

SCOMM

99:1

03/29/96
18:57:34

BILLS & RESOLUTIONS IN COMMITTEE

BRPP500

TR
403

COMMITTEE: HOUSE SP CMTE WORLD TRADE & ST/FED RELATIONS

BILL ID	NUMBER	ABBREVIATED TITLE	SPONSOR/REQUESTOR	DATE	FURTHER REFERRALS
HCR 28	HCR 28	EXTEND DALTON HIGHWAY	Davies	02/12/96	(H) TRA
			BY REQUEST.		THEN STA
HJR 10	HJR 10	OPPOSING FEDERAL MANDATES ON STATES	James	01/16/95	(H) STA
					THEN JUD
HJR 14	HJR 14	CONST. AMDT: SUBSISTENCE PREFERENCE	Ivan	01/16/95	(H) RES
					THEN JUD
					THEN FIN
HJR 15	HJR 15	OPPOSING FEDERAL MANDATES ON STATES	Barnes	01/16/95	(H) STA
					THEN JUD
HJR 16	HJR 16	STATE'S RIGHTS UNDER 10TH AMENDMENT	Green	01/16/95	(H) STA
					THEN JUD
HJR 21	HJR 21	CONFERENCE OF THE STATES	Mulder	01/23/95	(H) STA
HJR 37	HJR 37	SUPPORT INCREASING FEDERAL MINIMUM WAGE	Finkelstein	03/15/95	(H) STA
					THEN L&C
					THEN FIN
HJR 53	HJR 53	VOTER APPROVAL:AK STATEHOOD ACT AMENDMENT	Davies	01/10/96	(H) STA
					THEN JUD
					THEN FIN
HJR 57	HJR 57	CONVEYANCE OF LAND IN DALTON HWY CORRIDOR	Davies	01/24/96	(H) STA
					THEN RES
HR 11	HR 11	REINDEER INDUSTRY ACT OF 1937	Ogan	05/10/95	(H) STA
					THEN RES
CSSSSJR 18(STA)	SJR 18	CREATION OF ARCTIC COUNCIL	Adams	04/26/95	(H) ITT
					THEN CRA
					THEN STA
					THEN FIN



Official Business

COMMITTEES:
Natural Resources
Legislative Council

Alaska State Legislature

Office of World Trade And State/Federal Relations

REPRESENTATIVE
RAMONA L. BARNES
District 22

Anchorage
P.O. Box 103382
Anchorage, AK 99510
(907) 337-7737
(907) 258-8163

State Capitol
Juneau, AK 99801-1182
(907) 465-3438

House Special Committee on World Trade & State/Federal Relations

M E M B E R S

	<i>session</i>	<i>interim</i>
BARNES, Chairman	3438	258-8163
PHILLIPS, V. Chairman	2689	258-8164
MULDER	2647	258-8193
WILLIAMS	3424	247-4672
G. DAVIS	2693	283-7095
KUBINA	4859	same
MACKIE	4925	same

House Special Committee on World Trade and
State/Federal Relations

January 24, 1995 5 p.m.
House Finance Committee Room

AGENDA

- I. CALL TO ORDER
- II. ROLL CALL
- III. AGENDA ITEMS

1) Joint meeting with Committee on International Trade
and Tourism.

Presentation from Robin Zerbel, World Trade Center
and Chuck Becker, District Director, U.S. Foreign
Commercial Service.

- IV. OTHER BUSINESS
- V. ADJOURNMENT
- VI. REMINDER: Next meeting---Tuesday, January 31, 1995
5 p.m. Capitol Bldg. Room 408

HB 83 "Review of Federally Mandated Programs"
HJR 8 "Opposing Federal Mandates on States"

HOUSE SPECIAL COMMITTEE WORLD TRADE AND STATE/FEDERAL RELATIONS

January 24, 1995

5:10 p.m.

MEMBERS PRESENT

Representative Ramona Barnes, Chairman
Representative Eldon Mulder
Representative Bill Williams
Representative Gene Kubina
Representative Jerry Mackie
Representative Bev Masek
Representative Brian Porter
Representative Pete Kott
Representative Jeannette James
Representative Irene Nicholia
Representative Caren Robinson

MEMBERS ABSENT

Representative Gail Phillips, Vice Chairman
Representative Gary Davis
Representative Alan Austerman

OTHER HOUSE MEMBERS PRESENT

Representative Jerry Sanders
Representative John Davies

COMMITTEE CALENDAR

(* First public meeting)

Joint meeting with Special Committee on International Trade and Tourism.

Presentation from Chuck Becker, District Director, U.S. Foreign Commercial Service
and Robin Zerbel, Director, World Trade Center.

WITNESS REGISTER

CHARLES F. BECKER, District Office Director, Int'l Trade Admin.
U.S. Foreign Commercial Service
World Trade Center Alaska
421 West First Avenue, Suite 300
Anchorage, Alaska 99501
Telephone: 271-6237

POSITION STATEMENT: Overview of U.S. Foreign Commercial Service

Ms. E.H. PETE NELSON, Regional Land Manager
TEXACO, Inc.

Post Office Box 100899

Anchorage, Alaska 99510-0899

Telephone: 278-9611

POSITION STATEMENT: Board member of World Trade Center

Ms. ROBIN R. ZERBEL, Director

World Trade Center Alaska

421 West First Avenue, Suite 300

Anchorage, Alaska 99501

Telephone: 278-7233

POSITION STATEMENT: Overview of World Trade Center

JOSEPH M. BEEDLE, President

Goldbelt, Inc.

9097 Glacier Highway, Suite 200

Juneau, Alaska 99801

Telephone: 790-4990

POSITION STATEMENT: Board member of World Trade Center

WILLIAM L. BLACHMAN, Ph.D., Dean

University of Alaska Anchorage

School of Business

3211 Providence Drive

Anchorage, Alaska 99508

Telephone: 786-4125

POSITION STATEMENT: Board member of World Trade Center

PREVIOUS ACTION

ACTION NARRATIVE

TAPE 95-1, SIDE A

Number 000

The Joint Meeting of the House Special Committees on World Trade and State/Federal Relations and International Trade and Tourism was called to order by Chairman Ramona Barnes at 5:10 p.m. Members present at the Call To Order were Representatives Barnes, Mulder, Williams, Masek, Porter, Kott and Nicholia. Members absent were Representatives Kubina, Mackie, James, Robinson, Phillips, G. Davis, Austerman.

Number 033

CHAIRMAN RAMONA BARNES welcomes the committee members and public to the first meeting of this committee. She introduces Representative Masek, chairman of the International Trade & Tourism. Chairman Barnes states that this committee looks forward to enhancing the relations of this state and that the areas of interest will include world trade and how the state can promote trade that will benefit Alaska. While deals involving millions of dollars are important, so are opportunities for small businesses to find trading partners and make investments in foreign countries. She notes in a recent state economic report that Alaska's exports fell 24 % in 1993. Half of that total is just one commodity--fish, and of the \$2.7 billion in goods exported in 1993, Japan purchased over \$2 billion worth. We must expand trade with other partners including China, Taiwan and Russia. We also must take a more active role in asserting our rights with the federal government as they relate to our state and our state sovereignty.

Number 095

REPRESENTATIVE BEV MASEK, Chairman of International Trade & Tourism Committee, also welcomed the committee and thanked the public for their representation. She said the State had not taken a strong look toward tourism and that her committee looked forward to hearing from the public so that the committee may have a good overview of the areas that need work.

Number 116

CHARLES BECKER, District Director, U.S. Foreign Commercial Service, testified via teleconference from Anchorage and give an overview of the agency and its mission, how they operate and how they help Alaskan companies and thirdly to discuss a conversation he had with Commerce Commissioner Willie Hensley and the transition team. The agency is a group of marketing professionals as a group that spans the globe and has about 135 locations. They are typically the hottest markets for U.S. products and services. They also have 70 domestic offices. The service began in 1980. They have a sophisticated technical system called a National Trade Data Bank that will assist companies in conducting business. The agency is now located with the World Trade Center. They look forward to working with their "missing" partner, the governor's office of International Trade.

Number 296

MR. BECKER says that a joint strategic plan with his agency, the World Trade Center and the Office of International Trade has been developed to address the problems of trade development in Alaska. There would be export seminars.

Number 320

MR. BECKER pointed out in his meeting with Commerce Commissioner Hensley that the Commissioner take a look at the governor's office of International Trade, that we work as closely as we can to eliminate any duplication and to develop the strategic plan to define common objectives.

Number 370

CHAIRMAN BARNES noted as a side comment how pleased she is that Mr. Becker is working on exporting our cold weather technology as it relates to our development of our oil patch at Prudhoe Bay. She also noted that Taipei is one of the largest trade centers in the world, and a sister-city to Anchorage and yet that office is closed and that we could have free space there.

MR. BECKER noted that the office was closed about four years ago , although Alaska has a small contract with an individual there who is doing excellent work.

Number 425

Ms. PETE NELSON, Board member of the World Trade Center, gave an overview of the origin and operation of the Center. The advisory board is made up of people from the banking community, oil companies, law firms, native corporations and retail merchants as well as government agencies involved in international trade activities.

Representatives Mackie and Kubina arrived late.

Number 455

Ms. ROBIN ZERBEL, Director, World Trade Center, stated that the WTC is an association that consists of 200 organizations throughout Alaska with its headquarters in New York. She stresses the importance of how we can increase the success of Alaskan companies without expanding significantly our financial resources. Our mission is to facilitate trade for our member companies. It's a two-prong approach with networking as the facilitator. Services and facilities component make up the two parts of the mission. We do 80 % of our business with Russia.

Representatives James and Robinson arrived late.

Number 499

Ms. ZERBEL offers the services of the WTC to the State of Alaska. There are six key elements to the success of trade in Alaska's future. They are education, leadership from the State of Alaska, develop a strategy, trade financing, trade missions and trade shows and publicity. She offers the cooperation of her agency work to closely with both committees in any effort to promote and enhance trade in Alaska.

Number 644

CHAIRMAN BARNES relates her trip with Representative Phillips this past summer to Taipei.

REPRESENTATIVE JEANNETTE JAMES stated that Alaska has just exported its first shipment of potatoes to Taiwan and that more shipments were planned.

Number 689

JOSEPH BEEDLE, Board member of WTC, that this is a public-private partnership that is funded by 70% of people who are willing to pay for the resources that are provided.

TAPE 95-1, SIDE B
Number 000

DR. WILLIAM BLACHMAN, Board member of the WTC, agrees that the joint-venturing is going to prove very valuable to Alaska businesses.

REPRESENTATIVE JOHN DAVIES inquired about the relationship between the WTC and the mission of University of Alaska.

Ms. ZERBEL explained that it is very important to teach people how to do business internationally. It's like having a classroom without walls.

Number 064

REPRESENTATIVE BRIAN PORTER noted that there isn't an awful lot of coordination with the energy industries or timber in Alaska, but since fish is such a large export, he wanted to know if they were related in any way to Alaska Seafood and Marketing Institute.

Ms. ZERBEL says they work very closely with International Trade, who works with ASMI.

Ms. ZERBEL commented that although they work cooperatively with the tourism trade and the Convention and Visitors Bureau and Alaska Visitors Bureau and when there is a cross-over, we work with them, but they are not in a position to take on tourism.

REPRESENTATIVE CAREN ROBINSON inquired about how to become a member and how are board members chosen.

Ms. ZERBEL stated that it is a \$300 annual fee and have many fund raisers. The board members have been historically appointed by the chancellor of the University of Alaska Anchorage.

CHAIRMAN BARNES announced that the next committee meeting will be Tuesday, January 31, at 5 p.m. to hear HB 83 and HJR 8.

ADJOURNMENT

There being no further business to come before the House Special Committee of World Trade and State/Federal Relations, Chairman Barnes adjourned the meeting at 6:05 p.m.



Official Business

Alaska State Legislature

State Capitol
Juneau, AK 99801-1182

House Special Committee on World Trade and State/Federal Relations

January 31, 1995 5 p.m.
Capitol, Room 408

AGENDA

- I. CALL TO ORDER
- II. ROLL CALL
- III. COMMITTEE CALENDAR

(* first public hearing)

- 1) * HB 83 "Review of Federally Mandated Programs".
- 2) * HJR 8 "Opposing Federal Mandates on States".
- 3) * HJR 20 "Conference of the States".

- IV. OLD BUSINESS
- V. NEW BUSINESS
- VI. ADJOURNMENT

- VII. REMINDER: Next meeting---Thursday, February 9, 1995
5 p.m. Capitol Bldg. Butrovich Room (205)

- 1. Overview by the Department of Commerce & Economic
Development
Testimony: John Sibert, Executive Director, Alaska Science &
Technology Foundation
- 2. Joint meeting with International Trade & Tourism



Official Business

Alaska State Legislature

HOUSE OF REPRESENTATIVES

SPONSOR STATEMENT

State Capitol
Juneau, AK 99801-1182

To: House Committees of Referral for HJR 8

From: Representative Scott Ogan *SO*

Re: HJR 8, "A Resolution relating to mandates and other conditions imposed on the states by the federal government."

Date: January 19, 1995

I have introduced HJR 8 as a means of articulating the resolve of the citizens of this state to stand against further attempts by the federal government to encroach upon our autonomy and rights as a state under the Tenth Amendment to the United States Constitution. The Resolution reflects the widely held opinion that the federal government has grossly exceeded its authority to make and enforce policy in certain areas. The United States Constitution creates a federal government of limited jurisdiction, and permits government at that level to exercise only those powers specifically granted in the document. The Tenth Amendment specifically articulates the principle reflected throughout the Constitution that all governmental authority not explicitly granted to the federal government is reserved to the several states.

It is clear that Congress has lost any understanding of its limited role and continues to enact legislation dealing with issues that are completely outside of its jurisdiction, as that jurisdiction is defined in Article I, Section 8 of the Constitution. Such legislation typically authorizes the various executive agencies to promulgate regulations which are oppressive, unconstitutional, and which demonstrate little understanding of or concern for the unique conditions and problems faced by the citizens of the State of Alaska. A prime example of this abuse, the federal management of fish and wildlife resources within the state, is specifically addressed in HJR 8. Nowhere in the United States Constitution is either Congress or the Executive Branch given authority to regulate or manage fish and game, except to the extent these resources enter the flow of interstate commerce.

As if the abrogation of state governmental authority were not enough, many of these constitutionally dubious federal mandates require state or local governments to pay for their implementation. These "unfunded mandates" have imposed enormous burdens on smaller governments already stretched thin by the effort required to meet their own responsibilities.

This Resolution is a timely statement to the federal government demanding that it cease and desist from interfering with Alaska's right to determine policy in those areas reserved to the states, and from attempting to manage Alaska's fish and wildlife resources.



Official Business

Alaska State Legislature

HOUSE OF REPRESENTATIVES

State Capitol
Juneau, AK 99801-1182

MEMORANDUM

To: House Committees of Referral for HJR 8

From: Allen Kingman, Aide to Rep. Scott Ogan *JK*

Re: Sectional Analysis of HJR 8

Date: January 20, 1995

The following is a sectional analysis of HJR 8, "A Resolution relating to mandates and other conditions imposed on the states by the federal government." Please be advised that this analysis is not an authoritative interpretation of this resolution, and is not intended to provide legal advice concerning the potential ramifications of the resolution.

Section 1. (This is a single section resolution)

This resolution makes two clear and simple demands upon the federal government: First, that the federal government cease and desist from exercising any governmental authority in areas outside of its explicitly granted jurisdiction, and second, that the federal authorities relinquish their unlawful control over the fish and wildlife resources of this state. Compliance with these demands would restore to the state sole authority to make and enforce policy in those areas not delegated to the federal level by the Constitution, such as health and safety, environmental issues, education, welfare, fish and wildlife, and discretionary decisions concerning financial support for science and the arts. The citizens of each state would determine through their elected officials whether, and to what extent, these functions would be regulated and funded by state government.



Official Business

Alaska State Legislature

HOUSE OF REPRESENTATIVES

State Capitol
Juneau, AK 99801-1182

MEMORANDUM

To: House Committees of Referral for HB 83

From: Allen Kingman, Aide to Rep. Scott Ogan *SO*

Re: Sectional Analysis of HB 83

Date: January 19, 1995

The following is a sectional analysis of HB 83, "An Act relating to state implementation of federal statutes." Please be advised that this analysis is not an authoritative interpretation of this bill, and is not intended to provide legal advice concerning the potential ramifications of the bill.

Section 1. FINDINGS AND INTENT:

The findings set forth in this bill are clear and self-explanatory; they reflect the widely held opinion that the federal government has grossly exceeded its authority to make and enforce policy in certain areas. Federal legislation typically authorizes the various executive agencies to promulgate regulations which are oppressive, unconstitutional, and which demonstrate little understanding of or concern for the unique conditions and problems faced by the citizens of the State of Alaska.

Section 2. ADDITION OF A NEW CHAPTER 40 TO TITLE 37:

§ 37.40.10 (a) requires that a commissioner or other agency head charged with implementing a federally mandated program shall annually review the cost-effectiveness of that mandate, as well as whether the mandate conflicts with state policy. The commissioner or agency head will then present his findings and recommendations to the governor, the Legislative Budget and Audit Committee, and the judiciary committees of each house.

§ 37.40.10 (b) requires a similar annual review of federal mandates by commissioners and agency heads, but with a focus on whether the federal mandate encroaches on an area of jurisdiction reserved to the states under the United States Constitution. Findings are reported to the governor and judiciary committees only.

§ 37.40.10 (c) requires that state agencies or departments responsible for developing state programs that implement federal mandates shall develop programs that are responsive to the fiscal limitations of the state and its municipalities, and that the agencies balance the cost of the program to the state with the program's intended benefit.

§ 37.40.020 (a) charges the committees receiving the above-described reports with making an independent determination as to the legality of the federal mandate, and with reviewing any alternative methods of compliance that might be more cost-effective.

§ 37.40.020 (b) requires the reviewing committees to submit recommendations to the governor regarding executive branch implementation of the federal mandate.



Official Business

Alaska State Legislature

HOUSE OF REPRESENTATIVES

State Capitol
Juneau, AK 99801-1182

SPONSOR STATEMENT

To: House Committees of Referral for HB 83

From: Representative Scott Ogan *SO*

Re: HB 83, "An Act relating to state implementation of federal statutes."

Date: January 19, 1995

I have introduced HB 83 as a companion bill to HJR 8, "A Resolution relating to mandates and other conditions imposed on the states by the federal government." Whereas the Resolution articulates the resolve of the citizens of this state to stand against further attempts by the federal government to encroach upon our autonomy and rights as a state under the Tenth Amendment to the United States Constitution, this bill provides a simple and practical modality for taking that stand.

HB 83 requires that any commissioner or agency head faced with implementing a federal mandate or condition must first carefully analyze the mandate for three specific difficulties before making any efforts at compliance. First, is the federal policy or legislation an unconstitutional abrogation of state power? Second, is it in conflict with state policy? And third, is the federal mandate a cost-effective method in this state of dealing with the problem it addresses? The agency head or commissioner will present his findings in the form of a written report to the Governor, the Legislative Budget and Audit Committee, and the House and Senate Judiciary Committees.

The two legislative committees receiving such reports shall review them, and are authorized to research the legality of the mandate. Their conclusions shall be presented to the governor, along with specific recommendations to the executive branch for compliance, modified compliance, or legal challenge.

This bill provides a mechanism to scrutinize efforts by the federal government to impose unsuitable policy on our state, and to assert our right to self-determination--a right purchased for us at high cost by our ancestors.

AMENDMENT

OFFERED IN THE HOUSE SPECIAL
COMMITTEE ON WORLD TRADE
AND STATE/FEDERAL RELATIONS

BY REPRESENTATIVE OGAN

Page 2, lines 13 - 15:

Delete:

"The commissioner of each department or head of another agency in the executive branch shall annually review each program administered by that department or agency"

Insert:

"The Office of Management and Budget shall annually review each program administered by each department or agency of the executive branch"

Page 2, line 16:

Delete "The commissioner or agency head"

Insert "The Office of Management and Budget"

Page 2, line 19:

Delete "commissioner or agency head"

Insert "Office of Management and Budget"

Page 3, line 18:

Following "governor":

Insert "and the Alaska congressional delegation"



Official Business

COMMITTEES:
Natural Resources
Legislative Council

Alaska State Legislature

Office of World Trade
And
State/Federal Relations

REPRESENTATIVE
RAMONA L. BARNES
District 22

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Anchorage, AK 99510
(907) 337-7737
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State Capitol
Juneau, AK 99801-1182
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HOUSE COMMITTEE PASSES RESOLUTION TO RESTORE STATES RIGHTS

2/1/95

FOR IMMEDIATE RELEASE

CONTACT: REP. RAMONA BARNES, 465-3438

The House Special Committee on World Trade and State/Federal Relations last night approved a resolution that authorizes the State of Alaska to participate in the first formal conference of the fifty states since 1786. Delegates to the conference would debate and vote on an action plan designed to restore the checks and balances between the states and the federal government.

"My resolution is an important first step toward reversing the encroachment of the federal government into areas where it doesn't belong," said Representative Ramona Barnes (R) Anchorage. "It is intended to restore the balanced system of government envisioned by the Tenth Amendment." Similar resolutions are pending in legislatures across the nation.

The conference, which is expected to occur during 1996, would convene no later than nine months after at least 26 states pass resolutions authorizing it. Alaska would be represented by five voting members including the governor and four legislators, two from each House. No more than two of the legislators selected may be from the same political party.

Barnes noted that since 1990 alone, the federal government has enacted at least 42 major statutes imposing expensive regulations and requirements on state and local governments. The measure (HJR 20) now goes to the State Affairs Committee. The Conference of the States is being organized by the Council of State Governments in cooperation with the National Conference of State Legislatures and the National Governors' Association.



Official Business

COMMITTEES:
Natural Resources
Legislative Council

Alaska State Legislature

Office of World Trade And State/Federal Relations

REPRESENTATIVE
RAMONA L. BARNES
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State Capitol
Juneau, AK 99801-1182
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SPONSOR STATEMENT

FROM: Representative Ramona Barnes

DATE: January 26, 1995

RE: HJR 20
"Relating to unfunded federal mandates and the Conference of the States"

HJR 20 authorizes the State of Alaska to send a delegation to represent the people of Alaska at a Conference of the States. The delegates would debate and vote on an action plan to restore the checks and balances between the states and the national government.

The resolution notes that the conference will convene no later than 270 days after at least 26 legislatures adopt similar resolutions and that Alaska will be represented by five voting members consisting of the governor or a constitutional officer selected by him, and four legislators, two from each house selected by the presiding officer of that house. No more than two of the legislators selected may be from the same political party. Two alternate legislator delegates, one from each party, would also be selected.

The action plan to be voted on at the conference will be called a States' Petition. It will be presented to each state in the form of a resolution for ratification, then presented to Congress as the will of the states of the Union.

Since 1990 alone, the federal government has enacted at least 42 major statutes imposing expensive regulations and requirements on state and local governments. HJR 20 is an important first step toward reversing that trend and restoring the balanced system of government envisioned by the Tenth Amendment.

Position Statement

HJR 20

The Knowles Administration supports House Joint Resolution 20, relating to unfunded federal mandates and the Conference of the States. The Conference of the States, which is supported by this resolution, has received broad interest and support among the states as a forum for addressing the balance of state and federal powers.

For Alaska, one of the key issues in our relationship with the federal government is not just the funding of federal mandates, but also the flexibility to tailor our government services to meet the unique needs of our state. In many areas — including welfare reform, education, environmental protection and health care — Alaska could benefit from greater freedom to design out own solutions, rather than being required to follow rigid requirements dictated by Washington.

The Administration looks forward to working with the Legislature in presenting a unified Alaska position on the balance of state and federal powers at the Conference of the States.

ROLL CALL
House Special Committee
World Trade & State/Federal Relations

MEETING OF World Trade

SUBJECT ogan Amendment 1 HB 83

MEMBER	YES	NO
<u>BARNES</u>	✓	
<u>PHILLIPS</u>	✓	
<u>MULDER</u>	✓	
<u>G. DAVIS</u>	✓	
<u>WILLIAMS</u>	✓	
<u>KUBINA</u>	✓	
<u>MACKIE</u>	✓	
TOTAL		

PASSED:

FAILED:

7-0

02/06/95

09:38:10

TCN: 50083

DATE & TIME: 01/31/95 17:00 TO 18:00 STATUS:7 STATS. IN

**** ORDER SUMMARY ****

SPONSOR: HWTR HOUSE SP CMTE WORLD TRADE & STATE/FED RE CHAIRS: BARNES

PURPOSE: PUB PUBLIC HEARING LEGISLATIVE

CONTACT: WAYNE TEL#: (907)465-6586

CHAIRING SITE: JUNEAU CAPITOL CAP408

TOLL FREE: DIAL-UP: LIO: (800)478-9908

SPONSOR REMARKS(PUB): TESTIMONY:Y ALLOWED

3 MINUTE LIMIT

SPONSOR REMARKS(LIO): BACKUP MATERIAL:Y MEETING IN PROGRESS:N MAX. SITES: 5

OTHER SITES MAY ADD - WAYNE WOULD LIKE TO BE INFORMED WHEN/IF THIS HAPPENS.

BACK-UP FAXED ON 1/27. ****JNU TO DIAL 9-10866-1-800-478-9908****

TCN REQUESTED ON 01/31/95 AND HAS 3 UPDATES

**** AGENDA ****

1 HB 83 REVIEW OF FEDERALLY MANDATED PROGRAMS

2 HJR 8 OPPOSING FEDERAL MANDATES ON STATES

**** PARTICIPATING LIOS ****

DJT DELTA JCT. JARVIS CTR. #210 LOCATION STAFF

* JNU JUNEAU CAPITOL CAP408 LOCATION STAFF

MAT MATSU 165 E PARKS HWY. LOCATION STAFF

SOL KEN/SOL 34824 KALIFONSKY LOCATION STAFF

PARTICIPANTS IN:DELTA JCT. DJT

1 MR.	GENE	OTTENSTROER	TSFY. ALL ITEMS
	PO BOX 1059	DELTA JUNCTION	AK 99737 (907)895-4805
2 MS.	JEANNE'	PHIPPS	OBSV. ALL ITEMS
	PO BOX 544	DELTA JUNCTION	AK 99737 (907)895-4805

PARTICIPANTS IN:JUNEAU JNU

1	TO	OBSERVE	OBSV. ALL ITEMS
2	TO	OBSERVE	OBSV. ALL ITEMS
3	TO	OBSERVE	OBSV. ALL ITEMS
4	TO	OBSERVE	OBSV. ALL ITEMS
5	TO	OBSERVE	OBSV. ALL ITEMS
6	TO	OBSERVE	OBSV. ALL ITEMS
7	TO	OBSERVE	OBSV. ALL ITEMS
8	TO	OBSERVE	OBSV. ALL ITEMS
9	TO	OBSERVE	OBSV. ALL ITEMS
10	TO	OBSERVE	OBSV. ALL ITEMS
11	TO	OBSERVE	OBSV. ALL ITEMS
12	TO	OBSERVE	OBSV. ALL ITEMS
13	TO	OBSERVE	OBSV. ALL ITEMS
14	TO	OBSERVE	OBSV. ALL ITEMS
15	TO	TESTIFY	TSFY. ALL ITEMS
16	TO	TESTIFY	TSFY. ALL ITEMS
17	TO	TESTIFY	TSFY. ALL ITEMS

PARTICIPANTS IN:MATSU MAT

1 MR.	ROBERT	SHUMAKER	TSFY. HB 83
	P O BOX 3712		AK 99645 (907)746-4453

PARTICIPANTS IN:KEN/SOL SOL

02/06/95

09:38:10

TCN: 50083

DATE & TIME: 01/31/95 17:00 TO 18:00 STATUS:7 STATS. IN

PARTICIPANTS IN:KEN/SOL

SOL

1 MR.	GARY	SUPERMAN	SELF	TSFY. HB 83
	PO BOX 8425		NIKISKI	AK 99635 (907)776-8448.
2 MR.	SCOTT	HAMANN	ABATE	TSFY. HB 83
	PO BOX 934		KENAI	AK 99611 (907)776-8448
3 MR.	MIKE	SEAMAN	ABATE	TSFY. HB 83
	408 N. GILL ST		KENAI	AK 99611 (907)283-4970
4 MR.	SEYMOUR	MILLS	SELF	TSFY. HB 83
	PO BOX 51		STERLING	AK 99672 (907)262-9289

**** SCHEDULING NOTES ****

ROOM 408 MAY NOT BE SET UP - WE NEED TO CHECK THIS OUT .

**** UPDATES ****

01	01/20/95	17:33:27	ANNOUNCING TELECONFERENCE
02	01/23/95	13:54:42	KEN/SOL ADDED ON
03	01/30/95	13:12:14	DELTA JCT. ADDED ON

LIN1100-R01

LEGISLATIVE TELECONFERENCE NETWORK

PAGE 01

02/01/95

08:53:47

TCN: 50083

DATE & TIME: 01/31/95 17:00 TO 18:00 STATUS:6 ADJOURNED

**** ORDER SUMMARY ****

SPONSOR: HWTR HOUSE SP OMTE WORLD TRADE & STATE/FED RE CHAIRS: BARNES

PURPOSE: PUB PUBLIC HEARING LEGISLATIVE

CONTACT: WAYNE TEL#: (907)465-6586

CHAIRING SITE: JUNEAU CAPITOL CAP408

TOLL FREE: DIAL-UP: LIO: (800)478-9908

SPONSOR REMARKS(PUB): TESTIMONY:Y ALLOWED

3 MINUTE LIMIT

SPONSOR REMARKS(LIO): BACKUP MATERIAL:Y MEETING IN PROGRESS:N MAX. SITES: 5

OTHER SITES MAY ADD - WAYNE WOULD LIKE TO BE INFORMED WHEN/IF THIS HAPPENS.

BACK-UP FAXED ON 1/27. ****JNU TO DIAL 9-10866-1-800-478-9908****

TCN REQUESTED ON 01/31/95 AND HAS 3 UPDATES

**** AGENDA ****

- 1 HB 83 REVIEW OF FEDERALLY MANDATED PROGRAMS
- 2 HJR 8 OPPOSING FEDERAL MANDATES ON STATES

**** PARTICIPATING LIOS ****

DJT DELTA JCT.	JARVIS CTR. #210	LOCATION STAFF
JNU JUNEAU	CAPITOL CAP408	LOCATION STAFF
MAT MATSU	165 E PARKS HWY.	LOCATION STAFF
SOL KEN/SOL	34924 KALIFONSKY	LOCATION STAFF

PARTICIPANTS IN:DELTA JCT. DJT

1 MR. GENE OTTENSTROER	TSFY. ALL ITEMS
PO BOX 1059	AK 99737 (907)895-4805
2 MS. JEANNE' Phipps	OBSV. ALL ITEMS
PO BOX 544	AK 99737 (907)895-4805

PARTICIPANTS IN:KEN/SOL SOL

1 MR. GARY SUPERMAN	SELF	TSFY. HB 83
PO BOX 8425	NIKISKI	AK 99635 (907)776-8448
2 MR. SCOTT HAMANN	ABATE	TSFY. HB 83
PO BOX 934	KENAI	AK 99611 (907)776-8448
3 MR. MIKE SEAMAN	ABATE	TSFY. HB 83
408 N. GILL ST	KENAI	AK 99611 (907)283-4970
4 MR. SEYMOUR MILLS	SELF	TSFY. HB 83
PO BOX 51	STERLING	AK 99672 (907)262-9289

**** SCHEDULING NOTES ****

ROOM 408 MAY NOT BE SET UP - WE NEED TO CHECK THIS OUT .

**** UPDATES ****

01	01/20/95	17:33:27	ANNOUNCING TELECONFERENCE
02	01/23/95	13:54:42	KEN/SOL ADDED ON
03	01/30/95	13:12:14	DELTA JCT. ADDED ON

Post-It™ brand fax transmittal memo 7671		# of pages > 1
To BEN	From LIZ @ LIO	
Co.	Co.	
Dept.	Phone # 4648	
Fax # 4565	Fax #	

HOUSE SPECIAL COMMITTEE ON WORLD
TRADE AND STATE/FEDERAL RELATIONS
January 31, 1995
5:05 p.m.

MEMBERS PRESENT

Representative Ramona Barnes, Chairman
Representative Gail Phillips, Vice Chairman
Representative Eldon Mulder
Representative Bill Williams
Representative Gary Davis
Representative Gene Kubina
Representative Jerry Mackie

MEMBERS ABSENT

None

COMMITTEE CALENDAR

* HB 83:An Act relating to state implementation of federal statutes."

PASSED OUT OF COMMITTEE

* HJR 8 "A Resolution relating to mandates and other conditions imposed on the states by the federal government."

PASSED OUT OF COMMITTEE

* HJR 20 "A Resolution relating to unfunded federal mandates and the Conference of the States."

PASSED OUT OF COMMITTEE

(* First public hearing)

WITNESS REGISTER

REPRESENTATIVE SCOTT OGAN
Alaska State Legislature
State Capitol, Room 409
Juneau, Alaska 99801-1182
Telephone: 465-3878

POSITION STATEMENT: Offered sponsor statements HB 83, HJR 8

JOHN B. "JACK" COGHILL, Consultant
Coghill, Wilcox & Associates
904 Calhoun
Juneau, Alaska 99802

Telephone: 463-5153
POSITION STATEMENT: Supported HB 83

ROBERT SCHMACHER
POSITION STATEMENT: Supported HB 83, HJR 8

GENE OTTENSTROER, Self
Post Office Box 1059
Delta Junction, Alaska 99737
Telephone: 895-4805
POSITION STATEMENT: Supported HB 83

SCOTT HAMANN
Alaskan Bikers Advocating Training
and Education (ABATE)
Post Office Box 934
Kenai, Alaska 99611
Telephone: 283-4481
POSITION STATEMENT: Supported HB 83 with concern

GARY SUPERMAN, Self
Post Office Box 8475
Nikiski, Alaska 99635
Telephone: 776-8448
POSITION STATEMENT: Supported HB 83

MIKE SEAMAN, Self
408 N. Gill Street
Kenai, Alaska 99611
Telephone: 283-4970
POSITION STATEMENT: Supported HB 83

SEYMOUR MILLS, Self
Post Office Box 51
Sterling, Alaska 99672
Telephone: 262-9289
POSITION STATEMENT: Supported HB 83

JACK KREINHEDER, Senior Policy Analyst
Office of Management and Budget
Office of the Governor
Post Office Box 110020
Juneau, Alaska 99811-0020
Telephone: 465-4676
POSITION STATEMENT: Supported HB, HJR 8, HJR 20

ELMER LINDSTROM, Special Assistant
Department of Health and Social Services
Office of the Commissioner
Post Office Box 110601
Juneau, Alaska 99811-0601
Telephone: 465-3030

POSITION STATEMENT: Offered to look at fiscal note for HB 83

GORDON EPPERLY, Self
Post Office Box 34358
Juneau, Alaska 99803
Telephone: 789-5659

POSITION STATEMENT: Supported HB 83

BRIAN WEBERG, Program Director
Legislative Management
National Conference of State Legislators
1500 Broadway Suite 700
Denver, Colorado 80202
Telephone: (303) 830-2200
POSITION STATEMENT: Supported HJR 20

PREVIOUS ACTION

BILL: HB 83

SHORT TITLE: REVIEW OF FEDERALLY MANDATED PROGRAMS

BILL VERSION:

SPONSOR(S): REPRESENTATIVE(S) OGAN, Porter, Kohring, Toohey,
James

JRN-PG	JRN-PG		ACTION
01/13/95	42	(H)	PREFILE RELEASED
01/16/95	42	(H)	READ THE FIRST TIME - REFERRAL(S)
01/16/95	42	(H)	WTR, STA, JUD
01/25/95	136	(H)	COSPONSOR(S): KOHRING
01/25/95	136	(H)	COSPONSOR(S): TOOHEY
01/27/95	162	(H)	COSPONSOR(S): JAMES
01/31/95		(H)	WTR AT 05:00 PM CAPITOL 408

BILL: HJR 8

SHORT TITLE: OPPOSING FEDERAL MANDATES ON STATES

SPONSOR(S): REPRESENTATIVE(S) OGAN, Porter, Barnes, James,
Toohey, Mulder, Kohring

JRN-DATE	JRN-PG		ACTION
01/16/95	18	(H)	READ THE FIRST TIME - REFERRAL(S)
01/16/95	18	(H)	WTR, STA, JUD
01/18/95	73	(H)	COSPONSOR(S): BARNES
01/20/95	104	(H)	COSPONSOR(S): JAMES, TOOHEY
01/23/95	118	(H)	COSPONSOR(S): MULDER
01/25/95	135	(H)	COSPONSOR(S): KOHRING
01/31/95		(H)	WTR AT 05:00 PM CAPITOL 408

BILL: HJR 20

SHORT TITLE: CONFERENCE OF THE STATES

SPONSOR(S): REPRESENTATIVE(S) BARNES, Grussendorf, Foster, Mulder

JRN-DATE	JRN-PG		ACTION
01/23/95	115	(H)	READ THE FIRST TIME - REFERRAL(S)
01/23/95	115	(H)	WTR, STA
01/31/95		(H)	WTR AT 05:00 PM CAPITOL 408

ACTION NARRATIVE

TAPE 95-2 SIDE A
Number 000

The meeting of the House Special Committee on World Trade and State/Federal Relations was called to order by Chairman Ramona Barnes at 5:05 p.m. Members present at the call to order were Representatives Barnes, Mulder, Williams, G. Davis, Mackie and Kubina. Members absent were Representative Phillips.

CHAIRMAN RAMONA BARNES stated that there is quorum present and noted the meeting was being teleconferenced to the Matanuska-Susitna Valley, Delta Junction and Kenai Peninsula.

Number 024

HB 83 - REVIEW OF FEDERALLY MANDATED PROGRAMS

REPRESENTATIVE SCOTT OGAN, sponsor of the measure, stated that HB 83 is a companion to HJR 8 and articulates that the citizens of Alaska stand against further attempts, by the federal government, to encroach upon our autonomy and rights as a state under the Tenth Amendment to the United States Constitution. It requires that any commissioner or agency head faced with implementing a federal mandate or condition must first carefully analyze the mandate for three specific difficulties before making any efforts at compliance. First, is the federal policy or legislation an unconstitutional abrogation of state power? Second, is it in conflict with state policy? And third, is the federal mandate a cost effective method in this of dealing with the problem it addresses. Representative Ogan said the agency head or commissioner will present his findings in the form of a written report to the Governor, the Legislative Budget and Audit Committee, and the House and Senate Judiciary Committees. The two legislative committees receiving such reports shall review them and are authorized to research the legality of the mandate. Their conclusions shall be presented to the Governor, along with specific recommendations to the executive branch for compliance, modified compliance, or a legal challenge. He said that the resolution provides a mechanism to scrutinize efforts by the federal government to impose unsuitable policy on our state, and to assert our right to self-determination, a right purchased for us at high cost by our ancestors.

REPRESENTATIVE GAIL PHILLIPS arrived at 5:09 p.m.

Number 070

REPRESENTATIVE JERRY MACKIE inquired as to foreseen legal problems by not enacting federal mandates and what kind of money we would lose by not implementing some of these mandates.

REPRESENTATIVE OGAN responded by saying that he did not believe that there was an analysis done. The federal government has imposed some 192 mandates on our state. He stated that over a nine year period, environmental unfunded federal mandates have cost the Municipality of Anchorage nearly one-half billion dollars.

Number 114

REPRESENTATIVE MACKIE asked why are we doing this if the federal government is not going to give us the money. For instance, if we don't adhere to the federal mandates in the Department of Environmental Conservation (DEC) that we've got the Environmental Protection Agency (EPA) managing and different problems there. He said he would like to look at Medicaid and the other programs that have financial impact that affect us.

REPRESENTATIVE OGAN said he believes the bill would bring those sort of problems to the forefront. Currently, there's no modality to set up and analyze any of this. He says that he's sure that the federal government will take the loose funding for refusing to do a mandate into consideration. The federal government has the option to implement the mandate.

Number 140

REPRESENTATIVE GARY DAVIS stated that he's not aware of any federal mandate that the state has to spend money on. The state can reject any of them. There are several requirements that we are given as a time frame to implement, such as the "helmet law" last year. We had so (X-number of) many years to implement to it or lose a percentage of those federal dollars that would not be able to be spent on highway construction. The U.S. Senate just passed SB 1, which was their response to unfunded mandates and the House has a similar bill to be out soon. He believes there are some technical and legal questions that come up with this legislation.

Number 173

REPRESENTATIVE GAIL PHILLIPS responded by saying that she doesn't believe the state has an option on mandates that come down dealing with public education or special education. We have to handle those regardless.

REPRESENTATIVE MACKIE inquired if the bill was necessary or if the Administration has the ability to do this or if we have to give statutory authority to the Administration to use federal mandates.

CHAIRMAN BARNES said if the Administration were able to do this, surely they would have.

Number 190

REPRESENTATIVE OGAN says the federal government routinely "blackmails" us. It's a form of taxation that the federal government wants to pass a program, but they don't want to fund it, so they say that the states have to do this otherwise if we don't do it, we'll be blackmailed and they will withhold funds for this program or that program.

REPRESENTATIVE GENE KUBINA stated that the legislature is just as guilty as the federal government by requiring cities to do things, whether its senior citizen tax rebates we don't fund or whether its telling school districts to teach something else and then don't fund them or whether its telling each department to make out another report, even though they put out a zero fiscal note. I can tell you there's a cost to it and it coming out of somebody's budget. Every time we pass a law and direct anybody in the state, we are really doing the same thing.

Number 230

JOHN B. 'JACK' COGHILL, Consultant, Coghill, Wilcox and Associates, says the bill relieves the policymaker, which is the legislature, in directing the Administration and the people within the agencies to give a report so that the legislature can act accordingly. It puts lawmakers right in the driver's seat. This issue has been around at least since 1981, and this is the first time he's seen anyone focus on it to the point where we'll be able to do something about it.

ROBERT SCHMACHER, testifying from the Mat-Su Borough, said the bill is something that the Alaska Independence Party has talked about many times. He said as an individual he feels the bill is a very important issue for the committee to consider. He urged that the bill be moved in its current form.

Number 290

GENE OTTENSTROER, testified, via teleconference, from Delta Junction. He said he feels in general it's a good bill. As the bottom line, he was concerned about how much freedom we would have to give up.

SCOTT HAMANN, Alaskan Bikers Advocating Training and Education (ABATE), testified, via teleconference, from Kenai. He said he supports the bill but, addressed the problem of implementing the mandate first and then having review after the year's done. We need to have a vehicle, in place, to review the program before the mandate is in place to see if we want the program.

GARY SUPERMAN, testifying via teleconference from Kenai, said he's surprised at the number of Tenth Amendment resolutions and bills that have cropped up. He said he questions about the legislative review being to open ended. He would like the legislature to incorporate the bill with that of the Senate bill in Colorado.

Number 351

REPRESENTATIVE PHILLIPS pointed out that if there was one thing that people were talking about during this past interim around the Kenai Peninsula, it was the legislature taking action on this type of legislation. She said she appreciates very much the input from the general public during the interim.

MIKE SEAMAN, testifying via teleconference from Kenai, said he thinks a bill is needed, but was hesitant to say whether this was the right way to go.

SEYMOUR MILLS, testifying via teleconference from Kenai, felt that any bill that passes out would need a review to check to see that it fits under Article I, Section 8 of the U.S. Constitution, before anything ever happens. If it doesn't fit, then it should be rejected.

JACK KREINHEDER, Senior Policy Analyst, Office of Management and Budget (OMB), Office of the Governor, said although he had not been informed about a position pro or con of the Knowles Administration, he talked with Pat Pourchot, Legislative Liaison, who said that the Governor certainly supported the intent of these measures with more flexibility to deal with our unique circumstances. The Administration has some concern about the requirement to review. He said apparently every federal program has this requirement and that the Administration's position is that it may be better to concentrate our resources on the programs that are identified by the legislature and the Administration, as the ones with the biggest fiscal impacts or that present the biggest problems to the state rather running through the whole laundry list of programs, some of which may not present a problem.

Number 425

REPRESENTATIVE MACKIE made a motion to move Amendment 1, which was offered by Representative Ogan.

On page 2, lines 13 through 15, delete "The commissioner of each department or head of another agency in the Executive Branch shall annually review each program administered by that department or agency. Insert, "The Office of Management and Budget shall annually review each program administered by each department or agency of the Executive Branch."

On page 2, line 16, delete "The commissioner or agency head," and insert "The Office of Management and Budget."

On page 2, line 19, delete "commissioner or agency head" and insert "Office of Management and Budget."

On page 3, line 18, following "governor," insert "and the Alaska Congressional delegation."

MR. KREINHEDER, OMB, said he feels that on the surface, he sees no problem with the amendment and that in concept, it makes sense to let more than one agency do the review.

Number 455

ELMER LINDSTROM, Special Assistant, Department of Health and Social Services, admits to being a guilty party of high fiscal notes. The department is subject to federal mandates and it will need additional resources as to what programs they need to look at if OMB is going to be directing.

CHAIRMAN BARNES asked for a roll call on the amendment. Representatives Mackie, Kubina, Williams, Davis, Mulder, Phillips, and Barns all voted in favor of the adoption of Amendment 1. It passed unanimously.

REPRESENTATIVE PHILLIPS made a motion to move CSHB 83(WTR) out of committee with individual recommendations.

CHAIRMAN BARNES asked if there was an objection. Hearing none, the motion passed.

REPRESENTATIVE MACKIE was excused from the meeting.

HJR 8 - OPPOSING FEDERAL MANDATES ON STATES

Number 500

HJR 8 was the next order of business to come before the committee.

REPRESENTATIVE OGAN, sponsor, stated that HJR 8 is a means of articulating the resolve of the citizens of Alaska to stand against further attempts by the federal government to encroach upon our autonomy and rights, as a state, under the Tenth Amendment to the U.S. Constitution. A prime example of this abuse, the federal management of fish and wildlife resources within the state, is specifically addressed in HJR 8. Nowhere in the U.S. Constitution is either Congress or the Executive Branch given authority to regulate or manage fish and game, except to the extent these resources enter the flow of interstate commerce.

GORDON EPPERLY, spoke in support of HJR 8. He pointed out there is a little known historical problem with the Tenth Amendment of the

Constitution. As a result of the United States bankruptcy in 1993, Congress declared that the nation shall be in a state of National Emergency. When that happens, the Constitution is suspended and the sovereign rights of the states temporarily cease to exist. It was under the declared emergency that the U.S. swayed the states to contract away most of their sovereign powers. Mr. Epperly said that State of Emergency still exists.

TAPE 95-2, SIDE B
Number 000

ROBERT SCHMACHER, testified from the Mat-Su Valley, in support of HJR 8. He said it reaffirms the Tenth Amendment Right. Mr. Shoemaker said he realizes that fish and game tends to be a hot issue. He noted he has been upset about the position that the Governor has taken.

There being no further testimony, REPRESENTATIVE MULDER moved and asked unanimous consent to pass HJR 8 out of committee with the accompanying fiscal notes. Hearing no objection, it was so ordered.

HJR 20 - CONFERENCE OF THE STATES

The final measure to come before the committee was HJR 20, sponsored by CHAIRMAN BARNES. She stated that this resolution authorizes the state of Alaska to send an official delegation to represent the people of Alaska at a Conference of the States, in 1996. This conference would be the first formal meeting of the 50 states since 1786. She noted that the conference will convene no later than 270 days after at least 26 legislatures adopt similar resolutions and that Alaska would be represented by five voting members consisting of the governor and four legislators, two from each body. The action plan to be voted on at this conference will be called a States' Petition. It will be presented to each state in the form of a resolution for ratification, then presented to Congress as the will of the states of the Union. Chairman Barnes said that since 1990 alone, the federal government has enacted over 40 major statutes imposing expensive regulations and requirements on state and local governments. This is first step toward reversing the trend and restoring the balanced system of government envisioned by the Tenth Amendment.

Number 100

BRIAN WEBERG, Program Director, Legislative Management, National Conference of State Legislators (NCSL), supports the measure and added that three states, Kentucky, Utah, Virginia, as of January 27, 1995, had passed this resolution. In six other states, it has passed at least one house chamber and has been introduced in 19 other states. He said he anticipates more states becoming interested in this type of legislation.

MR. WEBERG stated that many states have Tenth Amendments on their agendas and the bill is a way to bring the issues forward in a coordinated way.

Number 142

CHAIRMAN BARNES added that she's pleased to see NCSL take a more active part in state's rights' issues.

REPRESENTATIVE ELDON MULDER echoed Chairman Barnes remarks about the leadership role that NCSL has taken in regards to states' rights.

Number 155

REPRESENTATIVE PHILLIPS asked what kind of feedback had NCSL received from Congress.

MR. WEBERG reported that Congress was very receptive to this kind of initiative. He stated that a meeting would take place in March, in Washington, D.C. He said state legislators, with the new congressional leaders and Administration, will get a good notion of how they feel and, probably at that point, NCSL would know if this is going to go forward.

MR. WEBERG also said that since no states' conference of this nature had taken place in over 200 years, both the press and public would be focused on this. If a unified opinion comes out of this, it's going to be heard.

Number 188

MR. KREINHEDER, OMB, offered a statement of support from the Knowles Administration for HJR 20. The Administration believes some of the important areas would be welfare reform, education, environmental protection and health care. In many other cases, what works for some states will not work in some places.

CHAIRMAN BARNES expressed to Mr. Kreinheder how appreciative she was of the Administration's support and asked him to convey her sentiments to the Administration.

Number 214

REPRESENTATIVE MULDER voiced concern that the proposed convention through this legislation was a viable alternative to a Constitutional Convention.

REPRESENTATIVE DAVIS made the motion to move HJR 20 out of committee.

CHAIRMAN BARNES asked if there was an objection. Hearing none, it

was so ordered.

Number 230

CHAIRMAN BARNES announced that the next World Trade committee meeting will be a joint committee meeting with International Trade and Tourism on Thursday, February 9, 1995 at 5 p.m. in the Butrovich Room. We will hear from John Sibert, Executive Director of the Alaska Science and Technology Foundation.

ADJOURNMENT

There being no further business to come before the House Special Committee on World Trade and State/Federal Relations, CHAIRMAN BARNES adjourned the meeting at 6:08 p.m.

Alaska State Legislature

Office of World Trade And State/Federal Relations

REPRESENTATIVE
RAMONA L. BARNES
District 22

Anchorage
P.O. Box 103382
Anchorage, AK 99510
(907) 337-7737
(907) 258-8163

State Capitol
Juneau, AK 99801-1182
(907) 465-3438

Official Business

COMMITTEES
Natural Resources
Legislative Council

House Special Committee on World Trade and State/Federal Relations

February 9, 1995 5 p.m.
Capitol, Butrovich Room (205)

AGENDA

- I. CALL TO ORDER
- II. ROLL CALL
- III. COMMITTEE CALENDAR
 1. Joint meeting with Special Committee on International Trade & Tourism.
 2. Overview by the Department of Commerce & Economic Development from Commissioner-designate Willie Hensley.
 3. Testimony by John Sibert, Executive Director, Alaska Science & Technology Foundation.
 4. Testimony from Laurie Cunningham, Acting Director, Office of International Trade & Development.
 5. Testimony from Mary Pignalberi, Director, Division of Tourism, Department of Commerce & Economic Development.
- IV. OLD BUSINESS
- V. NEW BUSINESS
- VI. ADJOURNMENT

VII. REMINDER: Next meeting---Tuesday, February 14, 1995,
Capitol Room 408

(* First public hearing)

* HJR 12 "A resolution supporting line item veto power for the President of the United States".

* HJR 22 "A resolution relating to the maritime boundary between Alaska and the former Union of Soviet Socialist Republics".

* HJR 26 "A resolution urging the United States Congress to uphold Alaska's right to 90 percent of the royalties from oil, gas, and coal leasing on state land as provided by the Statehood Compact adopted by a vote of the people on April 24, 1956".

JOINT HOUSE SPECIAL COMMITTEES ON
WORLD TRADE AND STATE/FEDERAL RELATIONS AND
INTERNATIONAL TRADE AND TOURISM

February 9, 1994

5:10 p.m.

WORLD TRADE AND STATE/FEDERAL RELATIONS MEMBERS PRESENT

Representative Ramona Barnes, Chairman
Representative Gail Phillips, Vice Chairman
Representative Bill Williams
Representative Eldon Mulder
Representative Gary Davis
Representative Jerry Mackie
Representative Gene Kubina

INTERNATIONAL TRADE AND TOURISM MEMBERS PRESENT

Representative Beverly Masek, Chairman
Representative Alan Austerman, Vice Chairman
Representative Jeannette James
Representative Irene Nicholia
Representative Caren Robinson

WORLD TRADE AND STATE/FEDERAL RELATIONS MEMBERS ABSENT

None

INTERNATIONAL TRADE AND TOURISM MEMBERS ABSENT

Representative Brian Porter
Representative Pete Kott

COMMITTEE CALENDAR

Department Overview from Willie Hensley, Commissioner-Designate,
Commerce and Economic Development.

WITNESS REGISTER

WILLIE HENSLEY, Commissioner-Designate
Department of Commerce and Economic Development
Post Office Box 110800
Juneau, Alaska 99811-0800
Telephone: 465-2500

POSITION STATEMENT: Gave overview of the Department of Commerce
and Economic Development

JOHN SIBERT, Executive Director
Alaska Science and Technology Foundation
4500 Diplomacy Drive, Suite 515

Anchorage, Alaska 99508-5918

Telephone: 272-4333

POSITION STATEMENT: Participated in overview of agency

ROBERT HARRIS, Director

Technology

Alaska Science and Technology Foundation

4500 Diplomacy Drive, Suite 515

Anchorage, Alaska 99508-5918

Telephone: 272-4333

POSITION STATEMENT: Participated in overview of office

LAURIE CUNNINGHAM, Acting Director

Office of International Trade and Development

Department of Commerce and Economic Development

3601 C Street, Suite 798

Anchorage, Alaska 99503-5934

Telephone: 561-5585

POSITION STATEMENT: Participated in overview of the Department
of Commerce and Economic Development

MARY PIGNALBERI, Director

Division of Tourism

Department of Commerce and Economic Development

Post Office Box 110801

9th Floor State Office Building

Juneau, Alaska 99811-0801

Telephone: 465-2012

POSITION STATEMENT: Gave overview of the Division of Tourism

ACTION NARRATIVE

TAPE 95-3, SLIDE A

Number 000

The Joint Meeting of the House Special Committees on World Trade and State/Federal Relations and International Trade and Tourism was called to order by Chairman Ramona Barnes at 5:10 p.m. Members present at the call to order were Representatives Barnes, Mulder, Williams, Kubina, Mackie, Masek, Austerman, James, Robinson and Nicholia. Members absent were Phillips, G. Davis, Kott and Porter.

Number 007

WILLIE HENSLEY, Commissioner-Designate, Department of Commerce and Economic Development, said he was pleased to come before the joint committees. He introduced his staff and people within the department.

REPRESENTATIVE G. DAVIS arrived at 5:14 p.m.

Number 047

COMMISSIONER HENSLEY stated that the international trading activity is a very critical portion of Alaska's economic health. In 1993, the total value of Alaska's overseas exports was \$2.6 billion. A very high percentage of our non-oil products is destined for overseas markets. The top exports include fish and seafood which amounted to a billion-and-a-half dollars; timber and forest products, \$646 million; mineral, such as lead, zinc and coal, \$126 million. Our most important foreign markets in terms of value are Japan with \$1.9 billion, of which \$1.4 billion of that in fish and seafood products; South Korea with \$230 million; Canada, \$73.9 million; Taiwan \$65 million; and China \$58 million. They foresee great growth potential and some serious threats to our existing markets. Commissioner Hensley cited the export of Alaska products to Japan has declined by \$180 million between 1991 and 1993. It is partially attributed to the decline in value in salmon in the Japanese market. The decline can also be blamed partially on the rising markets of China and Taiwan.

COMMISSIONER HENSLEY said that we need to have people in state government who are familiar with the laws and customs of these countries who can help Alaska business persons connect with potential customers. It also involves working with businesses to develop product forms which meet the needs of our customers in these markets as well as working with their governments to insure we have a positive government-to-government relationship. These markets offer opportunities for the sale of oil, gas, forest products and seafood.

Number 127

COMMISSIONER HENSLEY briefly touched on the Office of International Trade, saying that it presently operates in some capacity in the foreign countries of Japan, Korea, Taiwan and Russia. It has two distinct roles, as an industrial match-maker and as an advocate.

COMMISSIONER HENSLEY conveyed that the tourism promotion programs are managed by the Division of Tourism and Alaska Tourism Marketing Council (ATMC). The ATMC folks are the generic marketing of Alaska in the United States and Canada. The Tourism Division manages the state's international tourism marketing effort, highway tourism, local tourism development and operates the state's film office. The office is largely responsible for increased foreign visitors to Alaska from approximately 27,000 in 1986, to 65,000 in 1994. It has foreign contractors in Japan, Germany, Australia and the United Kingdom.

COMMISSIONER HENSLEY said the Division of Economic Development focuses on the domestic side of the Alaska-international trade equation. The division works with Alaskans on the processing of

Alaska's natural resources and the production of goods and services. Other state divisions and offices market these products internationally. The division has close working relations and expertise in mining, forest products and commercial fishing industries. He then addressed the function of the Alaska Seafood Marketing Institute (ASMI). It represents an excellent working model of a state industry partnership. Almost all of its funding is derived from federal grants or program receipts from the seafood industry. They have a relatively small budget. In FY 95, the unrestricted general fund budget for economic development programs is about \$11.5 million. ATMC gets about \$3.4 million and \$1 million to ASMI.

Number 173

COMMISSIONER HENSLEY briefly described a new initiative being discussed which includes performance-based budgeting; streamlining services in a program called "Marketing Alaska".

REPRESENTATIVE GAIL PHILLIPS arrived at 5:20 p.m.

Number 200

COMMISSIONER HENSLEY pointed out that this is a cabinet-member group, whose mission is to develop or coordinate the effort to "market" Alaska. The state needs to assert itself as a contributing member of a competitive global economy so that investments in Alaska compete with projects around the globe. It will be a program that develops as many of our industry sectors as possible. For instance, in our film marketing effort, he sees some real potential. We should develop Alaska as a research place, because much of Arctic research is done in Antarctica, Canada, and Colorado and there's an opportunity to promote as well. It's envisioned to be a four year program.

Number 225

COMMISSIONER HENSLEY noted that part of the World Trade Committee's responsibility is with federal/state relations. He pointed out that when the department made its contacts with the heads of ARCO, British Petroleum, Exxon and UNOCAL and talked specifically about the oil export ban, interestingly enough, each company had a different point of view. They also talked about the Arctic National Wildlife Refuge to see that there is responsible oil drilling there and they have potential in renewing the Magnuson Act in working with our delegation in the area of fisheries and they support the notion of Community Development Quota (CDQ) Program, which provides capital in an area of the state that is in real need.

Number 260

CHAIRMAN BARNES said this committee looks forward to having a partnership with the commissioner and his department. Chairman Barnes introduced John Sibert.

Number 270

JOHN SIBERT, Executive Director, Alaska Science and Technology Foundation (ASTF), testified via teleconference from Anchorage, that one of the problems they frequently run into is, that people who come to them for funding, this belief that in the better "mousetrap" or "a field of dreams", the idea that if we build it they will come. He hopes they have learned that lesson. It's very important to understand that in order to develop or diversify an economy, one has to understand that economy.

Number 300

MR. SIBERT said it's very important to develop partnerships or strategical alliances, not only between the people of Alaska and those outside, but also partnerships within the state. For example, ASFT has many fisheries projects. It's connecting people who know how to use the technology. One of the problems is the lack of cold storage to pack fish products in the frozen North during the summer time in Kotzebue. They worked with the Department of Energy and the Energy Authority. The technology (ice maker) worked well and is now operating in the Gulf of Alaska and Southeast.

REPRESENTATIVES MACKIE and KUBINA left at 5:25 p.m.

Number 360

MR. SIBERT mentioned that there is a great deal of federal technology that needs to be developed in the state. He introduced Mr. Robert Harris.

Number 399

ROBERT HARRIS, Director, Technology, ASTF, testified via teleconference from Anchorage, stating that part of the effort with the National Governor's Association is to give the state a voice in what's happening in terms of design of federal programs, how decisions are made on what to fund, and where the funding goes. The ice-maker is a good example of something that was created in a federal lab and would not have come to fruition if it weren't for people talking on the state and federal levels.

Number 418

CHAIRMAN BARNES introduced Laura Cunningham.

LAURA CUNNINGHAM, Acting Director, International Trade and

Development, Department of Commerce and Economic Development, stated that she was not prepared to address the committee.

CHAIRMAN BARNES asked Ms. Cunningham, if the division was in "competition or in partnership" with the legislative branch of government.

Ms. Cunningham answered "in partnership."

Number 435

CHAIRMAN BARNES quizzed Ms. Cunningham about how she felt if one of Ms. Cunningham's employees called one of the heads of an oil company and said that the governor would find it highly offensive if that company were to invite a legislator to the Sakhalin Islands, for example. She asked if she thought it would be appropriate for her to ask anyone in a foreign country to have a legislative delegation "watched" and reported on.

MS. CUNNINGHAM responded by saying absolutely not. They arrange all work with the foreign government, the itinerary, and we make sure that a delegation is taken care of from beginning to end. We are a support agency.

Number 465

CHAIRMAN BARNES inquired about a seafood delegation from Taipei that visited Southeast Alaska in the summer of 1994.

MS. CUNNINGHAM stated that we have three companies in Southeast Alaska that are selling salmon to Taipei, as well as a company from Bristol Bay that is selling. She said there is another Alaska seafood delegation going out.

Number 474

REPRESENTATIVE PHILLIPS recalled her trip that she made with Chairman Barnes in October of 1994, that was very productive, but said that one of the greatest complaints they heard from the president to the congressional delegation and from people in the fish industry is that the ONLY fish product they received from Alaska was "fishmeal" which was from Dutch Harbor. They are crying, begging, pleading for salmon, crab or whatever we have from our state. Representative Phillips found it very distressing that since we have a direct flight to Taiwan and we have one of the richest fish resources in the world, that the only thing we ship to them is fishmeal. They told Representative Phillips that Japanese brokers are "tying up" these products.

Number 495

MS. CUNNINGHAM said she would provide both committees with

details of our export and that we do have salmon and crab going into that market and it's increasing every year. Most of the salmon which goes to that region is Norwegian.

REPRESENTATIVE MACKIE returned to the meeting at 5:55 p.m.

CHAIRMAN BARNES echoed the feelings of Representative Phillips. Chairman Barnes also understood that there is a large conglomerate there that wanted to buy Alaskan coal.

COMMISSIONER HENSLEY remarked that his department felt an obligation to look into Taiwan's demands for coal.

COMMISSIONER HENSLEY told of a trip to Seoul and mentioned that it is an entirely different kind of environment to function in contrast to American style of marketing.

REPRESENTATIVE PHILLIPS stated that she was totally shocked and mortified that the President of Taiwan would have to be in a position to beg Alaska to export seafood to their country.

Number 545

COMMISSIONER HENSLEY would like to see a trade delegation of seafood producers go to Taipei within the year.

CHAIRMAN BARNES said that her and Representative Phillips also met with Taiwan's National Petroleum Institute and they were very interested helping to co-fund the building of a gas pipeline.

TAPE 95-3, SIDE B
Number 000

COMMISSIONER HENSLEY remarked that there should be a good opportunity for the production of that gas.

CHAIRMAN BARNES said not only would they help fund building of the line, but also would buy as much of the gas that Alaska wanted to sell.

Number 019

MARY PIGNALBERI, Director, Division of Tourism, Department of Commerce and Economic Development, handed out to committee members an overview of the division. She said the film program is alive and well. In the first month of this year, they had three national television commercials filming in the state. We have been successful in attracting a Canadian production company to shoot a beer commercial.

REPRESENTATIVE BEVERLY MASEK wanted to know what kind of new Alaskan programs were discussed in a trip to Germany.

Number 080

MS. PIGNALBERI will furnish that information, but said that it's mostly trade shows, tour operators and travel agents.

REPRESENTATIVE MASEK mentioned that during a trade show to Florida by the division, the focus was that of tour passages and wanted to know if there were any other "messages" getting out to the rest of the nation.

MS. PIGNALBERI said they try to promote the entire state as a package.

Number 150

REPRESENTATIVE ALAN AUSTERMAN noted a concern he has heard that these trade shows overemphasize these big "POWWOW" shows.

REPRESENTATIVE JERRY MACKIE was perplexed about the misperception about how Alaska was seen, not only internationally, but in the Lower 49 as well.

Number 209

REPRESENTATIVE PHILLIPS reflected that on her trip to Taiwan, most of the people there understood Alaska to be much too cold with ice and snow year round to travel to. We need to have all the agencies pulling together in order for us to change the world's perception. Representative Phillips wanted to know what the division was doing to rectify a situation that would attract more frequent and more countries to more direct air service in to Alaska.

MS. PIGNALBERI said they have tried to work closely with the Anchorage International Airport and with the Alaska Industrial Economic Development Corporation (AIEDC). The division has been working more in a support capacity.

Number 248

COMMISSIONER HENSLEY said the Anchorage International Airport itself is responsible for its own marketing. The convention and visitors bureaus have a function. The Anchorage bureau has a plan to spend a substantial amount of money just in Taiwan.

REPRESENTATIVE PHILLIPS found it appalling that the Anchorage International Airport to be one of the most uncomfortable, people unfriendly international terminals that she had ever been in and if we are going to be using that facility for attracting tourism, we're going to have to do some major re-thinking about that facility.

Number 280

REPRESENTATIVE MACKIE was irritated by the fact that a few years ago our own State Department in the U.S. government issued a travel warning advisory and they listed the ALCAN Highway as one of the most dangerous places to be due to lack of facilities. He hoped somehow they could become educated that it was not primitive land anymore. Representative Mackie said it was ranked up there with Iraq and other places as the worst spots to go and that was definitely the wrong message to send. We should work with the Department of Transportation and other agencies in how to improve services. He also pointed out that the previous Administration, it seemed was at odds with the visitor's industry and he would like to see this adverse relationship between agencies turn into a more positive one.

Number 309

MS. PIGNALBERI informed the committees that the department, along with the U.S. Forest Service, was going to be hosting a two-day conference at the end of March, a symposium on tourism on public lands in which one of the purposes is to bring together all of the federal and state land users, land owners, et cetera, to meet with the providers of tourism products and try to resolve some of the issues revolving around permits and other visitor functions on state and federal land.

REPRESENTATIVE PHILLIPS took note that "ECO-tourism" is a growing phenomenon in the Lower 48 and would like to know if it was catching on in Alaska.

MS. PIGNALBERI said that they had already been doing that and had been on the "cutting edge" before it became a buzzword.

COMMISSIONER HENSLEY referred back to a comment of Representative Phillips about the level of ignorance concerning Alaska. It's not only a national phenomenon, it's an international one. It's still broad and deep. So when compounding that with a foreign language, it amounts to a large barrier.

Number 330

CHAIRMAN BARNES addressed the fact that in spite of spending hundreds and hundreds of millions of dollars to promote Alaska, people still see us as a frozen iceberg.

COMMISSIONER HENSLEY countered by saying that globally, it is very competitive and that other states spend a lot more promotional money than we do. He pointed out that the diminishing number of international stopovers is due in part to better aircraft being able to make longer flights and not being required to stop in Alaska. Commissioner Hensley said they are

working with an airline that proposes to stop in Anchorage.

Number 374

REPRESENTATIVE ELDON MULDER inquired about how Alaska ranks with the other 49 states in terms of money spent on tourism.

MS. PIGNALBERI said that at one time we ranked in the top five and now were somewhere around 15-16, maybe even lower, in the country. We have dropped significantly. She added that the city of Las Vegas alone has a \$98 million marketing budget.

Number 390

REPRESENTATIVE JEANNETTE JAMES felt that it's not just spending the money on promoting, but we have to have the facilities in place and things for the visitors to do in order to attract more of them. She cited the example of people that come to see Mt. McKinley. It takes a "total" park experience in order for people to spread the word about having a good time. We have to address the expense side of the ledger when we talk about tourism.

REPRESENTATIVE AUSTERMAN commented that friends of his from Kodiak who made a trip to California, had been told several times that they don't eat salmon anymore because they are an endangered species and this related directly back to the perception problem of Alaska.

REPRESENTATIVE MACKIE cited a problem within the industry in Alaska, using the example of advertisement in which a seiner pulled in crabs with a net, and suggested that we take a hard look at ourselves before we try to convince those abroad about some of those things. He also said he would like to see something more of a concerted effort in creativity.

Number 470

REPRESENTATIVE CAREN ROBINSON noted many people are coming to Alaska and spending a tremendous amount of money to go Extreme Skiing and skiing at lodges and taking helicopter rides. She wondered what the state had been doing in terms of winter marketing.

MS. PIGNALBERI said that's probably where the international marketing comes into play. A lot of the appeal for the foreign visitor is the winter season. The ATMC has fall, winter, spring committee that addresses through the public relations contract and has helped the Iditarod Race.

Number 480

REPRESENTATIVE ROBINSON felt that many people up north have never

been to the southern parts of Alaska and vice-versa. She asked if the state was doing anything as far as "interstate promoting."

MS. PIGNALBERI said that since 1975, when the convention and visitors bureaus and other regional marketing groups came on board, the division has somewhat turned that end of the business over to them to market their own regions. The focus of the division now is really out of state.

CHAIRMAN BARNES announced that the next World Trade Committee meeting will be held on Tuesday, February 14, 1995, at 5 p.m. in Room 408. We will to hear HJR 12, HJR 22 and HJR 26.

ADJOURNMENT

There being no further business to come before the House Special Committees on World Trade and State/Federal Relations and International Trade and Tourism, CHAIRMAN BARNES adjourned the meeting at 6:35 p.m.

Alaska State Legislature

Office of World Trade And State/Federal Relations

Anchorage
P.O. Box 103382
Anchorage, AK 99510
(907) 337-7737
(907) 258-8163

State Capitol
Juneau, AK 99801-1182
(907) 465-3438

Official Business

COMMITTEES
Natural Resources
Legislative Council

REPRESENTATIVE
RAMONA L. BARNES
District 22

House Special Committee on World Trade and State/Federal Relations

February 14, 1995 5 p.m.
Capitol, Room 408

A G E N D A

- I. CALL TO ORDER
- II. ROLL CALL
- III. COMMITTEE CALENDAR

(* First public hearing)

* HJR 22 "A Resolution relating to the maritime boundary between Alaska and the former Union of Soviet Socialist Republics".

Testimony, via teleconference from Carl Olson, Chairman, and Mark Seidenberg, Vice Chairman, State Department Watch.

* HJR 12 "A Resolution supporting line item veto power for the President of the United States".

* HJR 26 "A Resolution urging the United States Congress to uphold Alaska's right to 90% of the royalties from oil, gas and coal leasing on state land as provided by the Statehood Compact adopted by a vote of the people on April 24, 1956".

- IV. OLD BUSINESS
- V. NEW BUSINESS
- VI. ADJOURNMENT



Official Business

Alaska State Legislature

HOUSE OF REPRESENTATIVES

Representative Norman Rokeberg

State Capitol
Juneau, AK 99801-1182

TO: Representative Ramona Barnes, Chair
House Committee on World Trade & State/Federal Relations

FROM: Representative Norman Rokeberg *NR*

DATE: February 11, 1995

SUBJECT: HJR 26 - A Resolution supporting Alaska's right to 90 percent of
the royalties from oil, gas and coal leasing

Attached is a packet of materials for your committee hearing on HJR 26.
I want to thank the committee for scheduling a hearing on this resolution.

Attachment



Official Business

Alaska State Legislature

HOUSE OF REPRESENTATIVES

Representative Norman Rokeberg

State Capitol
Juneau, AK 99801-1182

SPONSOR STATEMENT

HJR 26 - A Resolution supporting Alaska's right to 90 percent of the royalties from oil, gas and coal leasing

HJR 26 is a statement by the Alaska Legislature that the United States cannot unilaterally amend the Statehood Act. Alaska has tried since statehood to avoid a confrontation over issues by working with Congress to ensure that any post-statehood amendments to the Statehood Act did not materially diminish the rights conferred to the State of Alaska by the act of admission into the United States.

There is no question that an act of Congress admitting a new state to the Union constitutes a compact, a legally enforceable contract, between the citizens of the new state and the United States. The first line of Section 4 of PL 85-508, the Alaska Statehood Act, states in part, "As a compact with the United States said State and its people do agree...." Provisions contained in this act that conferred rights to the State of Alaska are valid and can be enforced against the United States.

Section 28, (a) Mines and Mining, of the Alaska Statehood Act states clearly the formula for sharing bonuses, royalties and rentals under leases shall be distributed 90 percent to the State of Alaska and 10 percent to the Treasury of the United States. 48 U.S.C. 439 dated October 20, 1914, was amended to include the above formula.

HJR 26 seeks to reinforce the people of Alaska's resolve to protect our right to the 90-10 sharing formula granted by the United States Congress on July 7, 1958.

HOUSE JOINT RESOLUTION NO. 26

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES ROKEBERG, Ogan, Navarre

Introduced: 2/1/95

Referred: House Special Committee on World Trade and State/Federal Relations, House Special Committee on Oil and Gas

A RESOLUTION

1 Urging the United States Congress to uphold Alaska's right to 90 percent of the
2 royalties from oil, gas, and coal leasing on state land as provided by the
3 Statehood Compact adopted by a vote of the people of Alaska on April 24, 1956.

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

5 **WHEREAS** the Congress of the United States, by the Alaska Statehood Act approved
6 on July 7, 1958, accepted, ratified, and confirmed the state constitution that had been adopted
7 by a vote of the people of Alaska in the election held on April 24, 1956; and

8 **WHEREAS** the Alaska Statehood Act provided for the admission of the State of
9 Alaska into the Union on an equal footing with the other states of the Union, upon compliance
10 with certain procedural requirements specified in that Act; and

11 **WHEREAS** the Alaska Statehood Act contains a binding contract between the people
12 of Alaska and the federal government that the state will receive 90 percent of all oil, gas, and
13 coal leasing royalties from federal land in Alaska; and

14 **WHEREAS** the State of Alaska had 35 years from the date of admission into the
15 Union to select public land that was vacant, unappropriated, and unreserved in order to
16 establish communities and recreational areas and promote economic development; and

1 **WHEREAS** the federal government has both a moral and legal duty to honor the
2 obligations set out in the several acts admitting Alaska into the Union; and

3 **WHEREAS** the people of the State of Alaska relied on that royalty-sharing provision
4 in ratifying the Alaska Statehood Act on April 24, 1956; and

5 **WHEREAS** the United States Congress included the 90-10 royalty-sharing formula
6 in the compact because Alaska, unlike all other public land states, was not covered by the
7 federal Reclamation Act and did not derive benefits from that Act; and

8 **WHEREAS** the Congress intended the 90-10 royalty-sharing provision to pay for the
9 costs of providing the services of state government; and

10 **WHEREAS** the Congress also intended in the Alaska Statehood Act to compensate
11 Alaska for the large federal land reservations that stifle economic development; and

12 **WHEREAS** the Congress is considering legislation to reduce Alaska's royalty-sharing
13 percentage for development on federal land; and

14 **WHEREAS** any reduction in the royalty-sharing percentage will infringe on Alaska's
15 constitutional rights; and

16 **WHEREAS** Alaska opposes any unilateral reductions in royalty revenue from federal
17 land exploration and development;

18 **BE IT RESOLVED** that any attempts by the United States Congress or the President
19 of the United States to coerce the State of Alaska into accepting less than what was promised
20 at statehood penalizes the people of Alaska; and be it

21 **FURTHER RESOLVED** that the United States Congress join with the state in
22 upholding the Alaska Statehood Compact.

23 **COPIES** of this resolution shall be sent to the Honorable Bill Clinton, President of the
24 United States; the Honorable Al Gore, Jr., Vice-President of the United States and President
25 of the U.S. Senate; the Honorable Newt Gingrich, Speaker of the U.S. House of
26 Representatives; the Honorable Bob Dole, Senate Majority Leader; the Honorable Bruce
27 Babbitt, Secretary of the Interior; the Honorable Frank Murkowski, Chair of the Senate
28 Committee on Energy and Natural Resources; the Honorable Don Young, Chair of the House
29 Committee on Public Lands and Resources; the Honorable Ted Stevens, U.S. Senator, member
30 of the Alaska delegation in Congress; and to the governors of the states and to the presiding
31 officers of the houses of the state legislatures.

[MINES AND MINING]

SEC. 28. (a) The last sentence of section 9 of the Act entitled "An Act to provide for the leasing of coal lands in the Territory of Alaska, and for other purposes", approved October 20, 1914 (48 U. S. C. 439), is hereby amended to read as follows: "All net profits from operation of Government mines, and all bonuses, royalties, and rentals under leases as herein provided and all other payments received under this Act shall be distributed as follows as soon as practicable after December 31 and June 30 of each year: (1) 90 per centum thereof shall be paid by the Secretary of the Treasury to the State of Alaska for disposition by the legislature thereof; and (2) 10 per centum shall be deposited in the Treasury of the United States to the credit of miscellaneous receipts."

(b) Section 35 of the Act entitled "An Act to promote the mining of coal, phosphate, oil, oil shale, gas, and sodium on the public domain", approved February 25, 1920, as amended (30 U. S. C. 191), is hereby amended by inserting immediately before the colon preceding the first proviso thereof the following: ", and of those from Alaska 52½ per centum thereof shall be paid to the State of Alaska for disposition by the legislature thereof".

Opinions of attorney general. — Neither the state nor federal government may unilaterally amend the Statehood Act. 1969 Op. Att'y Gen., No. 6.

The United States may not constitutionally enact effective legislation in direct conflict with compact provisions of the Statehood Act unless there is an amendment to the Constitution of the State of Alaska, because a Statehood Act constitutes a compact in the nature of a contract between two sovereign governments. 1969 Op. Att'y Gen., No. 6.

Royalty legislation on state oil and gas leases is a matter within the paramount jurisdiction of the state. The conservation of oil and gas is a matter within the authority of the states. 1969 Op. Att'y Gen., No. 6.

The royalty provisions of a mineral leasing act are related to conservation of natural resources. 1969 Op. Att'y Gen., No. 6.

The United States, under the 10th amendment to the federal constitution, has no authority to legislate on state royalty provisions and state oil and gas leases. 1969 Op. Att'y Gen., No. 6.

An overriding gross royalty of 2% of all proceeds from any state and federal lands conflicts with the Statehood Act and the province of the Alaska state legislature. 1969 Op. Att'y Gen., No. 6.

The United States cannot unilaterally amend the Statehood Act to the state's detriment without the state's consent or acquiescence. April 2, 1981, Op. Att'y Gen.

NOTES TO DECISIONS

Legislative intent. — It was the intent of Congress in the Statehood Act to provide the new state with a solid economic foundation. *Rowe v. United States*, 464 F. Supp. 1060 (D. Alas. 1979), aff'd in part, 633 F.2d 799 (9th Cir. 1980), cert. denied, 451 U.S. 970, 101 S. Ct. 2047, 68 L. Ed. 2d 349 (1981).

Applied in *United States v. Atlantic Richfield Co.*, 435 F. Supp. 1009 (D. Alas. 1977), aff'd, 612 F.2d 1132 (9th Cir.), cert. denied, 449 U.S. 888, 101 S. Ct. 244, 66 L. Ed. 2d 113 (1980).

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. HJR 26

Revision Date: 2/6/95 Dept. Affected: Revenue
Title: A Resolution urging the U.S. Congress to uphold BRU:
Alaska's 90% share of Federal oil and mineral royalties in Alaska Component:
Sponsor: Rokeberg, Ogan, & Navarre
Requester: Rokeberg COMPONENT SERIAL NO.

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

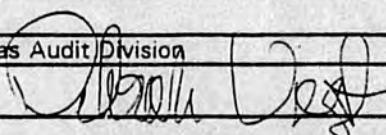
Estimate of any current year (FY95) cost: \$

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This resolution urges the U.S. Congress to uphold Alaska's right to 90 percent of the Federal royalties from the production of oil, gas and coal in Alaska. This issue is often mentioned in connection with the possible opening of the Arctic National Wildlife Refuge (ANWR) to oil and gas exploration and development. Given the long lead times for developing major resource extraction on Federal land in Alaska, this resolution will have no revenue impact on the state over the period of this fiscal note. However, the issue of the royalty split could be a major revenue issue in the fight to open ANWR to exploration and development. At current prices, discovery of a 1.0 billion oil field with a conventional 12.5% royalty and the 90% royalty share would mean something on the order of \$1.125 billion over the life of the field or as much as \$125 million a year at peak production. A 50% share would reduce this to approximately \$70 million a year. Regardless of royalty share, the state would continue to assess production taxes on any oil and gas produced within state sovereign territory.

Prepared by: Oil and Gas Audit Division
Approved by Commissioner: 
Agency:

Phone: 277-5627
Date: 2/6/95
Date: 2/10/95

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FISCAL NOTE

STATE OF ALASKA

BILL NO. HJR26

1995 LEGISLATIVE SESSION

Revision Date: Original Dept Affected: Natural Resources
 Title: A Resolution Urging the United States Congress BRU: Resource Development
 to uphold Alaska's right to 90 percent of the royalties from oil, gas... Component: Oil & Gas Development
 Sponsor: Representative Rokeberg, Ogan, Navarre
 Requestor: _____ Component Serial No. 439

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ None

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS:

(Attach a separate page if necessary)

There is no fiscal impact associated with passage of this resolution.

Prepared by: Jim Eason, Director Phone: 762-2547
 Division: Oil & Gas Date: 2-Feb-95
 Approved by Commissioner: Jim Eason, Jr. Date: 2-5-95
 Agency: Natural Resources

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STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

Opinion # 3
JAY S. HAMMOND, GOVERNOR

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

April 2, 1981

The Honorable Hugh Malone
House of Representatives
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Re: Legality of unilateral
changes to Statehood Act
by United States Congress.
Our file J-66-556-81

Dear Representative Malone:

On February 24, 1981, you requested that we review subsections 906(f)(3) and 906(p) of the Alaska National Interest Lands Conservation Act (hereafter "ANILCA"), Public Law 96-487, 94 Stat. 2371. Those two subsections, as well as subsection 906(a), amend certain provisions in Section 6 of the Alaska Statehood Act, 48 U.S.C. note preceding Section 21. Subsection 906(f)(3) of ANILCA amends Section 6(g) of the Statehood Act to give the Secretary of the Interior discretionary authority to waive the minimum tract selection size set out therein where such a waiver "would be in the national interest and would result in a better land ownership pattern." Subsection 906(p) removes the requirement of Presidential approval of selections north and west of the so-called "PYK line" described in Section 10 of the Statehood Act for lands conveyed to the state by the terms of subsections 906(c), (d) and (g) of ANILCA. Subsection 906(a) extends the time within which the state may

Hon. Hugh Malone
Re: J-66-556-81

April 2, 1981
Page 2

make selections under Sections 6(a) and 6(b) from 25 to 35 years.

Your inquiry is whether there are legal grounds for the United States unilaterally to amend the provisions of the Statehood Act. There is no clear legal answer where, as here, the amendments enacted by Congress do not defeat or materially diminish rights conferred on the state by the act of admission but, instead, actually benefit the state (see pp. 6-7, *infra*). What is clear is that the United States cannot unilaterally amend the Statehood Act to the state's detriment without the state's consent or acquiescence. 1/

The state's position has always been that the United States cannot unilaterally amend the Statehood Act. However, the state has avoided a confrontation over the issue by working with Congress to ensure that any post-statehood amendments to the Statehood Act are beneficial to the state and not inimical to its interests.

At the same time, there are indications in decisions of the United States Supreme Court that the United States may

1/ At least two provisions of the Alaska Native Claims Settlement Act -- the Section 9 2% override on royalties due the state and the Section 11(a) withdrawal of state-selected lands for Native village conveyance -- were unilateral amendments to the Statehood Act, albeit by implication, which were detrimental to the state's interest. To ensure prompt resolution of pending Native claims, Governor Egan, on behalf of the state, consented to those amendments and the state did not litigate the issue within the time specified by Section 10 of ANCSA.

Hon. Hugh Malone
Re: J-66-556-81

April 2, 1981
Page 3

unilaterally amend certain provisions in a statehood act. However, such amendments would be effective only if they did not defeat or materially diminish rights conferred on the state by the act of admission.

Summarizing, it is not clear as a matter of law whether the United States may unilaterally amend the Statehood Act or whether some parallel state action is also required. Under either approach, however, the practical effect is that the state's rights under the Statehood Act cannot be diminished without the state's consent.

There can be no question that an act of Congress admitting a new state to the Union constitutes a compact, a legally enforceable contract, between the citizens of the new state and the United States. See Stearns v. Minnesota ex rel. Marr, 179 U.S. 223, 244-245 (1900). Such compacts do not impose obligations only on one of the parties; rather, the obligations are imposed on both the new state and the United States. See the Public Land Law Review Commission's Report to Congress, One-Third of the Nations's Land (1971), at 244. The terms of such compacts constitute the conditions of admission of the new state, obligatory on both the state and the United States 2/, and subsequently

2/ This assumes, of course, that the conditions are constitutional. Provisions which purport to limit or qualify the political rights and obligations -- i.e., the sovereignty -- of a state are unconstitutional because enforcing them would result in the state being admitted on a less-than-equal footing than other states. Cf. Coyle v. Smith, 221 U.S. 559 (1911) (a provision in the act admitting Oklahoma to the Union providing that the capital of Oklahoma could not be moved held unenforceable because such decisions, after a state is admitted, are the exclusive province of the state).

Hon Hugh Malone
Re: J-66-556-81

April 2, 1981
Page 4

cannot be unilaterally amended by either party without the consent or acquiescence of the other. Beecher v. Wetherby, 95 U.S. (5 Otto) 517 (1877).

Provisions regarding grants of federal land generally are considered terms and conditions of a statehood compact and are enforceable both against the state and the United States. For example, in Stearns v. Minnesota ex rel. Marr, supra, the Court held that Congress can convey land to states in trust, and states accepting that land are bound by the terms of the trust, even where this may contravene the state constitution. In Cooper v. Roberts, 59 U.S. (18 How.) 173 (1856), the Court held that a statehood act grant of unspecified lands is binding on the United States and depends only on subsequent identification by survey of the lands granted. The Court also indicated that post-statehood acts of Congress should be construed as recognizing that a compact existed as of the date of statehood, and not as creating subsequent legal impediments to fulfillment of that prior agreement. In Beecher v. Wetherby, supra, the Court held that no post-statehood act of Congress could defeat an appropriation of land made earlier by Congress in a statehood act. The lands at issue in that case were subject to a reservation for the benefit of Indians at the time Wisconsin was admitted to the Union. The Court concluded that a statehood act conveyance from the United States to Wisconsin

Hon. Hugh Malone
Re: J-66-556-81

April 2, 1981
Page 5

was effective as to the fee interest in those lands, although Wisconsin took the lands subject to the Indians' existing right of occupancy as long as that occupancy continued. However, the Court held that a post-statehood Congressional act authorizing the sale of lands occupied by Indians could not affect the title to the lands previously granted to the state. Accordingly, a subsequent United States patent to those lands conveyed no title because title already had vested in the state.

The general rule, then, is that provisions in statehood acts conferring rights on the state are valid and enforceable against the United States, and may not be unilaterally amended by post-statehood federal legislation.

However, this may not mean that no provision in a statehood act may ever be unilaterally amended by Congress. Where such amendments merely amend the procedures which must be followed to transfer title from the United States to the state, and do not materially diminish the rights granted to the state as conditions of its admission, it may be permissible for Congress to amend those provisions unilaterally. In Pollard's Lessee v. Hagan, 44 U.S. (3 How.) 211 (1845), the Court stated that Congress can reserve power over federal public lands in an act admitting a new state, although it need not do so because it possesses that power even in the

Hon. Hugh Malone
Re: J-66-556-81

April 2, 1981
Page 6

absence of such a provision. 3/ Therefore, Congress' exercise of power over federal public lands in a state after admission, standing alone, may not violate the statehood compact unless it defeats or materially diminishes rights conferred on the new state by the act of admission.

The provisions of the Alaska Statehood Act amended by ANILCA all deal with the terms and conditions under which title to lands owned by the United States will pass to the state. Moreover, those amendments benefit the state rather than defeating or materially diminishing any rights the state possesses under the Statehood Act. Section 906(a) extends the time within which the state may make selections under Sections 6(a) and 6(b) of the Statehood Act from 25 years to 35 years. Section 906(f)(3) gives the Secretary of the Interior discretion to waive the minimum tract selection size previously imposed by the Statehood Act. Absent such authority, the state would be required to file selections no smaller than the minimum size specified; under the amendment, if the state decides it wishes to file

3/ The Pollard case is more generally cited for the proposition that Congress cannot reserve power over the lands underlying navigable waters within a new state because, under the equal footing doctrine, new states are vested with title to those lands to the same extent that the original 13 states possessed such a title, and the original 13 states never relinquished such title to the United States.

Hon. Hugh Malone
Re: J-66-556-81

April 2, 1981
Page 7

smaller selections, the Secretary of the Interior is given discretionary authority to accept those selections. Finally, Section 906(p) removes the proviso in Section 6(b) of the Statehood Act regarding presidential approval of state selections north and west of the so-called "PYK line" for prior state selections which now are confirmed to the state under subsections (c), (d) and (g) of Section 906; absent this provision, such approval would be required for all those prior selections.

Although these amendments, on their face, appear to be unilateral action by Congress since no state consent (either through the legislature or the executive) is required, they comprise one of the "seven consensus points" which the state desired in any Alaska lands legislation ultimately passed by Congress. They were initially suggested and drafted by the state, and were actively supported by the state throughout the Congressional deliberations on the bill. Accordingly, the state has maintained that they are bilateral amendments to the Statehood Act and have been concurred in by the state.

Alternatively, the Statehood Act amendments could be viewed as a permissible exercise of Congress' plenary power over the administration of federal lands. Had Congress attempted to diminish any of the State's rights under the Statehood Act, we believe it would have been acting outside

Hon. Hugh Malone
Re: J-66-556-81

April 2, 1981
Page 8

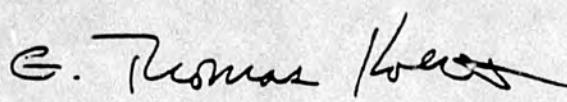
the scope of its authority. However, where, as here, Congress has made amendments to the Statehood Act which benefit the state and concern only the procedures for conveyance of land to the state rather than the quantity or availability of granted lands, Congress has not intruded on any state interest and is merely exercising its constitutional authority over federal lands within the binding framework of the existing statehood compact.

Under either approach, we believe the result is that the amendments to the Statehood Act which are part of ANILCA are effective and enforceable by the state. If you have further questions, please contact us at your convenience. We will be happy to meet with you or any member of your staff to discuss this opinion in greater detail.

Sincerely,

WILSON L. CONDON
ATTORNEY GENERAL

By:


G. Thomas Koester
Assistant Attorney General

GTK:dlm

STATE OF ALASKA

KEITH H. MILLER, GOVERNOR

DEPARTMENT OF LAW

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1969 Opinions of the
Attorney General No. 6

September 5, 1969

The Honorable Wayne N. Aspinall, Chairman
Committee on Interior and Insular Affairs
House of Representatives
Washington, D. C. 20510

Dear Mr. Aspinall:

This opinion is in response to the request of the Committee during the recent hearings on Alaska Native Land claims for a legal memorandum of the Department of Law of the State of Alaska on certain issues which were raised by the Position Paper of the Alaska Federation of Natives ("A.F.N.").

The A.F.N. proposed "an overriding gross royalty of 2% of all proceeds from any state and federal lands. . ." See A.F.N. Position Paper, p. 10.

Governor Miller stated during his testimony that "the 2 per cent proposal conflicts with the Statehood Act and the province of the Alaska State Legislature. . ." The purpose of this memorandum is to explain the legal basis of the statement of Governor Miller.

The questions to be answered in this memorandum are several. First, does the 2% overriding gross royalty provision conflict with the provisions of the Alaska Statehood Act? Second, if there is such a conflict, would incorporation of such a royalty provision into a settlement enacted into law by Congress conflict with the United States Constitution?

The overriding gross royalty of 2% will be looked at both from the perspective of 2% of the current 12 1/2% ~~of oil royalty and as 2% on top of the current 12 1/2%.~~ The A.F.N. has stated that the memorandum should be presented in that light.

The Honorable Wayne N. Aspinall
Washington, D. C.

September 5, 1969
- 2 -

I. STATUTORY CITATIONS

The citations to pertinent provisions of the Alaska Statehood Act and other legislation are the following (the statutes are quoted in Appendix A).

1. The grant to the State of 90% of all money received by the United States pursuant to the mineral leasing laws in Alaska. The Alaska Statehood Act, 72 Stat. 339, Sec. 28(b).

2. The federal legislation which was confirmed and amended by the Statehood Act, Sec. 28(b). It provides that the State receives 90% of all money received by the United States pursuant to the mineral leasing laws in Alaska, 37 1/2% thereof for the construction of public roads or schools and 52 1/2% for the disposition of the State Legislature. 30 U.S.C. 191.

3. The federal legislation applicable to oil and gas leases of the United States provides for a minimum 12 1/2% royalty. 30 U.S.C. 226.

4. The state legislation applicable to oil and gas leases of the State of Alaska provides for a basic minimum 12 1/2% royalty, although, in the case of first discovery, there is a royalty of 5%. AS 38.05.180.

5. The disclaimer clause of the Alaska Statehood Act. 72 Stat. 339, Sec. 4.

II. DEFINITIONS

The logical point to begin the discussion of the question is with a definition of the term "overriding gross royalty." A leading text in the field describes the term in the following way.

"Perhaps the only safe way to define the term 'overriding royalty' is to say that it is a fractional interest in the gross production of oil and gas, in addition to the usual royalties paid to the lessor. The term may (sic) be used in referring to a nonparticipating royalty interest in perpetuity or for a term of years created by the land or mineral owner

The Honorable Wayne N. Aspinall
Washington, D. C.

September 5, 1969

- 3 -

prior to a lease for oil and gas. Grants by a lessee of a share of per cent of the production from a lease are sometimes called overriding royalties. A prospective lessee may agree to pay an overriding royalty, a certain share of the production, to another person as consideration for his services in procuring a lease on certain lands. Perhaps the most common use of the term is to indicate a share of the oil or gas produced reserved in an assignment, part assignment or sublease of an oil and gas lease, and payable to the assignor by the assignee, over and above the royalty reserved in the lease payable to the lessor." Summers Oil and Gas, Vol. 3, Sec. 554, pp. 624-626.

It is also necessary to note the following distinction between a "royalty" and an "overriding royalty."

"The question presented here is not who is entitled to a 'royalty' but who is entitled to an 'overriding royalty'. There is a difference. 'Royalty' generally means that fractional interest in the production of oil or gas which was created by the owner of the land either by reservation when the mineral lease was entered into or by direct grant to a third person. An 'overriding royalty' is a given percentage of the gross production payable to some person other than the lessor or persons claiming under him. Such interest develops where an owner of the working interest (as Texaco is here) contracts to deliver a part of the gross production to another, usually his assignor (the Trustee here)." Texaco v. Pigott, 235 F.Supp. 458, 464 (D.C. Miss. 1964).

III. STATE LEASES

The 2% overriding gross royalty cannot apply to a State of Alaska oil and gas lease issued pursuant to AS 38.05.180. This is true whether or not the 2% is a diversion of State revenues from the present 12 1/2% royalty or if the 2% is added to the present 12 1/2% royalty to make it a 14 1/2% royalty.

The Honorable Wayne N. Aspinall
Washington, D. C.

September 5, 1969

- 4 -

The real conflict between the 2% overriding gross royalty and the 12 1/2% royalty stated in AS 38.05.180 and included as a provision of state oil and gas leases is readily apparent. This is the case regardless of whether the 2% overriding royalty is retrospective so as to affect leases in existence at the time of the effective date of the settlement legislation or if it is prospective so as to affect only leases issued subsequent to the effective date of the legislation.

It is clear that Congress has no authority under the United States Constitution to amend State legislation and State contracts on matters within the province of State law. It is a fundamental principle of American jurisprudence that the supremacy clause of the United States Constitution is applicable only if the particular act of Congress is within the jurisdiction of Congress.

"In discussing these questions, the conflicting powers of the general and state governments must be brought into view, and the supremacy of their respective laws, when they are in opposition, must be settled.

If any one proposition could command the universal assent of mankind, we might expect it would be this--that the government of the Union, though limited in its powers, is supreme within its sphere of action. This would seem to result necessarily from its nature. It is the government of all; its powers are delegated by all; it represents all, and acts for all. Though any one state may be willing to control its operations, no state is willing to allow others to control them. The nation, on those subjects on which it can act, must necessarily bind its component parts. But this question is not left to mere reason; the people have, in express terms, decided it by saying, 'this constitution, and the laws of the United States, which shall be made in pursuance thereof,' 'shall be the supreme law of the land,' and by requiring that the members of the state legislatures, and the officers of the executive and judicial departments of the states shall take the oath of fidelity to it.

The Honorable Wayne N. Aspinall
Washington, D. C.

September 5, 1969

- 5 -

The government of the United States, then, though limited in its powers, is supreme; and its laws, when made in pursuance of the constitution, form the supreme law of the land, 'anything in the constitution or laws of any state to the contrary notwithstanding.'"
McCulloch v. The State of Maryland, 4 Wheat. 316, 405-406 (1819). (Emphasis added.)

Conversely, it is equally clear that a State has the authority under the Tenth Amendment to the United States Constitution to regulate those activities which occur within the State if Congress has not been granted such authority by the Constitution.

"We choose rather to plant ourselves on what we consider impregnable positions. They are these: that a State has the same undeniable and unlimited jurisdiction over all persons and things within its territorial limits, as any foreign nation, where that jurisdiction is not surrendered or restrained by the Constitution of the United States. That, by virtue of that, it is not only the right, but the bounden and solemn duty of a State, to advance the safety, happiness and prosperity of its people, and to provide for its general welfare, by any and every act of legislation which it may deem to be conducive to these ends; where the power over the particular subject, or the manner of its exercise is not surrendered or restrained, in the manner just stated. That all those powers which relate to merely municipal legislation, or what may, perhaps, more properly be called internal police, are not thus surrendered or restrained; and that consequently, in relation to these, the authority of a State is complete, unqualified and exclusive.

We are aware that it is at all times difficult to define any subject with proper precision and accuracy; if this be so in general, it is emphatically so in relation to a subject so diversified and multifarious as the one

The Honorable Wayne W. Aspinall
Washington, D. C.

September 5, 1969

- 6 -

which we are now considering." New York v. Miln, 11 Pet. 102, 138 (1937). (Emphasis added.)

The State of Alaska is entitled to the same rights as other states under the United States Constitution by virtue of the Statehood Act, Section 1, which provides that the State is on an "equal footing with the other states in all respects whatever. . ."

The Alaska State Legislature has properly determined what oil royalty rate should be charged lessees of State lands. The rates specified by the Legislature have been embodied in the respective leases entered into by the State and are a necessary condition of the State's contractual commitment. Neither Congress nor the Alaska State Legislature has the power to interfere with or ignore that commitment. Naturally, the Alaska Legislature can increase the royalty rates to be charged in future oil and gas leases, but it does not follow that Congress may do likewise. Congress may only supercede State legislation if it does not violate the Tenth Amendment to the United States Constitution.

There is no question that royalty legislation on State oil and gas leases is a matter within the paramount jurisdiction of the State. The conservation of oil and gas is a matter within the authority of the States.

"The paramount public interest of the state in the conservation of these natural resources, the right of the Legislature to enact reasonable laws having reasonable relation to that end, and of the Commission under the authority of those laws to make regulations to carry them into effect, have been uniformly recognized and sustained in the numerous litigations that have arisen in state and federal courts, in connection with state enforcement." Griswold v. The President of the United States, 82 F.2d 922, 925 (C.A. 5, 1936).

The royalty provisions of a mineral leasing act are related to conservation of natural resources.

The Honorable Wayne N. Aspinall
Washington, D. C.

September 5, 1969.
- 7 -

"The purpose of the Mineral Leasing Act was not to obtain sales for the gas from these reserves on Government land at any price. The Act was intended to promote wise development of these natural resources and to obtain for the public a reasonable financial return on assets that "belong" to the public. The Secretary of the Interior is the statutory guardian of this public interest. He has a responsibility to insure that these resources are not physically wasted and that their extraction accords with prudent principles of conservation. To protect the public's royalty interest he may determine that minerals are being sold at less than reasonable value. Under existing regulations he can restrict a lessee's production to an amount commensurate with market demand, and thus protect the public's royalty interest by preventing depression of the market. He may also establish "reasonable values" for royalty purposes. Of course his duties have another aspect. The public does not benefit from resources that remain undeveloped, and the Secretary must administer the Act so as to provide some incentive for development. He has statutory power to prescribe regulations to effectuate the purposes of the Act." California Company v. Udall, 296 F.2d 384, 388 (C.A.D.C., 1961). (Emphasis added.)

The conservation rationale behind royalty provisions has also been recognized by the State courts.

"That the operation may be conducted by a lessee required to pay royalties to the State does not destroy its public use character or render it a private enterprise. The end to be served is the conversion of public resources and the avoidance of waste thereof and the leasehold method must be viewed as no more than a means to that end." Opinion of the Justices, 216 A.2d 656, 660 (Me. 1966).

The Honorable Wayne W. Aspinall
Washington, D. C.

September 5, 1969

- 8 -

Furthermore, assuming for the purpose of argument that the royalty provision is a tax measure and not a conservation measure, the same principle of state sovereignty is applicable. "The States have a very wide discretion in the laying of their taxes. When dealing with their proper domestic concerns, and not trenching upon the prerogatives of the National Government or violating the guarantees of the Federal Constitution, the States have the attribute of sovereign powers in devising their fiscal systems to insure revenue and foster their local interests." Allied Stores of Ohio v. Bowers, 358 U.S. 522, 526 (1959).

A diversion of revenues which may be due to the State by virtue of State law and State leases is a flagrant violation of the United States Constitution. It not only goes beyond the scope of the supremacy clause of the Constitution, but it also takes the property of the people of the State of Alaska in violation of the due process clause of the Fifth Amendment to the Constitution. A provision of that nature constitutes a serious threat to any state government because it apparently recognizes a right of the federal government to control the finances and treasury of state government.

In accordance with the principle that the paramount interest in conservation or local taxation is with the states, the United States, under the Tenth Amendment to the Constitution of the United States, has no authority to legislate on state royalty provisions and state oil and gas leases.

IV. FEDERAL LEASES

The 2% overriding gross royalty cannot apply to a federal lease on public lands within the State of Alaska. This is true whether or not the royalty is retrospective or prospective from the effective date of the legislation.

The first case to examine is that of a 2% overriding gross royalty which would be supplementary to the current 12 1/2% federal royalty. This would result in a 14 1/2% royalty on federal oil and gas leases in Alaska, although 30 U.S.C. 226 provides for a minimum 12 1/2% royalty throughout the United States. It is apparent that such legislation would violate not only the "equal footing"

The Honorable Wayne N. Aspinall
Washington, D. C.

September 5, 1969
- 9 -

doctrine, but that it would also violate the equal protection and due process clauses of the U. S. Constitution to the extent that a lessee would not be accorded uniform treatment under federal legislation. It is true that federal legislation need not be uniform in its application throughout the United States, but it is equally true that the principle embodied within the legislation should be uniform.

"So far as uniformity is concerned, there is no question that the act uniformly applies to the conditions which call its provisions into play,--that its provisions apply to all the states,--so that the question really is a complaint as to the want of uniform existence of things to which the act applies, and not to an absence of uniformity in the act itself. But, aside from this, it is obvious that the argument seeks to engraft upon the Constitution a restriction not found in it; that is, that the power to regulate conferred upon Congress obtains subject to the requirement that regulations enacted shall be uniform throughout the United States."

James Clark Distilling Co. v. Western Maryland R. Co., 242 U.S. 311, 327, 37 S.Ct. 180, 185, 61 L.Ed. 326 (1917).

Also see St. Mary's Sewer P. Co. v. Director of U. S. Bureau of Mines (C.A.3, 1959), 262 F.2d 378. If there were no requisite that federal legislation be uniform throughout the United States, the result would be a gerrymandering of special legislation on not only minerals but also labor, banking, civil rights, and so forth.

The second case to examine is that of a 2% gross overriding royalty which would constitute a diversion of the current 12 1/2% federal royalty. Pursuant to the Alaska Statehood Act, Sec. 28(b), and 30 U.S.C. 191, the State of Alaska receives 37 1/2% and 52 1/2%, or a total of 90%, of "All money received from . . . royalties . . . of public lands under the provisions of sections . . . 226 . . . of this title . . ." If there were a diversion of 2% of the 12 1/2% royalty before the apportionment of the share of the State, the State would in effect be deprived of its 90% share of the 2% which had been diverted to the Alaska Natives. This is in conflict with the Alaska Statehood Act, and is discussed in the next section of this opinion.

The Honorable Wayne N. Aspinall
Washington, D. C.

September 5, 1969
- 10 -

V. THE ALASKA STATEHOOD ACT

The question which is raised by the conflict of the 2% royalty with the Alaska Statehood Act is the following. May the United States unilaterally enact legislation in direct conflict with the Statehood Act?

The answer to this is that the United States may not constitutionally enact effective legislation in direct conflict with compact provisions of the Statehood Act unless there is an amendment to the Constitution of the State of Alaska because a Statehood Act constitutes a compact in the nature of a contract between two sovereign governments.

First, the federal government may not unilaterally amend the Statehood Act. Beecher v. Wetherby (1877), 95 U.S. 440, held that the State of Wisconsin acquired title to lands formerly occupied by Indians by virtue of the grant of these lands to the State in the Statehood Act and that this title could not subsequently be divested by the federal government on the basis of other legislation. The court, at 441, with reference to the provision of the Statehood Act which granted the land to the State, said: "It was, therefore, an unalterable condition of the admission, obligatory upon the United States. . . ." Metlakatla Indian Com., Annette Island Res. v. Egan (Alaska 1961), 362 P.2d 901, reversed by 369 U.S. 45 on other grounds, held the Omnibus Act invalid to the extent it amended the Statehood Act. The court, at 911, stated: "Appellants argue that the amendment is part of the compact and merely clarified the original intent of Congress. We cannot accept this reasoning. It is our view that the amendment forms no part of the compact between Alaska and the United States."

Second, the state government may not unilaterally amend the Statehood Act. State v. Commissioners of the Land Office, (Okla. 1956), 301 P.2d 655, held that Oklahoma could not change by an amendment to its constitution and by statute a provision of the Statehood Act which provided for a trust fund of the proceeds of the sale of lands granted to the State for school purposes. The court, at 659, stated: "We hold the regulations in the Oklahoma Enabling Act . . . may not be modified, restricted or changed by an Act of the Oklahoma legislature or the people of Oklahoma in amendment of the Oklahoma Constitution."

The Honorable Wayne N. Aspinall
Washington, D. C.

September 5, 1969

- 11 -

Merrill v. Bishop (Wyoming 1955), 287 P.2d 620, held that the Wyoming Statehood Act legally abridged Indian water rights, and, at 625, said: "... the compact between the United States and Wyoming is unalterable and obligatory." Also see Boeing Aircraft Co. v. Reconstruction Finance Corp. (Wash. 1946) 181 P.2d 838, 842 ("... each government was bound by the provisions of the Enabling Act."), State v. Reynolds, (N.M. 1963) 378 P.2d 622, 627. ("Section 10 of the Statehood Act became a part of our fundamental law to the same extent as if it had been directly incorporated into the Constitution when thus expressly consented to by the State and its people in Article XXI, Section 9 of the Constitution.") Opinion of the Judges (S.D. 1966) 140 N.W.2d 34, 36 ("It cannot be revoked without the consent of the United States.") United States v. 111.2 Acres of Land in Ferry County, Wash., 293 F.Supp. 1042 (1968). ("The consent of the United States has not been manifested by amendment of the Enabling Act or by legislation inconsistent with Section 11 of that Act.")

Third, the only constitutional method by which there can be enacted legislation which is in direct conflict with the Statehood Act is the approval by the people of the State of Alaska of such federal legislation. The Alaska Statehood Act, Sec. 8(b) provided that the people of the State approve the Statehood Act at an election, and stated that an affirmative vote on the question would constitute an amendment to the State Constitution:

"In the event each of the foregoing propositions is adopted at said election by a majority of the legal votes cast on said submission, the proposed Constitution of the proposed State of Alaska, ratified by the people at the election held on April 24, 1956, shall be deemed amended accordingly."

The Constitution of the State of Alaska, Art. XIII, provides that amendments to the Constitution must be ratified by the people. State v. Paul, 337 P.2d 33 (Wash. 1959), which held that the Washington Enabling Act could be amended by the State Legislature is distinguishable because the court explicitly noted that the Constitution of the State of Washington at the time of the Enabling Act provided for no initiative or referendum.

The Honorable Wayne M. Aspinall
Washington, D. C.

September 5, 1969

- 12 -

Fourth, the argument that Congress has the authority to enact Indian legislation in Alaska which will override the Statehood Act because of the "supremacy clause" principle is without merit. An inference of this argument is that the United States may be about to enter into a treaty with the Alaska Natives. The inference is unwarranted. "The use of the treaty lawmaking power to deal with Indians as dependent alien nationalities, and to adjust their problems, as proper matters of international concern, was halted by Congress in 1871." Federal Indian Law, U. S. Department of the Interior, 1958, p. 25. Another inference may be that the "plenary" federal power over Indian affairs places federal Indian law apart from the United States Constitution. Again, the inference is unwarranted.

"Thus in United States v. Kagama the Supreme Court found that the protection of the Indians constituted a national problem and referred to the practical necessity of protecting the Indians and the withholding of such a power from the States. This is the basis for the so-called "plenary" power of Congress over the Indians, or, more qualifiedly, over "Indian tribes" or "tribal Indians," so frequently used in recent cases. It may seem captious to point out that there is authority for the view that Congress has no constitutional power over Indians except what is specifically conferred by the commerce clause and implied in other clauses of the Constitution. The most famous defender of Federal power over Indians, Chief Justice Marshall, declared:

... That instrument [the Constitution] confers on congress the powers of war and peace; of making treaties, and of regulating commerce with foreign nations, and among the several states, and with the Indian tribes. These powers comprehend all that is required for the regulation of our intercourse with the Indians. They are not limited by any restrictions on their free actions; the shackles imposed on this power, in the confederation, are discarded (p. 559).

The Honorable Wayne M. Aspinall
Washington, D. C.

September 5, 1969

- 13 -

Whatever view be taken of the possibility or danger of "Indian" power arising from "necessity," it is clear that the powers mentioned by Chief Justice Marshall proved to be so extensive that the Federal powers exercised over Indian affairs are as wide as State powers over non-Indians, and therefore are included in characterizing such Federal power as "plenary." This does not mean, however, that Congressional power over Indians is not subject to express constitutional limitations, such as the Bill of Rights. General Indian Law, infra, p. 24. (Emphasis added.)

The "plenary" power doctrine simply means that the United States has extensive power over American Indians in certain circumstances, and it does not mean that the United States has an authority in Indian affairs that is so absolute that it may disregard the United States Constitution. The Congress, pursuant to the United States Constitution, Article IV, Sec. 3, enacted the Alaska Statehood Act, and the State of Alaska is now on an "equal footing" with the other states. The "plenary" Indian power of the United States does not recognize in Congress the authority to abrogate the Statehood Act.

Fifth, the disclaimer clause of the Alaska Statehood Act, Section 4, does not constitute authority in Congress to legislate in derogation of the Statehood Act. That clause simply provides that the State disclaims all right and title to any lands or other property which "may" be held by Alaska Natives. The legal question which arises from that involves the selection by the State of lands claimed by Alaska Natives, and not the question of revenue sharing proposals which properly relate to monetary compensation alone. The legal question of the selection rights of the State of land claimed by Alaska Natives is discussed in Kake Village v. Egan, 369 U.S. 60, at 65-66 (1962).

"Section 4 must be construed in light of the circumstances of its formulation and enactment. See Alaska Pacific Fisheries v. United States, 248 U.S. 78, 87. Congress was aware that few such rights existed in Alaska. Its concern was to preserve the status quo with

The Honorable Wayne N. Aspinall
Washington, D. C.

September 5, 1969
- 14 -

respect to aboriginal and possessory Indian claims, so that statehood would neither extinguish them nor recognize them as compensable. See, e.g., House Hearings, supra, 130, 384 (1955) (Delegate Bartlett); Hearings Before Senate Committee on Interior and Insular Affairs on S. 50, 83rd Cong., 2d Sess. 227 (Senator Jackson), 260-261 (1954). 1/

Discussion during hearings on the 1955 House bill affords further evidence that claims not based on federal law are included. Section 205 of that bill (like sec. 6 of the bill as enacted) authorized Alaska to select large tracts of United States land for transfer to state ownership. It was understood that the disclaimer provision left the State free to choose Indian "property" if it desired, but that such a taking would leave unimpaired the Indians' right to sue the United States for any compensation that might later be established to be due. See House Hearings, supra, 135 (1955) (Delegate Bartlett). Feeling that experience had shown this procedure too slow to give prompt relief to the Indians, Oklahoma's Representative Edmondson proposed to exempt Indian property from the State's selection. Id. at 381. This was rejected as virtually destroying Alaska's right to select lands. For, although Representative Edmondson pointed

1/ In 1948 a statehood bill requiring disclaimer of "all lands . . . owned or held by any . . . natives, the right or title to which shall have been acquired through or from the United States or any prior sovereignty," was favorably reported with this explanation: "As proposed to be amended, this paragraph would preserve all existing valid native property rights in Alaska, including those derived from use or occupancy, together with all existing authority of the Congress to provide for the determination, perfection or relinquishment of native property rights in Alaska. It would neither add to nor subtract from such rights and such authority, but would simply maintain the status quo." H.R. Rep. No. 1731, 80th Cong., 2d Sess. 15 (1948).

To the same effect, see H.R. Rep. No. 255, 81st Cong., 1st Sess. 13 (1949).

The Honorable Wayne M. Aschmann
Washington, D. C.

September 5, 1969
- 15 -

out that the disclaimer extended only to property owned by Indians or held in trust for them, four representatives clearly stated their belief that the disclaimer included not just the new Alaska reservations, but also the aboriginal or other unproved claims in dispute, which covered most if not all of Alaska. Id., at 383 (Representative Engle Dawson, Del., dissenting). (Emphasis added.)

There is, therefore, no merit to the argument that Congress may re-write the Statehood Act because of the Section 4 disclaimer clause. The inclusion of that clause in the Statehood Act did not make that Act an open-ended document which may be unilaterally amended by Congress. A contrary assertion ignores the basic significance of a statehood act. The precise question of the effect of the disclaimer clause has been considered by the U. S. Supreme Court, and that Court has said that the Congress only intended the disclaimer clause to leave unimpaired possible future rights of the Alaskan Natives to compensation from the United States. The method of the compensation, of course, must be within the principles of the United States Constitution.

VI. CONCLUSION.

The State of Alaska, pursuant to the Alaska Statehood Act, does have rights under the United States Constitution. The argument that the supremacy clause of the United States Constitution places rights in Congress over Indians of such an extent that Congress may enact legislation which abrogates the constitutional rights of a State or of any person is clearly erroneous. The ultimate criterion of legitimacy in the American system is not the supremacy clause in itself, but the supremacy clause in the context of the United States Constitution. The clearest and most forceful statement of the applicability of the supremacy clause in the present case is not that Congress may violate the Constitutional rights of a State, but that it might extinguish Indian title without compensation.

"In 1941 a unanimous Court wrote,
concerning Indian title, the following:

Opinion No. 6

The Honorable Wayne W. Aspinall
Washington, D. C.

September 5, 1969
- 16 -

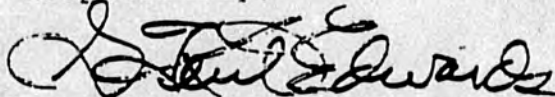
'Extinguishment of Indian title based on aboriginal possession is of course a different matter. The power of Congress in that regard is supreme. The manner, method and time of such extinguishment raise political, not justiciable, issues.' United States v. Santa Fe Pacific R. Co., 314 U.S. 339, 347, 86 L.ed. 260, 270, 62 S.Ct. 248.

No case in this Court has ever held that taking of Indian title or use by Congress required compensation. The American people have compassion for the descendants of those Indians who were deprived of their homes and hunting grounds by the drive of civilization. They seek to have the Indians share the benefits of our society as citizens of this Nation. Generous provision has been willingly made to allow tribes to recover for wrongs, as a matter of grace, not because of legal liability. 60 Stat. 1050." Tee-Hit-Ton Indians v. United States, 348 U.S. 272, 281 (1955). (Emphasis added.)

The real effect of the Section 4 disclaimer clause was to insure that Congress in no way affected whatever claims Alaska Natives might have against the United States for monetary compensation.

The State of Alaska supports the principle of compensation to Alaskan Natives, but only to the extent that there is no interference with the rights of the State under the Statehood Act. The 2% overriding gross royalty is in conflict with the Statehood Act and principles of constitutional law, and Congress has no authority under the United States Constitution to enact such legislation.

Respectfully,



G. Kent Edwards
Attorney General

APPENDIX A

1. The grant to the State of 90% of all money received by the United States pursuant to the mineral leasing laws in Alaska. The Alaska Statehood Act. 72 Stat. 339, Sec. 28(b).

"(b) Section 35 of the Act entitled 'An Act to promote the mining of coal, phosphate, oil, oil shale, gas, and sodium on the public domain', approved February 25, 1920, as amended (41 Stat. 450), is hereby amended by inserting immediately before the colon preceding the first proviso thereof the following: ", and of those from Alaska 52 1/2 per centum thereof shall be paid to the State of Alaska for disposition by the legislature thereof". 72 Stat. 339, Sec. 28(b).

2. The Federal legislation which was confirmed and amended by the Statehood Act, Sec. 28(b). It provides that the State receives 90% of all money received by the United States pursuant to the mineral leasing laws in Alaska, 37 1/2% thereof for the construction of public roads or schools and 52 1/2% for the disposition of the State Legislature. 30 U.S.C. 191.

"All money received from sales, bonuses, royalties, and rentals of public lands under the provisions of sections 181-184, 185-188, 189-192, 193, 194, 201, 202-209, 211-214, 223, 224-226, 226-2, 227-229a, 241, 251, and 261-263 of this title shall be paid into the Treasury of the United States; 37 1/2 per centum thereof shall be paid by the Secretary of the Treasury as soon as practicable after December 31 and June 30 of each year to the State or the Territory of Alaska within the boundaries of which the leased lands or deposits are or were located; said moneys to be used by such State, Territory, or subdivision thereof for the construction and maintenance of public roads or for the support of public schools or other public educational institutions, as the legislature of the State or Territory may direct; and, excepting those from Alaska, 52 1/2 per centum thereof shall be paid into, reserved and appropriated, as a part of the reclamation fund created by sections 372, 373, 381, 383, 391, 392, 411, 416, 419, 421, 431, 432, 434, 439, 461, 491, and 498 of Title 43, and of those from Alaska 52 1/2 per centum thereof

shall be paid to the State of Alaska for disposition by the legislature thereof: Provided, That all moneys which may accrue to the United States under the provisions of sections 181-184, 185-188, 189-192, 193, 194, 201, 202-209, 211-214, 223, 224-226, 226-2, 227-229a, 241, 251, and 261-263 of this title not otherwise disposed of by this section shall be credited to miscellaneous receipts. As amended May 27, 1947, c. 83, 61 Stat. 119; Aug. 3, 1950, c. 527, 64 Stat. 402; July 10, 1957, Pub.L. 85-508, Secs. 6(k), 28(b), 72 Stat. 343, 351." 30 U.S.C. 191. (Emphasis added.)

3. The federal legislation applicable to oil and gas leases of the United States provides for a minimum 12 1/2% royalty. 30 U.S.C. 226.

"(a) All lands subject to disposition under sections 181-184, 185-188, 189-192, 193, 194, 201, 202-209, 211-214, 223, 224-226, 226-2, 227-229a, 241, 251, 261-263 of this title which are known or believed to contain oil or gas deposits may be leased by the Secretary.

Lands within known geologic structure
of a producing oil or gas field; com-
petitive bidding

(b) If the lands to be leased are within any known geological structure of a producing oil or gas field, they shall be leased to the highest responsible qualified bidder by competitive bidding under general regulations in units of not more than six hundred and forty acres, which shall be as nearly compact in form as possible, upon the payment by the lessee of such bonus as may be accepted by the Secretary and of such royalty as may be fixed in the lease, which shall not be less than 12 1/2 per centum in amount or value of the production removed or sold from the lease.

Lands not within geologic structure
of a producing oil or gas field;
first qualified applicant

(c) If the lands to be leased are not within any known geological structure of a

producing oil or gas field, the person first making application for the lease who is qualified to hold a lease under sections 181-184, 185-188, 189-192, 193, 194, 201, 202-209, 211-214, 223, 224-226, 226-2, 227-229a, 241, 251, 261-263 of this title shall be entitled to a lease of such lands without competitive bidding. Such leases shall be conditioned upon the payment by the lessee of a royalty of 12 1/2 per centum in amount or value of the production removed or sold from the lease." 30 U.S.C. 226. (Emphasis added.)

4. The state legislation applicable to oil and gas leases of the State of Alaska provides for a basic minimum 12 1/2% royalty, although, in the case of first discovery, there is a royalty of 5%. AS 38.05.180.

"AS 38.05.180. OIL AND GAS. (a) All tide and submerged lands, mental health lands, school lands, and university lands shall be leased by competitive bidding, and whenever oil or gas is discovered in commercial quantities, the commissioner shall determine the extent of the area of lands in addition to tide, submerged, mental health lands, school, or university lands in the same general area of the discovery well which, by reason of the discovery, the commissioner reasonably believes to be capable of producing oil or gas and the additional lands shall be leased to the highest responsible qualified bidder by competitive bidding under general regulations in units of not exceeding 2,560 acres (except that tide and submerged lands shall be leased in units of not exceeding 5,760 acres), which shall be as nearly compact in form as possible, upon the payment by the lessee of such bonus as may be accepted by the commissioner and of such royalty as may be fixed in the lease which shall not be less than 12 1/2 per cent in amount or value of the production removed or sold from the lease. However, the holder of a lease who drills and makes the first discovery of oil or gas in commercial quantities in a geologic structure shall pay a royalty on all production under the lease of five per cent for 10 years following the date of discovery and thereafter the royalty rate shall be not less

than 12 1/2 per cent unless the commissioner specifically provides that such royalty shall be less at the time such lands are offered for lease and in no event shall such royalty be less than five per cent. All lands other than those above provided to be leased by competitive bidding may be leased competitively or noncompetitively as determined by the commissioner to be in the best interests of the state. Noncompetitive leases shall be issued in units of not exceeding 2,560 acres in any one lease. Noncompetitive leases shall be conditioned upon the payment by the lessee of a royalty of 12 1/2 per cent in amount or value of the production removed or sold from the lease. However, the holder of a lease who drills and makes the first discovery of oil or gas in commercial quantities in a geologic structure shall pay a royalty on all production under the lease of five per cent for 10 years following the date of discovery and thereafter the royalty rate is 12 1/2 per cent. Competitive leases issued under this subsection shall be for a primary term of five years and shall continue so long thereafter as oil or gas is produced in paying quantities. If drilling has commenced on the expiration date of the primary term of the lease and is continued with reasonable diligence, such operations to include redrilling, sidetracking or other means necessary to reach the originally proposed bottom hole location, the lease shall continue in effect until 90 days after drilling has ceased and for so long thereafter as oil or gas is produced in paying quantities. If all or part of the lands covered by the lease are lands that have been selected by the state under laws of the United States granting lands to the state and a conditional lease was issued thereon, the term of the lease shall be extended for a period equal to the period during which the lease was conditional."

5. The disclaimer clause of the Alaska Statehood Act. 72 Stat. 339, Sec. 4.

"Sec. 4. As a compact with the United States said State and its people do agree and declare that they forever disclaim all right and title to any lands or other property not granted or confirmed to the State

or its political subdivisions by or under the authority of this Act, the right or title to which is held by the United States or is subject to disposition by the United States, and to any lands or other property (including fishing rights), the right or title to which may be held by any Indians, Eskimos, or Aleuts (hereinafter called natives) or is held by the United States in trust for said natives; that all such lands or other property belonging to the United States or which may belong to said natives, shall be and remain under the absolute jurisdiction and control of the United States until disposed of under its authority, except to such extent as the Congress has prescribed or may hereafter prescribe, and except when held by individual natives in fee without restrictions on alienation: Provided, That nothing contained in this Act shall recognize, deny, enlarge, impair, or otherwise affect any claim against the United States, and any such claim shall be governed by the laws of the United States applicable thereto; and nothing in this Act is intended or shall be construed as a finding, interpretation, or construction by the Congress that any law, applicable thereto authorizes, establishes, recognizes, or confirms the validity or invalidity of any such claim, and the determination of the applicability or effect of any law to any such claim shall be unaffected by anything in this Act: And provided further, That no taxes shall be imposed by said State upon any lands or other property now owned or hereafter acquired by the United States or which, as hereinabove set forth, may belong to said natives, except to such extent as the Congress has prescribed or may hereafter prescribe, and except when held by individual natives in fee without restrictions on alienation." Alaska Statehood Act, 72 Stat. 339, Sec. 4.

NOTE

OPINION NUMBER 6 OF 1969 WAS NEVER ISSUED.

Setting A Maritime Boundary Between the United States and Russia:
How Much U.S. Territory and Seabeds will the State Department Cede?

By Carl L. Olson
Mark J. Seidenberg
Robert W. Selle

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The Chief of Naval Operations disappeared for several days from Washington in May 1985. A submariner, Admiral James D. Watkins soon surfaced aboard USS Trepang (SSN 674) about 250 miles from the North Pole. His visit to this Arctic Ocean hydroacoustic research site at 86 degrees north highlighted the strategic military importance of the naval interface between the United States and the Soviet Union.

Data developed there have been vital for the cat-and-mouse games that U.S. attack submarines play with Russian attack and ballistic missile submarines hiding under the icecap. Sonar must deal with uniquely tricky acoustic behavior in near freezing temperatures in the confined environs bounded by the ice floes above and the shallow Arctic Ocean bottom below.

Most people are familiar with the traditional three-mile territorial sea and the more recent twelve-mile limit, which have served as natural sea defense zones. The limits today, however, are greatly expanded, extending upwards of 200 miles for defense of America's exclusive economic zone (EEZ), fishery conservation zone, and outercontinental shelf.

1

In the 1970s and 1980s commercial development pushed forth the Arctic frontier with the improvement in cold weather technology. The North Slope of Alaska turned out to be the largest oil-producing region in the country. In 1990 the Department of the Interior's oil and gas lease sale of tracts stretching a couple hundred miles into the Arctic Ocean in the Chukchi Sea estimated billions of barrels of oil would be found in these geological structures that are extensions of the North Slope.

Just whose territories are these underwater regions in the Arctic Ocean and the Bering Sea between Alaska and Siberia? That's an unsettled question still open to debate. The diplomatic history on this opens up troubling constitutional questions about the power of the U.S. Department of State both to negotiate maritime boundaries by executive agreement instead of by treaty and to exclude, in the federal system of government, a state from negotiations affecting its own boundary and territory. Questions also arise about unnecessarily ceding U.S. islands and seabeds to the Russian side without any quid pro quo in the aftermath of the Cold War.

In 1983 the United States potentially grew by about one-fourth in area due to the fact that countries now had become entitled to 200 nautical miles from their shores for EEZs and fishery conservation zones. Alaska by far and away has the longest shoreline of any state, and thus presented the most opportunity for extending American sovereignty seaward--even to the point of a 200-nm radius around all islands.

Whenever two countries are within 400 nm of each other, however, the question of the extent of the seaward zones of the two countries becomes a matter of negotiation, usually resulting in some equidistant formulation being adopted. No boundary treaty had ever existed between the U.S. and Russia or the former Soviet Union, and thus something needed to be done to set a maritime boundary. Even though the Seward-de Stoeckl treaty of cession of Alaska from Russia in 1867 utilized a "convention line" to delineate some of the territory being sold to the U.S., it never acted as a boundary. It doesn't touch land anywhere and was never intended to divide the seabeds or territorial seas between the two signatories.

With the break-up of the Soviet Union, one would think that the U.S. should be in a strong negotiating position to assure that maximum U.S. interests and advantages are achieved, perhaps even seeking concessions as a fitting follow-on to the ending of the Cold War. But, the U.S. Department of State has proven itself puzzlingly reticent and appears eager both to propose and accept concessionary terms.

The proposed maritime boundary line between the U.S. and the former Soviet Union, which the Department of State agreed to in 1990, would virtually concede a considerable amount of land territory that historically belongs to Alaska along with the 200-nautical mile zones extending from it. This amounts to tens of thousands of square miles of potentially valuable outercontinental shelf and ocean resources. It also includes in the Arctic Ocean the islands of Wrangell, Herald, Bennett, Jeannette, and Henrietta,

and at the westernmost end of the Aleutian chain Copper Island, Sea Lion Rock, and Sea Otter Rock.

Another feature of the Department of State's proposed treaty would allow the Russian side the unprecedented authority to exercise its sovereign jurisdiction over certain U.S. seabeds termed "eastern special areas". Foreign countries generally are not allowed to exercise any sovereign powers inside another country except within embassy grounds.

Perhaps the most startling aspect of the State Department's actions has been its apparent arrogation of powers to create a maritime boundary between Alaska and Siberia without so much as any prior "advice" consultation with Congress or any active participation of the state government of Alaska whose boundaries, lands, and seabeds are directly affected.

Before looking further into the legal and policy issues, it would be helpful to recount the historical record of Alaska's geography. It includes quite a bit of 19th century Naval history, which unfortunately is generally not included in many history textbooks.

Not all of Alaska was included in the original purchase in 1867 under the Seward-de Stoeckl treaty. The above-mentioned Arctic islands were added later. The Russians could not have sold those Arctic islands to the U.S. in 1867, since they did not own them, and in most cases didn't even know they existed at the time. The closest of these island to the mainland is Wrangell Island, 80 miles north in the Arctic Ocean, situated at 71 degrees north, 180 degrees east and west.

Here were exhibited remarkable episodes of the proverbial "iron men in wooden ships" in 19th century American seagoing history. Considering that the Arctic Ocean is frozen over most of the year, it is only during the summer months that the ice breaks up on its southern rim enough to be navigable--perilous at best.

The year was 1881 in which American sailors were the first to set foot on Wrangell and take possession for the U.S. Captain Calvin Leighton Hooper of the U.S. Revenue Marine (later to become the Coast Guard) was serving as the de facto governor of the district of Alaska. While on patrol aboard his steamer USRMS Thomas Corwin, he directed the landing party which came ashore on Wrangell at the mouth of the Clark River on August 12, 1881. In his report to Congress, Hooper stated, after the ship had maneuvered through ever-threatening ice floes, "We immediately landed and, raising the American flag, took possession in the name of the United States." (1)

The famed explorer John Muir was aboard USRMS Thomas Corwin and was included among the landing party coming onto Wrangell. Muir described the event, "A notable addition was made to the national domain when Captain Calvin L. Hooper landed on Wrangell Land, and took formal possession of it in the name of the United States." (2)

A couple weeks after this original landing, USS John Rodgers under the command of Lt. Robert M. Berry, arrived and the crew completed a extensive survey. It turned out the island was about 3000 square miles, or larger than Rhode Island and Delaware combined.

Up until this time it was not known if Wrangell's Land, as it had been called, was an island or a extensive peninsula attached to further territory north in the Arctic expanse. It had been named honorifically for a Russian official Baron Ferdinand Petrovich von Wrangell, who conducted Arctic forays but never sighted nor landed on the island. The land was named by an American whaling captain Thomas Long in 1867 when he spotted it from his bark Nile.

A prime reason USRMS Thomas Corwin and USS John Rodgers were in the area was to search for USS Jeannette, which had been lost for over two years. As a joint expedition of the U.S. Navy and the noted New York City Herald newspaper publisher James Gordon Bennett, USS Jeannette under the command of Lt. George Washington DeLong had headed into the Arctic in August 1879 in search of Wrangell's Land and the North Pole.

Unfortunately, several miles to the east of Wrangell, it became trapped in the ice and began drifting with the ice floes in a northwesterly direction. For nearly two years the crew endured unrelenting hardships as the ship travelled approximately 500 miles. Eventually on June 12, 1881, it was crushed in the ice and sank about 800 miles from the North Pole. This was this vicinity in which the islands of Bennett, Jeannette, and Henrietta were discovered and taken into possession for the U.S.. Jeannette was named for Bennett's sister, and Henrietta for his mother. The three are together known as the DeLong Islands.

"Latitude 77 8' Longitude E 153 25' We break camp and start southward over the ice tomorrow evening, hoping with God's grace to reach the New Siberian Islands, and from there to make our way by boats to the coast of Siberia," read Lt. DeLong's record on June 17, 1881 (3) Persevering through unimaginable cold, shifting icebergs, darkness, storms, and shortages of food, the crew eventually became separated into two parties. About half survived by reaching the Lena River delta in Siberia and were rescued. DeLong also reached land, but he and his part of the crew ran out of food and died of starvation and exposure.

Congress recognized the expedition by issuing special medals to the crew. There is a poignant statue of a cross draped in icicles at the Naval Academy in Annapolis to commemorate this stunning feat.

The newly acquired territories were listed in various governmental publications (4), and the Board of Geographic Names took on the tasks of adopting appropriate topographical designations. Clark River was named after Ezra W. Clark, Chief of the U.S. Revenue Marine Service, and Berry Peak and Rodgers Harbor appropriately commemorated the U.S. Navy survey party.

As can be appreciated with such remote and frozen lands, the settling of them would be arduous and sporadic. Wrangell served as the setting for a 1910 Hollywood movie, numerous polar bear and whale hunts, and expeditions from the Field Museum in Chicago and Carnegie Museum in Pittsburgh. Vilhjalmur Stefansson, an American with Canadian backing, acquired rights to the island by establishing a small settlement there in 1921. (5) In 1923 the

well-established Nome firm of the Lomen Brothers (Carl and Ralph) acquired Wrangell from Stefansson and established a reindeer herding and trapping business there. (6)

The Russians in the meantime were interested in extending their empire in the aftermath of the sale of Alaska in 1867 and the later American discoveries in the Arctic. This expansionist impulse is currently reflected in the new Russian political party headed by Vladimir Zhirinovskiy who polled the highest number of votes in the December 1993 election. His party's platform calls for the return of Alaska and payment for the resources taken, and his party emblem shows Russia inclusive of Finland on the west and Alaska on the east.

In 1902 the U.S., concerning various whaling and sealing claims against Russia, rejected the Russian notion that its sovereignty extended deep into the Arctic Ocean. (7)

Nevertheless in 1916 the Russians presented a diplomatic memorandum to the U.S. Department of State claiming that Wrangell, Herald, Bennett, Henrietta, and Jeannette now were part of the Russian Empire because they "form an extension northward of the continental tableland of Siberia." (8) In essence anything in the thousand miles between mainland Russia and the North Pole had been declared under Russian domain (known as the "sector theory"). This notion was summarily rejected.

As the Bolsheviks seized power in Russia, they believed in acquiring sovereignty by military occupation. In 1924 the Soviets sent the gunboat Red October up to Wrangell, seized the Lomen settlement, forcibly hauled down the American flag, and removed the

Lomen party to Siberia. The Americans were eventually repatriated. The Department of State issued a passport for the group, which included an Eskimo baby who was born on Wrangell and who thus become an American ~~citizen~~^{national} by virtue of being born on U.S. soil.

Because of diplomatic procedures, the Department of State could not lodge any formal diplomatic protest to the Soviet government inasmuch as the U. S. did not have any diplomatic relations with the Soviets (the U.S. continuing to recognize the Kerensky Russian government in exile until 1933). The problem of Soviet occupation became a backburner issue as the Depression and World War II passed, and the Cold War concentrated on other concerns.

In 1965, to dispel the misimpression that many mapmakers created when they drew the 1867 convention line onto world maps and labeled one side as "U.S." and the other as "U.S.S.R.", the Office of the Geographer in the Department of State emphatically re-iterated, "Furthermore, in keeping with the policy that the line does not constitute a boundary, the standard symbol for the representation of an international boundary should never be used." (9)

In 1973 the Department of State reissued its Digest of International Law which plainly recounted, "The United States has not relinquished its claim to Wrangell Island". (10)

Somewhere in the mid 1970s, however, the orientation of the Department of State shifted, and instead of pursuing U.S. sovereignty, it retreated and actively sought to concede it to the Russians without receiving any quid pro quo. The seabeds around these islands were also being abandoned to the Russians.

The occasion was the establishment of the 200-nm fishery conservation zone under the Fishery Conservation and Management Act of 1976. Inasmuch as Alaska and Siberia are within 400 nm of each other in places, the negotiating of a maritime boundary with the Soviet Union at the height of the Cold War would seem to have been an historic event. One would expect that it would be done in consultation with Congress and the general public; that it would proceed generally by seeking an equidistance formulation between the two countries land territories; that it would result in a treaty; and that it would seek the maximum seabeds possible in this resource-rich area (Alaska being the largest fishery state in the country). The Department of State, however, took a radically different tack that met none of these expectations.

In its opening shot, without any Congressional notification that a boundary treaty was in the works, or consultations with the State of Alaska, or any public discussions, the Department of State preemptorily conceded virtually everything to the Soviets without even so much as conducting any negotiating sessions. A diplomatic note delivered by the U.S. Embassy in Moscow on January 24, 1977, declared, "...the U.S. Government, in enforcing its fishery jurisdiction, intends to respect the line set forth in the Convention signed at Washington March 30, 1867". (11) The instructions from the Secretary of State for delivery of the diplomatic note stated, "Note speaks for itself, and accordingly, we do not wish to comment or solicit a reaction from Soviets orally at this time." (12)

The 1867 line had never been a boundary before, and it nowhere approximated an equidistant formulation. The five islands in the Arctic are to the west of the line and would apparently be conceded along with the tens of thousands of square miles of sea zones around them without so much as any compensation or acknowledgment required from the Soviets. At the southwestern part of Bering Sea, Copper Island, Sea Otter Rock, and Sea Lion Rock would also be conceded, since they are also west of the 1867 line. They were included in the territory ceded to the U.S. in 1867, not based on the 1867 line, but rather by a separate clause in the treaty. (13) It would be difficult to argue that only the fishery conservation zone in the vicinity of the islands was being recognized as Soviet without implying that the Soviets were entitled to sovereignty over the islands from which the sea zones emanated.

Even the Soviets thought this behavior to be odd. Not wanting to look a gift horse in the mouth, needless to say, they eagerly accepted it with the only proviso being that no boundary would be created by the 1867 line where it was farther than 200 nm from the two coast lines. In a confidential telegram from the American Embassy in Moscow describing the presentation of the January 24 note to the Soviet official, it was reported, "He did ask, as a personal aside, whether it was not customary to negotiate or at least discuss such matters before giving notice about enforcement provisions." (14)

This executive agreement started to unravel in 1977 when it was discovered that the U.S. and Soviet sides were using different geographic coordinates to depict the 1867 line. The original treaty did not give any coordinates, since they were not needed for its purposes. One part of the 1867 line runs for over a thousand miles on a diagonal from the Bering Strait southwesterly in the Bering Sea toward the end of the Aleutian chain. (The other part of the line runs due north from the Bering Strait.) For this diagonal portion, the Department of State interpreted it to be the shortest line on a globe between two points, i.e., the arc of a great circle. The Soviets, in typical fashion to exert maximum advantage, interpreted the diagonal as a straight line on a flat mercator map, i.e. a rhumb line. The upshot was that the Soviet version shifted the line eastward from the U.S. version, and gave the Soviets about 50,000 square miles more seabeds.

An uneasy impasse continued until 1981 at which time the two sides began negotiations. Again, the Department of State conducted its actions in total secrecy without meaningful consultations with Congress, the State of Alaska, or the public.

The issue was brought to public light in 1984, resulting in heated public and congressional attention. The Department of State had not intended on any public scrutiny, but one purpose of a maritime boundary, i.e., establishing seabeds for exploration of mineral resources, brought the matter to the surface. Offshore oil and gas leases are administered by the Department of the Interior. In March 1984 it was trying to lease out the Navarin Basin in the Bering Sea, but had to admit that it did not know where the western

boundary of the Navarin Basin was because the Department of State had not arrived at an agreement. (15) Thus it warned the bidding oil companies that they might not get leases on the blocks on the western edge even though they submitted bids for them. It turned out that winning bids on 17 such blocks totalling over \$108 million were received from Shell, Amoco, Arco, and Unocal, but the leases were never issued because the dispute continued on for six more years.

The next round was held in Moscow in July 1984. A total of eight rounds were held from 1981 to 1990, though the Department of State has refused to release the names of negotiators and the dates and places of all the rounds of negotiations. (16)

Sharp disapproval of the Department of State's actions echoed in Congress, in state legislatures, and in public groups. The efforts in the Senate were led by the Ranking Member of the Foreign Relations Committee, Senator Jesse Helms, who introduced a series of resolutions. (17) In the House, Congressmen Mark Siljander, William Dannemeyer, and Dan Burton introduced bills in the 99th, 100th and 101st Congresses respectively. (18) In addition to questioning the potential giveaways in the U.S.-U.S.S.R. maritime boundary negotiations, the common theme of these initiatives was to require that any maritime boundary agreement would have to be in the form of a treaty, and therefore be subject to Congressional advice and consent. The House members were also concerned about the disposal of U.S. property without Congressional consent. The Department of State had steadfastly avoided any Congressional approvals over both the policy matters and the form of agreement,

even though land boundaries between countries always required treaties.

The Alaska Legislature was understandably upset. The State of Alaska was not allowed to participate in any of the negotiations, even though the boundary would affect its territory, its property, and its seabeds rights. In the federal system of government in the U.S., it had been settled procedure that a state needed to be included in the negotiations for, and consent to the contents of, an agreement affecting its boundaries. Secretary of State Daniel Webster insisted on this principle in the 1846 negotiations with Lord Ashburton of Great Britain to set a boundary between Maine and ~~what was to become Canada~~ what was to become Canada. Both the states of Maine and Massachusetts (which had some residual interests there) were required to participate and to consent to the outcome. (19)

Urging the Department of State to resist the Soviet demands was the subject of the resolution introduced by Alaska State Representative Roger Jenkins. It passed both houses unanimously and was signed by Gov. Bill Sheffield in April 1986. (20) After repeated rebuffs, the legislature passed a resolution introduced by State Senator Rick Uehling and signed by Gov. Steve Cowper in May 1988 complaining that it was being improperly excluded from the negotiations. The Department of State contends that it briefed the Alaska governor's staff on various occasions during the negotiations, but since none of the governors' staffs held federal security clearances, they would not have been able to have access to any of the substantive parts of the negotiations which were all considered classified..

In a curious turn of events, Alaska's congressional delegation was split on this matter. Representative Don Young was a co-sponsor of the bill HR 2383 to require a treaty. However, Senator Ted Stevens appeared before the Alaska Legislature in March 1986 and declared, "Alaskans don't belong in that fight." (21) Senator Frank Murkowski made a promise to introduce a bill in December 1985 to require the Department of State to give a full report on the matter, but never fulfilled on his promise. (22)

The California Legislature jumped into the fray, seeing that its rights as a state would be infringed with its boundary with Mexico if Alaska was allowed to be snubbed. It passed a resolution in Sept. 1987 authored by Assemblywoman Marian La Follette to support the rights of Alaska to be represented on any negotiations affecting its boundaries. (23)

Numerous nationwide and local groups passed resolutions questioning the impending giveaway, including the American Legion, Veterans of Foreign Wars, Daughters of the American Revolution, and Young Americans for Freedom. Editorials and news stories appeared in several newspapers around the country, including the Wall Street Journal, Christian Science Monitor, Chicago Tribune, and Detroit Free Press.

Undaunted, the Department of State in 1990 announced that it had worked out an agreement with the Soviets, which would be signed when President Mikhail Gorbachev visited Washington in June. The revised boundary line turned out to be a contorted version of the previous one with some unique sovereignty policy features added. (24) It still left the five islands in the Arctic and the three

at the end of the Aleutians on the Soviet side. It went north-south right through the reef that extends westward from the U.S.'s Little Diomedé Island in the Bering Strait, giving the Soviets the western end of the reef. Inasmuch as governments are not generally entitled to exercise sovereignty within another country's borders, except within embassy grounds, a new type of sovereignty concession was created for four "special areas", two on each side of the line. For the two western special areas, "...the United States agrees that henceforth the Soviet Union may exercise the sovereign rights and jurisdiction that the United States would otherwise be entitled to exercise under international law in the absence of the agreement of the Parties on the maritime boundary." A similar arrangement was made for the two eastern special areas such that the U.S. would exercise sovereign rights and jurisdiction over otherwise Soviet seabeds.

A significant geographical implementation problem exists, since the agreement mentions measuring 200 nautical miles from the baselines of the U.S. and Soviet coasts. The U.S. Coast and Geodetic Survey has never compiled an accurate survey in the vicinity of Little Diomedé Island, from which an accurate baseline could be depicted.

Moreover, the constructive ceding of these islands to the Russians would likely constitute a massive taking of property that would require just compensation. Not only should the State of Alaska be entitled to compensation for its loss, but the heirs and successors of the Lomen Brothers would have a substantial claim for its ~~ownership~~ ownership of Wrangell Island.

The maritime boundary agreement was signed by Secretary of State James A. Baker III and Soviet Foreign Minister Eduard Shevardnadze on June 1, 1990, as announced. It purported to be a treaty, even though its negotiations did not actively involve the Senate in its constitutional role of "advice" prior to the signing.

A troubling side agreement was signed at the same time by Messrs. Baker and Shevardnadze. It stated, "...pending the entry into force of that (Maritime Boundary) Agreement, the two Governments agree to abide by the terms of that Agreement as of June 15, 1990." (25) The obvious trouble with it was that it implies that an executive agreement signed by foreign affairs representatives of each government (not even heads of state) could have the exactly same effect as a ratified treaty. Why even have the "treaty", which would be merely a charade if the executive agreement could constitutionally accomplish an identical purpose?

A second troubling aspect was that this side agreement was kept hidden from public view by the Department of State. It was not announced at the time of its signing. It was not included in the transmittal of the maritime boundary agreement to Congress in September 1990. It was not mentioned in the Department of State testimony at the Senate Foreign Relations Committee hearing on the maritime boundary treaty in June 1991. It did not come up in the Senate committee report, nor in the Senate floor debate in September.

Prior to the Senate vote, the state legislatures of Alaska and California again expressed strong disapproval and urged rejection. A letter signed by a majority of the members of the Alaska

Legislature stated, "We firmly believe United States interests and Alaskan interests are at stake and in jeopardy in the proposed treaty. ... No Alaskan official has ever been invited to participate in the treaty negotiations, in spite of abiding Alaskan interests in fisheries, petroleum and other potential continental shelf resources and the consideration of navigation in the area. In the entire history of the treaty negotiations, Alaska has had no official voice." (26)

The California Legislature joined in with unanimous passage of a resolution authored by State Senator Don Rogers renewing its support for the State of Alaska and asking the President to withdraw the proposed treaty. (27)

The Senate did pass the proposed treaty on Sept. 16, 1991. The Department of State had testified at the Senate hearing, "The agreement is a maritime boundary agreement. It does not recognize Soviet sovereignty over those (five Arctic) islands." Senator Helms was not impressed with the Department of State's ultimate intentions, stating, "Since I doubt that the State Department will make use of the opportunity to press U.S. claims to the five islands--even though the right to do so is preserved--I intend to vote against the treaty." (28)

Despite the vote, the maritime boundary agreement has not been fully ratified or put into force. Intervening events have dissolved the government of the Soviet Union, which had not ratified it as of the time it fell in 1992. The successor regimes in the Russian Federation have not acted on it either.

Thus the situation is truly in limbo at the present. The validity of the side agreement is highly questionable. The agreement could be withdrawn by the U.S. at any time, either by an act of the President or a rescission vote of the Senate.

There's a new Administration in Washington and a new Congress which may just want to take a fresh look at a perfect opportunity to capitalize on the defensive posture of the Russian government for the benefit of the American public.

Maybe it's time to ask just who won the Cold War anyway? Shouldn't the American public receive some quid pro quo in its aftermath? Shouldn't the federal system of states vis-a-vis the federal government be respected? Shouldn't the Department of State enforce the international law principle that military aggression by one country is not an acceptable method of obtaining sovereignty? If the Germans, Poles, Hungarians, Czechoslovakians, and so forth can remove the Russian invaders from their soil, why shouldn't the United States be able to do the same?

Footnotes:

- (1) Calvin Leighton Hooper, Report of the Cruise of the U.S. Revenue Steamer Thomas Corwin in the Arctic Ocean, 1881, Senate Executive Document 204, 1884, p. 66
- (2) John Muir, The Cruise of the Corwin, Houghton Mifflin, Boston, 1917, p. 169.
- (3) Leonard F. Guttridge, Icebound, Naval Institute Press, 1986, p. 182.
- (4) U.S. Geological Survey Bulletins No. 169, 1900, No. 187, 1902, and Nos. 274 and 299, 1906.
- (5) William R. Hunt, Stef, University of British Columbia Press, Vancouver, 1986, p. 196.
- (6) David B. Nolan and Mark J. Seidenberg, "The Right of American Sovereignty over Wrangell Island", Musk-Ox, Volume 29, 1981, University of Saskatchewan, pp. 6-7.
- (7) Herbert H. D. Pierce, Foreign Relations of the United States, 1902, Appendix 1, Washington, 1903, pp. 18 and 107.
- (8) Russian diplomatic note of November 13, 1916.
- (9) The Geographer, U.S. Department of State, International Boundary Study No. 14 (Revised), "U.S.-Russia Convention Line of 1867, October 1, 1965, p. 3.
- (10) Green Haywood Hackworth, Digest of International Law, 1973, Vol. 1, Chap. 4, p. 465.
- (11) Diplomatic Note 99 of January 24, 1977.
- (12) Department of State telegram 013984 from Secretary of State to American Embassy, Moscow, DTG 211915Z JAN 77, p. 1

(13) Seward-de Stoeckl treaty of Cession of Alaska, Article I, final clause, "...so as to include in the territory conveyed the whole of the Aleutian islands east of that meridian." The meridian referred to was 193 degrees west (or 167 degrees east). This meridian divides the Komadorskiye Island group of the Aleutians so as to give the U.S. Copper Island, Sea Otter Rock, and Sea Lion Rock, and give the Russians a seaward buffer from the Kamchatka Peninsula with the island of Bering.

(14) American Embassy, Moscow, telegram 01163, to Secretary of State, DTG 251544Z JAN 77, p. 1

(15) The Department of State representatives at the July 1984 negotiations included the Legal Advisor Davis Robinson, attorneys Elizabeth Verville and Scott Hajost, and staff members Harry Marshall, Richard T. Scully, and Robert W. Smith.

(16) Federal Register, March 16, 1984, pp. 10056-10068.

(17) Senate Resolution 279 in 99th Congress (Congressional Record, Dec. 18, 1985, pp. S18002-180021); Senate Resolution 20 in the 101st Congress (Congressional Record, Jan. 25, 1989, pp. S779-787); and Amendment 387 to the Department of State Authorization Bill in the 101st Congress (Congressional Record, July 20, 1989, pp. 28438-8447.).

(18) House of Representatives Bill 3766 introduced by Congressman Mark Siljander on Nov. 14, 1985, HR Bill 341 by William Dannemeyer on Jan. 6, 1987, and HR Bill 2383 by Congressman Dan Burton on May 17, 1989.

(19) Hunter Miller, Treaties and Other International Acts of the United States, Volume 4, U.S. Department of State, pp. 383-393.

- (20) Alaska House Joint Resolution 53, 14th Legislature
- (21) "Oil deposits shift Cold War to drab, icy Arctic islands",
Miami Herald, March 23, 1986
- (22) Sen. Frank Murkowski, Letter to the Editor, Wall Street
Journal, Dec. 2, 1985.
- (23) California Assembly Joint Resolution No. 37, adopted Sept. 10,
1987
- (24) Agreement with the Union of Soviet Socialist Republics on the
Maritime Boundary, Senate Treaty Document 101-22.
- (25) U.S. Treaties and Other International Act series no. 11451.
- (26) Letter dated May 17, 1991, from 36 members of the Alaska
Legislature to Senator Joseph Biden, Chair, Subcommittee on
European Affairs, Senate Committee on Foreign Affairs.
- (27) California Senate Joint Resolution 20, adopted Sept. 3, 1991.
- (28) Congressional Record, Sept. 16, 1991, p. S13037.

The authors Olson, Seidenberg, and Selle are Chairman, Vice-Chairman, and Senior Advisor, respectively, of State Department Watch, a nonpartisan foreign policy watchdog group headquartered in Washington, D.C.

STATEMENT OF CARL OLSON

Good evening, ladies and gentlemen. My name is Carl Olson, and I am ~~was~~ chairman of State Department Watch, a nonpartisan foreign policy watchdog group headquartered in Washington, D.C., with a West Coast Office in Los Angeles.

Our group has been fighting the horrendous potential giveaway of Alaskan territory and seabeds to the Russians for over ten years now. We were the only group allowed to testify at the U.S. Senate Committee hearing when the U.S.-U.S.S.R. Maritime Boundary Agreement came up for debate.

I strongly urge passage of this resolution, since for the 15 years that the federal government has been working on this proposed maritime boundary, it has never voluntarily allowed the State of Alaska or the general public to participate. Definite legal action is needed as soon as possible to correct this.

As you know, the Alaska legislature has passed a series of resolutions on this matter over the past 8 years, and even sent a letter to the U.S. Senate Committee on Foreign Relations urging renegotiations which would include full participation and consent by the State of Alaska. But so far it's been to no avail.

To add insult to injury, at the time that the proposed Maritime Boundary Agreement was signed on June 1, 1990, by Secretary of State James A. Baker III and Soviet Foreign Minister Eduard Shevardnadze, they signed a secret side agreement. It stated that the two governments would abide by the terms of the proposed agreement regardless of whether it were ever ratified or put into effect in the normal diplomatic process. This act amounts to a

unilateral amendment to the Constitution which gives the Secretary of State the power to adopt agreements that normally take a completed treaty to implement. I noted that this was also a secret agreement. It was not disclosed at the time it was signed in June 1990. It was not mentioned in the President's transmittal of the proposed maritime boundary agreement to Congress. It was not mentioned by the State Department in its testimony at the Senate Committee hearing. It was not brought up in the Senate Committee's report. And it never was referred to in the Senate floor debate.

Our organization State Department Watch is nationwide in scope. You may know that partly as a consequence of our work, tens of thousands of protest letters from all over the country have been delivered to the State Department over this giveaway issue. Several nationwide and local groups have adopted resolutions opposing the giveaway, including the American Legion, Veterans of Foreign Wars, Daughters of the American Revolution, and Young Americans for Freedom. Speaking as I am tonight from California, I want to let you know that the State of California is behind you. The State Legislature a few years ago passed a resolution backing Alaska's rights in this area, since a threat to one state's sovereignty and borders is a threat to all. A couple days ago California State Senator Don Rogers informed me that he expects to introduce an updated joint resolution of support into the legislature here and expects it to pass overwhelmingly.

I wish to conclude by again urging that legal action needs to be taken and that the governor and attorney general need to be impressed with the magnitude and severity of the problem. We will help in any way possible.

FOR MARK SEIDENBERG
Room 260
5 PAGES

STATEMENT OF MARK J. SEIDENBERG

Good evening, ladies and gentlemen. My name is Mark Seidenberg, and I am vice-chairman of State Department Watch, a nonpartisan foreign policy watchdog group headquartered in Washington, D.C.

~~and~~ Tonight I want to impress on you how large of a loss that the State of Alaska is facing if it fails to fight for its rights. We all have known that Alaska is larger than twice the size of Texas. But too few have also realized that in 1977, the United States grew by about three times the size of Texas in the vicinity of Alaska because it was now entitled to the 200 miles of exclusive economic zone extending seaward from every coastline. Because of the proposed U.S.-U.S.S.R. maritime boundary, the federal government is intent on giving away enough seabeds in the Arctic Ocean and Bering Sea equal to about one Texas-size territory.

The State of Alaska faces losses of sovereignty, property, mineral and other resource rights, and related businesses and jobs. The total could easily range into the billions of dollars. As you may know, because of the Submerged Lands Act, states own rights to the submerged lands out to three miles from their coastlines. Thus the State of Alaska will be deprived of its submerged lands around Wrangell, Herald, Bennett, Jeannette, and Henrietta Islands in the Arctic, and around Copper Island, Sea Lion Rock, and Sea Otter Rock at the westernmost part of the Aleutians. In addition, the submerged lands around Little Diomed Island in the Bering Strait have been arbitrarily chopped off by the federal government negotiators in their drawing of the proposed maritime boundary. It slices across the westernmost reef and does not even pretend to

be an equidistant boundary between Little Diomede and Big Diomede Islands.

The hasty manner by which the federal government negotiated the proposed boundary line can be seen in an obvious ignoring of the basics of setting the EEZ line to begin with. It is supposed to be measured from a baseline formed by the mean lower low waterline on the coast. However, the U.S. Coast and Geodetic Survey has informed us that it has never conducted the necessary surveys to establish the baseline along the relevant coasts. Thus it is apparent that the federal government was not interested in doing a thorough and accurate job to begin with.

Let's look now at some of the lost resources. There's a good probability that valuable oil and gas deposits exist throughout the Chukchi Sea. These represent potential revenue sources through direct ownership of the submerged lands and by taxing other production. Moreover, the attendant economic activity will be a great boost to Alaska's economy.

Alaska is also the largest fishing state in the country. The Texas-sized seabeds to be abandoned to the Russians include fishing grounds. One can readily see how massive the loss would be for the U.S. fishing fleets, their crews, and the related shore-based processing facilities.

If the proposed maritime boundary agreement is allowed to take effect unchallenged, the economic health of Alaska will be significantly affected. This is a plight not just for Alaskans, but for all Americans to be concerned about. Our group pledges its efforts to help Alaska to assert and win its proper sovereignty, property, mineral, and other resource rights.

Alaska State Legislature



While in Session:
State Capitol Building
Juneau, Alaska 99801-1182
907-465-3719

Interim:
119 N. Cushman
Suite 211
Fairbanks, Alaska 99701
907-456-5081

Representative Al Vezey

SPONSOR STATEMENT

On August 14, 1867 Captain Thomas Long and the crew of the whaling bark "Nile", from New London, Connecticut, discovered Wrangell Island in the Chukchi Sea. Captain Long named the Island after the former governor of Russian Alaska, Baron Ferdinand Petrovich von Wrangell. This Island has an area of 1,740 square miles, larger than the state of Rhode Island and is located some 270 miles northwest of Cape Lisburne, Alaska.

Even though Captain Long was the first to sight and to describe Wrangell Island, the first recorded landing on the island occurred August 12, 1881, when Captain Calvin L. Hooper, commander of the Bering Sea Patrol, a division of the U.S. Treasury Department and as such, the de facto governor of Alaska, landed at Clark River on the eastern coast of Wrangell Island. With his fellow officers and John Muir (who later founded the Sierra Club) they raised the American Flag and took possession of the island in the name of the United States.

Wrangell Island and its nearby satellite island Herald Island were placed by the United States Coast and Geodetic Service within the District and later Territory and State of Alaska in publications from 1900 through 1977.

The De Long Islands of Henrietta, Jeannette and Bennett were first discovered in the East Siberian Sea and were claimed and named by U.S. Navy Commander George W. De Long during his 1879 - 1881 expedition into the Arctic where the commander and his crew died when their ship, the "JEANNETTE", was crushed by ice floes and sank.

Captain Hooper was engaged in a Congressionally sponsored effort to rescue the "JEANNETTE", a vessel engaged in Arctic research that was locked in ice floes and subsequently lost. Therefore Captain Hooper had the authority to claim Wrangell Island for the United States.

Wrangell Island became a part of the United States by right of confirmed discovery and first possession. Later, a permanent settlement was established there when the American ship "SILVER WAVE" landed a party on the island on September 15, 1921 under the direction of Captain Jack Hammer. The party landed with provisions for only six months as they stated that they planned to sustain themselves by hunting. The relief vessel of 1922 was blocked from arriving by ice floes and it was not until August 23, 1923 that the ship "DONALDSON" arrived. The only survivor of the 1921 expedition was an Eskimo woman named Ada "Blackjack" Johnson, who died just a few years ago in Alaska.

A new party led by Charles Wells of Uniontown, Pennsylvania continued settlement on Wrangell Island and on May 13, 1924, Secretary of State Charles Evans Hughes stated that the Americans, the Lomen Brothers, were the proprietary owners of Wrangell Island.

On August 20, 1924, an armed party from the Soviet gunboat "RED OCTOBER" landed on Wrangell Island, took Wells and other Americans by force, and told them that they were being returned to Alaska. In typical Soviet fashion, they took the Americans to Vladivostok and confiscated the pelts that the American trappers had accumulated during the 12 bitter months on the island.

The Americans who survived their ordeal in Vladivostok were released following the intervention of the American Consul at Harbin, Manchuria but Charles Wells and two residents of Alaska died while detained by the Soviet Government.

The residents of Alaska who survived were all from Golvin Bay, Alaska. They survived the severe physical and emotional trauma resulting from the assault, kidnapping, false imprisonment, theft of property together with other violations of American and Alaska law by the agents of the Soviet regime.

After seizing Wrangell Island, the Soviet government proceeded to seize more American soil by occupying the nearby and defenseless Herald Island. The Soviet government subsequently asserted a spurious claim to the American De Long Island of Henrietta, Jeannette and Bennett.

These illegal acts by the Soviet government interrupted 57 years of peaceful use of these island by American seamen, herders and hunters.

The Soviet occupation of what they refer to as Ostrova De Long is an affront to all Americans, is an insult to the memory of their brave discoverer and a source of embarrassment to the United States Navy, which memorializes whoes memory at the Naval Academy in Annapolis.

The soil of all five of these American islands and their surrounding continental shelf has been held by the military force of a foreign power, in contravention of international law an by conduct that is contrary to what is recognized as proper by civilized nations.

The Soviet government has typified the uncivilized conduct of socialist dictatorships by establishing forced labor camps on Wrangell Island as reported in testimony before the U.S. Senate Judiciary Committee in January of 1973. It has also been reported that Wrangell Island was the last known place of imprisonment of Raoul Wallenberg, the Swedish Consul in Budapest, Hungary, who was arrested by Soviet Forces at the end of World Way II. Mr. Wallenberg was responsible for saving the lives of thousands of European Jews from the Nazi Holocaust.

This conduct on American soil has continued in defiance of American law as well as in defiance of the international rules of conduct resulting from the Nuremburg war crime trials after World War II. The continuing trespass by the Commonwealth of Independent States, the heir to the former Soviet Union, deprives the State of Alaska an its people of their fundamental right to use the islands of Wrangell, Herald, Henrietta, Jeannette and Bennett together with the surrounding continental shelf and its valuable resources.

Unlike the government of Canada and Great Britain, the United States has never surrendered its claims of sovereignty over these islands.

The then Secretary of the U.S. Department of State, James Baker III, negotiated a treaty to give the islands of Wrangell, Herald, the American De Long Island of Henrietta, Jeannette and Bennett and Copper Island, Sea Lion Rock and Sea Otter Rock on the west end of the Aleutian Chain and their territorial shelf to the Former Soviet Union.

Secretary Baker also signed a secret side agreement that stated the Bush administration would recognize the treaty "in force" until such time as the United States Senate ratified the proposed treaty. The Secretary had no authority to make such agreements. American government is not permitted to enter into secret international treaties.

The sponsor of this bill does not believe that agreements between the United States and the former Soviet Union, which no longer exists, whether they be secret or otherwise, can affect American claims to these islands until they have been ratified by the United States Senate.

The sponsor of this legislation believes that the State of Alaska and the American Government should assert and reassert American sovereignty over Wrangell Island, Herald Island, and the De Long Islands of Henrietta Jeannette and Bennett and Little Diomedes Island in the Bering Strait, their resources, and their territorial shelf in the behalf of the American people. We further propose that the maritime boundary between Alaska and eastern Russia not be established until and unless the State of Alaska is formally represented in the negotiations and its consent obtained.

MIKE NAVARRE

REPRESENTATIVE

DISTRICT 9



**ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES**

DURING SESSION
STATE CAPITOL
JUNEAU, AK 99801-1182
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HOME ADDRESS
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SPONSOR STATEMENT

January 24, 1995

TO: Representative Ramona Barnes, Chair, House Special Committee on World Trade and State/Federal Relations

FROM: Representative Mike Navarre *Mike Navarre*

SUBJECT: HJR 12, "Supporting line item veto power for the President of the United States."

.....

House Joint Resolution 12 was introduced to encourage and support the line item veto power for the President of the United States.

As the national deficit continues its upward spiral, the President of the United States is lacking one of the tools to help slow the budget spiral--the line-item veto.

Presidents Bush and Clinton have encouraged and supported the line-item veto as a means to control the ever-increasing federal budget. President Bush in his 1992 State of the Union Address said, "I call upon the Congress to adopt a measure that will help put an end to the annual ritual of filling the budget with pork-barrel appropriations. Give me the same thing 43 governors have, the line-item veto, and let me help you control spending."

During his presidential campaign, President Clinton was quoted as saying, "I strongly support the line-item veto, because I think it's one of the most powerful weapons we could use in our fight against out-of-control deficit spending."

The line-item veto for the President has been debated for more than one hundred years. The line-item veto first appeared in the Constitution of the Confederate States in 1861. On many occasions line-item veto legislation has been introduced in Congress, but none have passed.

Alaska is one of the states where the Governor's line-item veto has a successful and proven track record. The line-item veto has assisted the budget process in Alaska and should prove useful on the national level.

The line-item veto does not completely insure that budget deficits will disappear, it is one part of the package that could make a difference. The veto authority would be a statement to the public that Congress is serious about addressing the Federal deficit.

Thank you for your consideration.



recycled paper



Alaska Environmental Lobby, Inc.

P.O. Box 22151

Juneau, Alaska 99802

Phone: 907-463-3366

Fax: 907-463-3312

The Alaska Environmental Lobby heartily supports House Joint Resolution 26. We feel that Alaska is entitled to fully 90% of the royalties from oil, gas and coal leasing on federal land. All royalty revenues that are derived from responsible, environmentally sound practices, which further our ability to increase effective resource use, allow for job opportunities to small business persons as well as multi-national corporations and reduce waste are certainly the due of this great state. We feel that this is truly a states rights issue.

Oil, gas and coal lease revenues are derived from precious non-renewable resources which are available in diverse locations throughout the state.

The Alaska Environmental Lobby represents individuals throughout the state, from Fairbanks to Fritz Creek, from Marshall to Metlakatla, who are independently minded and environmentally aware and concerned about our state's continued financial security, safety and intelligent movement forward into the 21st century.

ALASKA CENTER FOR THE ENVIRONMENT • ALASKA CHAPTER, SIERRA CLUB • ALASKA FRIENDS OF THE EARTH
ANCHORAGE AUDUBON SOCIETY • ARCTIC AUDUBON SOCIETY • CLEAN AIR COALITION • DENALI CITIZENS' COUNCIL
DENALI GROUP, SIERRA CLUB • JUNEAU AUDUBON SOCIETY • JUNEAU GROUP, SIERRA CLUB
KACHEMAK BAY CONSERVATION SOCIETY • KENAI PENINSULA AUDUBON SOCIETY • KNIK CANOERS AND KAYAKERS
KNIK GROUP, SIERRA CLUB • KODIAK AUDUBON SOCIETY • LYNN CANAL CONSERVATION • NORTHERN ALASKA ENVIRONMENTAL CENTER
PRINCE WILLIAM SOUND CONSERVATION ALLIANCE • SITKA CONSERVATION SOCIETY • SOUTHEAST ALASKA CONSERVATION COUNCIL • TONGASS CONSERVATION SOCIETY



HOUSE SPECIAL COMMITTEE ON WORLD TRADE AND STATE/FEDERAL
RELATIONS

February 14, 1994

5:12 p.m.

MEMBERS PRESENT

Representative Ramona Barnes, Chairman
Representative Gail Phillips, Vice Chairman
Representative Eldon Mulder
Representative Bill Williams
Representative Gary Davis
Representative Gene Kubina

MEMBERS ABSENT

Representative Jerry Mackie

OTHER HOUSE MEMBERS PRESENT

Representative Scott Ogan
Representative Jeannette James
Representative Richard Foster

COMMITTEE CALENDAR

- * HJR 22 "A Resolution relating to the maritime boundary between Alaska and the former Union of Soviet Socialist Republics".

PASSED OUT OF COMMITTEE

- * HJR 12 "A Resolution supporting line item veto power for the President of the United States".

PASSED OUT OF COMMITTEE

- * HJR 26 "A Resolution urging the United States Congress to uphold Alaska's right to 90% of the royalties from oil, gas and coal leasing on state land as provided by the Statehood Compact adopted by a vote of the people on April 24, 1956".

PASSED OUT OF COMMITTEE

(* First public hearing)

WITNESS REGISTER

REPRESENTATIVE AL VEZEY

Alaska State Legislature

State Capitol, Room 216

Juneau, Alaska 99801-1182

Telephone: 465-3719

POSITION STATEMENT: Offered sponsor statement for HJR 22

MARK SEIDENBERG, Vice Chairman

State Department WATCH Ltd.

66A North Bedford Street

Arlington, Virginia 22201

Telephone: (818) 223-8080

POSITION STATEMENT: Supported HJR 22

REPRESENTATIVE MIKE NAVARRE

Alaska State Legislature

State Capitol, Room 521

Juneau, Alaska 99801-1182

Telephone: 465-3779

POSITION STATEMENT: Offered sponsor statement for HJR 12

REPRESENTATIVE NORMAN ROKEBERG

Alaska State Legislature

State Capitol, Room 110

Juneau, Alaska 99801-1182

Telephone: 465-4968

POSITION STATEMENT: Offered sponsor statement for HJR 26

SARA HANNAN

Executive Director

Alaska Environmental Lobby, Inc.

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Juneau, Alaska 99802

Telephone: 463-3366

POSITION STATEMENT: Supported HJR 26

PREVIOUS ACTION

ACTION NARRATIVE

TAPE 95-4 SIDE A
Number 000

The meeting of the House Special Committee on World Trade and State/Federal Relations was called to order by Chairman Ramona Barnes at 5:12 p.m. Members present at the call to order were Representatives Barnes, Phillips, Williams, G. Davis and Kubina. Members absent were Representatives Mulder and Mackie.

CHAIRMAN RAMONA BARNES stated that there was a quorum present.

Number 004

HJR 22 - A RESOLUTION RELATING TO THE MARITIME BOUNDARY BETWEEN ALASKA AND THE FORMER UNION OF SOVIET SOCIALIST REPUBLICS

REPRESENTATIVE AL VEZEY, sponsor of the measure, stated that HJR 22 is not a radical proposal as some have suggested that perhaps Alaska is trying to start a confrontation with the Soviet Union, which is not the case at all. Until 1984, the policy of the United States government was that Wrangell Islands, Herald Islands, the American De Long Islands were U.S. Territories by virtue of discovery and possession. The U.S. did have sovereignty over these islands until the administration of the U.S. State Department unilaterally said that we didn't have possession. The U.S. Congress has never concurred in that statement, there's never been a treaty signed and to this day, the border between the Soviet Union and Alaska is undetermined. Around 1988, there was an offshore oil lease sale in the Navarin Basin. Ultimately, the federal government gave the purchasers their money back because the leases were never issued because the U.S. could not ascertain that we owned those offshore basin even though they were within our 200-mile limit.

Number 030

REPRESENTATIVE VEZEY said the claim to this island starts back in 1867, when Captain Thomas Long and his crew discovered Wrangell Island in the Chukchi Sea. Captain Long named the island after the former governor of Russian Alaska, Baron Ferdinand Petrovich von Wrangell. The island has an area of 1,740 square miles and is located some 270 miles northwest of Cape Lisburne.

REPRESENTATIVE ELDON MULDER arrives at 5:20 p.m.

Number 130

REPRESENTATIVE VEZEY stated that the first recorded landing of the Wrangell Island wasn't until 1881, when Captain Long raised the American flag and took possession of the island in the name of the U.S. In 1921, Arctic explorer Vilhjalmur Stefansson, an American, acquired the rights to the island and established a settlement. The settlement failed in 1923.

Number 142

REPRESENTATIVE VEZEY added that a year later, Russians captured a few American settlers and sent them to Vladivostok. Subsequent to that date, the U.S. still asserted its claim to those islands. He went on to say that there is much at stake for Alaska, there's 10's of thousands of square miles of seabed over which we have some rights to, mostly federal rights. There is a great deal of land. It wasn't until 1959, that the Soviets finally paid reparation for the property, not the land they confiscated in 1924.

Number 171

MARK SEIDENBERG, Vice Chairman, State Department WATCH Ltd., wished to impress upon the committee just how large a loss Alaska would suffer if we failed to fight for its rights. Because of the proposed U.S.-U.S.S.R. maritime boundary, the federal government is intent on giving away enough seabeds in the Arctic Ocean and Bering Sea nearly equal to the size of Texas. Alaska faces the loss of sovereignty, property, mineral and other resource rights and related businesses and jobs. This total could easily range into the billions of dollars.

Number 215

MR. SEIDENBERG stressed the point that there's a good probability that valuable oil and gas deposits exist throughout the Chukchi Sea. These represent potential revenue sources through direct ownership of the submerged lands and taxing other production.

Number 230

MR. SEIDENBERG read from a prepared statement on behalf of CARL OLSON, Chairman of the State Department WATCH, Ltd. In the statement, Mr. Olson said that his group had been fighting the horrendous potential giveaway of Alaskan territory and seabeds to the Russians for over 10 years. For over 15 years the federal government has been working on the proposed maritime boundary, it has never voluntarily allowed Alaska or the general public to participate. Mr. Olson suggested legal action to correct this problem.

MR. SEIDENBERG continued on Mr. Olson's behalf and recalled a proposed Maritime Boundary Agreement that was signed on June 1, 1990 by Secretary of State James Baker III and Soviet Foreign Minister Eduard Shevardnadze, who also signed a secret side agreement. It stated that the two governments would abide by the terms of the proposed agreement regardless of whether it were ever ratified or put into effect in the normal diplomatic process. This amounts to a unilateral amendment to the Constitution which gives the Secretary of State, the power to adopt agreements that normally take a completed treaty to implement.

Several nationwide and local groups have adopted resolutions opposing the giveaway, including the American Legion, Veterans of Foreign Wars, Daughters of the American Revolution and Young Americans for Freedom. The California State Legislature passed a resolution a few years ago backing Alaska's rights in this area, since a threat to one state's sovereignty and borders is a threat to all.

Number 290

CHAIRMAN BARNES acknowledged the fine work of Messrs. Seidenberg and Olson and inquired about a U.S. Senate passed a resolution on their behalf.

Number 305

REPRESENTATIVE GAIL PHILLIPS inquired of the sponsor as to what Alaska's congressional delegation position was on this resolution.

REPRESENTATIVE VEZEY stated that from all correspondence, they do not wish the U.S. government to assert any territorial claims over the area.

Number 320

REPRESENTATIVE PHILLIPS asked what counter action was taken by our delegation after the 1990 agreement.

REPRESENTATIVE VEZEY was not up-to-date to be able to offer a qualified answer.

Number 320

REPRESENTATIVE PHILLIPS raised the legal argument regarding the agreement and subsequent breakup of the U.S.S.R.

REPRESENTATIVE VEZEY said that the U.S. State Department would unilaterally abide by that agreement pending ratification by the Russian government and Soviet government and the U.S. Congress. Neither occurred because the Soviet government collapsed and Congress either didn't take up the agreement or it didn't pass. So, for all tense and purposes the whole boundary question is in limbo.

Number 339

REPRESENTATIVE PHILLIPS noted two very differing fiscal notes (one, a zero fiscal note) accompanying this resolve and asked about the high fiscal note of \$150,000. Since this has been researched and researched, to the point of having volumes and volumes of historical perspective, there wouldn't be any need for the Department of Law to require the services of an international law expert in Washington, D.C. to spend around 500 hours of research.

REPRESENTATIVE VEZEY could not see any reason for a high fiscal note and felt that we already have enough research for the state to be able to take a position and added that all the resolution is asking is that the U.S. not enter into a treaty with the Soviet Union without allowing a representative from Alaska to participate in the negotiations.

REPRESENTATIVE PHILLIPS stated that a fiscal note from the Administrative Services Division signed by Rod Pegues, says that HJR 22 would require a study of the maritime boundaries in order to determine the following. Representative Phillips was incensed at the fact that if this piece of legislation has been introduced and certainly not new to the State of Alaska that it would have a such an outrageous fiscal note.

Number 359

REPRESENTATIVE MULDER also was offended by the high fiscal note and understood that to mean the administration took dim view of the measure. He wished to reconstruct a fiscal note.

REPRESENTATIVE GENE KUBINA did not feel it was a blatant fiscal note. He suggested that the committee amend the resolution, which .

REPRESENTATIVE KUBINA moved to amend HJR 22 by deleting lines 15-29 from page 3.

CHAIRMAN BARNES called for the question. Hearing no objections, the motion passed.

REPRESENTATIVE PHILLIPS moved that the committee pass HJR 22(am) out of committee with a zero fiscal note and individual recommendations.

CHAIRMAN BARNES called for the question. Hearing no objections, HJR 22 (am) passed out of committee.

Number 431

HJR 12 - A RESOLUTION SUPPORTING LINE-ITEM VETO POWER FOR THE PRESIDENT OF THE UNITED STATES

REPRESENTATIVE MIKE NAVARRE, sponsor of the resolution, stated that as the national deficit continues upward, the President is lacking one of the tools to help slow the budget spiral--the line-item veto. The item veto for the President has been debated for over 100 years. The line-item veto first appeared in the Constitution of the Confederate States in 1861. On many occasions line-item veto legislation has been introduced in Congress, but none have passed.

REPRESENTATIVE NAVARRE says that Alaska is one of the states where the Governor's line-item veto has a successful and proven track record. The line-item veto has assisted the budget process in Alaska and should prove useful on the national level.

REPRESENTATIVE PHILLIPS thought it was worth noting that this issue has around for over a century and is still being debated.

Number 464

REPRESENTATIVE GARY DAVIS made the motion to move HJR 12 out of committee.

CHAIRMAN BARNES called for the question. Hearing no objections, the motion passed.

Number 469

HJR 26 - A RESOLUTION URGING THE UNITED STATES CONGRESS TO UPHOLD ALASKA'S RIGHT TO 90% OF THE ROYALTIES FROM OIL, GAS AND COAL LEASING ON STATE LAND AS PROVIDED BY THE STATEHOOD COMPACT ADOPTED BY A VOTE OF THE PEOPLE OF ALASKA ON APRIL 24, 1956.

REPRESENTATIVE NORMAN ROKEBERG, sponsor of the measure, said that this legislation serves as a reminder which does not give the U.S. Congress unilateral right to amend the Alaska Statehood Act. Alaska has tried since statehood to avoid a confrontation over issues by working with Congress to ensure that any post-statehood amendments to the Statehood Act did not materially diminish the rights conferred to the State of Alaska by the act of admission into the U.S. Representative Rokeberg pointed out that Section 28 of the Statehood Act clearly states the formula for sharing bonuses, royalties, and rentals under leases will be distributed 90% to Alaska and 10% to the U.S. Treasury. He added that this resolution seeks to reinforce Alaska's resolve to protect our right to the 90-10 sharing formula granted by Congress on July 7, 1958.

Number 500

REPRESENTATIVE PHILLIPS would like the sponsor to verify the date that Alaskans voted on the Statehood Compact.

REPRESENTATIVE ROKEBERG said he will look into verifying the April date. REPRESENTATIVE PHILLIPS is excused from the meeting at 5:55 p.m.

Number 521

REPRESENTATIVE MULDER asked the sponsor if Congress was working on legislation to reduce Alaska's royalty share percentage. REPRESENTATIVE ROKEBERG responded by saying that testimony in committee hearings was taken that the preference by the congressional delegation for Committee Substitute for HJR 13 (Oil & Gas) was not have any indication or they preferred not to have the royalty-share mentioned in that particular resolution. Objections were raised. Representative Rokeberg shared the basic premise that we should not diminish any of our revenues.

Number 535

REPRESENTATIVE ROKEBERG indicated that in conversations with all three of Alaska's congressional offices that the feeling in Washington, D.C. is that if we are going to open up the Arctic National Wildlife Refuge that would be prepared to revert to a 50-50 split.

TAPE 95-4 SIDE B
Number 000

REPRESENTATIVE MULDER makes a motion for a friendly amendment to delete lines 12 and 13 from page 2.

CHAIRMAN BARNES calls for the question. Hearing no objections, the motion passed.

Number 044

SARA HANNAH, Executive Director of the Alaska Environmental Lobby, Inc., thinks that its not only the state's right but the responsibility of a frugal owner, especially with regard to non-renewable resources to oversee responsible, respectable development and that Alaska deserves 90% of the oil and gas royalties due the state in the Statehood Compact.

REPRESENTATIVE MULDER made a motion to move HJR 26(am) out of committee with individual recommendations.

CHAIRMAN BARNES called for the question. Hearing no objections, the resolution passed out of committee.

ADJOURNMENT

There being no further business to come before the House Special Committee on World Trade and State/Federal Relations, CHAIRMAN BARNES adjourned the meeting at 6:05 p.m.



Official Business

COMMITTEES:
Natural Resources
Legislative Council

Alaska State Legislature

Office of World Trade And State/Federal Relations

REPRESENTATIVE
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House Special Committee on World Trade & State/Federal Relations

March 21, 1995 5 p.m.
Capitol, Fahrenkamp Room (203)

AGENDA

- I. CALL TO ORDER
- II. ROLL CALL
- III. COMMITTEE CALENDAR

* HJR 30 "A Resolution relating to an amendment to the Constitution of the United States prohibiting federal courts from ordering a state or a political subdivision of a state to increase or impose taxes."

SJR 12 "A Resolution relating to the United States Department of Agriculture, Forest Service, relating to the United States Department of Agriculture, Forest Service, strategic plan known as "Reinvention of the Forest Service"; and advocating that implementation of the plan be suspended pending Congressional review and consultation with local governments."

- IV. OLD BUSINESS
- V. NEW BUSINESS
- VI. ADJOURNMENT

**REMINDER: Next meeting, Thursday, March 23, 1995, 5 pm. in
Senate Finance Room (532)**

**Presentation: Northern Sea Route by Dr. Orson P. Smith, U.S.
Army Corps of Engineers; Alan F. Walker, Arctic Associates
International; Dr. William Sackinger, Professor Emeritus,
University of Alaska Fairbanks; David Orr, Northern Sea Route
Coordinator, Department of Commerce and Economic
Development; Drs. Andrey & Tatiana Proshutinsky, Russian
meteorologists.**

SENATE JOINT RESOLUTION NO. 12

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY SENATORS TAYLOR, Pearce

Introduced: 1/25/95

Referred: Resources

A RESOLUTION

1 Relating to the United States Department of Agriculture, Forest Service; relating
2 to the United States Department of Agriculture, Forest Service, strategic plan
3 known as "Reinvention of the Forest Service"; and advocating that implementation
4 of the plan be suspended pending Congressional review and consultation with local
5 governments.

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

7 **WHEREAS** the United States Department of Agriculture, Forest Service, has issued
8 a new strategic plan known as "Reinvention of the Forest Service"; and

9 **WHEREAS** this plan has far-reaching implications and was developed without
10 consultation with key elected leaders, including state governors, members of the United States
11 Congress, or community and tribal government leaders in contradiction of President Clinton's
12 Executive Order No. 12875 "Enhancing Intergovernmental Partnerships"; and

13 **WHEREAS** Vice-President Gore's "Report on Reinventing Government" was
14 developed with the promised intent of empowering local governments and decentralizing
15 decision-making power; and

1 **WHEREAS** the "Reinvention of the Forest Service" strategic plan approved by
2 Secretary of Agriculture Mike Espy, just before his resignation, eliminates the very foundation
3 of locally based authority that had the responsibility of working with states, local communities,
4 and tribal governments and masks and diffuses decision-making authority and withdraws it
5 to Washington, D.C., making the Forest Service less responsive to local concerns; and

6 **WHEREAS** moving the Alaska Region Forest Service office to Portland, Oregon, is
7 an example of the flawed science being used to define ecosystems and ecological boundaries;
8 and

9 **WHEREAS** the newly defined purpose of the Forest Service to promote the
10 sustainability of ecosystems without specifically retaining the traditional Forest Service
11 objective of promoting community stability has already created problems and crises for
12 hundreds of communities dependent upon the national forests and state and private forest
13 ecosystems; and

14 **WHEREAS** the new strategic plan has seemingly turned away from commitment
15 towards providing a continuous flow of renewable resources to meet the public need, as
16 directed in the Organic Act, Multiple-Use Sustained Yield Act of 1960, the National Forest
17 Management Act, and other Acts of the Congress; and

18 **WHEREAS**, under the new strategic plan, the Forest Service is more inclined to
19 present a nebulous plan for ecosystem management where resource yields are simply the
20 by-products of management, with no predictable flows or commitments to supply levels to
21 sustain human life;

22 **BE IT RESOLVED** that the Alaska State Legislature calls upon the newly designated
23 Secretary of Agriculture to suspend implementation of the reinvention project's strategic plan
24 approved by Secretary Espy to allow for Congressional review and for consultation with local
25 governments; and be it

26 **FURTHER RESOLVED** that the United States Department of Agriculture, Forest
27 Service, conduct true partnership meetings with states, communities, and tribal governments
28 to develop a new strategic plan; and be it

29 **FURTHER RESOLVED** that the Forest Service acknowledge the United States
30 Department of Agriculture's legal obligations to rebuild, restore, and promote the economic
31 stability of forest dependent communities; and be it

1 **FURTHER RESOLVED** that, in keeping with federal law, timber commodities are
2 a primary not a residual value of forest management; and be it

3 **FURTHER RESOLVED** that Forest Service employee compensation and cost-of-
4 living allowance be reflective of timber production, and be it

5 **FURTHER RESOLVED** that the United States Department of Agriculture, Forest
6 Service, through a true partnership with local communities, identify and implement strategies
7 for decentralizing decision making and empowering state and local governments to more
8 effectively manage forest ecosystems to assure community stability, improve service to the
9 public, and reduce government cost.

10 **COPIES** of this resolution shall be sent to the Honorable Bill Clinton, President of the
11 United States; the Honorable Al Gore, Jr., Vice-President of the United States and President
12 of the U.S. Senate; the Honorable Dan Glickman, Secretary of Agriculture; the Honorable
13 Bruce Babbitt, Secretary of the Interior; Jack Ward Thomas, Chief of the Forest Service, U.S.
14 Department of Agriculture; and to the Honorable Ted Stevens and the Honorable Frank
15 Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of
16 the Alaska delegation in Congress.

Alaska State Legislature

House of Representatives

Official Business



State Capitol
Juneau, Alaska 99801-1182
(907) 465-3718

House Majority Leader

SPONSOR STATEMENT

The purpose of HJR-30 is to petition the Congress of the United States to prepare and present to the legislatures of all the states an amendment to the Constitution of the United States. This amendment would prohibit the Supreme Court or any inferior court of the United States, from ordering a state or political subdivision of a state to levy or increase taxes.

The resolution comes as a request from the office of Representative Bill Skaggs, from the state of Missouri. This effort was brought about by a court case in Missouri, whereby the Supreme Court mandated the city of Kansas City to charge a tax to fund desegregation expenses ordered by the courts.

Presently there are ten states which have introduced a similar resolution.

Alaska State Legislature

Chairman,
Judiciary Committee

Vice Chairman,
Transportation Committee

Member,
Resources Committee
Western Legislative Forestry Task Force



Senator Robin L. Taylor

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Sponsor Statement

Senate Joint Resolution No. 12

Before the House Special Committee
on World Trade and State-Federal Relations

March 21, 1995

Early in December, the U.S. Forest Service announced its Reinvention Plan. A copy of that half-inch thick document is on file in my office, for those who care to indulge in detail. Believe me, the devil is in the detail.

Briefly, this plan would centralize decision making in Washington D.C. Such a policy flies in the face of President Clinton's Executive Order No. 12875, which calls for "enhancing intergovernmental partnerships". It also puts lie to Vice-President Gore's "Report on Reinventing Government", with its stated goals of "empowering state and local governments" and "decentralizing decision-making power".

Under "Reinvention", regional forest supervisors and other front line leaders who now have decision-making authority would be replaced with four people "leadership" teams answerable only to the Chief of the Forest Service and the Secretary of Agriculture.

Gone is any pretense of involving local and state governments in USFS decisions. The plan goes so far as to consolidate the regional offices now located in Alaska and Montana to a central office in Oregon.

District A:

Hyder • Ketchikan • Kupreanof • Meyers Chuck • Petersburg • Saxman • Sitka • Wrangell

Sponsor Statement -SJR 12
Page Two

SJR 12 calls for suspension of this plan and true partnership meetings with states, communities, and tribal governments. I have suggested a committee substitute which would add ANSCA corporations to that list. The goal would be the development of a new plan, one that would involve the affected entities up front. The "Reinvention" scheme goes far beyond the relocation of regional offices. If left to stand, it will mean a new era of Forest Service policy dictated from on high, without consulting the very people most impacted by those policies.

HOUSE SPECIAL COMMITTEE ON WORLD TRADE AND STATE/FEDERAL
RELATIONS

March 21, 1995

5:20 p.m.

MEMBERS PRESENT

Representative Ramona Barnes, Chairman
Representative Gail Phillips, Vice Chairman
Representative Eldon Mulder
Representative Gene Kubina

MEMBERS ABSENT

Representative Gary Davis
Representative Bill Williams
Representative Jerry Mackie

COMMITTEE CALENDAR

- * HJR 30 "A Resolution relating to an amendment to the Constitution of the United States prohibiting federal courts from ordering a state or a political subdivision of a state to increase or impose taxes".

PASSED OUT OF COMMITTEE

SJR 12 "A Resolution relating to the United States Department of Agriculture, Forest Service, relating to the United States Department of Agriculture, Forest Service, strategic plan known as "Reinvention of the Forest Service"; and advocating that implementation of the plan be suspended pending Congressional review and consultation with local governments".

PASSED OUT OF COMMITTEE

(* First public hearing)

WITNESS REGISTER

REPRESENTATIVE AL VEZEY

Alaska State Legislature
State Capitol, Room 216
Juneau, Alaska 99801-1182
Telephone: 465-3719

POSITION STATEMENT: Offered sponsor statement for HJR 30

JOE AMBROSE, Legislative Assisitant

Senator Robin Taylor

Alaska State Legislature

State Capitol, Room 30

Juneau, Alaska 99801-1182

Telephone: 465-4906

POSITION STATEMENT: Provided position statement for SJR 12

PREVIOUS ACTION

ACTION NARRATIVE

TAPE 95-5 SIDE A

Number 000

The meeting of the House Special Committee on World Trade and State/Federal Relations was called to order by Chairman Ramona Barnes at 5:20 p.m. Members present at the call to order were Representatives Barnes, Phillips, Mulder and Kubina. Members absent were Representatives G. Davis, Williams and Mackie.

CHAIRMAN RAMONA BARNES stated that there was a quorum present.

Number 019

HJR 30 - A RESOLUTION RELATING TO AN AMENDMENT TO THE CONSTITUTION OF THE UNITED STATES PROHIBITING FEDERAL COURTS FROM ORDERING A STATE OR A POLITICAL SUBDIVISION OF A STATE TO INCREASE OR IMPOSE TAXES.

REPRESENTATIVE AL VEZEY, sponsor of the measure, stated that HJR 30 is to petition the Congress of the United States to prepare and present to the legislatures of all the states an amendment to the Constitution of the United States. This amendment would prohibit the Supreme court or any inferior court of the U.S. from ordering a state or political subdivision of a state to levy or increase taxes. This resolution comes as a request from the office of Representative Bill Skaggs, from Missouri. This effort was brought about by a court case in Missouri, whereby the Supreme Court mandated the city of Kansas City to charge a tax to fund desegregation expenses ordered by the courts. Presently there are 10 states which have introduced a similar resolution.

Number 035

REPRESENTATIVE GAIL PHILLIPS made a motion that the committee pass HJR 30 out of committee with individual recommendations.

REPRESENTATIVE ELDON MULDER made a motion to move a zero fiscal note.

CHAIRMAN BARNES called for the question. Hearing no objections, HJR 30 passed out of committee.

Number 057

SJR 12 - A RESOLUTION RELATING TO THE UNITED STATES DEPARTMENT OF AGRICULTURE, FOREST SERVICE; RELATING TO THE UNITED STATES DEPARTMENT OF AGRICULTURE, FOREST SERVICE, STRATEGIC PLAN KNOWN AS "REINVENTION OF THE FOREST SERVICE"; AND ADVOCATING THAT IMPLEMENTATION OF THE PLAN BE SUSPENDED PENDING CONGRESSIONAL REVIEW AND CONSULTATION WITH LOCAL GOVERNMENTS.

JOE AMBROSE, Legislative assistant to Senator Robin Taylor, stated that SJR 12 is to centralize decision making in Washington, D.C. Under "Reinvention", regional forest supervisors and other front line leaders who now have decision-making authority would be replaced with four people "leadership" teams answerable only to the Chief of the Forest Service and the Secretary of Agriculture. Gone is the pretense of involving local and state governments in United States Forest Service decisions. The plan goes so far as to consolidate the regional offices now located in Alaska and Montana to a central office in Oregon. SJR 12 calls for suspension of this plan and true partnership meetings with states, communities and tribal governments. The goal would be the development of a new plan, one that would involve affected entities up front. The "Reinvention" scheme goes far beyond the relocation of regional offices. If left to stand, it will mean a new era of Forest Service policy dictated from on high, without consulting the very people most impacted by those policies.

Number 099

REPRESENTATIVE MULDER asked a clarifying question, if the resolve pertained to "former" Secretary of Agriculture Mike Espy.

MR. AMBROSE said yes and that there is no objection to many elements of the Reinvention Plan, it is the fact that plan if implemented removes the decision making process even farther away it is now. It is more than just moving a regional office from Alaska to Oregon. Its moving the decision making authority to Washington, D.C.

Number 114

REPRESENTATIVE PHILLIPS asked if the Alaska congressional delegation had been approached about this idea and what is their position.

MR. AMBROSE said the delegation is in full agreement with the resolution.

REPRESENTATIVE MULDER made the motion to pass SJR 12 out of committee with individual recommendations.

REPRESENTATIVE BARNES called for the question. Hearing no objections, SJR 12 passed out of committee.

Number 130

ADJOURNMENT

There being no further business to come before the House Special Committee on World Trade and State/Federal Relations, CHAIRMAN BARNES adjourned the meeting at 5:30 p.m.



Official Business

COMMITTEES:
Natural Resources
Legislative Council

Alaska State Legislature

Office of World Trade And State/Federal Relations

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House Special Committee on World Trade & State/Federal Relations

March 23, 1995 5 p.m.
Capitol, Senate Finance Room (532)

A G E N D A

- I. CALL TO ORDER
- II. ROLL CALL
- III. COMMITTEE CALENDAR

Presentation: Northern Sea Route by Dr. Orson P. Smith, U.S. Army Corps of Engineers; Alan F. Walker, Arctic Associates International; Dr. William Sackinger, Professor Emeritus, University of Alaska Fairbanks; David Orr, Northern Sea Route Coordinator, Department of Commerce and Economic Development; Drs. Andrey & Tatiana Proshutinsky, Russian meteorologists.

- IV. OLD BUSINESS
- V. NEW BUSINESS
- VI. ADJOURNMENT

NORTHERN SEA ROUTE REPORT
ARMY CORPS OF ENGINEERS
EXECUTIVE SUMMARY

While the Northern Sea Route offers great advantages to shippers in terms of distance, this advantage is thwarted by the fact that the Northern Sea Route's ships typically have less than 25 percent of the capacity of ships in service on the canal and cape routes. (P.70)

When a model which hypothesizes the existence of larger ships is used (P. 72), liquid bulk shipments from Asia to Europe become competitive year round, Dry bulk shipments are competitive in August from the Pacific Northwest (including coal and ore). However, no new commodities from Alaska ports are competitive, although dry bulk and liquid bulk shipments from the Chukchi Sea are close.(P. 71)

Red Dog statistics are on pages 76 and 77.

Conclusions (P.79): Some commodities in some seasons have lower shipping costs via the northern sea route. Competitive regions appear to be:

US Pacific Northwest to Europe

Western Canada to Europe

Pacific Asia to Europe

and Alaska to Europe

All competitive costs outlined above are only operative if larger Northern Sea Route Ships become available.

Accurate nautical charts are needed in the Bering and Chukchi Seas in Alaska waters and the port of Dutch Harbor requires channel improvements. (P.P. 80-81)

LETTER OF INTENT

In partial fulfillment of the resolution passed in 1991 by the Northern Forum in support of the commercial development of the Northern Sea Route;

And in support of the principles of cooperation signed by Governor Walter Hickel and officials of the Russian Republic in 1992;

The State of Alaska and the Murmansk Shipping Company do hereby state the following intentions:

To facilitate the completion of 2 test shipments during the summer/fall shipping season of 1993 in order to provide detailed economic and operating technical data on future use of the Northern Sea Route as a commercial trade route for transit of European, Asian, North American West Coast, and Alaskan cargo.

The Murmansk Shipping Company will:

- 1) Provide the vessels and crews for the test shipments and specify the carrying capacity of the vessels.
- 2) Price the shipments to meet the world market rates for alternative shipping routes, giving consideration to the value of the cargo types and the value of shorter travel times for perishable cargo.
- 3) Agree to allow technicians to travel onboard the test shipment vessels to record data related only to on board ship operations such as cargo temperatures, ship speed, etc.
- 4) Notify Alaska as soon as possible of additional planned shipments to the Pacific which could be available for back haul of cargo from Alaska, and other North American west coast ports.

The State of Alaska will:

- 1) Identify the cargoes to be carried on the test shipments.
- 2) Identify the technicians who will travel with the test shipments.
- 3) Provide detailed economic analysis on competitive rate structure compared to alternative commercial trade routes.
- 4) To identify satellite ice imaging support for the test shipments.

5) To work in support of the future development of the Northern Sea Route as an ongoing commercial trade route through the Northern Forum.

All data and analysis will be made available to the participating parties through the Northern Forum.

The State of Alaska and Murmansk Shipping company agree to notify each other of their travel plans to facilitate meetings to further the stated goal of this agreement to develop the Northern Sea Route as a regular commercial trade route.

Additional shipments may be concluded by mutual agreement of the parties.

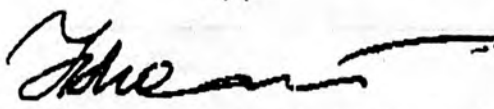
Alaska further agrees to seek shipments using the Northern Sea Route as part of the Russian aid package.

The parties will meet to finalize shipping dates, rates, loading ports and destinations, and cargo types by January of 1993.



Paul Fuhs, Commissioner
Alaska Department of Commerce
and Economic Development

date 10-15-92



Nikolay Matyushenko, President
Murmansk Shipping Company

date 10.92



Official Business

Alaska State Legislature

State Capitol
Juneau, AK 99801-1182

MEMORANDUM

RE: HJR 39 "Relating to the Northern Sea Route"

DATE: April 19, 1995

HJR 39 notes that Alaska is located on the Northern Sea Route and has resources that would be of use to Atlantic coast customers.

The resolution asks the Department of Commerce and Economic Development to pursue new trade markets in Russia, Europe and Arctic nations.

It asks the University of Alaska to consolidate research and development funds to promote waterborne commerce in the Arctic.

In addition, it asks the Governor to direct the Department of Transportation and Public Facilities to work with the Army Corps of Engineers to improve the competitiveness of Alaska ports, and with the Federal Highway Administration to develop facilities to bring Alaskan products to tidewater.

The US National Oceanic and Atmospheric Administration is requested to review the accuracy of Alaska's nautical charts along the sea route and accomplish necessary surveys. It goes on to request the Coast Guard to review navigation aids in Arctic waters, and it goes on to ask the Army Corps of Engineers to investigate possible navigation improvements along the Yukon and Kuskokwim Rivers.

9-LS0974AA -
Utermohle
3/23/95

HOUSE JOINT RESOLUTION NO.
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

BY

Introduced:
Referred:

A RESOLUTION

1 Relating to the Northern Sea Route.

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

3 WHEREAS Alaska is strategically located on the Northern Sea Route between trading
4 partners on the Pacific and Atlantic Oceans; and

5 WHEREAS Alaska has many resources for which there are markets among the nations
6 on the Atlantic Ocean; and

7 WHEREAS studies by the U.S. Army Corps of Engineers and others predict increases
8 in commercial shipments via the Northern Sea Route through Alaska waters; and

9 WHEREAS, though the technology of Arctic ship design is advanced, the present fleet
10 of Arctic cargo ships has limited capacity to carry Alaska or international cargoes; and

11 WHEREAS Arctic research by the United States has focused on questions of
12 ecological balance and climate change and has directed less effort toward factors that directly
13 affect the cost of Arctic shipping; and

14 WHEREAS Alaskans living along the great rivers of the state and along the Arctic
15 coast will benefit from advances in Arctic technology;

16 BE IT RESOLVED by the Alaska State Legislature that the Governor is respectfully
17 requested to direct the Alaska Department of Commerce and Economic Development to

1 aggressively pursue improved relations with Alaska's present trading partners and to seek new
2 markets and trading partners in Russia, other Arctic nations, and Europe; and be it

3 **FURTHER RESOLVED** that the University of Alaska is respectfully requested to
4 consolidate its Arctic research and development programs so that limited funds are applied
5 efficiently with a special emphasis on the technical and economic aspects of waterborne
6 commerce in Arctic waters and along the Northern Sea Route; and be it

7 **FURTHER RESOLVED** that the Governor is respectfully requested to direct the
8 Alaska Department of Transportation and Public Facilities to continue its cooperation with the
9 U.S. Army Corps of Engineers in improving the competitiveness of Alaska's ports and with
10 the Federal Highway Administration in developing intermodal facilities that bring Alaskan
11 products to tidewater; and be it

12 **FURTHER RESOLVED** that the U.S. National Oceanic and Atmospheric
13 Administration is respectfully requested to perform a comprehensive review of the accuracy
14 of nautical charts of Alaska's Arctic waters and the approaches to the Northern Sea Route and
15 to accomplish those surveys that are necessary to improve nautical charts to the highest
16 practical standard of accuracy and utility; and be it

17 **FURTHER RESOLVED** that the U.S. Coast Guard is respectfully requested to
18 perform a comprehensive review of aids to navigation that exist in Arctic waters of Alaska
19 and availability of other services that improve the safety of people, ships, and cargoes en
20 route, and to make improvements that will enhance these safety measures to the highest
21 practical standard; and be it

22 **FURTHER RESOLVED** that the U.S. Army Corps of Engineers is respectfully
23 requested to perform an investigation of the prospective navigation improvements along the
24 Arctic coast of Alaska and along the Yukon and Kuskokwim Rivers, with a view toward the
25 efficient supply of fuel and other supplies to rural Alaska communities located along these
26 waterways.

27 **COPIES** of this resolution shall be sent to the Honorable D. James Baker,
28 Administrator, National Oceanic and Atmospheric Administration, U.S. Department of
29 Commerce; Admiral Robert E. Kramek, Commandant, U.S. Coast Guard; Lt. General Arthur
30 Williams, Commander, U.S. Army Corps of Engineers; and to the Honorable Ted Stevens and
31 the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S.

- 1 Representative, members of the Alaska delegation in Congress.

TESTIMONY

TO

**SPECIAL COMMITTEE ON WORLD TRADE AND STATE-FEDERAL
RELATIONS****STATE OF ALASKA LEGISLATURE**

BY

WILLIAM M. SACKINGER
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OBELISK Hydrocarbons (Alaska) Ltd.
Fairbanks, Alaska 99708-0591

MARCH 23, 1995

MADAME CHAIR, MEMBERS OF THE COMMITTEE, HONORED GUESTS, LADIES AND GENTLEMEN: MY NAME IS WILLIAM SACKINGER, AND I HAVE RESIDED IN FAIRBANKS SINCE 1970. TWO MONTHS AGO, I RETIRED FROM THE UNIVERSITY OF ALASKA AFTER NEARLY TWENTY FIVE YEARS OF SERVICE ON THE FACULTY, FIRST IN ENGINEERING AND THEN IN GEOPHYSICS. DURING THIS TIME I CONDUCTED RESEARCH ON MANY ASPECTS OF SEA ICE, AND HAVE PUBLISHED OVER 100 PAPERS ON THE SUBJECT. IN THE PAST FIVE YEARS ONE OF MY INTERESTS HAS BEEN THE POSSIBILITIES OF USE OF THE NORTHERN SEA ROUTE FOR COMMERCE BETWEEN EUROPEAN AND PACIFIC RIM PORTS.

THE NORTHERN SEA ROUTE, AS DEFINED BY THE CONVENTIONAL (RUSSIAN) USAGE, IS THE COASTAL ROUTE ALONG THE NORTHERN SHORELINE OF RUSSIA, BEGINNING AT THE KARA GATE, (THE STRAIT BETWEEN NOVAYA ZEMLYA AND THE MAINLAND), ON THE WEST, AND ENDING AT THE BERING STRAIT ON THE EAST. ACTUALLY, THERE ARE ELEVEN POSSIBLE DIFFERENT ROUTES ALONG THIS COASTLINE, WHICH DIFFER FROM ONE ANOTHER BY THE CHOICE OF WHETHER TO GO TO THE NORTH OR THE SOUTH OF EACH OF THE MAJOR ISLANDS. THIS WAS CONSIDERED A SOVIET WATERWAY BY THE USSR, AND IS STILL CONSIDERED SO BY RUSSIA. AFTER MANY DECADES OF CLOSURE FOR MILITARY REASONS, THERE WAS THE ANNOUNCEMENT IN 1987 IN MURMANSK BY MR. GORBACHEV THAT THE ROUTE WOULD BE OPEN TO SHIPS FROM ALL NATIONS, FOR PEACEFUL COMMERCE. AS IT HAPPENS, THIS CONDITION IS SUBJECTED TO VARIOUS REGULATIONS AND CONDITIONS BY MINISTRIES AND COMPANIES IN RUSSIA, AND THE NORTHERN SEA ROUTE HAS SEEN LIMITED USAGE BY NON-RUSSIAN VESSELS SO FAR.

HISTORICALLY, THE NORTHERN SEA ROUTE HAS BEEN USED PRIMARILY FOR SHIPBORNE COMMERCE TO SUPPLY THE CITIES OF SIBERIA, AND TO EXTRACT THE NATURAL RESOURCES OF SIBERIA. THE SEA ICE FORMS

IN MID-OCTOBER, AND PERSISTS UNTIL MID-JULY, SO THAT THE USE OF THE ROUTE BY NON-ICE-STRENGTHENED VESSELS IS POSSIBLE ONLY FOR ABOUT 2 TO 3 MONTHS OF THE YEAR. EVEN IN THESE MONTHS, ICE MAY BE ENCOUNTERED AND ICE-STRENGTHENING IS HIGHLY ADVISABLE. THE RUSSIANS HAVE THEREFORE DEVELOPED A LARGE FLEET OF ICE-STRENGTHENED CARGO VESSELS, AND ICEBREAKING SUPPORT VESSELS, SOME OF WHICH ARE CAPABLE OF BREAKING THE ICE UNTIL JANUARY, AND WHICH CAN FORCE CONVOYS THROUGH SPRINGTIME ICE AS EARLY AS APRIL. THE COSTS OF CONSTRUCTION AND OPERATION OF THESE VESSELS WERE NOT PARTICULARLY DEFINED ACCORDING TO WESTERN STANDARDS OF ACCOUNTING, AND THUS IT HAS BEEN DIFFICULT TO JUDGE WHETHER THIS TYPE OF SHIPPING CAN BE ECONOMICALLY COMPETITIVE WITH THE ALTERNATE ROUTES, I.E. THE PANAMA CANAL AND THE SUEZ CANAL. THE ENVIRONMENTAL RISK ON THE NORTHERN SEA ROUTE IS CERTAINLY HIGHER. HOWEVER, THE DISTANCE IS SHORTER, AND THE SAILING TIME IS POSSIBLY SHORTER AS WELL. THE ECONOMICS OF A SHIPPING ROUTE RELATE TO THE TOTAL TIME BETWEEN THE PORTS IN QUESTION. THE DAILY EXPENSE OF THE SHIP OPERATION (ITEMS SUCH AS CREW WAGES, FUEL, INTEREST ON THE INVESTMENT, INTEREST ON THE CARGO, INSURANCE, AMORTIZATION OF THE INITIAL COST OF THE VESSEL, SPECIAL FEES FOR ICEBREAKER SUPPORT, NAVIGATION SUPPORT, WEATHER FORECASTING SUPPORT, ETC.) ALL, TAKEN TOGETHER, DOMINATE THE ECONOMICS. IF A DELAY IS POSSIBLE ALONG THE NORTHERN SEA ROUTE, DUE TO UNEXPECTED ICE CONDITIONS, THIS COULD MAKE THE CHOICE OF THAT ROUTE LESS FAVORABLE.

OPEN LEADS IN THE ICE CAN OCCUR AT ANY TIME OF THE YEAR. THE MOST DIFFICULT SAILING CONDITIONS ARE WHEN THERE IS ICE PRESENT, AND THE WIND IS ONSHORE, CAUSING ALL ICE LEADS TO CLOSE UP, AND CAUSING A PRESSURE AGAINST THE SIDES OF THE SHIPS AS THEY TRY TO BREAK THROUGH THE ICE, NEAR THE LAND BOUNDARY. THIS CONDITION MAY OCCUR ALONG THE ROUTE, SOMEWHERE, WHENEVER SEA ICE IS PRESENT.

THE WATER DEPTH IS SHALLOW ALONG THE NORTHERN SEA ROUTE. THE MOST SEVERE LIMITATION IS IN THE STRAITS SEPARATING THE LAPTEV SEA FROM THE EAST SIBERIAN SEA, WHERE THE WATER DEPTH IS ABOUT 14 METERS. THIS MEANS THAT A SHIP OF ABOUT 10 METERS DRAFT (ABOUT 33 FEET DRAFT) WOULD NORMALLY BE USED, TO ALLOW FOR A MARGIN OF SAFETY AGAINST GROUNDING AT LOW TIDE, ON SHALLOW SANDBARS WHICH HAVE RECENTLY FORMED, FOR EXAMPLE. SUCH SHALLOW-DRAFT VESSELS ARE IN THE RUSSIAN FLEET, OPERATED BY THE MURMANSK SHIPPING COMPANY, AND BY THE FAR EAST SHIPPING COMPANY. THESE VESSELS ARE IN THE RANGE OF 20,000 TONNES CAPACITY, ABOUT ONE-THIRD THE SIZE OF THE VESSELS GOING THROUGH THE PANAMA AND SUEZ CANALS. POSSIBLY, SHALLOW-DRAFT CARGO VESSELS COULD BE CUSTOM-BUILT FOR THE SERVICE ON THE NORTHERN SEA ROUTE WHICH HAVE COMPETITIVE CARGO CAPACITY AND STILL HAVE SHALLOW DRAFT, BUT

THESE ARE FOR THE FUTURE. ICE-STRENGTHENED VESSELS NEED AN ADDITIONAL THICKNESS OF STEEL ON THE HULL, AT THE WATERLINE, AND STRONGER INTERNAL SHIP STRUCTURE. ABOUT 200 TONNES OF EXTRA STEEL MUST BE ALLOWED FOR, IN SHIP DESIGN, AS AN EXTRA COST ASSOCIATED WITH SUCH VESSELS. THIS COST IS NOT SUCH A LARGE INCREMENT COMPARED TO THE TOTAL SHIP COST. HOWEVER, IF A SHIP IS EXPECTED TO BREAK ICE WITHOUT AN ICEBREAKER ESCORT VESSEL AHEAD OF IT, THEN IT IS NECESSARY TO HAVE A MINIMUM OF 30,000 HORSEPOWER ENGINES; THE ARCTIC-CLASS ICEBREAKERS HAVE AS HIGH AS 70,000 HORSEPOWER. SUCH A LARGE POWER PLANT IS AN EXPENSIVE INITIAL INVESTMENT, AND IT CAN ALSO USE FUEL AT A VERY RAPID RATE WHEN TRAVERSING ICE. NUCLEAR POWER IS USED IN THE RUSSIAN ARCTIC-CLASS ICEBREAKERS; THE REFUELING COSTS ARE DIFFICULT TO EXPRESS IN WESTERN ACCOUNTING TERMS.

THE PRACTICAL METHODS FOR MINIMIZING THE COSTS OF THE ICEBREAKING TRANSPORT INCLUDE: (1) OPERATING IN CONVOYS, WITH A LARGE, HIGH-HORSEPOWER ICEBREAKER IN THE LEAD; A CONVOY WITH PERHAPS TEN SHIPS, ALL OF WHICH ARE ICE REINFORCED BUT WITH MEDIUM-SIZED POWER PLANTS; (2) CHOOSING THE SHORTEST POSSIBLE ROUTE.

IF CARGO IS NOT TO BE TAKEN ABOARD OR TO BE DISCHARGED IN SIBERIA, THEN THE SHORTEST POSSIBLE ROUTE FROM THE BERING STRAIT TO EUROPE IS VIA THE NORTH POLE (OR EVEN EAST OF THE NORTH POLE). THE ICE DRIFTING IN THE ARCTIC OCEAN IS CONSTANTLY IN MOTION, AT ALL TIMES OF THE YEAR, DRIVEN BY THE VARIABLE WINDS THERE. THERE ARE OPEN LEADS FOUND IN ALMOST ALL REGIONS EXCEPT THOSE ADJACENT TO LAND BOUNDARIES. MOST OF THE ICE IS ANNUAL ICE, LESS THAN 6 FEET THICK, AND CAN EASILY BE BROKEN BY THE ARCTIC-CLASS ICEBREAKERS OR POLAR CLASS ICEBREAKERS AT ANY TIME OF THE YEAR. THERE ARE, HOWEVER, SOME DRIFTING FLOES OF MULTI-YEAR ICE WHICH ARE THICKER IN SOME SPOTS, AND MAY BE UP TO 10 METERS THICK IN THEIR THICKEST CONSOLIDATED PARTS. THESE ICE FLOES MAY BE AVOIDED IF THERE IS ADVANCE, REAL-TIME IMAGERY AVAILABLE TO THE CAPTAIN OF THE LEADING VESSEL, TO ALLOW HIM TO PLAN A ROUTE OF LOWEST RESISTANCE.

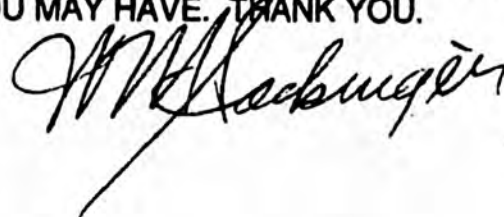
THE TRAVERSE TO THE NORTH POLE BY THE SOVIET ICEBREAKER "ARKTIKA" IN 1977 WAS THE FIRST EXAMPLE, IN MARCH, OF SUCH A VOYAGE. SINCE THAT TIME, VESSELS REACHING THE NORTH POLE HAVE INCLUDED SEVERAL OTHER RUSSIAN POLAR-CLASS ICEBREAKERS, AND ALSO THE GERMAN RESEARCH VESSEL "POLARSTERN" (30,000 H.P.), THE SWEDISH ICEBREAKER "ODIN" (30,000 H.P.), THE AMERICAN ICEBREAKER "POLAR SEA" (60,000 H.P.), THE CANADIAN VESSEL "LOUIS ST. LAURENT", AND PERHAPS OTHERS MORE RECENTLY. THE MURMANSK SHIPPING COMPANY IS ORGANIZING ANNUAL TOURISM EXCURSIONS BY ICEBREAKER TO THE NORTH POLE. IT IS MY OPINION THAT THE ROUTE DIRECTLY ACROSS THE ARCTIC OCEAN IS SHORTER, IS MORE PRACTICAL IN THE WINTER MONTHS, AND IS POSSIBLE WITH SIMILIAR EQUIPMENT. IT IS NOT NOW NECESSARY TO

BE ABLE TO CONQUER ALL POSSIBLE ICE THICKNESSES IN THE ARCTIC OCEAN, BECAUSE REMOTE SENSING FROM EITHER POLAR-ORBITING SYNTHETIC APERTURE SATELLITES, OR FROM REMOTE-CONTROLLED SMALL AIRCRAFT LAUNCHED FROM THE ICEBREAKERS THEMSELVES, CAN LOCATE THE OPEN LEADS AHEAD OF THE SHIP, AND ALLOW THE CAPTAIN TO AVOID THE MULTI-YEAR ICE FLOES. THE PROBABILITY OF A DELAY CAN BE MADE VANISHINGLY SMALL, IF TWO ICEBREAKERS ARE USED IN A CONVOY.

IN MY OPINION, THE SHIPPING TO AND FROM EUROPE, OVER THE POLE, USING ICE-STRENGTHENED SHIPS, CAN BE A TECHNOLOGICAL REALITY. THE ECONOMICS OF SHIPPING THROUGH THE EXISTING CANALS WOULD BE AFFECTED, HOWEVER, AND THE RATES AND THE PROFITABILITY OF THE EXISTING SHIPPERS THROUGH THE CANALS WOULD BE REDUCED. FIERCE COMPETITION SHOULD BE EXPECTED IN THAT CASE, AND INITIALLY-FAVORABLE ECONOMICS OF TRANS-ARCTIC SHIPPING COULD BE NEGATED IF RATES ARE REDUCED BY THE MAJOR SHIPPERS THROUGH THE CANALS. THIS IS A COMPLEX ECONOMIC DYNAMICS, AND ACCURATE ADVANCE PREDICTIONS MAY BE VERY DIFFICULT TO ACCOMPLISH. UNTIL SUCH ECONOMICS IS DONE, HOWEVER, NO ONE WILL CONSTRUCT AND OPERATE A NEW, SPECIAL-PURPOSE SHIPPING LINE ON THE TRANS-ARCTIC ROUTE, BECAUSE OF THE UNDEFINABLE ECONOMIC RISK, AND THE HIGH COST OF ECONOMIC FAILURE.

THERE IS A MASSIVE RESEARCH PROGRAM BEING CONDUCTED TO ASSESS THE TECHNOLOGY, THE ECONOMICS, THE ENVIRONMENTAL CONSEQUENCES, AND THE POLITICS OF USE OF THE NORTHERN SEA ROUTE. IT IS THE INTERNATIONAL NORTHERN SEA ROUTE PROGRAM, (INSROP), BASED IN NORWAY, AND SPONSORED BY JAPANESE, NORWEGIAN, AND RUSSIAN INTERESTS. I HAVE THE PLEASURE OF SERVING UPON THE INTERNATIONAL ADVISORY COMMITTEE OF THAT PROGRAM, AND CAN PROVIDE ADDITIONAL INFORMATION ABOUT IT UPON REQUEST. THE RESULTS OF THE FIRST THREE YEARS OF RESEARCH WILL BE PRESENTED AT THE **INSROP SYMPOSIUM TOKYO 95**, TO BE HELD IN TOKYO ON OCTOBER 1-6, 1995. I RECOMMEND THAT YOU ATTEND THIS CONFERENCE TO GAIN A CLEAR AND CURRENT PICTURE OF THE POTENTIAL FOR COMMERCIAL USE OF THE NORTHERN SEA ROUTE.

LADIES AND GENTLEMEN, I HAVE CONCLUDED MY PREPARED REMARKS AND THANK YOU FOR THE OPPORTUNITY TO TESTIFY. I WOULD WELCOME ANY QUESTIONS WHICH YOU MAY HAVE. THANK YOU.



TOPICS FOR QUESTIONS

SEA ICE CONDITIONS IN THE ARCTIC

EFFECT OF ENVIRONMENTAL FORCES UPON SEA ICE MOVEMENTS

SUBJECT AREAS STUDIED IN THE INTERNATIONAL NORTHERN SEA ROUTE PROGRAM

OVERVIEW OF NAVIGATION, WEATHER FORECASTING, ICE FORECASTING, COMMUNICATION, EMERGENCY RESPONSE, ETC. ALONG THE NORTHERN SEA ROUTE

OIL AND GAS TECHNOLOGY IN THE ARCTIC

CONVERSION OF NATURAL GAS INTO SYNTHETIC CRUDE OIL FOR PIPELINE OR TANKER TRANSPORT



REPLY TO
ATTENTION OF:

DEPARTMENT OF THE ARMY
U.S. ARMY ENGINEER DISTRICT, ALASKA
P.O. BOX 898
ANCHORAGE, ALASKA 99506-0898

**PRESENTATION FOR THE HOUSE SPECIAL COMMITTEE
ON WORLD TRADE AND STATE/FEDERAL RELATIONS**

**ALASKA STATE LEGISLATURE
MARCH 23, 1995**

By Orson P. Smith, Ph.D.

The Northern Sea Route is a marine passage from the Atlantic to the Pacific Ocean, or vice versa, via the Arctic Ocean north of Russia. It extends approximately 3,000 miles from the Bering Strait on the Pacific to Murmansk, Russia, on the Barents Sea, which opens onto the Atlantic. The route offers distances between the Atlantic and Pacific basins 35 to 60 percent shorter than traditional routes through the Panama and Suez canals. The Northern Sea Route has been established since the 1930's, but until recently Russia, whose territory borders the route, carefully guarded it from foreign ships. Mikhail Gorbachev, then General Secretary of the Soviet Union, signaled Russia's willingness to open the route for international commercial shipping in an October 1987 address. Some international shipments have taken place since, but the dream of a busy new passage between markets of one basin and sources of supply in the other remains a goal for the future.

The Alaska Department of Commerce and Economic Development asked the Corps of Engineers in a February 1993 letter to investigate Alaskan port improvements related to the State's strategic position on the Northern Sea Route. The U. S. Congress appropriated \$300,000 in November 1993 to begin the study and appropriated another \$300,000 the next year to complete the work. The Corps study was administered by the Alaska District office in Anchorage, with technical assistance from the Corps' Cold Regions Research and Engineering Laboratory in Hanover, New Hampshire.

The Corps requires a focus on port improvements, but this unique assignment called for an extensive information-gathering effort at the start. The Cold Regions Lab assisted the Alaska District with an overview of the history and present status of the Northern Sea Route and the state of the art in design of arctic ships. I have provided the Committee with a publication of this work.

The University of Alaska assisted with a review of Russian capabilities to monitor and forecast arctic conditions and a summary of the highly variable climatological factors which affect the cost of shipping. Two Russian scientists, Drs. Andrey and Tatiana Proshutinsky, were instrumental in this effort. From St. Petersburg, Russia, they are visiting faculty members at the Institute of Marine Science at the University of Alaska Fairbanks. Dr. William Sackinger, an arctic ice specialist at the Geophysical Institute in Fairbanks, helped with a summary of international initiatives now under way, including the International Northern Sea Route Program.

This program is a multi-million dollar, multi-year study, administered in Norway and largely funded by Japanese interests.

We contracted the port planning firm Gulf Engineers and Consultants, Inc., of Baton Rouge, Louisiana, to apply their expertise in economic analysis of ports to forecast commodity flows over the Northern Sea Route. The Gulf specialists were assisted by DRI/McGraw-Hill of Washington, DC, and compiled a summary of historical world sea trade statistics and a forecast of commodity flows which could be diverted from canal routes.

The Corps Cold Regions Lab inventoried the world fleet of ice-breakers and arctic cargo ships, with the assistance of Leonid Tunik, a specialist in Russian arctic ships. A commercial version of this inventory was published recently by Backbone Publishing of New York. The laboratory is now developing a computer simulation of the passage of selected cargo ships along the Northern Sea Route. This model applies the climatological information gathered by the study to estimate the average transportation cost for various commodities by simulating many voyages in the full range of possible conditions. The simulation results will be applied to adjust the forecast of commodity flows based on the competitiveness of the transportation cost.

Preliminary forecasts indicate that non-ferrous ores have the best prospects for Alaskan exports. The ore terminal at Skagway has exported lead and zinc ore from a mine in Faro, British Columbia, to Europe in years past. The terminal is owned by the State of Alaska. The State-owned ore terminal near Kivalina on the Chukchi Sea has also exported lead and zinc ore to Europe from the Red Dog Mine by lightering on barges to deep-draft vessels anchored offshore. The efficiency of this operation is constrained by the shallow approach to the terminal, the presence of ice, and concerns for whales' summer migration along this coast. The Alaska District is in contact with port operators at Skagway and the Red Dog Mine terminal and with the Alaska Industrial Development and Export Authority to investigate port improvements at these sites.

Preliminary forecasts for the entire Pacific rim indicate the possibility of a substantial increase in commodity flow via the Northern Sea Route in future decades. The forecast will be tested by the ship transit simulation program, but appears now to be large enough that shipments could extend beyond the optimum climatic conditions of August and September. Shipments beyond this best season are certain to require ice-breaker escort along most of the route. Unalaska appears to be a good port for marshalling east-bound Northern Sea Route convoys. The Anchorage firm of Tryck Nyman Hayes has been contracted to investigate port improvement prospects at Unalaska.

Two public workshops for the Northern Sea Route study took place in Anchorage, one in February and one in August of 1994. Experts world-wide have been consulted by telephone and electronic mail. The intensity of interest in the Northern Sea Route around the globe is impressive.

The Corps will publish its Northern Sea Route Reconnaissance Report in June 1995. The report will recommend site-specific feasibility studies of port improvements that appear economically justified. A non-federal sponsor must agree to provide the Corps with 50 percent of the cost for these studies to proceed. We hope any agreements necessary can be executed in 1995.

The report will also recommend efforts by others, which could enhance the commercial prospects for Alaskan businesses. The findings of the Northern Sea Route study may lead Alaskan leaders to consider such options as these:

1. Augmenting relations with trading partners in the Arctic and Europe, perhaps through the programs of the Alaska Department of Commerce and Economic Development, the University of Alaska, and the Northern Forum;
2. Pursuing the Federal interest, through cost-sharing port projects with the Corps of Engineers, intermodal transportation projects by the Alaska Department of Transportation and Public Facilities and the Federal Highway Administration, chart improvements by the National Oceanic and Atmospheric Administration, and improved aids to navigation and safety measures in the arctic by the U. S. Coast Guard;
3. Stimulating applied research and development, which might shift some of the present focus of U.S. arctic research on environmental concerns to matters affecting the future of commercial shipping in the arctic, such as climatological factors affecting shipping cost, the design of arctic cargo ships, and the design of shallow-draft supply vessels to serve rural Alaskan communities.

The Alaska Department of Commerce and Economic Development has asked the Corps to study the possibility of extending the navigation season along the Kuskokwim and Yukon Rivers, and has requested another study on ways to improve the supply system for coastal communities of arctic Alaska. The President's 1996 budget includes funds to begin investigation of Kuskokwim River navigation. Proposed studies of the Yukon River and the arctic coast have not been funded.

The Alaska District of the Corps of Engineers appreciates this opportunity to review the findings to date of our Northern Sea Route Reconnaissance Study. We look forward to furnishing this Committee copies of our final report and will be glad to provide you with any other information at our disposal.

**ALASKA STATE LEGISLATURE
WORLD TRADE COMMITTEE HEARINGS
NORTHERN SEA ROUTE**

MARCH 23, 1996

A VIABLE SHIPPING ROUTE THROUGH THE ARCTIC HAS DRAWN THE INTEREST OF MARINERS AND ARCTIC NATIONS FOR OVER 600 YEARS. EXPLORATION OF THE NORTHWEST PASSAGE AND CANADIAN ARCTIC IS WELL DOCUMENTED, AND TODAY REGIONAL AND INTERNATIONAL USE FOR COMMERCIAL PURPOSES CONTINUES TO EXPAND. SIMILARLY, THE NORTHERN SEA ROUTE HAS RECEIVED EXTENSIVE STUDY, ESPECIALLY OVER THE PAST DECADE. TODAY I WOULD LIKE TO ADDRESS ONE POINT OF VIEW AND OFFER A RECOMMENDATION FOR ALASKA'S ROLE IN DEVELOPMENT OF COMMERCIAL EXPANSION INTO THE RUSSIAN ARCTIC.

THERE IS NO QUESTION THAT THE NORTHERN SEA ROUTE OFFERS DISTANCES BETWEEN PACIFIC AND EUROPEAN PORTS WHICH ARE SIGNIFICANTLY SHORTER THAN TRADITIONAL TRADE ROUTES. HOWEVER, MANY SHIPPERS MAY BE RELUCTANT TO VENTURE INTO FULL SCALE NORTHERN SEA ROUTE OPERATIONS UNTIL UNCERTAINTIES REGARDING INFRASTRUCTURE AVAILABILITY, PRICING AND CONTRACT ENFORCEMENT, GENERAL BUSINESS PRACTICES WITHIN RUSSIA, INSURANCE COSTS AND STANDARDIZATION OF VESSEL ICE CLASSIFICATION AND INSPECTION ARE ADDRESSED.

SEVERAL DIFFERENT GROUPS CONTINUE TO STUDY THE OPTIONS AVAILABLE TO DEVELOP THE NORTHERN SEA ROUTE. I BELIEVE ALASKA SHOULD BE INVOLVED OR RISK BEING LEFT BEHIND WHEN THE MARKET ECONOMIES OF THIS ROUTE BECOME REALITY. ONE WAY TO GET INVOLVED MAY BE THROUGH A REGIONAL APPROACH.

WITHOUT QUESTION, OPENING A YEAR ROUND TRANSPOLAR ROUTE WOULD BE EXTREMELY DIFFICULT AND PROBABLY COST PROHIBITIVE AT THIS TIME. IN 1994 THE CANADIAN AND U.S. ICEBREAKERS LOUIS S. ST. LAURENT AND POLAR SEA CONDUCTED A JOINT SCIENTIFIC MISSION INTO THE DEEP ARCTIC. DURING AUGUST AND SEPTEMBER THEY CROSSED THE ARCTIC FROM THE BERING STRAIT TO 90 DEGREES NORTH AND FINALLY EXITED VIA FRAM STRAIT EAST OF GREENLAND. THIS WAS THE FIRST SURFACE VESSEL TRANSIT OF THE ARCTIC BASIN FROM THE WEST TO EAST. ALTHOUGH SUCCESSFUL, THE DIFFICULTY IN ACCOMPLISHING THIS TRANSIT SHOULD NOT BE UNDERESTIMATED. YEARS OF PLANNING AND EXTENSIVE ICE MANAGEMENT SUPPORT THROUGHOUT THE VOYAGE HELPED THESE SHIPS REACH THE DEEP ARCTIC AND SAFELY RETURN; AND THESE WERE THE TWO MOST POWERFUL ICEBREAKERS IN CANADA AND THE U.S.

SIMILARLY, A MORE TRADITIONAL COASTAL ROUTE FROM THE PACIFIC TO EUROPE ON A YEAR ROUND BASIS WOULD TAKE SIGNIFICANT INFRASTRUCTURE IMPROVEMENT. WE HAVE THE TECHNOLOGY TODAY TO BUILD ICEBREAKERS AND CARGO VESSELS CAPABLE OF YEAR ROUND TRANSIT, BUT AT SIGNIFICANT COST. ACCEPTED ESTIMATES FOR TRADITIONAL DESIGNS RANGE UP TO 150,000 SHP FOR ICEBREAKERS CAPABLE OF YEAR-ROUND COMMERCIAL NORTHERN SEA ROUTE OPERATION. I DOUBT THAT ANY GOVERNMENT WILL PRESENTLY UNDERWRITE SUCH A VENTURE, NOR WOULD CORPORATE DOLLARS BE VENTURED ON SUCH A HIGH RISK PROJECT.

KEY TO ANY VESSEL OPERATIONS IN THE ARCTIC IS ICE MANAGEMENT INFORMATION. THE ULTIMATE GOAL SHOULD NOT BE TO DESIGN LARGER AND MORE POWERFUL ICEBREAKERS AND ICE CAPABLE CARGO VESSELS, BUT TO UTILIZE TECHNOLOGY TO AVOID AS MUCH ICE AS POSSIBLE. THE ARCTIC ICE IS HIGHLY DYNAMIC, WITH CONSTANT CHANGE BEING BOTH THE ADVERSARY AND THE BENEFACOR OF THE

MARINER. AS THE ICE MOVES, OPEN AREAS OR LEADS DEVELOP, WHICH PROVIDE ROUTES THROUGH THE ICE. PROVIDING ICE INFORMATION, BOTH STRATEGIC AND TACTICAL, TO THE MARINER FOR ANY TRANSITS WILL BE A HIGH PRIORITY.

IN VIEW OF THE HIGH COSTS AND UNCERTAINTIES OF ARCTIC OPERATIONS, CONSIDERATION SHOULD BE GIVEN TO DEVELOP A PORTION OF THE NORTHERN SEA ROUTE, WHICH COULD BE INITIALLY UTILIZED ON A SEASONAL BASIS, WITH THE POTENTIAL FOR EXPANSION WEST TOWARDS THE EUROPEAN MARKETS AND EXTENSION OF THE SHIPPING SEASON INTO THE LATE FALL AND WINTER MONTHS ONCE MARKET DEMAND IS CLEARLY ESTABLISHED.

THIS APPROACH SHOULD BE CONSISTENT WITH STATE OBJECTIVES AND MEET THE GOALS OF THE NEW U.S. ARCTIC POLICY ANNOUNCED IN SEPTEMBER 1994. IN PART, THAT POLICY CALLS FOR INCREASED INTERNATIONAL COOPERATION WITH RUSSIA, INCREASED INVOLVEMENT OF THE STATE OF ALASKA AND ALASKAN INDIGENOUS PEOPLE IN ARCTIC POLICY-MAKING AND PROVIDES FOR ENVIRONMENTALLY SUSTAINABLE DEVELOPMENT.

GIVEN THE VAST NATURAL RESOURCES AVAILABLE IN SIBERIA AND THE DESIRE FOR WESTERN GOODS AND TECHNOLOGY, THERE SHOULD BE NUMEROUS OPPORTUNITIES TO ESTABLISH REGIONAL PROJECTS.

I WILL BRIEFLY OUTLINE ONE CONCEPT FOR SUCH A PROJECT. I HAVE NOT DONE A DETAILED ANALYSIS, BUT BELIEVE IT PROVIDES AN OPPORTUNITY TO ADDRESS SEVERAL PRESSING ISSUES FOR THE STATE. I WOULD PROPOSE A VENTURE BETWEEN ALASKA AND REGIONAL GOVERNMENTS IN EASTERN RUSSIA FOR THE SHIPMENT OF RAW LOGS TO ALASKAN MILLS.

PORTIONS OF RUSSIA CONTAIN SIGNIFICANT FOREST RESERVES; FAR GREATER THAN EXIST IN NORTH AMERICA. MANY PARTS OF RUSSIA ARE IN NEED OF HARD CURRENCY, WESTERN INVESTMENT AND TECHNOLOGY. ALASKA WITH COOPERATION OF THE FEDERAL GOVERNMENT CAN PROVIDE THE NECESSARY MANAGEMENT AND DEVELOPMENTAL TECHNOLOGY TO UTILIZE RUSSIA'S VAST NATURAL RESOURCES IN AN ENVIRONMENTALLY SUSTAINABLE MANNER. LOGS COULD BE TRANSPORTED TO THE ARCTIC AND NORTHEASTERN SIBERIAN COASTS FOR SHIPMENT TO ALASKAN MILLS.

THIS PROJECT WOULD RELIEVE PRESSURES ON THE TONGASS, THUS SATISFY MANY OF THE EXPRESSED ENVIRONMENTAL CONCERNS, WHILE PROVIDING A SUPPLY OF TIMBER THAT WOULD TRANSLATE INTO JOBS FOR THE PEOPLE OF ALASKA.

SEVERAL ISSUES WOULD NEED RESOLUTION. IN THE PAST RAW LOGS FROM MOST OF RUSSIA WERE PROHIBITED FROM IMPORT BY THE U.S. DEPARTMENT OF AGRICULTURE. THE STATED CONCERN WAS LACK OF PEST CONTROL. THIS COULD BE ADDRESSED BY ONSITE INSPECTIONS IN COOPERATION WITH U.S. FOREST SERVICE PERSONNEL OR OTHER APPROPRIATE OFFICIALS.

DURING PORTIONS OF THE SEASON, ICEBREAKER ESCORTS WOULD BE NECESSARY. ONE OPTION WOULD BE TO UTILIZE RUSSIAN ICEBREAKERS FROM THE FAR EASTERN SHIPPING COMPANY. ANOTHER OPTION, FOR PART OF THE YEAR, WOULD BE U.S. COAST GUARD ICEBREAKERS, GIVEN APPROPRIATE COOPERATION BETWEEN THE U.S. AND RUSSIA. AT PRESENT THE U.S. HAS TWO POLAR CLASS ICEBREAKERS CAPABLE OF CONVOY OPERATIONS ALONG THE NORTHERN SEA ROUTE. THOSE ICEBREAKERS

ARE NOT PRESENTLY SCHEDULED FOR SUMMER SCIENTIFIC OPERATIONS IN THE ARCTIC FOR SEVERAL YEARS.

IDENTIFICATION OF SHIPMENTS FROM ALASKA OR THE U.S. WEST COAST ALSO PLAY A KEY ROLE. IF DESIRED CARGO, SUCH AS FISH PRODUCTS, CONSTRUCTION MATERIALS OR MANUFACTURED GOODS WERE IDENTIFIED, THIS WOULD REDUCE SHIPPING COSTS BY ELIMINATING DEADHEADING OF VESSELS.

IF A REGIONAL PROJECT WAS PURSUED AND SUCCESSFUL, MARKET FACTORS WOULD THEN DRIVE FURTHER DEVELOPMENT. POTENTIALLY, JOBS WOULD BE CREATED IN VARIOUS WESTERN ALASKA COMMUNITIES: DUTCH HARBOR COULD BECOME A TRANSSHIPMENT POINT FOR CARGOS FROM THE U.S. WEST COAST AND ASIA BOUND FOR EUROPE OR THE RUSSIAN ARCTIC; VALUE ADDED PROCESSING OF RESOURCES FROM RUSSIA COULD LEAD TO FACILITIES IN NORTHWESTERN ALASKA; RAW LOGS MILLED TO FINISHED LUMBER COULD BE UTILIZED TO CONSTRUCT MODULAR ARCTIC STRUCTURES FOR USE THROUGHOUT ALASKA AND SIBERIA. CERTAINLY, ALASKAN COMPANIES WOULD BE POISED TO TAKE ADVANTAGE OF U.S. ECONOMIC EXPANSION INTO EASTERN RUSSIA; A ROLE THAT SEEMS APPROPRIATE GIVEN OUR STATUS AS THE ONLY ARCTIC STATE IN THE NATION.

HOUSE SPECIAL COMMITTEE ON WORLD
TRADE AND STATE/FEDERAL RELATIONS
March 23, 1995
5:10 p.m.

MEMBERS PRESENT

Representative Ramona Barnes, Chairman
Representative Gail Phillips, Vice Chairman
Representative Eldon Mulder
Representative Gary Davis
Representative Bill Williams

MEMBERS ABSENT

Representative Jerry Mackie
Representative Gene Kubina

OTHER HOUSE MEMBERS PRESENT

Representative Eileen MacLean
Representative Carl E. Moses

COMMITTEE CALENDAR

Presentation: Northern Sea Route by Dr. Orson P. Smith, U.S. Army Corps of Engineers; Alan F. Walker, Arctic Associates International; Dr. William Sackinger, Professor Emeritus, University of Alaska Fairbanks; David Orr, Northern Sea Route Coordinator, Department of Commerce and Economic Development; Drs. Andrey and Tatiana Proshutinsky, Russian meteorologists.

WITNESS REGISTER

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ACTION NARRATIVE

TAPE 95-6 SIDE A
Number 000

The meeting of the House Special Committee on World Trade and State/Federal Relations was called to order by Chairman Ramona Barnes at 5:10 p.m. Members present at the call to order were Representative Barnes, Phillips, Williams, and G. Davis. Members absent were Representatives Mulder, Mackie and Kubina. The meeting was teleconferenced to Anchorage and Oregon.

CHAIRMAN RAMONA BARNES stated there was a quorum present.

Number 035

Representative Mulder arrived at 5:12 p.m.

Number 040

DR. ORSON P. SMITH, Project Manager for the study of the Northern Sea Route for the United States Army Corps of Engineers, stated the route is a marine passage from the Atlantic to the Pacific Oceans, via the Arctic Ocean north of Russia, the Bering Strait and by various routes many along the coast of Russia with other possibilities across the center of the Arctic Ocean. The route offers distances between the Atlantic and the Pacific, 35 to 60

percent shorter than traditional routes through the Panama and Suez Canals. The Northern Sea routes have been established since the 1930s, but until recently Russia, whose territories border the region, closely guarded it from foreign ships. Mikhail Gorbachev, then General Secretary of the Soviet Union, signaled Russia's willingness to open the route for international commercial shipping in 1987. Some international shipping has taken place since, but the dream of a busy, new passage between the markets of one basin and sources of supplies on the other remain a goal for the future.

The Alaska Department of Commerce and Economic Development asked the Corps of Engineers to investigate Alaskan port improvements related to the state's strategic position on the Northern Sea Route. The United States Congress appropriated \$300,000 in 1993, to begin the study and appropriated another \$300,000 the next year to complete the work.

Number 110

DR. SMITH added that the University of Alaska assisted with a review of Russian capabilities to monitor and forecast Arctic conditions and a summary of the highly variable climatological factors which affect the cost of shipping. Two Russian scientists, Drs. Andrey and Tatiana Proshutinsky, were instrumental in this effort.

Number 130

DR. SMITH continued on to say preliminary forecasts indicate that non-ferrous ores have the best prospects for Alaskan exports. The ore terminal at Skagway has exported lead and zinc ore from a mine in Faro, British Columbia, to Europe, in years past. That terminal is owned by the state of Alaska. The efficiency of this operation is constrained by the shallow approach to the terminal, the presence of ice, and the concerns for whales' summer migration along this coast. The Alaska District is in contact with port operators at Skagway and the Red Dog Mine terminal and with the Alaska Industrial Development and Export Authority to investigate port improvements at these sites.

Number 170

DR. SMITH stated that preliminary forecasts for the entire Pacific Rim indicate the possibility of a substantial increase in commodity flow, via the Northern Sea Route in future decades. The forecast will be tested by the ship transit simulation program, but appears now to be large enough that shipments could extend beyond the optimum climatic conditions of August and September. Shipments beyond this best season are certain to require ice-breaker escort along most of the route. Unalaska appears to be a good port for marshaling east-bound Northern Sea Route convoys.

DR. SMITH added that the Corps will publish its Northern Sea Route Reconnaissance Report in June. The report will recommend site-specific feasibility studies of port improvements that appear economically justified. Anon-federal sponsor must agree to provide the Corps with 50 percent of the cost for these studies to proceed. The report will also recommend efforts by others, which could enhance the commercial prospects for Alaskan businesses. This study may lead Alaskan leaders to consider such options as the following: 1) Augmenting relations with trading partners in the Arctic and Europe, perhaps the programs of the Alaska Department of Commerce and Economic Development, the University of Alaska, and the Northern Forum; 2) Pursuing the Federal interest, through cost-sharing port projects with the Corps of Engineers; or 3) Stimulating applied research and development, which might shift some of the present focus of the United States Arctic Research on environmental concerns to matters affecting the future of commercial shipping in the Arctic, such as climatological factors affecting shipping cost, the design of arctic cargo ships, and the design of shallow-draft supply vessels to serve rural Alaskan communities.

Number 190

The Department of Environmental Conservation (DEC) has asked the Corps study the possibility of extending the navigation season along the Kuskokwim and Yukon Rivers, and has requested another study on ways to improve the supply system for coastal communities of arctic Alaska. The President's 1996 budget includes funds to begin investigation of Kuskokwim River navigation. Proposed studies of the Yukon River and the Arctic Coast have not been funded.

Number 210

ALAN WALKER, Arctic Associates International, said a viable shipping route through the Arctic has drawn the interest of mariners and arctic nations for over 600 years. He said he would like to address one point of view and offer a recommendation for Alaska's role in development of commercial expansion into the Russian Arctic. There is no question that the Northern Sea Route offers distances between Pacific and European ports which are significantly shorter than traditional routes. However, many shippers may be reluctant to venture into full scale Northern Sea Route operations until uncertainties regarding infrastructure availability, pricing and contract enforcement, general business practices within Russia, insurance costs and standardization of vessel ice classification and inspection are addressed.

Number 219

MR. WALKER said he believes that Alaska should be involved or risk being left behind when the market economies of this route become a reality. Opening a year round transpolar route would be extremely difficult and probably cost prohibitive at this time. Last year, a Canadian and U.S. ice-breakers conducted a joint scientific mission into the deep arctic. In the Fall, they crossed the Arctic from the Bering Strait to 90 degrees N. and finally existed via Fram Strait, east of Greenland. This was the first surface vessel transit of the Arctic Basin from the west to the east. Although successful, the difficulty in accomplishing this transit should not be underestimated. Years of planning and extensive ice management support throughout the voyage helped these ships reach the deep arctic and safely return; these were the two most powerful icebreakers in Canada and the U.S.

MR. WALKER said similarly, a more traditional coastal route from the Pacific to Europe, on a year round basis, would take significant infrastructure improvement. We have the technology today to build icebreakers and cargo vessels capable of year round transit, but at significant cost. Accepted estimates for traditional designs range up to 150,000 SHP for icebreakers capable of year-round commercial Northern Sea Route operation. He said he doubts that any government will presently underwrite such a venture, nor would corporate dollars be ventured on such high risk project.

MR. WALKER noted that the ultimate goal should not be to design larger and more powerful icebreakers and ice capable cargo

vessels, but to utilize technology to avoid as much ice as possible. Given the vast natural resources available in Siberia and the desire for western goods and technology, there should be numerous opportunities to establish regional projects.

Number 290

MR. WALKER said he would propose a venture between Alaska and regional governments in Eastern Russia for the shipment of raw logs to Alaskan mills. Portions of Russia contain significant forest reserves, far greater than exist in North America. Many parts of Russia are in need of hard currency, western investment and technology. Alaska with cooperation of the federal government, can provide the necessary management and development technology to utilize Russia's vast natural resources in an environmentally sustainable manner.

MR. WALKER remarked that several issues would need resolution. In the past, raw logs from most of Russia were prohibited from import by the U.S. Department of Agriculture. The stated concern was lack of pest control. This could be addressed by onsite inspections in cooperation with U.S. Forest Service personnel or other appropriate officials.

Number 320

MR. WALKER explained identification of shipments from Alaska or the West Coast also play a key role. If desired cargo, such as fish products, construction materials or manufactured goods were identified, this would reduce shipping costs by eliminating deadheading of vessels. Raw logs milled to finished lumber could be utilized to construct modular arctic structures for use throughout Alaska and Siberia. Certainly, Alaska companies would be poised to take advantage of U.S. economic expansion into Eastern Russia; a role that seems appropriate given our status as the only arctic state in the nation.

Number 369

DR. WILLIAM SACKINGER, President and Chief Executive Officer, OBELISK Hydrocarbons (Alaska) Ltd., commented that the Northern Sea Route has seen limited usage by non-Russian vessels so far. The alternative would be to consider a transpolar route rather than the coastal route. The reason for considering both routes

is the distance. We know that the cost of shipping is really depending on the number of days between the two ports involved. The distance is shorter on the polar route, but delays caused by ice can cost you more in the long run. The shortest distance is the polar route.

Number 400

DR. SACKINGER stated that the practical methods for minimizing the costs of the ice breaking transport include: 1) Operating in convoys, with a large, high-horsepower icebreaker in the lead, a convoy with perhaps ten snips, all of which are ice reinforced but with medium-sized power plants; and 2) Choosing the shortest possible route.

Number 430

DR. SACKINGER continued by saying in his opinion, the shipping to and from Europe, over the Pole, using ice-strengthened ships, can be a technological reality. The economics of shipping through the existing canals would be affected, however, the rates and the profitability of the existing shippers through the canals would be reduced. And initially-favorable economics of trans-arctic shipping could be negated if rates are reduced by the major shippers through the canals. This is a complex economic dynamics, and accurate advance predictions may be very difficult to accomplish, until such economics is done. However, no one will construct and operate a new, special-purpose shipping line on the trans-arctic route, because of the undefinable economic risk, and the high cost of economic failure.

Number 480

DR. SACKINGER concluded by inviting the committee to an International Northern Sea Route Program (INSROP) based in Norway and sponsored by Japanese, Norwegian and Russian interests. The first three years of research will be presented at the INSROP Symposium Tokyo 95, in October.

Number 494

DAVID ORR, formerly with the Alaska Department of Commerce and Economic Development, said that Alaska took a leading role in working with some the northern countries to try to expand the

commercial operations along the Northern Sea Route. Half of the effort had already been accomplished on a year round basis. For almost 15 years now, Russia has had the western half of the route for the transport of metal ores and supplies. His goal was to try to expand the commercial operation between the North Atlantic Basin and the Pacific Basin. In just two years, they were able to expand the operations to 11 months of the year and were on the verge of announcing after centuries of trying that we could operate the route year round. The state of Alaska also took the lead in obtaining federal funding for reconnaissance studies by the Corps of Engineers.

Number 570

MR. ORR strongly encouraged the committee to provide for funding to keep things moving along the lines they had originally intended. Mr. Orr said he believes the wood product sector has a lot of merit.

TAPE 95-6 SIDE B

Number 014

MR. ORR commented that people in the Northwest, Alaska and Canada are really ripe on being able to compete new transportation routes. We have been too far away from markets outside the Pacific Rim and that's the case for some of Alaska's minerals. It's certainly the case for Alaska's fisheries. The first \$200,000 the Alaska Legislature appropriated, went to a very good cause and a great deal of federal money was brought in.

Number 052

REPRESENTATIVE EILEEN MACLEAN went on record as supporting the Northern Sea Route. It's too expensive to transport materials and goods from Seattle. So the Northern Region has started test trial runs from Canada. We can transport fuel from Canada all along the northern coast.

Number 091

REPRESENTATIVE GAIL PHILLIPS asked if Dr. Sackinger had made a presentation to the Northern Forum.

DR. SACKINGER said he had not made a presentation recently, it was about a year and half ago.

REPRESENTATIVE PHILLIPS said it was very important that the Northern Forum be kept abreast on this. She asked Dr. Smith about what kind of money would the state need to give the Department of Transportation budget to match.

Number 110

DR. SMITH said the original budget was around \$3.2 million and its been reduced to \$100,000, and this puts the number of construction projects in jeopardy. Its not necessarily related to the Northern Sea Route, but for port developments that are scheduled for construction. The two projects in jeopardy are the continuing construction of a breakwater at Kodiak and erosion-control measures at Bethel.

REPRESENTATIVE PHILLIPS asked Mr. Walker about standardization of vessel ice classification.

Number 125

MR. WALKER stated that currently there are various classifications among countries around the world. that rate their vessels on the strength of their vessels, their capabilities and where it can safely operate to protect the environment, carry certain cargoes. What this would do is facilitate transit of foreign vessels through the Northern Sea Route through domestic waters and coastal waters of Russia sop that they would accept someone else's classification. Presently its a hodge podge.

Number 160

CHAIRMAN BARNES said that she had heard there is an excess of icebreakers in Canada, that they are selling for shipping.

MR. WALKER answered that there are commercial ones. The Canadian government has for years operated an extensive ice breaking fleet for the re-supply and for convoy duties in Eastern Canada and for re-supply of the Canadian arctic villages and the assistance to commercial enterprise, much as we do in the Great Lakes. Our fleet has dwindled down to two with a third one to be constructed in the U.S. The Canadian fleet is about eight now of the

state-owned vessels. They are in a terrible financial situation also and are looking to commercialize some of their operations.

Number 185

MR. WALKER said the United States has two icebreakers in its entire fleet, both in the Coast Guard.

CHAIRMAN BARNES thanked the presenters. CHAIRMAN BARNES introduced a resolution through the Rules Committee.

Number 230

ADJOURNMENT

There being no further business to come before the House Special Committee on World Trade and State/Federal Relations, CHAIRMAN BARNES adjourned the meeting at 6:12 p.m.



Official Business

COMMITTEES:
Natural Resources
Legislative Council

Alaska State Legislature

Office of World Trade And State/Federal Relations

REPRESENTATIVE
RAMONA L. BARNES
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House Special Committee on World Trade & State/Federal Relations

April 20, 1995 5 p.m.
Capitol, Room 408

AGENDA

- I. CALL TO ORDER
- II. ROLL CALL
- III. COMMITTEE CALENDAR

* HJR 31 "A Resolution urging the United States Congress to consider and enact legislation to revise the Internal Revenue Code to levy a flat tax."

* HJR 39 "A Resolution relating to the Northern Sea Route."

* HJR 41 "A Resolution supporting an exemption from the Jones Act for bulk commodities, such as coal and coal derived fuels, produced in Alaska."

(* first public hearing)

- IV. OLD BUSINESS
- V. NEW BUSINESS
- VI. ADJOURNMENT

*** FIRST COMMITTEE OF REFERRAL CHANGE ***

PLEASE DISREGARD PREVIOUS VERSION

AND

REPLACE WITH THIS CORRECTED VERSION

HJR 31A

HOUSE JOINT RESOLUTION NO. 31**IN THE LEGISLATURE OF THE STATE OF ALASKA****NINETEENTH LEGISLATURE - FIRST SESSION****BY REPRESENTATIVES JAMES, Kott**

Introduced: 2/15/95

Referred: House Special Committee on World Trade and State/Federal Relations, Finance

A RESOLUTION

- 1 Urging the United States Congress to consider and enact legislation to revise the
2 Internal Revenue Code to levy a flat tax.

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

- 4 **WHEREAS** the current federal Internal Revenue Code is characterized by myriad
5 exemptions, exceptions, loopholes, complicated schedules, and targeted tax breaks, and is
6 fraught with pitfalls for the taxpayer who attempts to calculate the tax obligation due; and

- 7 **WHEREAS**, because the Code imposes a taxation on the earnings of personal savings,
8 the tax is counterproductive of efforts to encourage individuals and families to save and invest
9 a portion of their incomes; and

- 10 **WHEREAS** there is a need to replace the current federal Internal Revenue Code with
11 a fairer, simpler tax system; and

- 12 **WHEREAS** substitution of a fixed-rate or "flat" tax would mean that all income would
13 be taxed only once, at a uniform rate; and

- 14 **WHEREAS** a fixed-rate or "flat" tax would exclude from the definition of taxable
15 income the earnings from personal and business savings, thereby eliminating the "savings
16 penalty"; and

1 **WHEREAS** the replacement of the current Internal Revenue Code with a fixed-rate
2 or "flat" tax would restore a high degree of fairness to the manner in which the federal
3 government treats the people of the United States.

4 **BE IT RESOLVED** that the Alaska State Legislature urges the United States Congress
5 to consider and enact legislation to replace the current Internal Revenue Code with the levy
6 of a fixed-rate or "flat" tax.

7 **COPIES** of this resolution shall be sent to the Honorable Bill Clinton, President of the
8 United States; the Honorable Al Gore, Jr., Vice-President of the United States and president
9 of the U.S. Senate; the Honorable Newt Gingrich, Speaker of the U.S. House of
10 Representatives; the Honorable Bob Dole, U.S. Senate Majority Leader; the Honorable Tom
11 Daschle, U.S. Senate Minority Leader; the Honorable Dick Armey, U.S. House Majority
12 Leader; the Honorable Richard Gephardt, U.S. House Minority Leader; the Honorable Bob
13 Packwood, Chair, and the Honorable Daniel Patrick Moynihan, ranking minority member,
14 Senate Finance Committee; the Honorable Bill Archer, Chair, and the Honorable Sam
15 Gibbons, ranking minority member, House Committee on Ways and Means; and to the
16 Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the
17 Honorable Don Young, U.S. Representative, members of the Alaska delegation in the United
18 States Congress.

HOUSE JOINT RESOLUTION NO. 41**IN THE LEGISLATURE OF THE STATE OF ALASKA****NINETEENTH LEGISLATURE - FIRST SESSION****BY REPRESENTATIVES WILLIAMS, Bunde**

Introduced: 4/6/95

Referred: House Special Committee on World Trade and State/Federal Relations, Transportation

A RESOLUTION

1 Supporting an exemption from the Jones Act for bulk commodities, such as coal
2 and coal derived fuels, produced in Alaska.

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

4 **WHEREAS** 46 U.S.C. Appx. 861 - 889 (Merchant Marine Act of 1920), commonly
5 known as the Jones Act, requires that seaborne shipping between United States ports be done
6 on vessels that have been constructed in the United States and that are crewed by United
7 States crews; and

8 **WHEREAS** this requirement has resulted in much higher costs for shipping bulk
9 commodities on United States vessels between domestic ports than for shipping those
10 commodities on foreign carriers between United States and foreign ports; and

11 **WHEREAS** there are currently no bulk carriers constructed in the United States that
12 are capable of servicing the large-scale movement of Alaska coal and coal derived fuels; and

13 **WHEREAS**, because the transportation cost for a high-tonnage, low-value bulk
14 commodity is often a significant part of the total delivered cost of that commodity, a higher
15 shipping cost can frequently keep a bulk commodity from being competitive; and

16 **WHEREAS** Alaska coal and coal derived fuels are a potential fuel source for utilities

1 and industries on the west coast of the United States and in Hawaii; and

2 **WHEREAS** the current difference between Jones Act shipping rates and foreign
3 shipping rates has made the delivered cost of foreign coal significantly less expensive than
4 domestic coal as evidenced by the current supply agreements between a Hawaiian independent
5 power producer and an Indonesian coal supplier; and

6 **WHEREAS** greatly increased coal usage figures prominently in the future generation
7 plans for Hawaiian utilities and thus will create prospective markets for Alaska coal; and

8 **WHEREAS** it is the policy of the State of Alaska under AS 44.19.035 to persuade the
9 Congress to repeal the Jones Act;

10 **BE IT RESOLVED** that the Alaska State Legislature opposes the application of the
11 Jones Act to bulk commodities, such as coal and coal derived fuels, because of the Act's
12 detrimental effect on Alaska commerce; and be it

13 **FURTHER RESOLVED** that the Alaska State Legislature respectfully requests the
14 Congress to pass legislation exempting Alaska bulk commodities, such as coal and coal
15 derived fuels, from provisions of the Jones Act.

16 **COPIES** of this resolution shall be sent to the Honorable Bill Clinton, President of the
17 United States; the Honorable Al Gore, Jr., Vice-President of the United States and President
18 of the U.S. Senate; the Honorable Federico Pena, Secretary of the U.S. Department of
19 Transportation; the Honorable Newt Gingrich, Speaker of the U.S. House of Representatives;
20 the Honorable Bob Dole, Majority Leader of the U.S. Senate; and to the Honorable Ted
21 Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young,
22 U.S. Representative, members of the Alaska delegation in Congress.

**"A NORTH SEA ROUTE TO ALASKA", a Talk by Dr. Orson Smith,
To the Juneau World Affairs Council, March 23, 1994,
Synopsis by Dr. Joe Sonneman**

The Army Corps of Engineers in June 1995 will complete its two-year study of a North Sea route between the Pacific and Atlantic Oceans via the Arctic Ocean and Alaska.

Dr. Orson Smith, a ports, harbors, and coastal specialist with the Corps since 1973, said the Corp, composed mostly of civilians, has for the past two centuries worked to develop water resources in the U.S.

Showing slides of the Arctic regions, Dr. Smith said routes via either the center of the Arctic or along the Russia coast would make points north of San Francisco (in North America) or north of Korea (in Asia) closer to Europe than going through the Suez or Panama canals.

Smith said that the Soviet Union often used the Arctic Sea to supply its coast communities, but that the Soviet Union forbade other nations from using that route. But in 1987, Gorbachev opened this route to other nations' ships, as part of perestroika (and as a way to earn foreign exchange). Few used this.

The Alaska Department of Commerce in 1993 asked the Corps to investigate this now-possible route. Senator Stevens twice won \$300,000 in appropriations to conduct the Corps study, Smith said.

The six-part information-gathering study includes: history of Arctic sea routes; design of Arctic ships; learning the climate; studying weather forecasting; investigating international efforts; and learning what commodities might be worthwhile to transport this way.

The Corps asked the University of Alaska at Fairbanks for help with the climatological study, because ice can vary by thickness, ridge-ness, age, and wind-induced compactness or dispersion. Luckily, two visiting Russian scientists greatly helped to produce an out-standing climatological report, also telling the Russian infrastructure and helping to estimate shipping risks.

Bill Sackinger, now retired, also helped gather international information on the North Sea route--

which is under study in Norway, with Russian and Japanese backing.

Both Gulf Engineers, knowledgeable in port economics and Corps studies, and DRI/McGraw-Hill, experienced in world sea trade statistics and macro-economic forecasting, combined to estimate likely commodities. Focusing first on existing trade, they found that non-ferrous metals now go, or could go, from Alaska to Europe, both from Skagway and from the Red Dog mine, using existing Unalaska port facilities.

The Corps compiled a global list of ice-breaking ships: there are hundreds, but most are medium-sized ships intended for Russian domestic service. The Finns--and also two German shipyards--lead the way in icebreaker ship design.

Russian requirements include: a marine-surveyed ship topped off in fuel and fully provisioned, with a Russian pilot, fully insured, and paying for icebreaker services.

Preliminary results look promising. A 45-60 day window in good weather [August-September] may allow ice-conditioned cargo ships to transit the route without icebreakers. But the weather and ice and sea conditions are highly variable. Another 30 days before and 30 days after might be passable, too, but only with icebreaker assistance. This limited time period could still allow for "thousands" of voyages each year, equivalent to a medium-sized port, about 20 million tons per year. [Anchorage now handles 3 M/t/yr; Rotterdam 300 M/t/yr].

Smith said ships would probably travel in convoys, so that one icebreaker could aid many ships. Some shippers are already interested.

U.S. Arctic research is focused on ecological aspects and climate change, not waterborne commerce, Dr. Smith added, suggesting that a modest change in emphasis might help make the North Sea route a reality. The Corps will first consider the route without port improvements, and will then evaluate what help port improvements might make.



DEPARTMENT OF THE ARMY
U.S. ARMY ENGINEER DISTRICT, ALASKA
P.O. BOX 898
ANCHORAGE, ALASKA 99506-0898

REPLY TO
ATTENTION OF:

**PRESENTATION FOR THE HOUSE SPECIAL COMMITTEE
ON WORLD TRADE AND STATE/FEDERAL RELATIONS**

**ALASKA STATE LEGISLATURE
MARCH 23, 1995**

By Orson P. Smith, Ph.D.

The Northern Sea Route is a marine passage from the Atlantic to the Pacific Ocean, or vice versa, via the Arctic Ocean north of Russia. It extends approximately 3,000 miles from the Bering Strait on the Pacific to Murmansk, Russia, on the Barents Sea, which opens onto the Atlantic. The route offers distances between the Atlantic and Pacific basins 35 to 60 percent shorter than traditional routes through the Panama and Suez canals. The Northern Sea Route has been established since the 1930's, but until recently Russia, whose territory borders the route, carefully guarded it from foreign ships. Mikhail Gorbachev, then General Secretary of the Soviet Union, signaled Russia's willingness to open the route for international commercial shipping in an October 1987 address. Some international shipments have taken place since, but the dream of a busy new passage between markets of one basin and sources of supply in the other remains a goal for the future.

The Alaska Department of Commerce and Economic Development asked the Corps of Engineers in a February 1993 letter to investigate Alaskan port improvements related to the State's strategic position on the Northern Sea Route. The U. S. Congress appropriated \$300,000 in November 1993 to begin the study and appropriated another \$300,000 the next year to complete the work. The Corps study was administered by the Alaska District office in Anchorage, with technical assistance from the Corps' Cold Regions Research and Engineering Laboratory in Hanover, New Hampshire.

The Corps requires a focus on port improvements, but this unique assignment called for an extensive information-gathering effort at the start. The Cold Regions Lab assisted the Alaska District with an overview of the history and present status of the Northern Sea Route and the state of the art in design of arctic ships. I have provided the Committee with a publication of this work.

The University of Alaska assisted with a review of Russian capabilities to monitor and forecast arctic conditions and a summary of the highly variable climatological factors which affect the cost of shipping. Two Russian scientists, Drs. Andrey and Tatiana Proshutinsky, were instrumental in this effort. From St. Petersburg, Russia, they are visiting faculty members at the Institute of Marine Science at the University of Alaska Fairbanks. Dr. William Sackinger, an arctic ice specialist at the Geophysical Institute in Fairbanks, helped with a summary of international initiatives now under way, including the International Northern Sea Route Program.

This program is a multi-million dollar, multi-year study, administered in Norway and largely funded by Japanese interests.

We contracted the port planning firm Gulf Engineers and Consultants, Inc., of Baton Rouge, Louisiana, to apply their expertise in economic analysis of ports to forecast commodity flows over the Northern Sea Route. The Gulf specialists were assisted by DRI/McGraw-Hill of Washington, DC, and compiled a summary of historical world sea trade statistics and a forecast of commodity flows which could be diverted from canal routes.

The Corps Cold Regions Lab inventoried the world fleet of ice-breakers and arctic cargo ships, with the assistance of Leonid Tunik, a specialist in Russian arctic ships. A commercial version of this inventory was published recently by Backbone Publishing of New York. The laboratory is now developing a computer simulation of the passage of selected cargo ships along the Northern Sea Route. This model applies the climatological information gathered by the study to estimate the average transportation cost for various commodities by simulating many voyages in the full range of possible conditions. The simulation results will be applied to adjust the forecast of commodity flows based on the competitiveness of the transportation cost.

Preliminary forecasts indicate that non-ferrous ores have the best prospects for Alaskan exports. The ore terminal at Skagway has exported lead and zinc ore from a mine in Faro, British Columbia, to Europe in years past. The terminal is owned by the State of Alaska. The State-owned ore terminal near Kivalina on the Chukchi Sea has also exported lead and zinc ore to Europe from the Red Dog Mine by lightering on barges to deep-draft vessels anchored offshore. The efficiency of this operation is constrained by the shallow approach to the terminal, the presence of ice, and concerns for whales' summer migration along this coast. The Alaska District is in contact with port operators at Skagway and the Red Dog Mine terminal and with the Alaska Industrial Development and Export Authority to investigate port improvements at these sites.

Preliminary forecasts for the entire Pacific rim indicate the possibility of a substantial increase in commodity flow via the Northern Sea Route in future decades. The forecast will be tested by the ship transit simulation program, but appears now to be large enough that shipments could extend beyond the optimum climatic conditions of August and September. Shipments beyond this best season are certain to require ice-breaker escort along most of the route. Unalaska appears to be a good port for marshalling east-bound Northern Sea Route convoys. The Anchorage firm of Tryck Nyman Hayes has been contracted to investigate port improvement prospects at Unalaska.

Two public workshops for the Northern Sea Route study took place in Anchorage, one in February and one in August of 1994. Experts world-wide have been consulted by telephone and electronic mail. The intensity of interest in the Northern Sea Route around the globe is impressive.

The Corps will publish its Northern Sea Route Reconnaissance Report in June 1995. The report will recommend site-specific feasibility studies of port improvements that appear economically justified. A non-federal sponsor must agree to provide the Corps with 50 percent of the cost for these studies to proceed. We hope any agreements necessary can be executed in 1995.

The report will also recommend efforts by others, which could enhance the commercial prospects for Alaskan businesses. The findings of the Northern Sea Route study may lead Alaskan leaders to consider such options as these:

1. Augmenting relations with trading partners in the Arctic and Europe, perhaps through the programs of the Alaska Department of Commerce and Economic Development, the University of Alaska, and the Northern Forum;
2. Pursuing the Federal interest, through cost-sharing port projects with the Corps of Engineers, intermodal transportation projects by the Alaska Department of Transportation and Public Facilities and the Federal Highway Administration, chart improvements by the National Oceanic and Atmospheric Administration, and improved aids to navigation and safety measures in the arctic by the U. S. Coast Guard;
3. Stimulating applied research and development, which might shift some of the present focus of U.S. arctic research on environmental concerns to matters affecting the future of commercial shipping in the arctic, such as climatological factors affecting shipping cost, the design of arctic cargo ships, and the design of shallow-draft supply vessels to serve rural Alaskan communities.

The Alaska Department of Commerce and Economic Development has asked the Corps to study the possibility of extending the navigation season along the Kuskokwim and Yukon Rivers, and has requested another study on ways to improve the supply system for coastal communities of arctic Alaska. The President's 1996 budget includes funds to begin investigation of Kuskokwim River navigation. Proposed studies of the Yukon River and the arctic coast have not been funded.

The Alaska District of the Corps of Engineers appreciates this opportunity to review the findings to date of our Northern Sea Route Reconnaissance Study. We look forward to furnishing this Committee copies of our final report and will be glad to provide you with any other information at our disposal.

Alaska State Legislature

Committees:

House Resources
Co-Chairman
World Trade &
State Federal Relations
Transportation
Rules
Oil & Gas

During Session:
State Capitol
Juneau, AK 99801-1182
(907) 465-3424
Fax (907) 465-3793

In Ketchikan:
352 Front Street
Ketchikan, AK 99901
(907) 247-4672
Fax (907) 225-8546

Representative William K. Williams

SPONSOR STATEMENT

HJR 41 — JONES ACT EXEMPTION

Alaska is a great storehouse of the world's finest coal. Because of its high quality and Alaska's strategic geographic location, Alaska coal is well positioned to help meet the growing Pacific Rim demand. Part of that demand is likely to develop in Hawaii and on the west coast of the mainland United States. Particularly important is the growing need for high rank blending coal in the Pacific Northwest.

Unfortunately, the restrictions of the Jones Act create a financial barrier to an Alaska response to markets located in the United States. Under current conditions, Alaska suppliers of coal will be non-competitive with Asian coal shipments to U.S. ports. This harms both Alaska and the United States balance of trade.

HJR 41 asks Congress to carve out of the Jones Act an exemption for Alaska bulk commodities, thus allowing Alaska coal suppliers to respond to new opportunities in the world market for coal. There are currently no U.S. manufactured vessels capable of servicing large scale movements of Alaska coal. Therefore, a Jones Act exemption is an important part of any effort to market Alaska coal, especially since the effort is likely to include markets in the western U.S. and Hawaii.

HJR 41 will send a strong message of support from the legislature to the Alaska coal industry. It will lend support to the Alaska congressional delegation's ongoing effort to represent Alaska interests in Congress. HJR 41 is consistent with state policy set forth in Title 44 which requires the governor to use "best efforts and all available means to persuade the United States Congress to repeal" the Jones Act.

HJR 41 makes good sense for Alaska. I urge its immediate passage.



Official Business

COMMITTEE:
World Trade

DATE: Apr 20 1995

SIGN-IN

Subject of meeting:

HJR 31

HJR 39

HJR 41

PLEASE PRINT!

NAME _____

ADDRESS

(MAILING) & (ZIP)

PHONE

REPRESENTING

DO YOU WANT TO TESTIFY?

[illegible]

HOUSE SPECIAL COMMITTEE ON
WORLD TRADE AND STATE/FEDERAL RELATIONS
April 20, 1995
5:10 p.m.

MEMBERS PRESENT

Representative Ramona Barnes, Chairman
Representative Gary Davis
Representative Bill Williams
Representative Gene Kubina

MEMBERS ABSENT

Representative Gail Phillips, Vice Chairman
Representative Eldon Mulder
Representative Jerry Mackie

COMMITTEE CALENDAR

* HJR 39: Relating to the Northern Sea Route.

PASSED OUT OF COMMITTEE

* HJR 31: Urging the United States Congress to consider and enact legislation to revise the Internal Revenue Service Code to levy a flat tax.

PASSED OUT OF COMMITTEE

* HJR 41: Supporting an exemption from the Jones Act for bulk commodities, such as coal and coal derived fuels, produced in Alaska.

PASSED OUT OF COMMITTEE

(* First public hearing)

WITNESS REGISTER

ORSON P. SMITH, PE, PhD.
Coastal Engineer/Oceanographer
Civil Works Branch
United States Army Corps of Engineers
Post Office Box 898
Anchorage, Alaska 99506-0898
Telephone: 753-2632
POSITION STATEMENT: Supported HJR 39

PAUL FUHS, Self
10652 Portar Lane
Juneau, Alaska 99801
Telephone: 790-3030
POSITION STATEMENT: Supported HJR 39

REPRESENTATIVE JEANNETTE JAMES
Alaska State Legislature
State Capitol, Room 102
Juneau, Alaska 99801-1182
Telephone: 645-3743
POSITION STATEMENT: Offered sponsor statement to HJR 31

JACK PHELPS, Legislative Assistant
Representative Bill Williams
Alaska State Legislature
State Capitol, Room 128
Juneau, Alaska 99801-1182
Telephone: 465-3424
POSITION STATEMENT: Provided position statement for HJR 41

THOMAS CRAFTFORD, Manager
Minerals and Coal
Cook Inlet Region, Inc.
2525 C Street, Suite 500
Anchorage, Alaska 99503
Telephone: 274-8638
POSITION STATEMENT: Supported HJR 41

PREVIOUS ACTION

BILL: HJR 39

SHORT TITLE: NORTHERN SEA ROUTE DEVELOPMENT
SPONSOR(S): SP CMTE WORLD TRADE & ST/FED RELATIONS

JRN-DATE	JRN-PG		ACTION
03/27/95	932	(H)	READ THE FIRST TIME - REFERRAL(S)
03/27/95	932	(H)	WTR, TRANSPORTATION
04/20/95		(H)	WTR AT 05:00 PM CAPITOL 408

BILL: HJR 31

SHORT TITLE: ENDORSE FEDERAL FLAT INCOME TAX
SPONSOR(S): REPRESENTATIVE(S) JAMES, Kott

JRN-DATE	JRN-PG		ACTION
02/15/95	369	(H)	READ THE FIRST TIME - REFERRAL(S)
02/15/95	369	(H)	FINANCE
02/27/95	511	(H)	COSPONSOR(S): KOTT
03/15/95	756	(H)	WTR REFERRAL ADDED
04/20/95		(H)	WTR AT 05:00 PM CAPITOL 408

BILL: HJR 41

SHORT TITLE: JONES ACT EXEMPTION FOR BULK COMMODITIES
SPONSOR(S): REPRESENTATIVE(S) WILLIAMS, Bunde, Kott

JRN-DATE	JRN-PG		ACTION
04/06/95	1051	(H)	READ THE FIRST TIME - REFERRAL(S)
04/06/95	1051	(H)	WTR, TRANSPORTATION
04/11/95	1270	(H)	COSPONSOR(S): KOTT
04/20/95		(H)	WTR AT 05:00 PM CAPITOL 408

ACTION NARRATIVE

There is no tape available due to technical difficulties.

The meeting of the House Special Committee on World Trade and State/Federal Relations was called to order by Chairman Ramona Barnes at 5:10 p.m. Members present at the call to order were Representatives Barnes, Davis and Kubina. Members absent were Representatives Phillips, Mulder, Williams and Mackie.

CHAIRMAN RAMONA BARNES stated that there was not a quorum present, but would conduct the meeting until such time as a quorum could be satisfied.

HJR 39 - NORTHERN SEA ROUTE DEVELOPMENT

DR. ORSON P. SMITH, Project Manager for the study of the Northern Sea Route for the United States Army Corps of Engineers, testified via teleconference from Anchorage in support of HJR 39, reiterating much of his testimony from a previous World Trade State/Federal Committee meeting (3/23/95). Dr. Smith urged passage of the Resolution.

PAUL FUHS, spoke in favor of HJR 39, stating that he had no changes to make to the legislation. He hoped the legislature would be able to act on the Resolution this session.

REPRESENTATIVE GARY DAVIS informed the committee that he would confer with his committee to waive HJR 39 from the House Transportation Committee.

REPRESENTATIVE BILL WILLIAMS arrived at 5:17 p.m.

REPRESENTATIVE RAMONA BARNES noted that with Representative Williams presence, a quorum had been satisfied.

REPRESENTATIVE GENE KUBINA made a motion to move HJR 39 out of committee with individual recommendations.

CHAIRMAN BARNES asked if there were any objections. Hearing none, the motion passed out of the Special Committee on World Trade and State/Federal Relations.

HJR 31 - ENDORSE FEDERAL FLAT INCOME TAX

REPRESENTATIVE JEANNETTE JAMES, sponsor of the Resolution, stated the current federal Internal Revenue Code is characterized by loopholes, exceptions, exemptions, complicated schedules, and targeted tax breaks, which makes it difficult for the taxpayer to calculate the tax obligation due. Thus, there is a real need to replace the current system with one that is fairer and simpler.

This Resolution calls for the United States Congress to enact legislation replacing the current IRS tax code with a fixed-rate or "flat" tax. This will create a tax system that is less difficult to comply with and tax all income once. A "flat" tax would also exclude from the definition of taxable income the earnings from personal and business savings, encouraging individuals and families to save and invest a portion of their incomes.

REPRESENTATIVE KUBINA asked if this would exempt all savings from taxation. A scenario would be that people who earn millions each year could place huge sums of money into personal savings and thus escape being taxed.

REPRESENTATIVE JAMES said that it was the intent of the measure to help the struggling and average income families who had scrimped and saved all year long and then be penalized by taxes. The current system does not work. She added that the "devil of this Resolution is in the details," referring to the fact that the millionaires and billionaires of this country would find ways around this measure.

REPRESENTATIVE KUBINA suggested that deleting lines 14-16 on page 1, would tighten up the language and intent of the Resolution.

REPRESENTATIVE JAMES supported the suggested change.

REPRESENTATIVE DAVIS suggested amending HJR 39 by changing "would" on line 14, page 1 to "could".

REPRESENTATIVE JAMES said she would support any change that would keep in tact where individuals would not have to pay a "penalty" for savings.

REPRESENTATIVE KUBINA made a motion to delete lines 14-16.

CHAIRMAN BARNES asked if there were any objections. Hearing none, the motion passed.

REPRESENTATIVE DAVIS asked what percent of Internal Revenue Service would be eliminated by this Resolution.

REPRESENTATIVE JAMES was not certain of the total effect the Internal Revenue Service would feel by this measure.

REPRESENTATIVE DAVIS made a motion to move CSHJR 31(WTR) out of committee with individual recommendations.

CHAIRMAN BARNES asked if there were any objections. Hearing none, the motion passed.

HJR 41 - JONES ACT EXEMPTION FOR BULK COMMODITIES

JACK PHELPS, Legislative Assistant to Representative Bill Williams, stated that HJR 41 asks Congress to carve out of the Jones Act an exemption for Alaska bulk commodities, thus allowing Alaska coal suppliers to respond to new opportunities in the world market for coal. There are currently no United States manufactured vessels capable of servicing large scale movements of Alaska coal. Therefore, a Jones Act exemption is an important part of any effort to market Alaska coal, especially since the effort is likely to include markets in the western United States and Hawaii.

MR. PHELPS said that Alaska is the only state that is discriminated against by the Jones Act. Under current conditions, Alaska suppliers of coal will be noncompetitive with Asian coal shipments to the United States ports, which harms both Alaska and the United States balance of trade.

MR. PHELPS added that HJR 41 is consistent with state policy set forth in Title 44 which requires the Governor to use "best efforts and all available means to persuade the United States Congress to repeal" the Jones Act.

THOMAS CRAFTFORD, Manager, Minerals and Coal for Cook Inlet Region, Inc., testified in support of HJR 41 and that he's always looking into safe methods for shipping coal.

CHAIRMAN BARNES asked Mr. Craftford if he was familiar with the Healy Coal Project. She said that a Hawaii market would be very advantageous for Alaska.

MR. CRAFTFORD responded by saying that he knew of the project, but was not totally familiar with it.

REPRESENTATIVE DAVIS asked Mr. Craftford about the status of the Beluga coal fields.

MR. CRAFTFORD stated that no one had stepped forward to work these fields. Coal is a much different commodity in terms of handling and shipping. It's not like oil, where if a spill would occur, it would leave a major impact on the environment.

REPRESENTATIVE DAVIS made a motion to pass HJR 41 out of committee with individual recommendations.

CHAIRMAN BARNES asked if there were any objections. Hearing none, the motion passed.

ADJOURNMENT

There being no further business to come before the House Special Committee on World Trade and State/Federal Relations, CHAIRMAN BARNES adjourned the meeting at 5:45 p.m.



Official Business

COMMITTEES:
Natural Resources
Legislative Council

Alaska State Legislature

Office of World Trade And State/Federal Relations

REPRESENTATIVE
RAMONA L. BARNES
District 22

Anchorage
P.O. Box 103382
Anchorage, AK 99510
(907) 337-7737
(907) 258-8163

State Capitol
Juneau, AK 99801-1182
(907) 465-3438

House Special Committee on World Trade & State/Federal Relations

February 20, 1996 5 p.m.
Capitol, Room 124

A G E N D A

- I. CALL TO ORDER
- II. ROLL CALL
- III. COMMERCE AND ECONOMIC DEPARTMENT OVERVIEW BY
COMMISSIONER WILLIE HENSLEY
- IV. OLD BUSINESS
- V. NEW BUSINESS
- VI. ADJOURNMENT

HOUSE SPECIAL COMMITTEE ON WORLD
TRADE AND STATE/FEDERAL RELATIONS
February 20, 1996
5:10 p.m.

MEMBERS PRESENT

Representative Ramona Barnes, Chairman
Representative Eldon Mulder
Representative Bill Williams
Representative Gary Lee Davis
Representative Gene Kubina

MEMBERS ABSENT

Representative Gail Phillips, Vice Chairman
Representative Mackie

COMMITTEE CALENDAR

Overview by the Commissioner of the Department of Commerce and
Economic Development.

WITNESS REGISTER

William L. Hensley, Commissioner
Department of Commerce
and Economic Development
P.O. Box 110800
Juneau, Alaska 99811-0800
Telephone: (907) 465-5442

POSITION STATEMENT: Overview presentation regarding the Department
of Commerce and Economic Development

Debbie Sedwick, Deputy Commissioner
Department of Commerce
and Economic Development
P.O. Box 110800
Juneau, Alaska 99811-0800
Telephone: (907) 465-5442

POSITION STATEMENT: Overview presentation regarding the Department
of Commerce and Economic Development

PREVIOUS ACTION

None

ACTION NARRATIVE

TAPE 96-1, SIDE A
Number 000

CHAIRMAN RAMONA BARNES called the House Special Committee on World

Trade and State/Federal Relations to order at 5:10 p.m.. Members present at the call to order were Representatives Mulder, Williams, and Davis. Representative Kubina arrived at 5:19 p.m. Members not present were Phillips and Mackie.

CHAIRMAN BARNES introduced Commissioner Hensley to give a brief overview of what the Department of Commerce and Economic Development is doing in the area of world trade, as well as, state and federal relations.

Number 099

WILLIAM HENSLEY, Commissioner, Department of Commerce and Economic Development stated that he was pleased Representative Barnes had taken the Chairmanship of this committee and that she had taken an interest in international trade. He felt that this was very important and said that the department was happy to work with this committee on trade issues.

COMMISSIONER HENSLEY noted that since he met with the committee a year ago the department has met with hundreds of exporters and importers. They've hosted and been hosted by high level government officials from many countries. Personally, Commissioner Hensley said he had discovered the importance of trade for high level protocol. The department has organized visits by delegations from Korea, Taiwan, the People's Republic of China, as well as, the Canadian Ambassador to the United States. All of these visits had assisted them in cementing further, the State of Alaska's ties with their top trading partners.

COMMISSIONER HENSLEY said that after various meetings with the countries as outlined, he came to the conclusion that Alaska in the overall picture is a small fish in a giant pond. A great amount of competitive activity is taking place in trade, which made it clear to him that Alaska has to make the most of the resources that they have in dealing with international trade and coordinating their activities and focusing their efforts.

Number 347

COMMISSIONER HENSLEY also realized that Alaska in some areas does not have the best reputation as it could have, as a place to do business. Alaska needs to work on their image and their efforts in the international arena, but Alaska does have it's strengths. People around the world do recognize the magical aspects of the state of Alaska, particularly in those countries where there are millions of people packed into small spaces. The notion of Alaska and it's pristine environment, it's space and mystic is a real plus with Alaska's dealings abroad.

Number 417

COMMISSIONER HENSLEY stressed that under the leadership of Governor Knowles the administration has made strenuous efforts to communicate with Alaskan businesses. The administration has worked to ensure that government does what's relevant to Alaska's efforts to create jobs and to diversify the economy. The governor introduced the notion of marketing Alaska in his "State of the State" message last year, when he said that the State of Alaska was open and ready for business. The department has tried to convey this concept during this last year. The governor also named 125 individuals to serve on a "Marketing Alaska" effort that worked extensively over the course of the summer and especially with those individuals in fisheries and tourism. The idea was to try to better position Alaska, by marketing Alaska's resources and expertise in a global environment. The Marketing Alaska Report contains literally dozens of recommendations to improve the business climate in Alaska.

COMMISSIONER HENSLEY also noted that the Russia Agency Work Group had been formed and a variety of different interests are working in this arena. They have not had very good coordination thus far, but as of this summer, they've initiated periodic meetings with all of these groups to ensure that there is communication between them. Commissioner Hensley also sat on the Sakhalin-Alaska working group, which was named by the governor, to increase the trade and communications between Alaska and this oil rich region. He noted that this was a natural market place for the products and services of Alaska.

Number 586

COMMISSIONER HENSLEY acknowledged that the governor has personally advocated trade opportunities with a number foreign guests, including President Lee, the governors of several far east regions, such as Sakhalin and Chukotka. He also attended the Taiwan United States of America/Republic of China (USA/ROC) conference in Anchorage which was held there. He also met with the governor of Hokkaido, Japan during the Sakhalin earthquake relief mission last summer. He also met with the Yukon government leader to discuss joint issues of tourism, trade, transportation and maintenance, as well. The department also met with the Canadian Ambassador regarding conflicts of seafood fisheries in Southeast Alaska and also on other issues.

COMMISSIONER HENSLEY said that the Lieutenant Governor has met with the South Korean president, as well as, the Chinese President to discuss among other things, marketing Alaskan natural gas and North Slope crude oil. The governor has appointed a group of Alaskans to work with the Gore-Chernomyrdin Working Group. Commissioner Hensley personally attended the meeting held in Seattle last year. He is one of the appointees to the Ad Hoc working group. The purpose behind this organization is to increase commerce between the west coast United States and Russia, as well as the Russia Far

East. They expect to meet again in March in a planning group. The U.S. Department of Commerce in Washington is finalizing the agenda.

Number 702

COMMISSIONER HENSLEY reminded the committee members that Alaska is a participant in the Northern Forum, as well as, the Arctic Council. The governor sent Commissioner Hensley to Hokkaido to represent him at a meeting of the Northern Forum this past year, where the Commissioner was able to communicate directly with a variety of governors from different parts of the Arctic. During this past year, the Commissioner has been exposed to trade at a variety of different levels and he continues to recognize that trade has been important in Alaska's past. Trade will be important and critical in the future, consequently the department is working on an agenda for the governor to travel to some of the state's key trading areas. He noted that the Assistant Commissioner will go into more detail about the specifics of what the department has done, including the department's efforts to build a better focus on tourism and trade, as well as economic development.

Number 761

REPRESENTATIVE ELTON MULDER thanked the Commissioner for his presentation and said he appreciated the Commissioner's efforts in expanding marketing opportunities for Alaska. He agreed that efforts the department can take to add additional revenues for the state will help plug the budget gap, as well as, increasing revenues from taxes or any other opportunities. He thought that these efforts were along the lines consistent with where the state is trying to go.

REPRESENTATIVE MULDER referred to the Natural Gas Pipeline. He then asked the Commissioner what the administration's position is on this project and what objectives the department has taken thus far. What is the administration's position with working with the Natural Gas Pipeline producers and what will they propose to the legislature as a course of action.

Number 830

COMMISSIONER HENSLEY stated that firstly, he was very keen about learning more in relation to the production of natural gas. When they first met with the producers last year, it was an educational experience. It was hard for him to believe that after all these many years of producing oil, Alaska and the producers had never been able to sit down and talk business about the future. He noted that former Governor Hickel's efforts to finalize some of the outstanding legal suits with the oil companies and the competitive nature of other vast, spaces being opened up for exploration had furthered these discussions along.

COMMISSIONER HENSLEY said that when they met with Exxon, Arco and BP, the department queried them about the natural gas. Knowing that these are very large companies that have interests throughout the globe, the department was keen on finding out what their opinions were about the Natural Gas Pipeline. All of them recognize that gas is a major resource, especially Exxon who said that in North America gas was their largest resource. Through the Oil and Gas Policy Council and exploring a variety of other issues, the department has not gotten into Liquid Natural Gas (LNG) specifically at this point, although he mentioned a briefing by the oil companies regarding what they had learned to date about the design and engineering, the credit sources and the market as of two months ago, prior to their travel to the other potential market areas.

COMMISSIONER HENSLEY added that during Governor Hammond's term in office, he served on a panel lead by former Governor Hickel which looked at the Natural Gas market. He felt as though this was one of those projects which was so large and complicated it almost seemed like the stars had to be lined up for it to become a competitive reality. The governor has tasked a sub-group of the cabinet to look at about a dozen to 14 different issues which they need to discuss regarding the LNG project. It is such a huge investment, from the production end, to transportation and to the consumer end. The department is looking at a wide range of issues that they need to resolve in their own minds. He feels that the private sector has to be a driver in this project. They need to see the return in this. Alaska's role is to try and facilitate every way that they can, not only in-state, but as well as working with Washington, D.C. They will need the support of the National Administration in order to compete with other parts of the world, which has an abundance of gas.

Number 1102

REPRESENTATIVE MULDER said he applauded the administration's efforts, but for what it's worth, he felt it would behoove the administration to include a majority and minority member from both the House and Senate in these discussions. As the trustees of Alaska, the legislature is also charged with making certain that Alaskans get the best return for their investment of resources. The legislature and the administration need to walk hand in glove, not as partisans, but as a unified front. If together they can come up with a concrete policy, this would mean additional revenue and additional jobs for all Alaskans.

COMMISSIONER HENSLEY said the gas pipeline would be a world class investment and after traveling through Asia he felt as though Asia needs this type of pollution-free energy. The administration is definitely supportive of the project and they are working at discovering for themselves, answers to key questions.

Number 1185

CHAIRMAN BARNES believed that on the point of natural gas, that there was a window of opportunity for Alaska. She felt as though they were nearing a point where this window will close. There are other large pockets of gas in the world which will come on line. If Alaska isn't out front to force this pipeline or whatever it takes to get this gas to market, or to develop a strategy to make it economically feasible, then Alaska will miss the boat.

CHAIRMAN BARNES said she spoke to Exxon about going a different route into Western Alaska, out of Kivalina. She thought that this would be great, but there are no existing permits for this route. They could use the Northern Sea Route, in order to carry this gas to market, but she was afraid if they went back into the permitting process for a different route that this would delay again Alaska entering a world market. Alaska is behind the "eight ball" as it stands now.

CHAIRMAN BARNES also has met on three occasions this year with both the Chairman of the Board and the President of China Petroleum. The last time she was in China, they even encouraged Alaska to become a participant in the line. She told them, she didn't know if Alaskans wanted to become a participant, but said there were other ways for them to break into this market.

COMMISSIONER HENSLEY said he knew this alternate route was being looked at, but he didn't know if it was primarily done so with the notion of looking at a design and an alternate which would make it more economically feasible. He understood what Chairman Barnes said about the problems which permitting might create. In earlier days, things were done for national defense reasons. Alaska is the only Arctic region the United State has. The idea of the Arctic port has some benefits for the nation, as well as, Alaska, for the purpose of shipping coal, LNG or zinc. He knows that the producers have also looked at this alternative from the perspective of Arctic shipping and even in light of the ice conditions they think it's feasible, but he understood Chairman Barnes concern.

Number 1386

CHAIRMAN BARNES again stressed that her only concern with this particular project was that she feels there is a window for Alaska to enter the world market. Unless the state is able to get an expedited review of permits, she felt as though it would take forever for the state to get into position to build an Arctic port. Tetalina has been studied as a deep water port, which is part of the latest report done by the Corp of Engineers. The Corp studied three ports, Tetalina, Haines and Unalaska. She thought that these ports should be developed, but she didn't necessarily want to see them tied to the gas which needs to get to market. If they could build a port at Tetalina, what it would do for zinc and coal would

be tremendous.

Number 1449

REPRESENTATIVE GENE KUBINA said the more he listens to this debate and after having read about other markets around the world, he fears that two to three years from now, this major project, whether in India, Qatar, or some place else, will be in motion at a cost higher than what Alaska's project will be. He said he's not sure everything possible is being done to determine just how competitive the Alaskan project really is. He noted that the players in the Alaska project have interests in other countries as well and that a conflict of interest might exist. He asked what Alaska should do to protect it's interests. He added that this project is a safe bank account for 20 to 40 years and wondered if it would be better to develop these projects in other countries and leave the Alaska reserves for next generations.

COMMISSIONER HENSLEY felt as though he understood what Representative Kubina was saying. He pointed out that often times he is personally uncertain about what the real situation is. These companies do have substantial interests throughout the globe and of course they are looking out for their own interests. He felt that Alaska needs to have their own plan and he felt as though the governor is beginning to focus on the right questions. He noted that the administration has constant interactions with industry. He said it's hard to determine at what point to begin the real push. These other countries do have the benefit of controlling their own governments and their own resources, which makes attractive investments in their own country. Alaska is not quite as flexible. Alaska would need a boost from the federal government in helping to be competitive. He added that they would certainly work with the legislature to accomplish this.

Number 1636

REPRESENTATIVE KUBINA noted a section of the meeting notes with China Petroleum Company where the president of this company said he's waiting patiently for this line to be constructed. China appears to be involved in exploring and willing to invest in Alaska. He thought these meeting notes would be good reading for the Commissioner.

COMMISSIONER HENSLEY said that he did meet with this same gentleman on their trip since it was shortly after President Lei's visit to Alaska. They literally threw the doors open. This type of investment would certainly help make the project more feasible. He noted that an investment such as this would be a great asset.

CHAIRMAN BARNES said the Chinese have committed to buy 25 percent of Alaska's gas, just as when she first went over there. She noted to the Commissioner that this committee would not exist if they did

not have a lot of concern about what's going on as it relates to world trade and Alaska's competitiveness in the area of world trade. The committee needs to be kept informed. They should not have to fight to be a part of whatever is going on in Alaska. She should not have to call up and demand agendas and this type of thing. The legislature should automatically be made part of meetings or to participate in any trips. She used the USA/ROC conference as an example of this lack of legislative involvement.

COMMISSIONER HENSLEY said he agreed that communication is important and he said that his office is open to her for any information which she might need.

CHAIRMAN BARNES said specifically, in regards to the Chernobyl project, that it's important that Alaska not continue to loose to Seattle. Alaska continues to loose over and over, in any venue, Seattle manages to beat Alaska. This has got to stop. The emphasis is on a global economy and Alaska has to be a player. Alaska cannot be a player unless the legislative body is not involved in the process. The department can't do it by themselves because first of all they won't have the money. People are not going to give them money for things that they don't understand.

COMMISSIONER HENSLEY said he got her message and clearly the department is trying to do more with less. The budget for trade activities has been substantially reduced over the years. He felt as though their efforts needed to be cooperative.

Number 1889

REPRESENTATIVE MULDER stressed his message about the department and the legislature moving hand in hand. He noted that the members of the legislature have established a repertoire with different entities and could be a good resource to the department. He also stressed the task force appointed by the governor dealing with the gas pipeline. This pipeline issue is very important to the state. If they can come to a consensus before hand, this would make sense. There's plenty of credit to go around on the work that's already been done. What matters is a good return for their constituents and for the generations yet to come.

Number 1990

DEBBIE SEDWICK, Deputy Commissioner, Department of Commerce and Economic Development was next to testify. She pointed out that trade plays a crucial role in Alaska. Each year Alaska exports more than \$2 billion of goods and products to the world, everything from resources such as timber and zinc to value added products, such as salmon ham and cold weather technology. This doesn't even take into account the export of services such as telecommunications or environmental services or the approximately \$2.5 million which goes through Alaska's airports every year.

MS. SEDWICK noted that in Alaska there is British money in oil, Korean money in coal, Canadian money in mining, Japanese money in fish, etc. The impact of this trade is far-reaching. It provides good paying jobs and growth statewide. Based on a U.S. Department of Commerce survey, Alaska's exports create about 50,000 jobs a year in Alaska, but as Chairman Barnes pointed out, Alaska is very vulnerable and the department recognizes this. She noted that Alaska is anything but secure in all of these areas because competition is very intense.

MS. SEDWICK stated that Alaska faces smart, well financed competitors who are happy to grab Alaska's market share. Today there are 56 American offices and 105 foreign offices in Japan, ready to take what Alaska is sending to these countries. The state of Alaska must work well and together to better position themselves in order to succeed abroad.

Number 2092

MS. SEDWICK outlined for the committee the direction which the department is taking. The department has created out of the former divisions of Trade and Economic Development, the division of Trade and Development (DTD). They hope to save money by doing so and this enables them to put their specialists together with their marketing people. The people in the department have been working closely together, but the coordination from the top had been lacking. By bringing these entities together, saving money will help and having this money for programs will help as opposed to fixed costs.

MS. SEDWICK stated that as a newly emerged division, their mission is to increase and enhance the demand for Alaska's products and services, to ensure a supportive business climate and to stimulate economic growth statewide. They also will strive to increase private sector employment and economic opportunities for Alaskans. Most immediately, they have been working on the "Marketing Alaska" initiatives which will provide a blueprint for the state as a better place to do business. They will continue to focus on this in the months ahead.

MS. SEDWICK added that in the trade arena, the department works to build trade in a number of ways, finding buyers for Alaskan sellers, getting up to date market information for Alaskans and building the state's relationship with key trading partners. She noted some of the following examples: DTD lead a seafood trade mission to and from Taiwan over the past year, bringing buyers and sellers together which resulted in a 340 percent increase of purchased fish, mostly from Alaskans, which will take salmon exports to about the \$4 million mark this year. Entech, Inc., which is a subsidiary of Arctic Slope Regional Corporation, worked with the department of Trade and Development to find markets for it's incinerator technology, as a result of the efforts of the

department they were able to locate an opportunity in Malaysia. DTD helped them find the federal funds in order to send a trade mission over. They are currently conducting test burns in Malaysia.

MS. SEDWICK went on to note that the Alaska-Sahkalin working group, which the Commissioner spoke about, was organized by DTD and staffs the Alaska Sahkalin Working Group which is the public partner initiative that seeks to build business ties for Alaskans on Sahkalin Island. She stressed that securing jobs in the oil fields service industries are the target here. DTD spearheaded the state's strategic protocol efforts providing links with Alaska's most important trading partners. As the Commissioner spoke about, the department had participated in visits by Taiwanese President Lee, Korea President Kim, Canadian Ambassador Chretien and also officials from Indonesia, Japan, Russia and elsewhere this year. They also lead the state's earthquake relief efforts to Sahkalin Island, as well as the September 1995 Northern Forum Conference.

MS. SEDWICK said that the department's work is always going to be sector driven. When the state does trade shows, they would like companies to be with them. This will help to ensure that when they host delegations from abroad, private industry is always at the table. When Sahkalin Governor Farkhutdinov came to visit last September the staff raised nearly \$11,000 from private industry to underwrite the cost tied to this visit. This type of private/public partnership is essential to how the department works and it will remain important to them. They must ensure their efforts are tethered to industry's needs.

MS. SEDWICK stated that in regards to Alaska's overseas presence they are maintaining offices in Japan and Korean, as well as maintaining their contractor in Taiwan. There are good reasons for this structure. Asia is by far and away Alaska's most important customer. Japan alone counts for roughly two thirds of all of Alaska's exports and in the first nine months of 1995, Japan imported more than \$1.6 billion worth of Alaskan products. Korea imported roughly \$164 million and Taiwan imported roughly \$60 million. All of these figures are up from 1994.

MS. SEDWICK noted that the Korea and Japan offices serve four main roles: access, intelligence, visibility and advocacy. Overseas staff makes contacts on Alaska's behalf, provides access for Alaskans seeking buyers and investments from abroad, they arrange meetings for dozens of missions and they identify specific trade opportunities which are publicized by the Anchorage office. A specific example of this was in the Korean office. Katchemack Seafoods of Homer and Dutch Harbor, Owner, Bill Sullivan let the department know that he was looking for buyers for fresh cod. Today, he employs four to five people year round and ships approximately \$800,000 a year of fresh cod to Korea. As far as providing intelligence which is very important to sellers, trends

and forecasts, alert what's going on which can immediately aid to people in Alaska. An example of this would be Sea Alaska Corporation which has limestone deposits in southeast. They used the Japan office to research the potential for their exports, they undertook a feasibility study and are now sending commercial samples to potential Japanese importers.

MS. SEDWICK said that the department provides visibility, helping Alaskans to battle fierce global competition. They participate in trade shows and meet regularly with key government officials. They worked on the trade delegation which Mayor Rick Mystrom hosted last fall, providing services to this forum and also to the Anchorage Economic Development Corporation. As far as advocacy, the department handles unfair trade practices and resolves trade disputes. In Taiwan, Ida Yao, Alaska's new contractor will focus on seafood and tourism, two areas which the department feels has great promise. This contractor will also focus on trade missions to Alaska and to Taiwan.

MS. SEDWICK noted that this structure has and will continue to produce important results, creating opportunities for our Alaska exporters and a strong base for Alaska's economy. In round table discussions, the department knows there are challenges. They've talked with exporters and met with community leaders and through the legislature's own recently completed trade survey, they know there are challenges. They need to better coordinate the trade assistance services that are offered now by a variety of different agencies. They need to work more efficiently, since funding levels continue to fall. In the past years, international trades funding has fallen 40 percent and the department took another 10 percent cut this year to meet the governor's spending plan.

MS. SEDWICK stressed that they need to protect Alaska's position in key markets like Japan and Korea, while still finding resources to help exporters branch into new areas. They need to sharpen their efforts and be more proactive. They need to make sure that all their actions are of value to Alaska's business community so they can better measure their outcomes and results.

MS. SEDWICK outlined the department's future efforts. The division working directly with Commissioner Hensley established the Russian Agency Working Group, which develops ties with the Russia Far East. They are looking at all ways of saving money, simple steps such as using E-mail instead of faxes, which has saved them about \$14,000 this year. In her opinion everything is something that needs to be looked at.

MS. SEDWICK stated that overseas after they made the decision to merge trade and tourism staffs in Tokyo, they are closing down the office that trade and tourism occupies. They have found new, less expensive space. They expect this will save them \$40,000 this year. They are also looking in Korea to share office space with

Anchorage Visitor Convention Bureau (AVCB) and some of the private sector people. They hope by the end of this fiscal year they will be able to say they found an opportunity there to leverage private sector dollars and save some money.

TAPE 96-1, SIDE B
Number 011

MS. SEDWICK said the department is expanding into emerging markets, taking steps to ensure that Alaskans find new markets for their goods and services. They are broadening their efforts in Taiwan to increase support for their Taiwan contractor next year to promote seafood, tourism and technical services. They are promoting technical services exports, oil and gas services, environmental services and telecommunications to find new markets in Asia. They will place particular emphasis on Korea, the Russian Far East and the other growing Asia markets, strengthening their government ties, for instance, the Alaska Sakhalin Working Group and the Gore-Chernomyrdin Ad-hoc Working Group. Through strategic protocol efforts they will continue to work on government to government ties, because they feel as though a more stable business environment for their traders is one of the most important things they can do in this area. She also noted building new seafood markets, possibly through trade missions to China and Singapore. Their challenge is great, they must maintain their position in existing markets, but help their companies find new buyers else where. They must reduce their spending and increase their efficiency, they must ensure that their work is valued by the private sector. There are many committed, qualified people working to build Alaska's markets overseas. She has spent a good deal of time since September meeting with these people, learning about their efforts and assimilating their recommendations into work plans for the coming year.

Number 040

MS. SEDWICK responded to a question by Representative Davis regarding the limestone market in Southeast. She said they were looking at the raw materials with an eye to a value added commodity. She saw this as an opportunity to explore as much as they can.

Number 072

CHAIRMAN BARNES noted that on two separate occasions she had asked for a breakdown on the money spent in Taiwan.

MS. SEDWICK said she had this information and would deliver it first thing in the morning.

CHAIRMAN BARNES stated that she felt Alaska's emphasis should be more broad and should go further than just Japan and Korea.

Number 140

REPRESENTATIVE GARY DAVIS asked about the job opportunities related to the Sakhalin Island project. He understood that even in the natural gas area, he thought that this was a great find, but the extent of it hadn't been delineated yet. He understood the reserve was tremendous and he noted Alaska's experience with cold weather technology. He also mentioned the oil company executives from Alaska, such as Marathon, etc., which are also active over there, but he pointed out that there is a lot of unemployment there now. This export technology would be more technical though. He thought this would really fill her plate, if the department chose to pursue all of these avenues.

MS. SEDWICK noted that Alaska has a lot of talented people residing in their state. Last year when Arco had their big lay off, there were a lot of people who wanted to stay in Alaska. If they could find opportunities for these people of expertise, they would stay. When she traveled to Taiwan, she was overwhelmed to see that there was a real need for Alaska's services. She added that sector people need to be in place to market these skills as well.

Number 239

CHAIRMAN BARNES noted for everyone's information that Taiwan is exactly the size of the Kenai Peninsula with 23 million people living there. They have one of the most robust economies in the world. They are fourteenth in the world economies and it's a company which offers tremendous potential to Alaska.

REPRESENTATIVE DAVIS stated that it appears that the department's approach seems to fit his philosophy, that people need to come to the department with ideas, then the department can pursue markets and make contacts. They don't need government telling people what they need, rather they need people coming to government asking for assistance.

MS. SEDWICK referred to the "Marketing Alaska" effort, which would be presented next week. It addresses this concept of private sector driven initiatives and a lot of the ideas came from the private sector.

Number 316

CHAIRMAN BARNES thought it might be important for this committee to know that the Anchorage Economic Development Authority and their new director is very actively working to put together Alaska's cold weather expertise. She thought they were doing a very fine job. She then went over the materials in everybody's packets.

CHAIRMAN BARNES made reference to the letter from Representative Elton, which was sent to the Speaker and Chairman Barnes regarding

a meeting at his house about the foreign trade liaisons from the Alaska Seafood Marketing Institute. She then referred to materials regarding a trade mission to Russia, a trade mission to China, and the agenda regarding her recent trip to Taiwan. These materials she went into more detail about, since it wasn't in report form.

CHAIRMAN BARNES was the guest of the Pan-Pacific Professional Management Conference in Taiwan and was the key-note speaker there. She spoke right after President Lee opened the conference and the agenda included the ten days which they spent there, as well as, three days they spent in Kaohsiung. She noted that at the back of their packets the attendees should find a newspaper article where she met with the mayor of Kaohsiung. At each of these meetings there was quite a large delegation of businesses.

CHAIRMAN BARNES then addressed the return visits scheduled to Alaska. Mr. John Kao is one of the guests scheduled to attend. He heads the Tuntex Group, one of the largest firms in the world for a country of that size, and does \$7 billion worth of business a year. They are very interested in doing business in Alaska, particularly in the market of hotel construction. Chairman Barnes noted that when the base was closed at Shublik Bay in the Philippines, this company invested \$200 million to develop an industrial center, but there was a problem with the local government. They just walked away from this \$200 million project until these problems can be worked out. They're big enough that they can walk away from this large investment. Mr. Kao will be visiting from March 1 - 5, primarily to find out what it's like here in the winter time. If the Ship Creek Redevelopment project fell through, he's willing to build the whole project. It wouldn't be a small hotel, because they don't build anything smaller than 600-room facilities. He will be Chairman Barnes's guest and she took the opportunity to invite anyone who will be in Anchorage area during this time to attend their scheduled meetings.

Number 478

CHAIRMAN BARNES then referred to the trip to Russia. This group were guests of the Krasnogorsk people. A return trip to Alaska has been in the planning stages since September of 1995, but unfortunately the mayor of Krasnogorsk, Roman Popkovich, is a retired Major General from the Soviet Army and was also a member of their parliament and Chernomyrdin would not let he and his delegation leave. Chairman Barnes encouraged everyone to attend these meetings, especially during the visit of John Kao since he is very interested in investing in Anchorage. Chairman Barnes also said that ties with Russia are very important, not just with the Russia Far East, since this has been a mistake made in the past. Russia has a centralized government and unless this government says things are going to happen, they don't, not even today. The committee's emphasis has been on this central government and they've met with their equivalent of the United State's National

Oceanic and Atmospheric Administration (NOAA), in regards to the Northern Sea Route. She also noted that Representative Davis went to Japan for a Northern Sea Route meeting there.

Number 596

CHAIRMAN BARNES noted that she wanted everyone to have these packets outlining all the things the committee has done and the people who have accompanied them during these trips. The return visits are paid for and taken care of. She said that if anyone wonders where she got the money to do all of this, she was the guest of the Taiwanese when she went to Taiwan, the guest of Mainland China when she went there, and she was the guest of Russia when she went there. Hence, these people will be her guests when they come here. There were legislators and business people who were very involved in these delegations.

ADJOURNMENT

CHAIRMAN BARNES adjourned the World Trade Meeting at 6:15 p.m.



Official Business

COMMITTEES:
Natural Resources
Legislative Council

Alaska State Legislature

Office of World Trade And State/Federal Relations

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House Special Committee on World Trade & State/Federal Relations

April 29, 1996 5 p.m.
Capitol, Room 124

AGENDA

- I. CALL TO ORDER
- II. ROLL CALL
- III. HEAR HOUSE BILL 548
- IV. OLD BUSINESS
- V. NEW BUSINESS
- VI. ADJOURNMENT

CS FOR HOUSE BILL NO. 548(WTR)**IN THE LEGISLATURE OF THE STATE OF ALASKA****NINETEENTH LEGISLATURE - SECOND SESSION****BY THE HOUSE SPECIAL COMMITTEE ON WORLD TRADE AND STATE/FEDERAL
RELATIONS****Offered: 4/30/96****Referred: Finance****Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR****A BILL****FOR AN ACT ENTITLED**

1 "An Act authorizing the amendment of Northstar Unit oil and gas leases
2 between the State of Alaska and BP Exploration (Alaska) Inc.; and providing
3 for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1. LEGISLATIVE FINDINGS AND INTENT.** (a) The legislature finds that

6 (1) the production of oil and gas from state land is a matter of statewide
7 interest and effect because it is an important source of revenue to the state and job
8 opportunities for the people of the state;

9 (2) BP Exploration (Alaska) Inc. holds state oil and gas leases in the Northstar
10 Unit that include net profit share provisions;

11 (3) unless the net profit share provisions of the Northstar Unit leases are
12 amended, production of oil and gas from the unit is highly unlikely to begin before the year
13 2002, if at all;

14 (4) because of the development account provisions of the net profit share

1 leases, the later that these leases are developed, the less "net profits" the state receives;

2 (5) if the net profit share provisions of the Northstar Unit leases are amended,
3 full production of oil and gas from the unit may begin as early as the year 1999;

4 (6) amending the net profit share provisions of the Northstar Unit leases to
5 provide for a supplemental royalty will maximize the economic benefits of oil and gas
6 production to the people of the state by encouraging timely production from the unit;

7 (7) the development of the Northstar Unit will provide additional revenue to
8 the state;

9 (8) the timely development of the unit may result in increased state revenue
10 in future lease sales; and

11 (9) the timely development of the unit may result in technological
12 breakthroughs and other cost savings that may make other development opportunities in
13 Alaska economically feasible.

14 (b) With respect to the effect of the effort to secure earlier development of the leases
15 on employment opportunities for state residents and on the state's economy, the legislature
16 finds that

17 (1) paragraph 41 of the 1980 lease and paragraph 31 of the 1983 lease are to
18 be amended; under each of the proposed amendments,

19 (A) the lessee, BP Exploration (Alaska) Inc., undertakes

20 (i) to use its best efforts to advertise for, recruit, and employ
21 qualified residents of the state;

22 (ii) to contract with existing licensed Alaska firms to fabricate
23 the modules to develop the Northstar Unit leases within the state and, in
24 contracting with those firms, to encourage its contractors to employ and, when
25 necessary, train existing state residents;

26 (iii) to enter into contracts with Alaska-licensed vendors,
27 contractors, and suppliers for the provision of supplies and services; and

28 (B) several state agencies with responsibility for improving the
29 employment opportunities of state residents, including training, commit to efforts to
30 supplement and support the lessee's undertakings;

31 (2) the lessee, BP Exploration (Alaska) Inc., has made significant investments

1 in the state, is ranked as one of the state's largest private sector employers, and regularly
2 enters into contracts to obtain support services; consequently, the lessee's fulfillment of the
3 undertakings described in (1) of this subsection should materially contribute to existing
4 resident workforce employment opportunities and to the state's economic stability;

5 (3) a good faith effort by the lessee, BP Exploration (Alaska) Inc., and the state
6 agencies to fulfill the undertakings described in (1) of this subsection should ensure that, under
7 the amended leases, benefits will accrue directly and immediately to the people of the state;
8 and

9 (4) the mutual commitments made by the parties to the lease in these
10 amendments to secure to state residents and businesses the advantages and benefits of both
11 expanded resident hire opportunities and additional work by in-state businesses are in the best
12 interests of the people of the state and are considerations of paramount importance to the
13 legislature in its decision to conditionally approve the proposed amendments of the Northstar
14 Unit leases.

15 * **Sec. 2. LEGISLATIVE INTENT REGARDING MEANING OF SPECIFIC RESIDENT**
16 **EMPLOYMENT REQUIREMENTS.** (a) The legislature wishes to set out its intent regarding
17 meaning of certain words and phrases used in the "First Amendment to the Northstar Unit
18 Leases between the State of Alaska and BP Exploration (Alaska) Inc. ('Northstar
19 Amendment')" that is approved by this Act. Specifically, the legislature wishes to set out its
20 intent regarding Paragraph 41 of the 1980 Leases titled "Employment of Alaskan Residents"
21 and Paragraph 31 of the 1983 Lease titled "Employment of Alaskan Residents" in the
22 Northstar Amendment, collectively the "Employment Paragraphs." The legislature intends that
23 the Alaska residents and contractors discussed in the Employment Paragraphs are truly
24 Alaskan and that Alaska residents throughout the state be given an opportunity to obtain
25 employment on the Northstar project.

26 (b) The legislature believes that

27 (1) the findings made by the legislature in AS 36.10.005(a)(1) - (8) and (11) -
28 (18), (c), and (d), regarding an employment preference for Alaska residents on state
29 construction projects are equally applicable to the Northstar Amendment; and

30 (2) the state has a compelling interest in reducing the level of unemployment
31 among its residents.

1 (c) The legislature intends, for purposes of the Employment Paragraphs, that

2 (1) the phrases "Alaska resident," "residents of Alaska," and "resident
3 personnel" mean an individual who is physically present in the state with the intent to remain
4 in the state indefinitely and to make a home in the state;

5 (2) an individual demonstrates that intent by maintaining a residence in the
6 state;

7 (3) other acceptable proof of that intent includes evidence that the individual:
8 is registered to vote in the state, attends school in the state, possesses an Alaska driver's,
9 fishing, trapping, or hunting license, or receives a permanent fund dividend; and

10 (4) the hiring entity may also require that the individual state under oath that
11 the individual is not claiming residency outside of the state or obtaining benefits under a claim
12 of residency outside of the state.

13 (d) The legislature intends that for purposes of the Employment Paragraphs,

14 (1) the word "available" means Alaska residents who are located anywhere in
15 the state, not just in the area of the state where the work is to be performed; and

16 (2) the word "qualified" means an individual who either currently possesses
17 the requisite education, training, skills, or experience to perform the work necessary for a
18 particular position or is capable of performing such skills after completing one of the job
19 training programs contemplated in the Employment Paragraphs.

20 (e) The legislature understands that nonresidents will be hired only if there are no
21 available and qualified Alaska residents to perform the work. For purposes of the
22 Employment Paragraphs, the legislature intends that the requirement to "advertise for available
23 positions locally" includes advertising in newspapers and other publications located throughout
24 the state, including rural areas, not just in the location where the work is to be performed.

25 (f) The legislature further intends that the requirement to "use Alaska job service
26 organizations" includes those offices maintained by the Department of Labor whose functions
27 are to aid the unemployed in finding employment and any job service organization located
28 throughout the state, not just the location where the work is to be performed.

29 (g) The legislature intends that, for purposes of the Employment Paragraphs, the
30 phrases "Alaska Contractors" and "Alaska firms" mean a firm or contractor that

31 (1) holds an Alaska business license;

- 1 (2) maintains its principal place of business in the state; and
2 (3) is
3 (A) a sole proprietorship and the proprietor is an Alaska resident;
4 (B) a partnership and more than 50 percent of the partners are Alaska
5 residents;
6 (C) a corporation that has been incorporated in the state or is authorized
7 to do business in the state; or
8 (D) is a joint venture composed entirely of ventures that qualify under
9 this paragraph.

10 (h) For purposes of Employment Paragraphs, the legislature intends that the lessee's
11 reporting obligations comply with the reporting requirements of 8 AAC 30.062 and shall
12 include information regarding the number of nonresidents hired within the past year, and the
13 number of Alaska contractors and non-Alaska contractors hired within the past year.

14 * Sec. 3. AMENDMENT OF LEASES AUTHORIZED. (a) The State of Alaska and BP
15 Exploration (Alaska) Inc. are parties to the following leases in the Northstar Unit:

- 16 (1) ADL 312798, effective February 1, 1980;
17 (2) ADL 312799, effective February 1, 1980;
18 (3) ADL 312808, effective February 1, 1980;
19 (4) ADL 312809, effective February 1, 1980; and
20 (5) ADL 355001, effective August 1, 1983.

21 (b) The commissioner of natural resources may amend the Northstar Unit leases
22 described in (a) of this section to the extent set out in the "First Amendment to the Northstar
23 Unit Leases Between the State of Alaska and BP Exploration (Alaska) Inc.", dated March 22,
24 1996, if the amendment includes a provision as follows:

25 (1) Paragraph 41 of each of the leases described in (a)(1) - (4) of this
26 section is replaced in its entirety as follows:

27 "41. EMPLOYMENT OF ALASKAN RESIDENTS. Lessee
28 shall comply with all valid federal, State and local laws in hiring
29 Alaska residents and contractors and shall not discriminate against
30 Alaska residents or contractors. Within the constraints of law, lessee
31 shall employ Alaska residents and contractors to the extent they are

1 available and qualified. Subject to the foregoing:

2 Lessee voluntarily agrees to adopt a program to hire residents of
3 Alaska. Lessee shall advertise for available positions locally and use
4 Alaska job service organizations to notify the Alaskan public. For work
5 in connection with this lease, lessee shall use best efforts to contract
6 with Alaska firms and fabricate modules in Alaska, whenever feasible.
7 Lessee shall encourage its contractors to employ and train, when
8 necessary, residents of Alaska. In determining feasibility, lessee shall
9 consider commercial, health, safety, and environmental conditions and
10 requirements to ensure maintenance of lessee's operational standards.
11 Lessee shall submit annually to the director, division of oil and gas, for
12 transmission to the Department of Labor, a report that details the
13 specific measures lessee and its contractors and subcontractors have
14 taken or are planning to take to recruit qualified Alaska residents for
15 available jobs, describes on-the-job training opportunities, and describes
16 lessee's efforts to hire Alaska firms for work in connection to this lease.
17 Lessee shall furnish the Department of Labor a quarterly report
18 regarding the employment of Alaska residents on the leased area in
19 compliance with regulations by the Commissioner of Labor. The report
20 must also include statistical data concerning the number of resident
21 personnel hired within the past year for this lease";

22 (2) Paragraph 31 of the lease described in (a)(5) of this section is replaced
23 in its entirety as follows:

24 "31. EMPLOYMENT OF ALASKAN RESIDENTS. Lessee
25 shall comply with all valid federal, State and local laws in hiring
26 Alaska residents and contractors and shall not discriminate against
27 Alaska residents or contractors. Within the constraints of law, lessee
28 shall employ Alaska residents and contractors to the extent they are
29 available and qualified. Subject to the foregoing:

30 Lessee voluntarily agrees to adopt a program to hire residents of
31 Alaska. Lessee shall advertise for available positions locally and use

1 Alaska job service organizations to notify the Alaskan public. For work
2 in connection with this lease, lessee shall use best efforts to contract
3 with Alaska firms and fabricate modules in Alaska, whenever feasible.
4 Lessee shall encourage its contractors to employ and train, when
5 necessary, residents of Alaska. In determining feasibility, lessee shall
6 consider commercial, health, safety, and environmental conditions and
7 requirements to ensure maintenance of lessee's operational standards.
8 Lessee shall submit annually to the director, division of oil and gas, for
9 transmission to the Department of Labor, a report that details the
10 specific measures lessee and its contractors and subcontractors have
11 taken or are planning to take to recruit qualified Alaska residents for
12 available jobs, describes on-the-job training opportunities, and describes
13 lessee's efforts to hire Alaska firms for work in connection to this lease.
14 Lessee shall furnish the Department of Labor a quarterly report
15 regarding the employment of Alaska residents on the leased area in
16 compliance with regulations by the Commissioner of Labor. The report
17 must also include statistical data concerning the number of resident
18 personnel hired within the past year for this lease"; and
19 (3) These amendments take effect when and if an Act(s) substantially
20 similar to the act, attached as Exhibit D and incorporated by reference,
21 takes effect. This amendment is dated for reference purposes as of
22 March 22, 1996.

23 * Sec. 4. REPORTING PROVISIONS. The lessee, BP Exploration (Alaska) Inc., shall file
24 with the commissioner of labor at least every six months the reports that the commissioner
25 of labor determines are necessary to evaluate the lessee's efforts described under sec. 3(b) of
26 this Act. The commissioner shall submit copies of these reports to the legislature.

27 * Sec. 5. SEVERABILITY. Under AS 01.10.030, the provisions of this Act are severable.

28 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).



BP EXPLORATION

John C. Morgan
President, Alaska

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April 29, 1996

The Honorable Ramona Barnes, Chair
House World Trade and State/Federal
Relations Committee
Alaska State Legislature
State Capitol
Juneau, Alaska 99801

Dear Representative Barnes:

The development of the Northstar field is an important project to the residents of Alaska and BP Exploration. Northstar development will provide jobs for Alaskans, new business opportunities for Alaskan businesses, and significant revenues to the state.

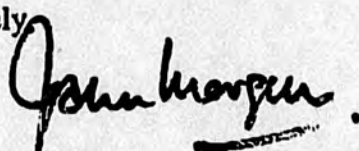
BP Exploration has voluntarily and publicly committed to recruit and hire qualified Alaska residents for the Northstar Development. We have also publicly committed to encourage Northstar contractors to recruit, hire, and train, when necessary, Alaska residents.

Furthermore, BP has voluntarily and publicly committed to use Alaska contractors to build in Alaska Northstar production and processing modules. BP has committed to spend \$30 - 40 million to build in Alaska the larger and more complex modules for assembly for sealift providing that suitable facilities to do this are available. We are working with our contractors to do everything possible to ensure the facilities will be available.

Our reputation depends on our honoring these commitments and reporting our results to the people of Alaska.

We appreciate the opportunity to provide comments to your committee.

Sincerely,



John C. Morgan