochemiccal refinery which will utilize as a basic feedstock, royalty oil "purchased from the state at a competitive price." These facilities would produce such things as low sulphur fuel oil for power generation to west coast utilities, distillate fuels (jet fuels, diesel and home heating oils) to local and west coast industrial and utility markets, petrochemicals to "one of the five largest U.S. chemical companies," gasoline (aviation and motor) to the local markets and petroleum coke (used in metallurgical refining). The proposal indicates that sponsoring companies which make up the Alaska Petrofining Corporation have a "current internal demand for the full output of the proposed facilities" which includes energy products and speciality products. They assure competitive pricing and the "latest environmental safeguards" so that the benefits of the refinery can be realized without significant penalty to the environment."

Energy Resources, Inc.

A. General Information

The consortium members are unidentified. Financial backing has been raised from an international consortium. Information will be released "to the proper authorities upon request." The Ralph M. Parsons Company has prepared a proposal for

Energy Resources, Inc.

B. Proposal

Energy Resources, Inc. contemplates construction of a fully integrated petroleum and petrochemical complex processing 150,000 barrels per day of Alaska royalty crude to be completed in 1981. Fuels and petrochemicals will be produced for in-state and presumably out-state markets. The plant will be built to "more than satisfy all current federal, state and local environmental standards."

The proposal forecasted a permanent workforce of three hundred twenty-five refinery personnel plus an additional forty administration personnel with an estimated annual payroll of $34 million. During peak construction periods twenty-five hundred to twenty-eight hundred persons will be employed with an estimated annual payroll of $47 million. The state will received $655 million for the sale of royalty crude and $27 million annually in taxes. No estimates have been provided with respect to employment and taxes generated by supporting industries. Energy Resources, Inc. intends to "hire and train the majority of all personnel required" from Alaska. No subsidies are requested. Moreover, the proposal contemplates a six to seven cent cost reduction from existing prices to in-state wholesalers who "hopefully will pass the savings to the consumer."

Alaska Oil And Chemical Company

A. General Information

The Alaska Oil and Chemical Company is a wholly owned subsidiary of the Guam Oil and Refinery Co, Inc. (GORCO). GORCO was formed for the purpose of building an oil refinery on the island of Guam. The refinery has been operating in Guam since 1970 and has a capacity of 45,000 barrels per day. The company is privately owned and currently has a sales volume in excess of $150 million annually. GORCO proposes that the project should ultimately take the form of a "consortium effort, consisting of chemical companies, oil refiners and marketers, native Alaska investors and others." Their preliminary proposal incorporates the conclusions contained in a feasibility analysis completed by Purvin & Gertz, Inc.

B. Proposal

The Alaska Oil and Chemical Company wants to build a 100,000 barrel per day petrochemical refinery which will use North Slope Royalty Oil and produce primary petrochemicals and low sulfur fuels. The proposal appears to assume the tandem development of derivative plants which produce intermediate petrochemicals from primary petrochemicals produced in the facility proposed by Alaska Oil and Chemical Company. It is not clear whether these intermediate facilities form part of the Alaska Oil and Chemical Company proposal or whether a primary facility would be constructed without these adjacent derivacive industries. The project is estimated to be

completed by 1982 at a total cost of $950 million for the basic petrochemical refinery. Additional investments in excess of $1 billion would be necessary for derivative plants. The refinery and all derivative plants would be designed to meet "the strictest environmental regulations."

The Purvin & Gertz proposal favors Valdez and Kenai Penninsula sites but does not exclude consideration of other sites. It should be noted that Valdez is viewed as logistically superior but there is some question as to the availablity of a suitable site location. Kenai is also preferred because it is already the home of a major concentration of Alaskan carbon based industries including two petroleum refineries, an LNG plant and a nitrogen fertilizer plant. Four hundred thousand to five hundred thousand gallons per day of fresh water will be required "and this must be considered in selecting the site." Purvin & Gertz estimate that two to four thousand workers will be involved in the three year construction phase (Four to five years if derivative plants are included.) with plant operatings beginning in 1982. The petrochemical refinery itself will employ seven hundred employees with an annual payroll of $14 million. Derivative plants would employ two or three times more in total. Ultimate employment projections thus range over three thousand persons with little seasonal variation. Three additional support jobs would be generated for every petrochemical refinery job.

Commercial Realty Company

Commerical Realty Company is a Los Angeles realty company which claims to be affiliated with several companies which "taken together, have significant experience" in oil production, refining, terminaling, and marketing. Commerical Realty proposes the construction of "one or more" petroleum processing plants probably located in the Valdez area. Products would be marketed in Alaska and "elsewhere." Initial plans contemplate a 50,000 b/d processing plant for bunker fuel, asphalt, diesel, jet fuel, naptha and possibly gasoline. Later phases could involve more sophisticated products. Retail marketing facilities are also mentioned in the proposal. "First phase" possibily could begin "relatively soon after governmental permits have been granted." All facets of the environment will be protected. It should be noted that Commerical Realty requires moderate oil pricing to offset the high cost of construction and operation in Alaska.

Tesoro-Alaskan Petroleum Corporation

In addition to proposals for use of royalty oil in existing refineries, Tesoro has proposed to contract for up to 74,000 barrels per day for possible use in an expanded and/or new refinery facilities at the "highest posted price by a substantial purchaser in Prudhoe Bay." The proposed contract terms would include a three year feasiblity analysis period with an option to purchase royalty oil for any purpose during this time, a three year construction period with an option

to purchase royalty oil for any purpose during this time, and a twenty year primary operations period commencing with start up operations of expanded or new refinery facilities. Tesoro may, at its option, cancel the contract after the initial three year feasiblity period.

Pacific Resources Inc.

This proposal has been withdrawn.

EXISTING FACILITY PROPOSALS

There are three proposals which solicit the use of royalty oil as a supplement to existing refinery operations:

The Municipal Utility System (MUS) in Fairbanks would use substantial quanities of oil to fire their existing power plants. Although the city of Fairbanks is attempting to enter into a joint venture agreement with Golden Valley Electric Association for the construction of a large scale coal fired electric generating plant by 1983 at the earliest, the MUS, during the interim period, "will be relying heavily on oil fired electric generation equipment and is in need of a committed source of oil to use in the turbines."

Tesoro-Alaska Petroleum Company is interested in purchasing Prodhoe Bay crude for use at its Kenai Alaska Refinery.

North Pole Refinery at North Pole, Alaska wants royalty oil for its refinery operations to "meet the demand of future petroleum growth in the interior of the state." NPR envisions royalty oil as a supplement to a non-royalty base supply adjusted to future demands in amounts ranging from three thousand to five thousand barrels per day.

SCOMM

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#5

AlaskaPacificBank

Working Paper #1

August 25, 1976

STATE OF ALASKA PERMANENT FUND

INVESTMENT OBJECTIVE OPTIONS

In accordance with the directive given to us, this first working paper focuses on identifying all of the possible investment objective options for the proposed permanent fund.

Our effort emphasized comprehensiveness and completeness. It was not our purpose at this point to engage in any analysis of the options. Nevertheless, in the accompanying list some preliminary, somewhat superficial analytical observations are made.

The options appear to fall into three general categories: those with a social orientation, those with an economic orientation, and those with a fiscal management orientation.

Social Orientation

I. Income Redistribution

The principle objective of the fund would be to serve as a vehicle for redistributing income from

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high income earners to low income earners. This would imply a strategy of placing investments in the safest securities, with the income from these investments going to low income families on the basis of some sort of formula perhaps similar to those developed for the proposed Federal Negative Income Tax. Obviously, considerable actuarial work would be required to insure that the program were operated so it would not have to be supplemented by the general operating budget.

II. Subsidization of Lower Income Families

Here the fund would be utilized to guaranty or purchase loans up to certain amounts and for certain purposes. The program would be structured so as to provide financing to families who otherwise would have a difficult time obtaining funds. An example would be expansion of the State's home mortgage program.

III. Geographic Redistribution of Wealth

Under this objective the fund would invest principally in rural development programs, making capital available

for both public and private projects that otherwise would not be able to attract such capital. This objective tends to fly in the face of an important concept which should be kept in mind: just because financing is available for a particular project not necessarily make the project sensible from a long-run operational viability standpoint.

IV. Support of a Specific Designated Social Objective: e.g., Endowment to Finance the University of Alaska

This strategy, similar to the one pursued in Texas (Permanent University Fund), represents a rather dramatic commitment of state funds. It would seem that such a commitment would have to have some degree of flexibility, as it runs the risk of not coinciding with future social priorities.

V. Directly Increase the Quality of Life of All Alaskans Through Various Subsidies

The structure of this program would be identical to that under II, except that the lower interest loans would be available all Alaskans regardless of income or ther financial criteria. Naturally, such a program would run the risk of some rather dramatic disparities, such as an extremely wealthly individual receiving a state subsidized loan.

VI. Provide a vehicle to allow all Alaskans to participate more directly in the economic development of the state through an ownership position.

This would involve creating a private corporation, the stock of which would be given to Alaska citizens on the basis of some sort of criteria and formula. The corporation (e.g., Alaska, Inc.) would receive the revenues designated for the permanent fund and would have the power to declare dividends on the basis of its earnings.

The legality of such a vehicle is certainly opened to question. Further, establishing such a program would be an extremely complex matter. Such a vehicle might be implemented as a "general stock ownership plan" similar to an "employee stock ownership plan" recently authorized by Congress. In addition to the legal questionability and mechanical complexity, there are some major philosophical questions which such a program brings forth.

Economic Orientation

VIII. Subsidize small businesses through expansion of existing loan programs (Small Business Revolving Loan Fund, Commercial Fishing Loan Fund, and Tourism Revolving Loan Fund) and the development of new similar loan programs.

This program would likely take the form of loan guarantees or purchases to bring about lower interest rates.

Important note: subsidies only make economic sense if the activity directly and indirectly induced by the subsidy generates in the long-run revenue to the state government which exceeds the cost of the subsidy, thereby bringing about a net benefit to the state.

VIII. Vehicle to bolster, beef up, and make viable Alaska's traditional industries, particularly fishing and forest products.

Such a strategy would imply a variety of programs including loan guarantees and purchases, bond purchases, (e.g. "Industrial Bond Bank"), and direct ownership of major projects which effect substantially the viability of these industries (e.g., Quebec Industrical Development Assistance Act).

These programs should be pursued only if they sufficiently alter the very structure of these industries so as to create truly viable enterprises which in the long-run will generate tax and other revenues which more than offset the costs of these programs to the State.

IX. Vehicle to create a more stable and broadly based economy.

Under such an objective the highest priority would be placed on the financing (either debt or equity) of major projects which substantially alter the very structure of Alaska's economy.

Examples might include hydroelectric facilities, petrochemical plants, agricultural projects, hardrock mining ventures, etc.

The organizational structure and modus operandi might be similar to organizations such as The World Bank, the Asian Development Bank, and the Development Bank of Puerto Rico.

Fiscal Management Orientation

X. Vehicle to provide cushion for possible future revenue down turns.

Under this program the fund would be invested relatively conservatively. Earnings would be re-invested separately in the safest securities, and the accumulation of such earnings would be available to fill any gap resulting from a momentary short-run decrease in revenue to the State of Alaska as a result of cyclical or other temporary factors.

XI. Reduction in the state debt and/or the tax burden on Alaska's taxpayers.

Under this objective the fund would be utilized to buy back State of Alaska bonds, reducing the state's outstanding debt and thereby (1) lowering the interest payments of the State, and (2) improving the State's bond rating which in turn would lower the interest rate on future bond issues.

Further, under such a strategy earnings of the fund would be utilized to help pay for the State's operating expenses or for the distribution to local government for support of current operations.

General Comments

Upon considerable reflection on this matter, we feel that a subtle yet extremely important distinction must be kept in mind. The very name of this instrument which the Alaska voters will approve or disapprove -- permanent fund -- implies that notion of sustainability and perpetuity. Therefore, it seems to us that management of the fund in accordance with the intent of the Legislature and the Alaska voters would imply a long-range rather than a short-range orientation.

In this regard, it is important to acknowledge that often pursuit of short-run social objectives such as redistribution of wealth often is counter-productive to the extent that it can undermine the very factors that are necessary for their long-run continuation. Further, it should be acknowledged that pursuit of economic objectives, to the extent that they expand the tax base, often more

effectively contribute to the long-run maximization of social objectives.

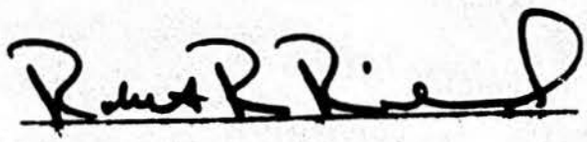
It is this line of reasoning that at this point causes us to feel that pursuit of investment objective options VIII and IX would most effectively satisfy the intent of the Alaska voters if they approve the creation of the Permanent Fund.

It appears to us that the following activity is now appropriate for the State Investment Advisory Committee:

(1) Select on a preliminary basis the objectives to be pursued, establish the priority for each.
(2) Fully analyze the implications and effects of the pursuit of each objective.
(3) Refine, consolidate, and perhaps reduce the objectives to be pursued, establishing a relative priority for each.
(4) Determine certain more specific guidelines (e.g. investments inside and outside the State of Alaska, the fund's interface with the private sector, and the mix between short-run and long-run maximization of objectives).
(5) Determine the organizational structure, administrative procedures, and other specifics required for implementation of the fund.

This working paper represents only our initial thinking on this matter and is intended solely as a basis for discussion which will

lead to a specific identification of further analysis to be performed.



Robert R. Richards

#5

AlaskaPacificBank

Working Paper #6 November 5, 1976

INTERFACE OF THE PERMANENT FUND
WITH THE ALASKA BANKING SYSTEM

Relative to consumers in other states, Alaskans enjoy access to a broad banking system. Exhibit A indicates that on a per capita basis there are more separate banking institutions in Alaska than in all of the other western states. Further, as indicated on Exhibit B, Alaska communities of over 10,000 people have twice as many banks as the United States average. Finally, as indicated on Exhibit C, some extremely small communities in Alaska are served by banks.

The map labeled Exhibit D indicates the broad geographical disbursion of Alaska's commercial banking system. A specific listing of the location of Alaska's banks is on Exhibit E. Note that there are over 100 banking offices in Alaska.

Commercial banks are only a part -- and indeed a small part -- of Alaska's total financial industry. Exhibit F is a partial list of other financial institutions doing business directly in Alaska.

As you can clearly see from these exhibits, Alaska consumers

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have available to them a relatively broad geographical disbursion of commercial banks and a very wide variety of types of financial institutions with which to deal.

The information that I have presented to this point is primarily background data. The most important element of the Alaska banking system in terms of the Permanent Fund is the role which Alaska banks have played as conduits for channeling funds from large, long-term investors to Alaska's families and businesses.

Over 80% of the money which finances the purchase of homes in Alaska does not come from Alaska bank deposits. It comes from large institutional purchasers of mortgages. These institutional investors are comprised basically of (1) federal agencies (Federal National Mortgage Association and Federal Home Loan Mortgage Association) and (2) "outside" savings institutions, and (3) union pension plans.

The banks originate the mortgages, that is, they take the application from the borrower, perform the credit analysis, do all the paper work, etc. Then the banks sell the mortgages to these large investors and service the mortgages for a fee. Servicing includes accepting the payments, making the tax and insurance payments, etc. The borrower deals solely with the bank and is not even aware of the institutional investor who purchased his mortgage.

Another way in which the Alaska banks serve as conduits for

the flow of funds into the Alaska economy is through loan participations with "outside" banks. This situation normally arises when a customer comes into his bank in Alaska and requests a loan that exceeds the lending authority of the particular Alaska bank. The bank then presents the loan to an outside bank with which it has a correspondent relationship for consideration by the "outside" bank to lend the amount of money which exceeds the Alaska bank's authority. This is a very common practice, and it goes on everyday. Exhibit G is a partial list of United States financial institutions participating in loans in Alaska.

Probably the most significant investor which injects funds into Alaska's economy through the Alaska banks is the State of Alaska. The state General Fund, the Public Employees' Retirement Fund, and the Teachers' Retirement Fund currently hold over $100 million of loans and mortgages which were purchased from Alaska's banks.

Additionally, the Small Business Administration has been a substantial purchaser of Alaska's loans.

The relevancy for all of this for our discussion today is that the Alaska banking system is structured and has operating procedures established for serving as an effective conduit for the flow of funds from large investing agencies to Alaska's families and businesses. The Alaska banking system has a considerable amount of experience in this procedure and perceives this as one of its important roles.

The investing agency benefits from this system by receiving the knowledge, skills, manpower, and entire mechanism of, I think, an extremely efficient group of institutions set up to perform this very function. The large institutional investor pays a fee for this service which obviously the institutional investors to date have felt was more economical than setting up their own organizations to take loan applications, process the paper work, etc.

The conclusion then, it seems to me, is that if a portion of the Permanent Fund is allocated toward loans to consumers, families, or Alaska businesses and organizations, it appears to make sense to do this through an efficient system of financial institutions already set up to perform this function.

Further, I think that consideration should be given toward allowing Alaska banks to participate in large economic development type loans. Some Alaska banks already participate in major financing in the state which actually was originated between the corporate headquarters of national firms and a major bank "outside." The advantage of having the participation by the Alaska banks is twofold: (1) the Alaska bank can offer an understanding of the environment within which the loan is being made and (2) the Alaska bank provides a certain amount of local supervision of the loan by maintaining surveillance over the activity which the loan is financing.

I think that most bankers, in Alaska are quite enthusiastic over the Permanent Fund because they are aware of the tremendous

good that can be forthcoming from this vehicle. They certainly do not perceive it as a threat. It should be kept in mind that commercial banks are in business to make short-term commercial loans -- hence, their name. The Permanent Fund, on the other hand, as indicated in my very first working paper presented to you, should have a long range orientation. Its very name implies this and, indeed, the Alaska voters had this in mind when the approved it. So, operated as I think they ought to, the Permanent Fund and the Alaska banking system should not be in a competitive posture.

As an added service to the Permanent Fund, however, the Alaska banking system offers an efficient, conduit through which the Permanent Fund could channel certain of its investments.

EXHIBIT A

NUMBER OF BANKS* PER 100,000 PERSONS

State	Number
ALASKA	3.75
Idaho	3.43
Washington	2.79
Oregon	2.32
Nevada	1.60
Hawaii	.88
Arizona	.83
California	.77
Utah	.55

*Number of separate institutions

Source: "Blue Chart - A comparative position table of the non-reserve city banks and the reserve city banks in the Twelfth Federal Reserve District," The Pacific Banker and Business.

EXHIBIT B

AVERAGE NUMBER OF COMMERCIAL BANKING ORGANIZATIONS
PER CITY IN U.S. AND ALASKA

(1970)

	Size of City			
	5-10,000	10-15,000	15-30,000	30-50,000
Total U.S.	1.99	2.41	2.83	3.29
Alaska	2.50	5.00	--	6.00

Sources: 1970 Census of Population, Advance Report, Final Population Count, Bureau of the Census U.S. Department of Commerce. American Bank Directory, Spring and Fall Editions, 1970, Fall Edition 1973. Operating Banking Officers, January 1, 1970, FDIC. Standard Metropolitan Statistical Areas of the United States, 1967, Bureau of the Budget, Executive Office of the President. Subsidiary Bank of Bank Holding Companies, Dec. 31, 1969, Federal Reserve Board.

EXHIBIT C

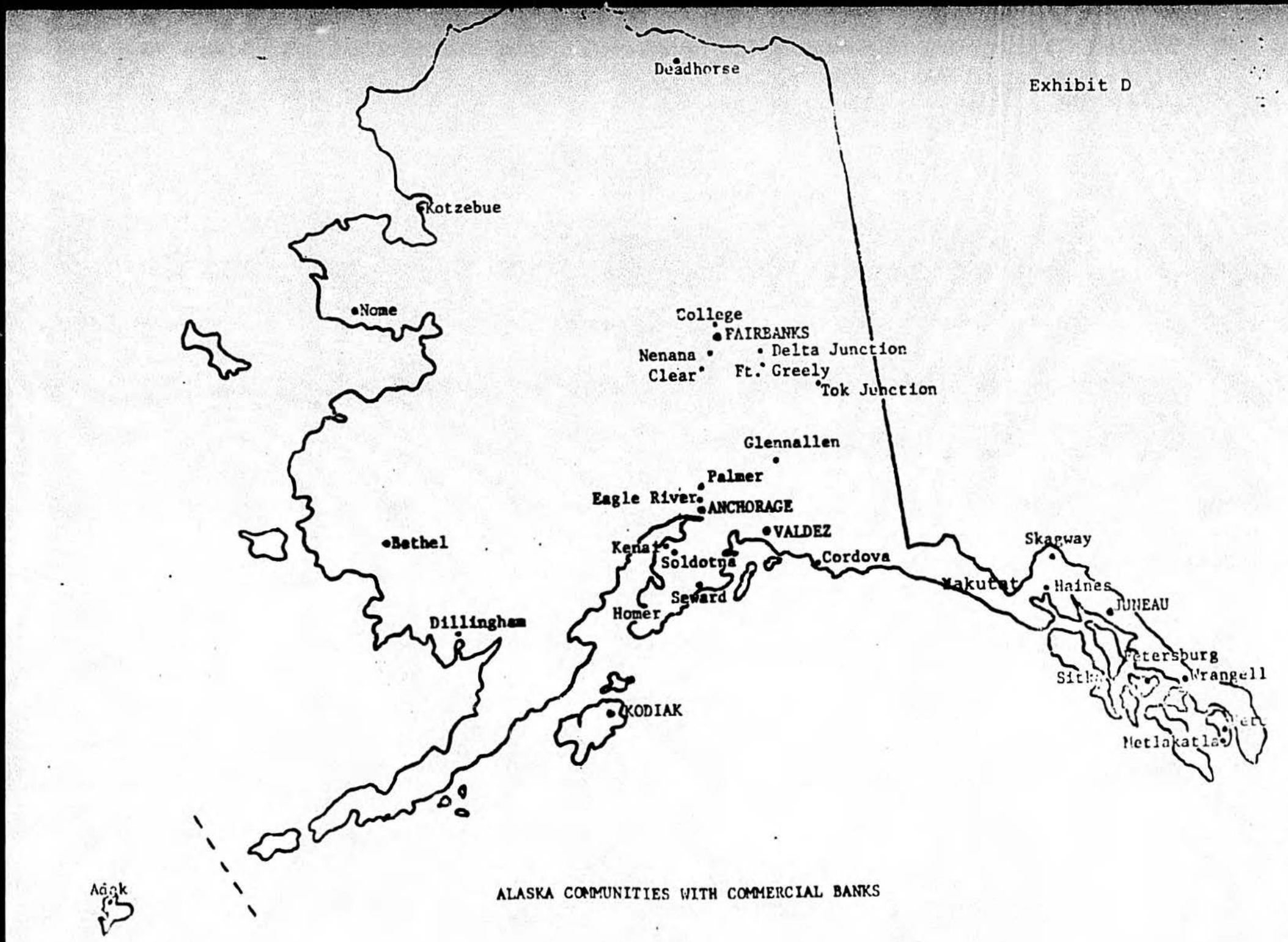
ALASKA COMMUNITIES WITH COMMERCIAL BANKS

Community	Population*	
Deadhorse	163	
Yakutat	190	
Tok	214	
Wasilla	300	
Nenana (Clear)	362	
Glennallen	363	
Skagway	675	
Delta Junction	703	
Dillingham	914	
Valdez	1,005	
Metlakatla	1,050	
Homer	1,083	
Palmer	1,140	
Cordova	1,164	
Soldotna	1,202	
Haines	1,351	
Seward	1,587	
Kotzebue	1,696	
Fort Greely	1,820	
Wrangell	2,029	
Petersburg	2,042	
Barrow	2,104	
Adak	2,249	
Bethel	2,416	
Eagle River	2,437	(incl.Anch.Borough)
Nome	2,488	
Sitka	3,370	
College	3,434	(incl.Fairbanks Bor.
Kenai	3,533	
Kodiak	3,789	
Ketchikan	6,994	
Juneau	13,556	
Fairbanks	45,864	
Anchorage	126,333	

Source: Research and Analysis Section, Employment Security Division, State of Alaska, Department of Labor, June, 1971.

*1970 census

Exhibit D



ALASKA COMMUNITIES WITH COMMERCIAL BANKS

EXHIBIT E

ALASKA FINANCIAL INSTITUTIONS

BANKS Commercial Banks	Main Office Location	Main Office City	Other Offices	No.
National Bank of Alaska	Anchorage	4th and E Dimond Fifth Avenue Spenard Ft. Rich. Gov't Hill Airport Mall Russian Jack Sand Lake	Adak Cordova Dillingham Fairbanks (2) Glennallen Homer Juneau (2) Kenai Ketchikan (2) Kodiak (2) Metlakatla Petersburg Sitka (2) Skagway Soldotna Valdez Wasilla Wrangell	33
First National Bank of Anchorage	Anchorage	646 W. 4th 5th Avenue Eagle River Eastchester Elmendorf Northern Lgts. Parkway S. Center	Bethel Cordova Fairbanks Haines Juneau (2) Kodiak Palmer Seward Sitka Valdez	19
Alaska Statebank	Anchorage	442 W. 5th Drive-in Br. Mt. View Northern Lgts. Tudor	Fairbanks (2) Kenai	8
Alaska National Bank of the North	Fairbanks	Head Office Airport Rd. Eielson Int'l Arpt. University	Anchorage (3) Barrow Deadhorse Delta Junction Kotzebue Nenana Nome Tok Valdez	16

EXHIBIT E Cont'd

	Main Office Location	Main Office City	Other Offices	No.
Alaska Bank of Commerce	Anchorage	712 W. 4th Airport C Street Drive-in Eagle River Tudor Boniface O'Malley	Palmer Wasilla	10
First National Bank of Fairbanks	Fairbanks	Cushman College Cushman & Gaffney Ft. Wainwright Gavora Mall	Clear Eagle River Ft. Greely North Pole	9
First National Bank of Ketchikan	Ketchikan	Head Offi Totem	Anchorage Craig Petersburg	5
Peoples Bank & Trust	Anchorage	644 W. 8th Sand Lake University Center		3
B. M. Behrends	Juneau	Head Office Mendenhall	Hodnah Yukutat	4
Security National Bank	Anchorage	Head Office		1
United Bank Alaska	Anchorage	Head Office		1
Alaska Pacific Bank	Anchorage	Head Office		1
TOTAL NATIONAL BANKS				83
TOTAL STATE BANKS				27
TOTAL COMMERCIAL BANKS				110
Savings Banks				
Alaska Mutual Savings Bank	Anchorage	5th & F Airport Heights Eagle River		3
Mt. McKinley Mutual Savings Bank	Fairbanks	Third Avenue		1
TOTAL SAVINGS BANKS				4
TOTAL BANKS				114

EXHIBIT E Cont'd

	Main Office Location	Main Office City	Other Offices	No.
Savings & Loan Association				
First Federal Savings and Loan	Anchorage	305 W. 5th Dimond Muldoon Spenard	Kenai Kodiak	6
Alaska Federal Savings and Loan	Juneau	301 N. Franklin	Ketchikan Sitka Palmer Valdez	5
Arctic First Federal Savigs and Loan	Fairbanks	Head Office Downtown Steese	Anchorage Craig* Petersburg* Wrangell*	4
Home Federal Savings and Loan	Anchorage	535 D Street		1
TOTAL SAVINGS & LOAN ASSOCIATIONS				16
TOTAL BANKS & SAVINGS & LOAN ASSOCIATIONS				130

*Agency only

EXHIBIT F

PARTIAL LIST OF FINANCIAL INSTITUTIONS DOING BUSINESS IN ALASKA

Commercial Banks

National Bank of Alaska
First National Bank of Anchorage
Alaska Statebank
Alaska National Bank
Alaska Bank of Commerce
First National Bank of Fairbanks
First National Bank of Ketchikan
B. M. Behrends Bank
Peoples Bank and Trust Company
Security National Bank
United Bank Alaska
Alaska Pacific Bank

Savings Banks

Alaska Mutual Savings Bank
Mt. McKinley Mutual Savings Bank

Savings and Loan Associations

First Federal Savings and Loan
Alaska Federal Savings and Loan
Arctic First Federal Savings and Loan
Home Federal Savings and Loan Association

Credit Unions

AF & S Federal Credit Union
Alaska Command Federal Credit Union
Alaska Teamsters Federal Credit Union
Anchorage City Employees Federal Credit Union
Anchorage Teachers Federal Credit Union
CAA8 Federal Credit Union F301
Starliner Federal Credit Union

Leasing Companies

NBA Leasing Corporation
UCB Leasing Corporation
Bank of California Leasing Corporation
Crocker-McAllister Leasing Corporation
First Bank Leasing Corporation
Chandler Leasing Corporation
TDS Leasing Corporation
Liberty Leasing Company, Inc.
Professional Leasing Company
Booth Computer Corporation
Rockwood Computer Corporation
IBM Corporation

EXHIBIT F Cont'd.

Mortgage Companies

Ballard and Associates
Coast Mortgage Company
Commonwealth
Cronin Mortgage Company
First Chicago Realty Services Company
Kassler and Company
Lomas and Nettleton
Metropolitan Mortgage and Security of Alaska, Inc.
Spokane Mortgage
T-K Mortgage-Investment
First Bank Mortgage

Finance Companies

Household Finance Corporation
Lectro Alaska Finance, Inc.
Beneficial Finance Company
Pacific Finance
AGC of Alaska Sales and Service
GMAC
Chrysler Credit Corporation
Ford Motor Credit Corporation
Friendly Ford
CIT Corporation
Northwest Acceptance Corporation
Westinghouse Credit Corporation
General Electric Credit Corporation
Safeco Finance Company
Deere Credit Corporation
Credit Alliance Corporation

Investment Banks, Advisors, and Money Managers

Brown Brothers Harriman and Company
Schroeder Capital Corporation
Scudder, Stevens, and Clark
Loomis and Kennedy
Lehman Brothers
Wells Fargo Bank Trust Department
Union Bank Trust Department
Bank of America Trust Department
Seattle-First National Bank Trust Department
Trust Company of the West

EXHIBIT G

PARTIAL LIST OF U.S. FINANCIAL INSTITUTIONS WHICH BUY OR PARTICIPATE IN ALASKA LOANS

Commercial Banks

American Security and Trust Company
Bank of America
Bank of California
Bank of Hawaii
Bank of the Southwest, Houston
Brown Brothers Harriman & Company
Chase Manhattan Bank
Chemical Bank New York
Citibank (First Nat'l City Bank, N.Y.)
Continental Illinois National Bank
Crocker-Citizens National Bank
First National Bank of Chicago
First National Bank of Dallas
First National Bank of Oregon
First City National Bank of Houston
First Western Bank and Trust
Mellon National Bank
Morgan Guaranty Trust Company
National Bank of Tulsa
Pacific National Bank of Seattle
Peoples National Bank of Washington
Rainier National Bank
Republic National Bank of Dallas
Seattle-First National Bank
Security Pacific National Bank
Texas Commerce Bank
United California Bank
U.S. National Bank of Oregon
Wells Fargo Bank

Savings and Loan Associations and Mutual Savings Banks

Gibralter S. and L., L.A.
Old Stone Bank, Prov., R.I.
Prudential Mutual Savings Bank, Seattle
Washington Mutual Savings Bank, Seattle

Insurance Companies

Beneficial Standard Life
Equitable Life Insurance Company
New York Life Insurance Company
Prudential Life Insurance Company
Standard Insurance Company

ALASKA BUSINESS TRENDS

ECONOMIC OUTLOOK

AlaskaPacificBank

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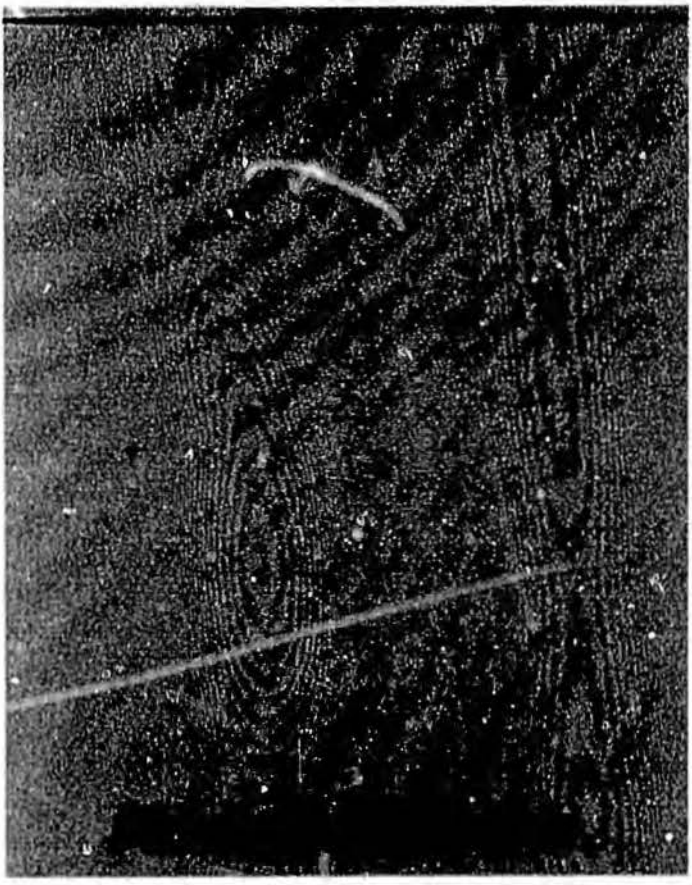
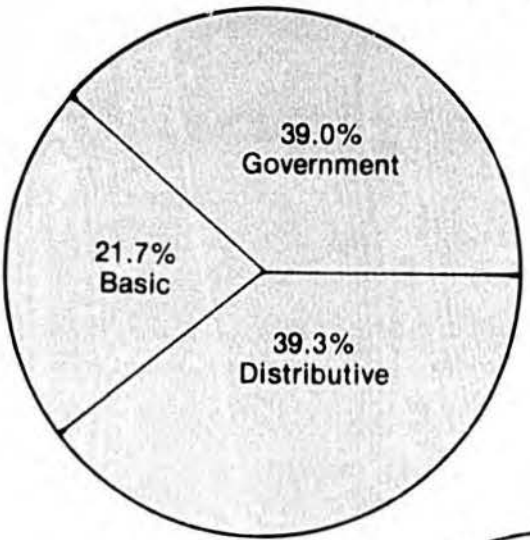


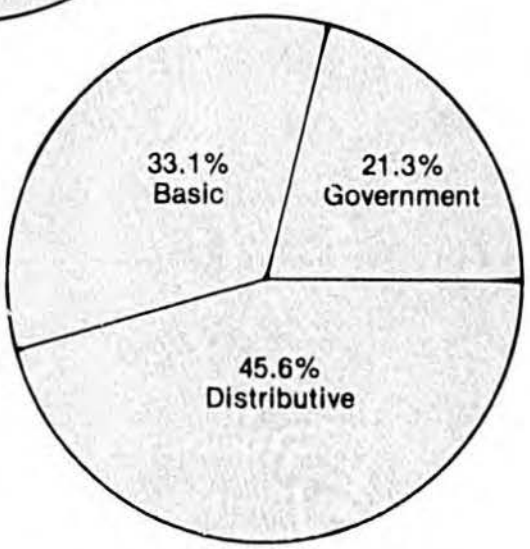
THE STRUCTURE OF ALASKA'S ECONOMY

Large public sector. Federal, state, and local government are the major employers in Alaska, providing 39% of the jobs. Prior to the upsurge in construction employment on the trans-Alaska oil pipeline, government accounted for nearly half the jobs in Alaska. As indicated in the charts below, government is nearly twice as dominant in Alaska as in the nation as a whole.

EMPLOYMENT MIX



ALASKA

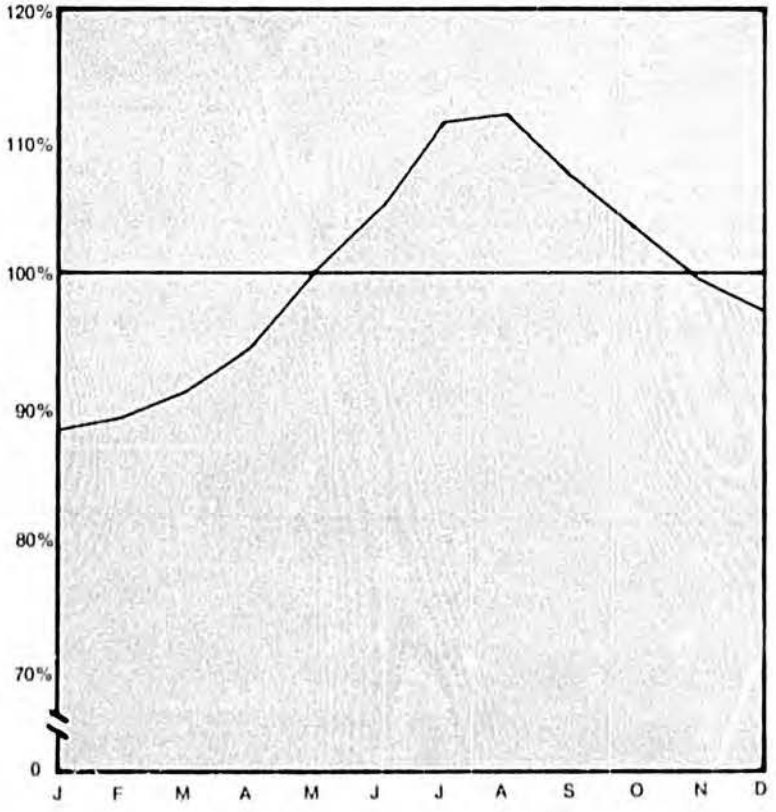


UNITED STATES

Labor intensive. As revealed in the accompanying charts, three-fourths of the jobs in Alaska are provided by the government and distributive sectors. Except for the communication and transportation industries, these sectors are highly labor intensive. Further, most of Alaska's basic industries are primarily labor intensive, except for construction which is moderately labor intensive and petroleum which is highly capital intensive.

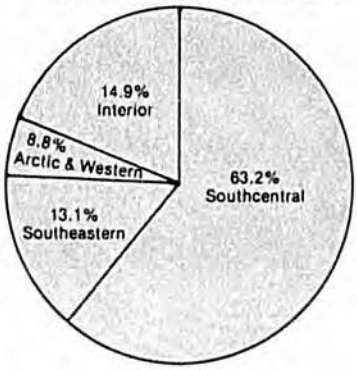
Seasonal. The chart below is an index of monthly employment levels in Alaska, stating the average level of employment during the year as 100%. The chart is based on 1972 and 1973 data to avoid distortions created by the seasonal employment pattern of the trans-Alaska oil pipeline project. Clearly, Alaska's economy is highly seasonal, with employment peaking in August and reaching a trough in January. The chart implies that May and November tend to be months of average employment levels.

ALASKA EMPLOYMENT SEASONALITY

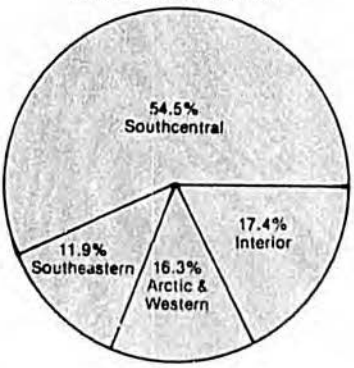


Regional Disparity. Nearly half the state's population lives in Anchorage, the state's commercial center. Comparing the two charts below reveals that the Southcentral and Southeastern regions have the higher gross product per capita and the Interior, Arctic and Western regions have the lower gross product per capita.

GROSS STATE PRODUCT BY REGION

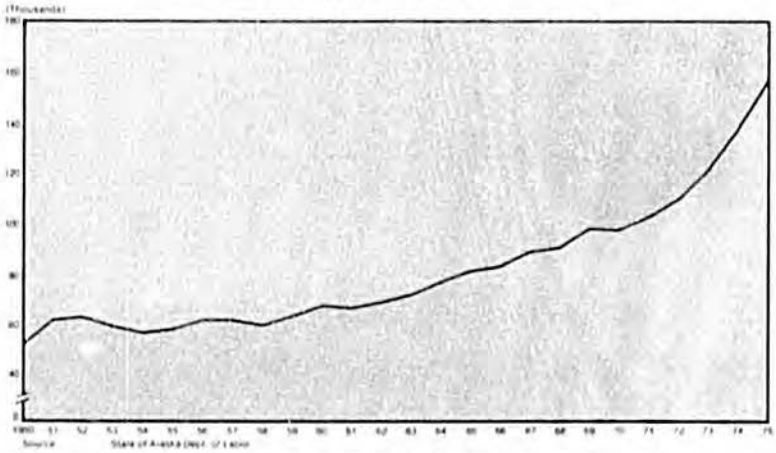


POPULATION BY REGION

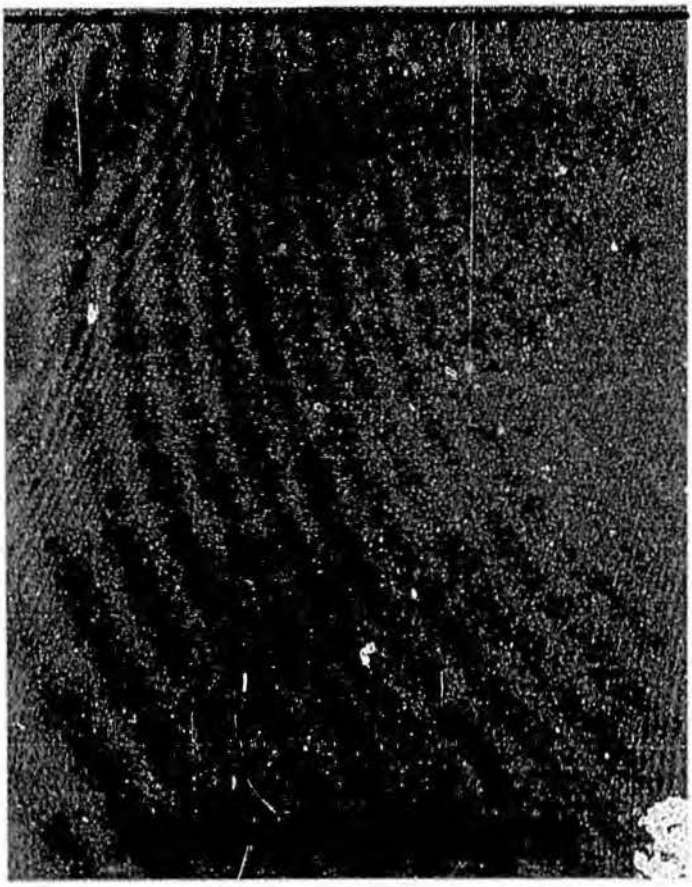


Cyclicality. Certain regions in Alaska, particularly Western and Southeastern, which are dependent upon the fishing, forest products, and tourism industries, are somewhat subject to cyclical fluctuations. Contrary to a popular myth, however, Alaska's economy has not been subject to a series of booms and busts. The chart below, which traces employment since 1950, while reflecting some cyclicality, certainly reveals an absence of any downturn that could be labeled a "bust."

ALASKA EMPLOYMENT
(Military Excluded)



INDUSTRY FORECAST



SUMMARY

As forecasted, Alaska's rate of economic growth decelerated dramatically in 1976, with employment expanding at half the pace of the previous year. In 1977 employment is expected to drop by about 5%.

Alaska's economy is moving into a stage which might be termed the "post pipeline plateau." This period will be characterized by a modest downturn, not in any way resembling a "bust." In fact the forecasted employment decline is somewhat of an aberration resulting solely from the reduction of approximately 16,000 pipeline workers. With an absence of any decrease in pipeline construction jobs, the 1977 forecast would have called for over a 5% increase in employment.

Three factors will serve to bolster economic activity in Alaska in 1977. The major element is the huge underpinning to Alaska's economy: the public sector. Federal, state, and local government, which provide 39% of the jobs in Alaska, are expected to continue their traditional healthy expansion. Secondly, although the construction industry will experience somewhat of a setback in 1977, Alaska's other basic industries, petroleum, forest products, fishing, and tourism will register rather strong gains in 1977. Thirdly, most Alaska businessmen are looking beyond the valley to the next strong upswing anticipated for the early 1980's. There should continue to be rather healthy expansion by Alaska's distributive industries. A brief synopsis of the outlook for each of Alaska's major industries follows.

On the North Slope production of Prudhoe Bay oil will commence by midyear, and substantial exploration will continue in Petroleum Reserve Number 4. In the northern Gulf of Alaska at least four rigs will be drilling by spring. The Federal Power Commission will recommend a gas pipeline route by May, and by next fall the President will submit his decision to Congress. Also next fall a new petroleum refinery near Fairbanks will begin production.

Alaska's construction industry will experience a moderate year in 1977. Trans-Alaska oil pipeline construction, which was virtually completed by the end of 1976, will wind down during 1977. Commercial construction will center around large carry-over activities with the usual addition of government highway and public works projects. Residential construction in Anchorage and Fairbanks will likely decline further reflecting weakening housing markets.

Alaska's fishing industry is expected to experience another good year. Shellfish catch volumes and prices will rise moderately; however, the salmon harvest is expected to decline with prices easing somewhat.

In Alaska's forest products industry both lumber and pulp production will rise strongly in 1977 reflecting continuing economic recovery in Japan which purchases 90% of Alaska's forest products output. Clearcutting will resume on Prince of Wales Island as a result of new federal legislation.

Alaska's visitor industry should see some increases during 1977 aided by the one-year-old Anchorage Convention/Visitors Bureau which has attracted almost 5,000 conventioneers for 1977. Total visitors traveling to Alaska are expected to exceed 300,000, slightly above the 1976 level.

In retail and wholesale trade, sales will level off in Anchorage, will drop significantly in Fairbanks, and should rise somewhat in Southeastern Alaska and on the Kenai Peninsula. In Anchorage inflation will continue to decelerate, with the Consumer Price Index rising in the neighborhood of 5%.

Expenditures by the State of Alaska will continue to increase substantially, rising 20% during calendar year 1977. Expenditures by the Municipality of Anchorage will rise an estimated 6%. As a result, state and local government expenditures will surpass $1 billion bringing their combined level close to that of federal expenditures in Alaska.

While the state's economy in general will decelerate in 1977, Southeastern Alaska and the Kenai Peninsula will offer a dramatic exception. The Kenai region will grow as a petroleum service and supply base for both Cook Inlet production and Gulf of Alaska exploration. The FPC is expected to rule in 1977 on Pacific Alaska's application to build an LNG plant in North Kenai. The Southeastern economy will be bouyed by healthy performance of the fishing, forest products, and tourism industries.

In summary, although the pipeline project is winding down and the construction industry in general will experience a rather lackluster year in 1977, the other sectors of Alaska's economy should exhibit strength. The net result will be a leveling of the economy during 1977 or at worst a modest dip.

PETROLEUM

Production of Prudhoe Bay oil will commence in 1977, nine years after the discovery well was drilled. Alaska will assume a dominant role as an energy supplier to the United States in 1977 with shipment of oil to U.S. markets, substantially increased exploration activity on the North Slope and in the Gulf of Alaska, and a gas pipeline route approved by the Federal Power Commission.

NORTH SLOPE OIL

The nearly $10-million-per-mile trans-Alaska oil pipeline will be ready to transport oil by mid-1977. Production will build up to 1.2 million barrels per day during the first year of operation in the estimated 20- to 30-year life of the field.

Under the unitization agreement for the Prudhoe Bay geologic area, about 135 wells will be producing by the third quarter of 1977 for the initial 600,000 barrel per day capacity on each side of the field, expanding to more producing wells as the field matures. In preparation for this Prudhoe production, nearly fifty per cent more developmental drilling permits were issued for the North Slope during 1976 as in 1975. Drilling activity is expected to be equally heavy in 1977.

OUTER CONTINENTAL SHELF

As Prudhoe Bay phases into production, offshore exploration in the northern Gulf of Alaska will gain the spotlight for the petroleum industry during 1977. The Gulf, which is regarded by the industry as having the best potential for large reserves among U.S. offshore areas but some of the most severe operating conditions as well, is expected to have at least four rigs drilling by the spring of 1977. During 1976 seven OCS well locations were identified including two wells which were spudded near Cape Yakataga. No production is expected from the area until the 1980's.

The federal OCS lease schedule now calls for an early 1977 sale in lower Cook Inlet and a late 1977 sale in the Gulf of Alaska-Kodiak. Six OCS lease sales are planned for the three-year period 1978-80. A joint federal-state sale is to be held in the Beaufort Sea in late 1977 or early 1978.

PETROLEUM RESERVE NUMBER 4

The work schedule for the winter of 1976-1977 calls for five medium depth exploratory wells, two shallow gas wells, and 2,830 miles of geophysical survey in Petroleum Reserve No. 4 on Alaska's North Slope. At the peak of operation there will be about 525 employees, winding down to 40 workers at the end of May. During Fiscal Year 1978, a total of nine wells are planned, four medium depth, three deep, and two gas.

On June 1, 1977, the Department of the Interior will assume jurisdiction over Pet 4 with the charge to recommend a development plan to Congress by 1980.

NATURAL GAS PIPELINE

Late in 1976 the President signed a gas pipeline procedural bill which requires the Federal Power Commission to announce its choice of a route for Prudhoe Bay gas by May, 1977. This procedure, outlined in the table below, could lead to construction by the spring of 1978.

GAS PIPELINE TIMETABLE

May 1, 1977:	FPC issues recommendation to the President.
July 1, 1977:	Other federal and state agencies issue recommendations to the President.
Sept. 1, 1977:	The President sends route decision to Congress unless he determines the decision should be delayed.
Dec. 1, 1977:	Final deadline for the President to send route decision to Congress.
Feb. 1, 1978:	Congress enacts a joint resolution of approval. (Disapproval remands the matter to the President for reconsideration.)
April 1, 1978:	Judicial review completed.

Three companies, El Paso Alaska, Arctic Gas Ltd., and Northwest Pipeline Corporation, have presented three different routes for approval by the FPC. Late in 1976 the State of Alaska committed its one-eighth share of royalty gas to three firms supporting the El Paso, "all Alaska," route: Tenneco, Southern Natural Gas, and El Paso Natural Gas. Eventually there will be a deadline for delivery of Prudhoe Bay gas in terms of maintaining the technical integrity of the oil field, and construction of any delivery system must begin years in advance. These facts, coupled with the high cost of gas reinjection and the nation's supply shortage, all indicate the necessity of an expeditious decision on the Alaska gas pipeline.

REFINERIES

One new petroleum refinery will be on stream in the fall of 1977 to take advantage of Prudhoe Bay oil production. At North Pole near Fairbanks the first phase of a 25,000 barrel per day refinery is under construction, the production from which will go mostly to interior Alaska.

A NOTE ON OTHER MINERALS

The major hardrock mining activity of 1977 will be U.S. Borax's development of a huge molybdenum deposit near Ketchikan. The company is spending approximately $2 million per year in exploration and development.

Alaska has almost two-thirds of the nation's estimated coal reserves, the largest nickel-copper ore body in the United States, and significant other mineral deposits including gold, molybdenum, uranium, thorium, fluorite, barite, lead, and zinc. While claim filing activities picked up considerably during 1976, the threat of a State imposed mineral extraction tax, lack of adequate transportation systems, high operating costs, and uncertain land use status, all combined to discourage new mineral production.

CONSTRUCTION

The construction industry in Alaska will experience a rather lackluster year in 1977. Trans-Alaska oil pipeline construction, which was virtually completed by the end of 1976, will wind down during 1977. Commercial construction will center around large carry-over activities with the usual addition of government highway and public works projects. Residential construction will likely decline further in 1977.

TRANS-ALASKA OIL PIPELINE

By the end of 1976, the trans-Alaska pipeline work force numbered 5,000, greatly reduced from the 21,000 peak level The pipe laying portion of the project is finished. Activity will continue through the winter in connection with a small natural gas fuel line, hydrostatic testing, and construction of the pump stations and marine terminal.

HEAVY CONSTRUCTION

The dollar volume of new construction contract awards decreased during 1976, registering around $400 million. About two-thirds of the total were State of Alaska highway and airport projects. With the approval of nearly $200 million in bond issues by Alaska voters in November, 1976, an active construction season for State projects is anticipated.

In Anchorage substantial additions to office space are occurring, and 1977 will likely see the beginning of an oversupply of office space in both Fairbanks and Anchorage. This will be aggravated by the reduction in certain staffs related to the trans-Alaska oil pipeline and the massive addition of facilities for federal agencies over the next few years.

Native regional corporations are entering the commercial building arena highlighted by Calista Corporation's $25 million convention hotel in downtown Anchorage, Cook Inlet's new 90,000 square foot office building, the Anchorage Air Traffic Control Tower constructed by a joint venture of NANA and NANA Development Corporation, and Sealaska's headquarters building in Juneau.

RESIDENTIAL CONSTRUCTION

Anchorage residential building permits were down by about one-fifth in 1976, reflecting a weakening housing market. The residential housing market will be even softer in 1977.

The Anchorage Multiple Listing Service ratio of sales to new listings indicated twice as many homes were being listed as sold in the summer of 1976. The inventory accumulation is occuring in all price ranges, but is considerably more severe among the higher priced homes. Another sign of the weak housing market is the considerably longer length of time it took to sell a home in Anchorage in 1976 than in 1975. This trend is expected to continue into 1977 unless a strong upgrading demand materializes.

It is impossible to predict to what extent the rather large, but so far latent, demand for upgrading by existing residents will materialize. However, it is reasonable to expect that as we get closer to the anticipated economic upswing beginning in 1978 or 1979, Anchorage families who have accumulated rather sizeable savings and home equities during the present boom will start to get themselves situated in their "permanent" home. A real "buying psychology" could occur. Nevertheless, it does not appear that it would be of sufficient strength this year to completely offset the slowdown foreseen in the number of new households moving into Anchorage.

The conclusion, then, is that the Anchorage housing market probably will weaken further in 1977. However, sufficient demand strength exists to prevent any severe decline.

FISHING

Alaska's fishing industry weathered another hectic year in 1976 dotted with closures and labor disputes. However, generally both catch volumes and prices were up. This trend is expected to continue into 1977 for shellfish, though at a considerably more moderate pace, and to reverse for salmon which should see lower prices and harvest volumes.

SHELLFISH

Shrimp landings are estimated to reach about 100 million pounds in 1976, about the same as the season before. The outlook for the 1977 season calls for about a 10% increase in Alaska shrimp landings. Members of the shellfish fleet again boycotted canneries to negotiate for higher prices. During 1976 both exvessel and wholesale shrimp prices soared partly because initial supplies were low and demand grew. The outlook is for shrimp consumption to continue strong during 1977 and for inventories to start the year low, both circumstances which should stimulate prices further.

Alaska fisheries supply more than 80% of the U.S. tanner crab catch. Tanner landings broke records during 1976 reaching about 70 million pounds. Prices have declined, but should stabilize in 1977. King crab landings were up also, despite the delayed season opening. Exvessel prices rose, and, as 1976 inventories are used up, 1977 wholesale prices should also rise.

SALMON

In 1976 the salmon harvest registered the highest level in five years. The total catch was an estimated 42 million fish, of which over half were pinks and one-quarter reds. The Kodiak fishery contributed over one-quarter of the catch and Bristol Bay, Southeast and the Alaska Peninsula each accounted for 15% - 20%. Higher prices combined with the increased catch caused 1976 to be a good year for Alaska's salmon fishermen.

However, high prices are reducing salmon's ability to compete with red meat and poultry. Therefore, inventories are building up, and prices are expected to decline somewhat in 1977. Further, the outlook for the next two years calls for harvest declines from the 1976 level. Although the potential exists for an annual Alaska harvest of 75 million salmon, it is expected to be at least the 1980's before the runs reach that level.

HALIBUT

The International Pacific Halibut Commission recommended placing the 1976 quota at the same level of last year's 25 million pounds for the area including Alaska. The increased landings in 1975 appeared to suggest that healthy recovery of this resource is beginning, although landings are still down from the highs of the 1960's.

Identical to the situation facing salmon and shrimp, relatively short supplies of halibut accompanied by strong demand resulted in price increases in 1976. In July exvessel prices were 49% higher than a year earlier.

LIMITED ENTRY

The constitutional amendment to repeal Alaska's limited entry law failed to pass on the November ballot, paving the way for stabilization of the permit system. About three-quarters of the permits issued have been to Alaska residents. The State's Fiscal Year 1977 budget increased 150% for limited entry management.

FISHERIES MANAGEMENT

In a remedial effort to supplement natural salmon production, the State and several local groups have begun fish enhancement, farm, and garden programs. The State budget increased by one-third in this area. Also, with the U.S. 200-mile conservation zone law becoming effective in 1977, the State is gearing up for new groundfish processing plants.

As of this writing Japan was the only major maritime nation without an accord with the United States on the new U.S. 200-mile fisheries zone. In mid-December the U.S. renewed negotiations with Japan, which harvests an estimated 15% of its catch within 200 miles of U.S. shores.

FOREST PRODUCTS

After two years of poor markets and an unfavorable regulatory climate, Alaska's forest products industry appeared to reverse itself in 1976. Both lumber and pulp production exceeded

their 1975 levels, and the cut on federal forests was up slightly although still well below the previous five-year average. This rising trend is expected to continue into 1977.

EXPORT MARKET

Japan, which purchases 90% of the output from Alaska's forest products industry, is experiencing extremely sluggish economic recovery. Although the Japanese economy has not yet attained a strong upward momentum, the demand for Alaska's forest products is rising and will continue to rise at an accelerated pace in 1977. Accordingly, 1977 should be a year of expanded production and employment in Alaska's forest products industry.

KETCHIKAN PULP COMPANY

Louisiana-Pacific is now the sole owner of Ketchikan Pulp Company, having purchased FMC Corporation's share. The change in ownership will bring about an additional type of pulp produced as a portion of KPC's Ward Cove mill capacity is switched from dissolving grade to paper grade. Paper pulp production is a cleaner process which will require less stringent pollution control measures. KPC and the U.S. Environmental Protection Agency have agreed to a pollution control plan which granted KPC until December 31, 1980, to install secondary treatment equipment for mill wastes.

JUNEAU SAWMILLS

In 1977 construction will start on two sawmills in Juneau. The mills, which will have a combined capacity of 75 million board feet, will cut rough lumber for export to Japan and dimension lumber for domestic use. The hemlock mill is scheduled for completion in the fall, and the spruce mill is expected to be completed in 1978.

LEGISLATION

The Timber Management Act passed by Congress in the fall of 1976 repealed certain parts of the Organic Act of 1897 to permit clearcutting on national forests. This removes a major threat to the very existence of Alaska's forest products industry and will permit resumption of logging on Northern Prince of Wales Island.

The U.S. Forest Service has imposed a moratorium on timber sales in Alaska for at least two years pending completion of a land use plan for the Tongass National Forest. Further, the U.S. Forest Service recently announced that future timber contracts will be limited to a maximum of ten years rather than 55 years. This means that firms interested in a major wood processing complex will be unable to obtain an assured supply of logs sufficient to justify a large operation. Accordingly, future expansion of Alaska's forest products industry will likely be limited to relatively small mills.

VISITOR INDUSTRY

Alaska's visitor industry should see more increases during 1977 aided by the one-year-old Anchorage Convention/ Visitors Bureau which has attracted almost 5,000 conventioneers for 1977. Visitors to Alaska are expected to exceed 300,000, slightly above the 1976 level. Convention business, attracting visitors during the non-summer months, is a relatively new market for Alaska, one which promises to be of even more significance in the future.

AIR TRAFFIC

Total air passenger traffic should continue strong as business travel maintains a steady pace and tourist travel expands. This growth will be offset somewhat by the subsidance of travel by pipeline workers. The net result should resemble more of a leveling than a slump. Passenger traffic at the Anchorage and Fairbanks International Airports was about 3.5 million during 1976, but will stop short of four million during 1977. This increase will result in part from growing oil and gas exploration and development and could be substantially increased if an early decision on the gas pipeline is approved during 1977. Further, increased State spending and Native corporation activity will boost air travel next year.

DEVELOPMENTS

A significant new development in the visitor industry is the launching of a major multi-media million dollar tourism

marketing campaign produced by both industry and State funding. It is expected that this campaign will reach over 13 million people, the largest in Alaska's history.

Also ready for release early next year will be a 35mm cinemascope motion picture on Alaska being produced and distributed to motion picture theaters and television stations throughout the country.

Other recent developments in tourism include the funding of the new Juneau Convention and Visitors Bureau, plans for new hotels in Sitka and Homer, and construction of a major convention hotel in downtown Anchorage. Two long-range prospects for the state visitor industry concern disposition of section D-2 of the 1971 Alaska Native Claims Settlement Act, which could create and expand national parks, and a $60 million federal appropriation for repaving portions of the Alaska Highway and Haines Road.

Further, strong economic recovery in the United States, accompanied by slowing inflation, is resulting in noticeable increases in real incomes. This means greater portions of family incomes going to discretionary expenditures such as travel. Alaska can expect to get its share of this expanded visitors market.

DISTRIBUTIVE INDUSTRIES

The distributive industries in Alaska are slowing to a modest rate of increase reflecting the general deceleration in the basic industry and government sectors. The pace for 1977 should accommodate itself to the plateau in the overall Alaska economy.

In 1976 retail sales appear to have held about even in Anchorage and to have dipped somewhat in Fairbanks. During the year from October, 1975, to October, 1976, the Anchorage Consumer Price Index rose 6.5%, indicating a continuous abatement in the rate of inflation which peaked in April, 1975. This moderating trend will continue, reflecting the national situation, with Anchorage prices probably rising in the neighborhood of 5% in 1977.

The rate of growth of Alaska's banking community slowed during 1976, slowing from the increased rates experienced in 1974 and 1975. Bank deposits, excluding government funds, rose approximately 24%, and loans increased an estimated 15%. Banking activity should continue on its steady course during 1977, although the rates of expansion in loans and deposits should subside to the more normal pace of pre-1975. Deposits likely will expand by about 15%.

The transportation industry, which registered some of the largest gains during trans-Alaska pipeline construction years, showed some of the most abrupt slowing during 1976.

Combined air freight at the Anchorage and Fairbanks International Airports dropped about one-third during 1976 to under one-half billion pounds. Rail freight tonnage hauled by the Alaska Railroad grew at a considerably slower rate than in 1975, and waterborne freight tonnage through the Port of Anchorage grew by a modest 5% compared with the over 25% rate of increase in 1975. The outlook for 1977 calls for further decreases in northbound freight volumes.

According to RCA Alaska Communications, Inc., the demand for long distance services has increased at a phenomenal rate. Message telephone traffic increased by 29% in 1976. The growth forecast for 1977 is 20% with the total number of messages estimated at 29.3 million.

A major change in 1976 was the advent of satellite communications to rural Alaska. RCA Alascom and the State have undertaken a joint project to construct small earth stations in at least 100 villages.

In 1977 a television demonstration project is scheduled to go into operation and will bring television to 23 rural villages for the first time. The project will also increase the amount of live television to five urban areas of the state. In addition to bush programming, commercial broadcasters have asked for 500 hours of TV transmission, an increase of 33% from 1976.

GOVERNMENT

Government, Alaska's largest employer, maintained its substantial position in the Alaska economy during 1976. While government employment experienced only negligible gains, the level remained around 50,000, more than double the peak trans-Alaska pipeline work force. In 1977 total state and local government expenditures will surpass $1 billion, bringing their combined level close to that of federal expenditures in Alaska.

In November the Alaska electorate approved almost $200 million in general obligation bonds, selected Willow for the new capital location, and authorized a permanent fund to make income-producing investments.

PERMANENT FUND

Alaska's newely created Permanent Fund into which 25% of all mineral revenues will be deposited is forecasted to reach almost $2 billion by 1985. The principal from the fund must be used for income-producing investments, income from which will go into the General Fund. Fiscal Year 1978 could see more than $90 million deposited in the Permanent Fund. By fiscal 1985, petroleum revenues alone could contribute nearly $400 million.

STATE BUDGET

Since 1970 State General Fund appropriations have grown at an average annual rate of 24%. If they were to continue at that same rate, General Fund appropriations would reach $2 billion in five years.

The 1977 Legislature is expected to exercise greater fiscal restraint than previous sessions. Nevertheless, the Governor recently announced that he foresees the Fiscal Year 1978 budget reaching $900 million, up 22% from Fiscal Year 1977's estimated $740 million. This implies that State expenditures for calendar year 1977 will exceed those of 1976 by about 20%. Between $40-60 million of the Fiscal Year 1978 budget represents payments into the Native Fund from a share of the State's mineral royalties. Absent this payment, the Fiscal Year 1978 budget would rise about 15%.

LOCAL GOVERNMENT

In Anchorage the Assembly passed a budget totalling $233 million, holding 1977 expenditures to a modest 6% rise over those of 1976. However, this total is comprised of a 12% increase in the operating budget and a 6% decrease in the capital budget. Finally, the Municipality of Anchorage intends to hire about 3% more people in 1977.

A LOOK BEYOND 1977

A LOOK BEYOND 1977

The future looks promising for Alaska's economy. Oil and gas development and government spending—the factors underlying Alaska's prosperity in the seventies– will continue to promote a great leap forward.

For at least the decade of the eighties--and likely far beyond—the petroleum industry will serve as the vanguard of Alaska's economic growth.

Petroleum Industry

The second major oil and gas project in Alaska following construction of the trans-Alaska oil pipeline will be construction of a pipeline to transport Prudhoe Bay gas to U.S. markets. Construction could start as early as mid-1978.

When looking to the future of the petroleum industry in Alaska, it should be kept in mind that the Prudhoe Bay field on the North Slope, which holds one-fourth of our nation's proved crude oil reserves and nearly 10% of our nation's proved natural gas reserves, is simply one reservoir in one of Alaska's fifteen sedimentary basins. That is, development on the North Slope represents only the beginning of major oil development in Alaska. The industry speculates that there is in the neighborhood of 100 billion barrels of oil underneath and offshore Alaska.

Our nation's official commitment to pursuing greater energy self-sufficiency has placed a high priority on lease sales on the U.S. Outer Continental Shelf, over half of which lies off Alaska. The first offshore oil lease sale in the Gulf of Alaska was held in April, 1976. The latest "draft" schedule of the Department of the Interior calls for nine more sales over the next four years as indicated in the accompanying table.

Sale Area	Sale Date
Lower Cook Inlet	February, 1977
Gulf of Alaska (Kodiak Shelf)	November, 1977
Beaufort Sea (Joint Sale)	February, 1978
Beaufort Sea (Shear Zone)	February, 1979
Northern Gulf of Alaska	May, 1979
Bering Sea (Norton Basin)	December, 1979
Bering Sea (St. George Basin)	May, 1980
Cook Inlet	August, 1980
Gulf of Alaska (Aleutian-Kodiak)	December, 1980

Another factor inducing oil development is the transfer of forty million acres of land from the federal government to Alaska's Native corporations. These new private owners of heretofore public lands are showing a strong disposition toward maximizing the long-run economic return from their land. Most of the Native corporations which occupy potentially rich oil and gas basins have consummated exploration agreements with petroleum firms.

Further, a twenty-six-well exploratory program currently is underway in Petroleum Reserve Number 4, and the Department of the Interior is to recommend a development plan to Congress by 1980.

Another possible bright star in Alaska's future is the expansion of the petrochemical industry. Although current world economic conditions and Alaska construction and operating costs are not conducive to the construction of petrochemical plants in Alaska, conditions are likely to change in a more favorable direction over time. Of immediate significance, however, is the fact that the State of Alaska owns the oil and gas at Prudhoe Bay and will be receiving a 12½% royalty. The State can take its royalty in kind, negotiate a contract with firms that agree to process the gas in some way in Alaska, and thereby directly influence expansion of a petrochemical industry in Alaska.

State Government

Another major factor raising Alaska's economy to new heights will be the tenfold increase of revenue to the State of Alaska by the mid-1980's from the 1970 level.

When the North Slope is in full production, the royalties, right-of-way leases, and production taxes will generate substantial new revenue to the State. The anticipated increased State expenditures will be important not only as ends in themselves by creating employment directly and indirectly, but, to the extent that they are devoted to public works projects that expand the state's infrastructure, they will induce additional economic development. For example, expansion of transportation systems in Alaska's interior region might make certain proposed mineral ventures feasible.

Hardrock Mining

Although Alaska's mining industry has been relatively dormant except for extraction of gold, sand and gravel, coal, and a few other minor operations, many projects are waiting in the wings to be developed. There is the proposed Lost River fluorite mine on the Seward Peninsula; Mitsubishi's iron ore deposit at Klukwan near Haines; Marcona's iron ore deposit at Snettisham near Juneau; Newmont Mining's nickle deposit at Glacier Bay; the U.S. Borax molybdenum deposit near Ketchikan; Kennecott's huge copper deposit near Bornite; and many, many others.

One of the most exciting mineral potentials is the Beluga coal deposit across Cook Inlet from Anchorage. The Beluga deposit is very low in sulphur content, and the estimated 2.4 billion tons of sub-bituminous coal contains an energy equivalent 25% greater than that of the crude oil at Prudhoe Bay.

Oil drilling activity in Alaska is placing increasing demand on southeastern Alaska's barite mud. Also, U.S. Borax is pursuing development of its rich molybdenum deposit near Ketchikan. Further, it is reasonable to expect that an iron ore reduction plant will be located in Alaska within the next decade.

Despite Alaska's immense latent mineral potential, the present annual hardrock mineral production of Alaska is less than one-twentieth as great as that of the average western state. The major impediments to development of a viable hardrock mining and processing industry are (1) undetermined land ownership and (2) high construction and operating costs in Alaska. Accordingly, as the Native and State land selections are completed and as costs in Alaska become more in line with those of other states, development of Alaska's hardrock minerals can be expected to follow.

Construction

The primary beneficiary of the enormous increase in State expenditures and the anticipated expansion of Alaska's infrastructure will be the construction industry.

Further, investment by Native corporations and greatly expanded oil and gas exploration and development will generate large projects, all of which auger well for the construction industry.

Visitor Industry

Alaska's visitor industry is expected to continue its strong growth which in the past five years has seen the number of visitors to Alaska more than double.

Alaska will continue to receive considerable national attention as a result of its dominant position in the nation's search for energy. Further, Alaska is expanding its tourist facilities, largely due to investments by the Native corporations. As a result, Alaska can look forward to receiving an increasing share of the burgeoning flow of travelers throughout the country. The state Division of Tourism predicts that in ten years more than one million tourists will be visiting Alaska annually—triple the current level.

Finally, an as yet underdeveloped market for Alaska's tourist industry are the Japanese. At the height of Japanese visitations to Alaska prior to the imposition of exchange controls, 10,000 Japanese visited Alaska annually. At the same time more than 200,000 Japanese were visiting Hawaii. Alaska, with its spaciousness and splendor—two criteria high on the list of Japanese tourists—has a strong competitive advantage in attracting this important market.

In general the long-run outlook for Alaska's visitor industry is extremely favorable. However, the extent to which Alaska will share in the growing tourism market depends largely upon the capacity of tourist facilities and the success with which economical packages can be marketed.

Forest Products

Long-run expansion of Alaska's forest products industry is being thwarted by severe environmental regulations and a policy of smaller timber sales by the U.S. Forest Service.

Champion International, after nearly ten years of apparent endless litigation between the Sierra Club and the U.S. Forest Service, finally abandoned its plans for a hugh processing complex at Berners Bay. Further, the Forest Service has adopted the policy of limiting future timber contracts to ten years which creates an absence of wood volumes sufficient to support large operations. Also,

similarly to the hardrock mining situation, land ownership uncertainties and high construction and operating costs are deterring growth of Alaska's forest products industry.

Despite these adverse elements, the basic facts remain that strong economic advance and growing affluence in Japan, combined with substantial population growth in the State of Alaska, are going to place heavy demands on our timber resources. Additionally, since the industry currently is cutting only one-third of the state's total annual allowable cut, there is considerable room for expansion.

It is also likely that the Native corporations, with their interest in creating jobs in their respective regions and their large private land holdings, will be the key element in the future growth of Alaska's forest products industry. Furthermore, Ketchikan Pulp Company, with more diversified output, should be less subject to cyclical swings and, therefore, provide more stable employment in the Ketchikan area.

Fishing

The long-run outlook for Alaska's fishing industry is optimistic as the industry diversifies and its management and marketing techniques become increasingly sophisticated. A major development potential may very well be bottomfish. Increasing demand from Japan, rapidly rising world prices, and improving market acceptance throughout the United States are inducing more and more Alaska fishermen to harvest bottomfish. This trend will reduce the seasonality of Alaska's fishing industry.

Additionally, federal management of the shellfish and halibut fisheries is showing definite signs of effectiveness. Also State and federal aquaculture programs now suggest salmon harvests in the 1980's may approach seventy-five million fish.

It seems reasonable to expect continued gradual growth of Alaska's fishing industry, accompanied, however, by the normal cyclical fluctuations resulting from biological and climatic factors. Again, Alaska's Native corporations will likely be a major force in the development of the state's fishing industry.

Nevertheless, a huge question mark hangs over the future of this industry concerning the uncertainty of whether or not countries will develop the cooperation necessary for effective management of our fish resources to conserve adequate supplies for future generations.

Agriculture

In terms of contribution to gross state product, agricultural output in Alaska is minute with an annual sales value of approximately $8 million. Alaska's major agricultural production areas include the Seward Peninsula (reindeer), the Aleutian Chain (sheep), Kodiak (beef), the Kenai Peninsula, Matanuska-Susitna Valley, and the Tanana Valley (beef, pork, dairy products, vegetables, and grain).

Alaska has approximately twenty million acres of arable land suitable for supporting a significant agricultural industry. However, both the state and federal government have not yet determined the use classification of most of this land. Although costs in Alaska are extremely high, yields also are high as a result of the long daylight hours during Alaska's summers. Wheat and barley represent Alaska's greatest grain potential.

Presently, Alaska lacks a comparative advantage relative to other states in agricultural production. However, it is conceivable that with continued experimentation subsidized by state government and utilization of more intensive agricultural methods, accompanied by substantial injections of private capital, a significant growth of this industry could materialize. It is impossible to predict the rate at which this will occur; however, the Koreans and Japanese, who import over 200 metric tons of grain annually, have expressed an interest in participating in Alaska's agricultural industry.

Summary

To summarize the outlook for Alaska's basic industries, the three most rapidly growing industries in the 1980's will be petroleum, construction, and the visitor industry. The fishing industry is expected to grow moderately. The hardrock mining and forest products industries are likely to experience some growth but in slightly more erratic patterns and uncertain rates. Finally, agriculture remains a long shot.
In the public sector, state and local government will surpass federal government as the dominant employer in the state.

Anchorage

Anchorage is currently, and will continue to be, the state's commercial and financial center. As a result, the growth of the Anchorage area will reflect the general economic development of Alaska.

In the early 1980's employment in Anchorage will break through the 100,000 mark. By 1985 the population of the Anchorage area is expected to be approaching one-quarter million people and will account for half the state's population.

Social Effects

Economic growth tends to be accompanied by social costs. However, the type of industrial expansion Alaska is about to experience will contribute substantial social benefits as well.

In fact it can be asserted that, to the extent that the petroleum industry will play the major role in Alaska's economic development, the social benefits accruing from continued growth will far outweigh the social costs.

One social benefit will be a more stable structure to our economy. Heretofore Alaska's major industries have been highly labor intensive, highly seasonal, and highly subject to cyclical fluctuations. Now, however, certain areas in Alaska have the opportunity to break out of this pattern as a result of expansion by the extremely capital intensive petroleum industry.

Another long-run social benefit from growth of the petroleum industry is that public revenues accruing from this industry will increase to a far greater degree than the need for public services. For example, the 1,700 permanent workers required to operate and maintain the trans-Alaska pipeline and to produce North Slope oil imply a population increase of only about 7,500, while at the same time revenue to the State of Alaska will increase tenfold from pre-pipeline levels! With huge State revenues and few people, Alaska has an opportunity to enjoy relatively profuse public services without a commensurately great tax burden on local

families and businesses. Additionally, future population growth, the major cause of which has been state and local government, will be largely up to Alaskans themselves.

Two Final Comments

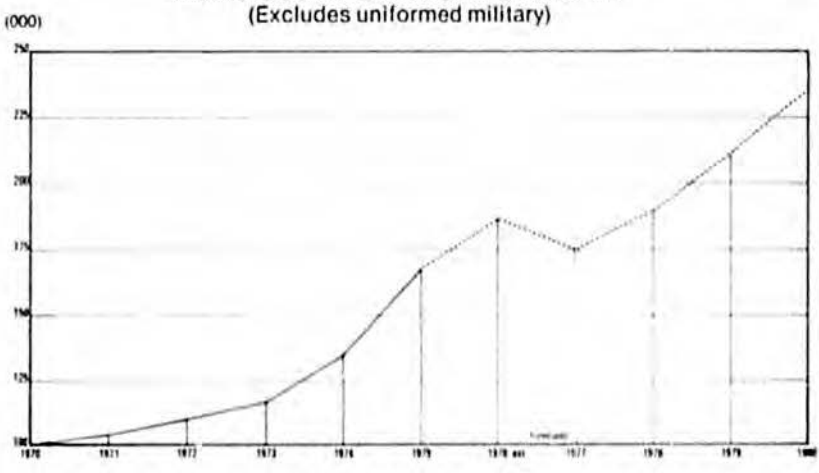
This discussion of the long-run outlook for Alaska's economy dwells solely on major anticipated events and general trends. It is not a comprehensive dissertation. Certainly, many factors not discussed herein may play a role in Alaska's economic future. Some of these include the proposed hydroelectric projects in southeastern Alaska and on the Susitna River, the state capital move to Willow, extension of the Alaska Railroad west or southeast from Fairbanks, and growth of Alaska's handicraft industries.

Secondly, it should be noted that Alaska's future economic growth will consist of a series of major, somewhat disjointed, events rather than a gradual expansion of existing capacity.

The implication is that Alaska's future will be accompanied by a series of hills and valleys—not booms and busts, but certainly rather pronounced cyclical fluctuations. Any businessman operating in Alaska should structure his enterprise and conduct his business so as to be able to effectively cope with these anticipated upswings and downturns.

Clearly, however, the trend is upward as Alaska assumes a dominant position in the world's quest for energy and productive resources.

ALASKA EMPLOYMENT GROWTH
(Excludes uniformed military)



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Working Paper #2 October 13, 1976

THE CURRENT STRUCTURE OF ALASKA'S ECONOMY

In accordance with the directive given to us, this second working paper defines the nature of the Alaska economy as it is today in order to better understand the economic climate within which any investment objective option for the proposed Permanent Fund would operate.

- Where are we
- Where are we going
- Implications of alone
- Cases regions

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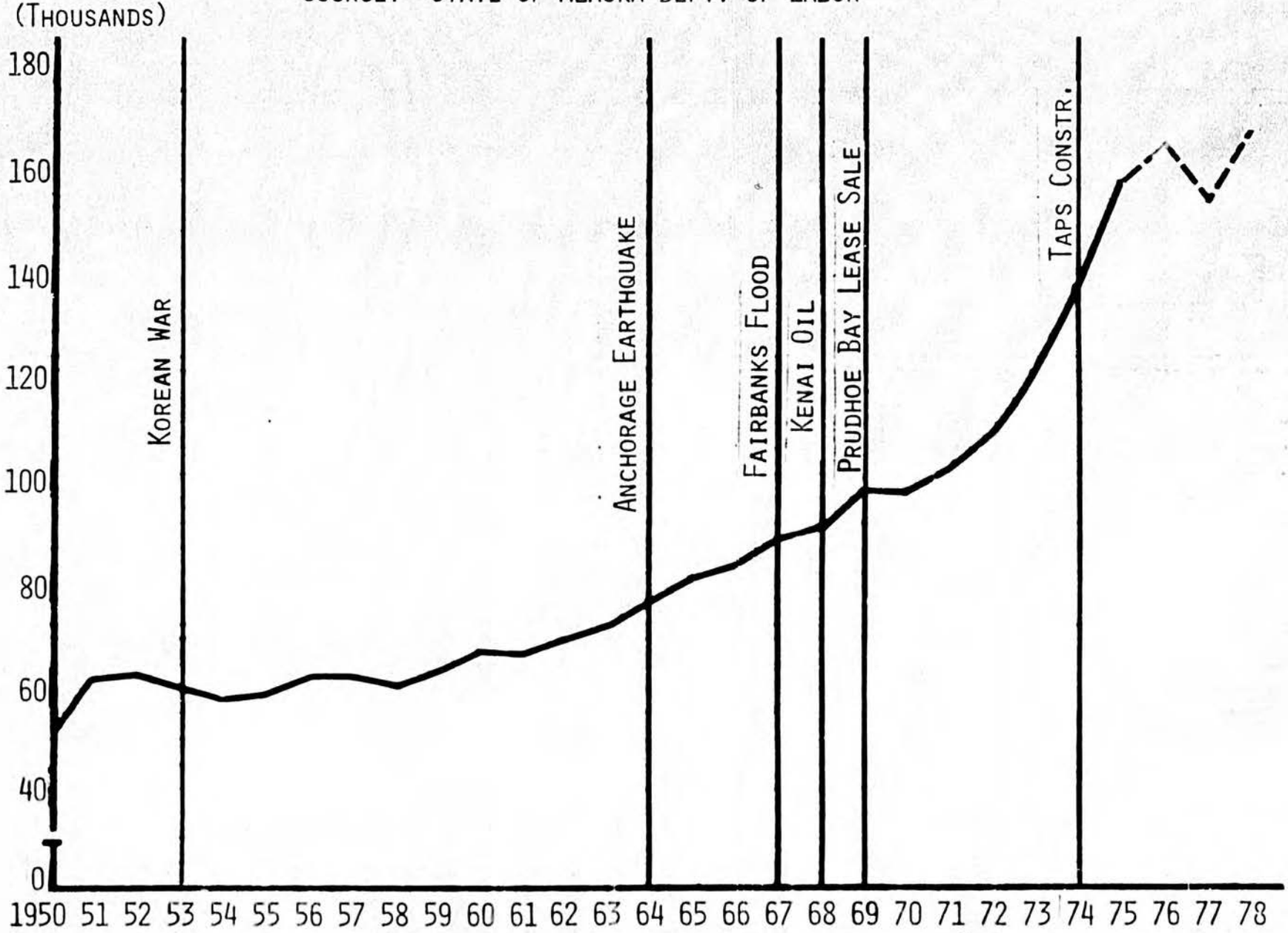
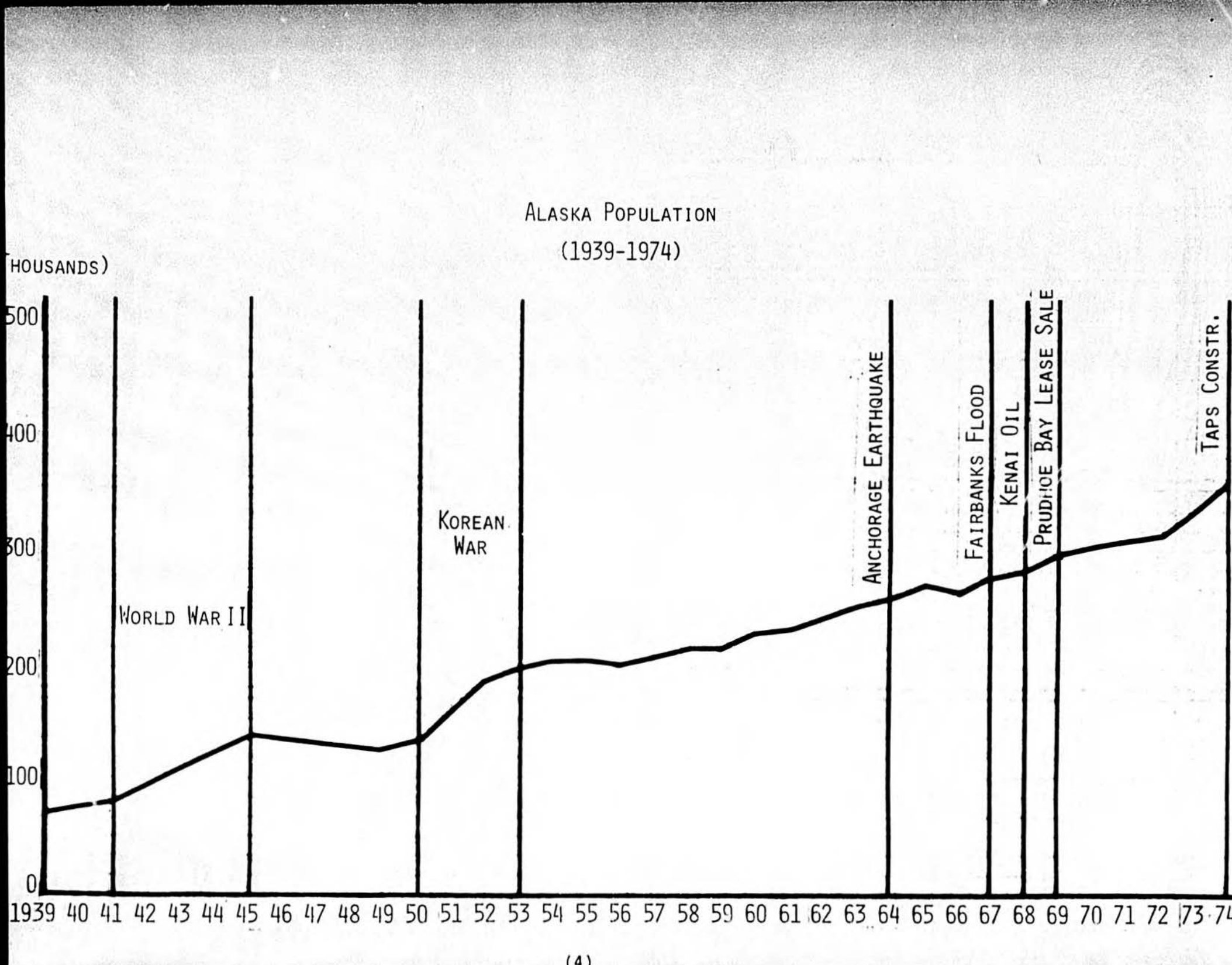
THE CURRENT STRUCTURE OF ALASKA'S ECONOMY

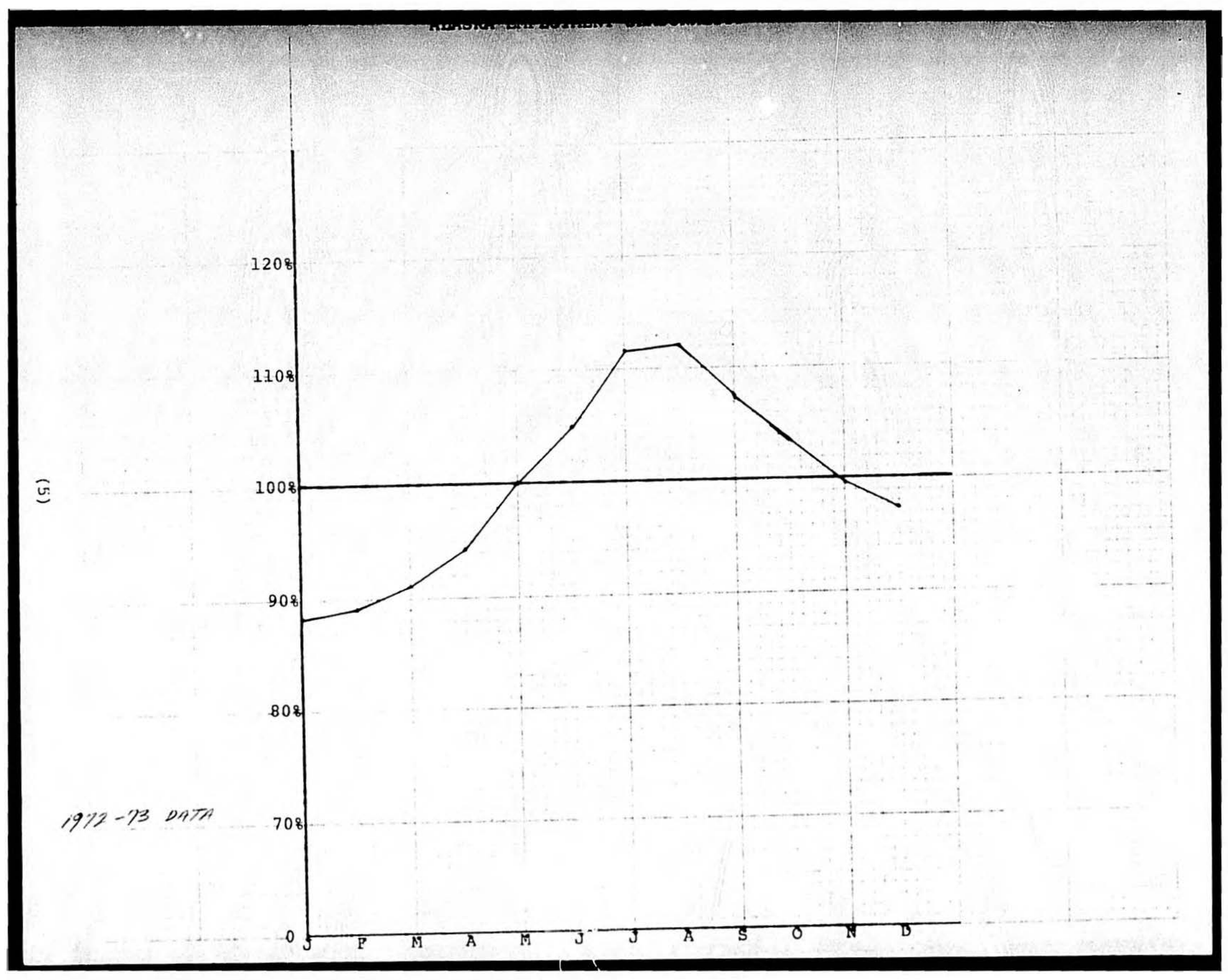
AS IT IS TODAY

Alaska Civilian Employment

Source: State of Alaska Dept. of Labor




ALASKA POPULATION
(1939-1974)
(THOUSANDS)
500
400
300
200
100
0
WORLD WAR II
KOREAN WAR
ANCHORAGE EARTHQUAKE
FAIRBANKS FLOOD
KENAI OIL
PRUDHOE BAY LEASE SALE
TAPS CONSTR.
1939 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74



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1972-73 DATA

Wage and Salary Civilian Employment Mix 1975

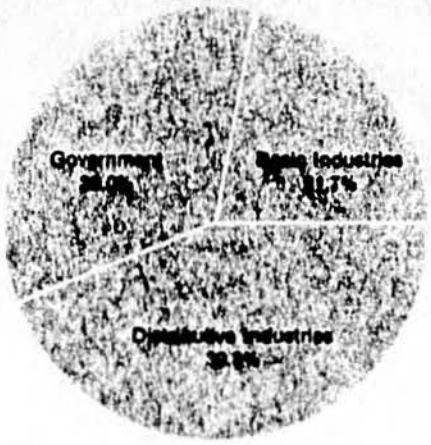
Alaska		United States Average	
Industry	% of Total	Industry	% of Total
Trade, Services, Finance	36.4	Trade, Services, Finance	46.1
Government (excludes military)	31.0	Manufacturing	23.6
Construction *	14.4	Government	18.8
Trans., Comm., Util.	10.0	Trans., Comm., Util.	5.9
Manufacturing	5.5	Construction	4.7
Mining	2.7	Mining	1.0

Industry Group	% of Total	Industry Group	% of Total
Distributive	46.4	Distributive	52.0
Government	31.0	Basic	29.3
Basic	22.6	Government	18.8

* overstated because of pipeline

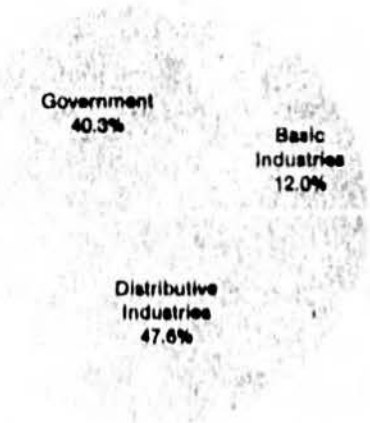
1975

EMPLOYMENT MIX
ALASKA



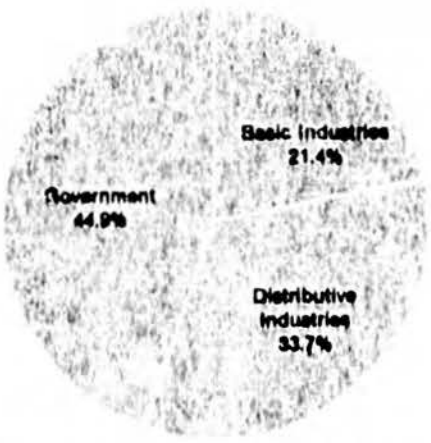
Source: State of Alaska, Department of Labor

EMPLOYMENT MIX
ANCHORAGE



Source: State of Alaska, Department of Labor

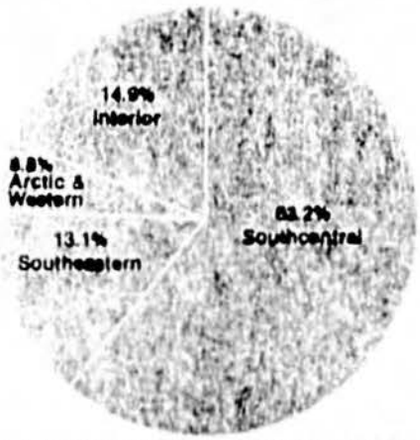
EMPLOYMENT MIX
FAIRBANKS



Source: State of Alaska, Department of Labor

~~1975~~ 1973

GROSS STATE PRODUCT BY REGION



Source: Institute of Social, Economic and Government Research, University of Alaska.

1975

ALASKA POPULATION BY REGION

Region	% of Total
Southcentral	54.5
Interior	17.4
Arctic & Western	16.3
Southeastern	11.9

PER CAPITA PERSONAL INCOME BY STATES 1974

State	Amount ($000)
ALASKA	7,062
District of Columbia	7,044
Connecticut	6,455
Delaware	6,306
New Jersey	6,247
Illinois	6,234
New York	6,159
Hawaii	6,042
California	6,032
Nevada *	6,016
Maryland	5,943
Michigan	5,883
Massachusetts	5,757
Washington	5,710
North Dakota *	5,583
Ohio	5,518
Colorado	5,515
Kansas *	5,500
UNITED STATES	5,448
Pennsylvania	5,447
Minnesota	5,422
Florida *	5,416
Wyoming *	5,404
Rhode Island	5,343
Virginia *	5,339
Oregon	5,284
Iowa *	5,279
Nebraska *	5,278
Wisconsin	5,247
Indiana	5,184
Arizona *	5,127
Missouri	5,036
Montana	4,956
Texas *	4,952
New Hampshire	4,944
Idaho	4,918
Georgia *	4,751
South Dakota *	4,685
North Carolina *	4,665
Maine	4,590
Oklahoma	4,581
Tennessee	4,551
Vermont	4,534
Utah *	4,473
Kentucky	4,442
Louisiana	4,391
West Virginia	4,372
South Carolina *	4,311
Alabama *	4,215
Arkansas *	4,200
Mississippi *	3,803

* HAS RIGHT-TO-WORK LAW

LABOR INTENSITY BY INDUSTRY GROUP

Government Trade & Services Fishing Tourism	Highly Labor Intensive
Forest Products Construction	Moderately Labor Intensive
Petroleum	Capital Intensive

LABOR UNION MEMBERSHIP 1972
Percent of Nonagricultural Employment

State	Percent
West Virginia	41.3
Michigan	38.4
Washington	38.3
Pennsylvania	38.2
Hawaii	37.0
New York	36.2
Illinois	35.6
Ohio	34.8
Indiana	33.9
Nevada*	33.6
Missouri	32.9
Montana	30.7
Wisconsin	29.7
New Jersey	29.1
California	28.9
Minnesota	28.3
Oregon	27.9
ALASKA	27.6
Rhode Island	27.3
U.S. AVERAGE	27.2
Connecticut	26.1
Massachusetts	26.0
Kentucky	24.9
Maryland**	21.7
Delaware	20.3
Iowa*	20.0
Utah*	19.4
Alabama*	19.2
Maine	19.1
Colorado	18.9
Wyoming*	18.5
Tennessee	18.4
Vermont	17.7
New Hampshire	17.2
Idaho	17.0
Nebraska*	17.0
Louisiana	16.9
Arizona*	16.6
Arkansas*	16.4
North Dakota*	16.1
Oklahoma	16.0
Virginia*	15.5
Kansas*	15.4
Florida*	14.7
Georgia*	13.9
Texas*	13.5
New Mexico	13.2
Mississippi*	12.6
South Dakota*	11.8
South Carolina*	9.0
North Carolina*	7.5

* State has a right-to-work law.
** Includes Dist. of Col.

STATE OF ALASKA ESTIMATED REVENUE SOURCES
FISCAL YEAR 1977

Source	Amount ($ Millions)	Portion
Petroleum-Related Sources		
Reserves Tax	$ 260	37.2%
Royalties, severence tax, property tax, etc.	$ 155	22.1%
SUBTOTAL	$ 415	59.3%
Other Sources		
Income Taxes	$ 145	20.7%
Other taxes, fees, etc.	$ 140	20.0%
TOTAL	$ 700	100.0%

STATE OF ALASKA ESTIMATED REVENUE SOURCES
FISCAL YEAR 1985

Source	Amount ($ Billions)	Portion
Oil and Gas.....	$2.0	71.4%
Other Sources.....	0.8	28.6%
TOTAL.....	$2.8	100.0%

During the ten year period of 1964 to 1974, state and local government employment increased by nearly 15,000 employees. Assuming the state average household size of 3.1 persons implies an increase in Alaska's population of over 45,000. The mulitiplier effect then adds another 22,000 people. This totals 67,500 people attracted to Alaska because of the expansion of state and local government. This is nearly twice the population impact of the construction, petroleum, hardrock mining, fishing and forest products industries -- the entire basic sector -- combined.

These employment increases reflect the general expansion of state and local government since 1969. In one year (Fiscal Year 1971) the level of State General Fund expenditures doubled. Over the past five years State spending has increased at an annual rate of 26.2%.

As a result of this expansion, the State of Alaska now spends 3.7 times as much per capita as the average state in the country, employs 2.9 times as many people per capita as the average state in the country, and has 4.7 times as much outstanding debt per capita as the average state in the country.

AlaskaPacificBank

Working Paper #3 October 13, 1976

FUTURE DIRECTION OF THE ALASKA ECONOMY

SHORT-RANGE OUTLOOK

Alaska's economy is now entering a plateau period. Over the next two years, our economic growth will slow considerably.

Three factors are going to be responsible for the forthcoming slowdown in our rate of growth:

1. the substantial decrease in employment on the pipeline project;

2. the likelihood of more modest State spending increases; and

3. a holding back in the private sector because most businessmen and developers in Alaska are expecting a slowdown. (As in any business cycle anywhere, this in turn causes them to become more conservative and helps bring about the very slowdown they expect.)

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To put some preliminary numbers on this slowdown, in 1975 civilian employment in Alaska rose 22% above the level of 1974. In 1976 the growth rate is expected to fall considerably to somewhere in the neighborhood of 10%. In 1977 employment is expected to decrease by about 5% - 10%. Employment should hold relatively stable in 1978, then in 1979 with substantial royalty and production tax revenues flowing to the State and a gas pipeline probably under construction, the rate of economic growth should pick up.

It should be emphasized that, despite this forecast of a slowdown, there is not going to be any sort of major bust in the sense of the post-gold rush collapse. These factors will prevent the forthcoming slowdown from turning into a bust.

First, we should keep in mind the huge underpinning of the Alaska economy: government. Over the past decade, federal spending in Alaska has risen steadily at an average annual rate of 10%. This is expected to continue. At the state government level large spending increases are occurring. The Fiscal Year 1975 appropriations provided for a 40.1% increase in expenditures over the level of Fiscal Year 1974; the Fiscal Year 1976 budget increased another 28%; and the Fiscal Year 1977 level of expenditures is expected to rise by nearly 20%.

This huge base of government spending and employment (indeed, providing nearly half the jobs in Alaska) presents a stable underpinning to our economy which helps to mitigate cyclical fluctuations in the private sector.

A second element to keep in mind when analyzing the possibility of a post-pipeline bust is the fact that this project is not a situation wherein on July 1, 1977, everybody is going to lay down their tools and go home. Rather, construction on the pipeline will continue into the early 1980's, gradually increasing the capacity to two million barrels a day. Nevertheless, the fact remains that it appears at this point that in 1977 there is going to be a fall-off in the number of workers on the pipeline of approximately 18,000. Interestingly, this fall-off is not going to have the catastrophic effect that would appear on the surface. The workers living in the camps and working on the pipeline are having a more modest impact on Alaska's economy than expected. Forty percent of them send their payroll checks directly to the "lower 48" to a bank in their hometowns for deposit. Further, a substantial number of the local checking accounts of the other 60% are simply temporary or flow-through in nature.

The second factor, then, preventing a post-pipeline bust is the fact that the pipeline project has not itself

contributed as much to the present boom as it appears on the surface. Therefore, the winding down of the pipeline project will not have as great a "bust" effect as some believe.

The third element preventing a post-pipeline bust is the fact that it appears that most Alaskans are focusing on the longer range outlook. We know there will be construction of a gas pipeline, one route or another; we know that oil and gas exploration and development is just in its infancy and will grow substantially; we know that the economic impact from the Native Claims Settlement Act will be significant; we know that a certain expansion of LNG plants and of the petrochemical industry is highly probable; we know that there is a good chance of a major hydroelectric project and of the capital being moved; and we know of numerous other events likely to occur in the 1980's.

The relevancy of all of this is that there will continue to be anticipatory expansion in the private sector. In the very same way that the delayed pipeline in the early '70's did not squelch completely the plans of developers, I feel that the forthcoming slowdown also will not squelch completely the activities of developers who look beyond the valley to the strong growth anticipated for the 1980's.

To summarize the outlook for the immediate future: definitely the rate of economic growth will slow down, and there could be a slight downturn in 1977. But this slowdown will be (1) somewhat modest, not in any way resembling a bust, and (2) relatively short in duration.

LONG-RUN OUTLOOK

The decade of the eighties looks promising for Alaska's economy. Big oil and big government -- the factors underlying Alaska's prosperity in the seventies -- will again promote a great leap forward.

For at least the next decade -- and likely far beyond -- the petroleum industry will serve as the vanguard of Alaska's economic growth.

Petroleum Industry

The second major oil and gas project in Alaska following construction of the trans-Alaska oil pipeline will be construction of a natural gas pipeline. Although there is as yet no specific route approved for transporting the natural gas from Alaska's North Slope to U.S. markets, three routes have been proposed. Canadian Arctic Gas, Ltd., has applied to the Federal Power Commission for authority to transport the gas through Canada to Montana and onto the Midwest where it will connect with existing systems, terminating in Pennsylvania. El Paso Natural Gas Company is proposing to transport the gas from the North Slope to Point Gravina near Cordova, liquefy it, and ship the LNG to the West Coast. A third entrant, Northwest Pipeline Corporation of Salt Lake City,

has filed for permission to construct a pipeline parallel to the first oil pipeline from Prudhoe Bay to approximately Fairbanks, turn east, and enter Canada where it would connect with existing systems to transport the natural gas to the United States. The Federal Power Commission has announced its intention to rule on this matter by the end of the year. Undoubtedly final resolution of the route is expected to be performed by Congress. This is anticipated to be accomplished by fall, 1977.

Regardless of which route is approved, Alaska will feel a substantial impact during construction of a gas pipeline. Nevertheless, the trans-Alaska route, which would transport gas to tidewater, would be most conducive to development of a petrochemical industry in Alaska.

When looking to the future of the petroleum industry in Alaska, it should be kept in mind that the Prudhoe Bay project on the North Slope, which holds one-fourth of our nation's proved crude oil reserves and nearly ten percent of our nation's proved natural gas reserves, is simply one reservoir in one of Alaska's fifteen sedimentary basins. That is, development on the North Slope represents only the beginning as far as oil development in Alaska is concerned. No one knows for sure, but the guesses in the industry are that there is in the neighborhood of one hundred billion barrels of oil underneath and offshore Alaska.

Our nation's official commitment to pursuing greater energy self-sufficiency has placed a high priority on lease sales on the Outer Continental Shelf. Over half of the U.S. Outer Continental Shelf lies off Alaska. The first offshore oil lease sale in the Gulf of Alaska was held last April, and eight more sales are scheduled over the next two years as indicated in the accompanying table.

OCS SALE SCHEDULE FOR ALASKA

Sale Area	Call For Nominations	Sale Date
Lower Cook Inlet		November, 1976 to January, 1977
Gulf of Alaska (Kodiak Shelf)		February, 1977
Bering Sea (St. George Basin)		March, 1977
Beaufort Sea	July, 1976	October, 1977
Bristol Basin	September, 1976	December, 1977
Bering Sea (Norton Basin)	May, 1977	August, 1978
Gulf of Alaska (Aleutian Shelf)	July, 1977	October, 1978
Chukchi Sea (Hope Basin)	September, 1977	December, 1978

Source: Oil and Gas Journal

Another factor inducing oil development is the transfer of forty million acres of land from the federal government to Alaska's Native corporations. Most of the Native corporations which occupy potentially rich oil and gas basins have consummated exploration agreements with petroleum firms, as outlined in the table following.