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AFRICAN DEVELOPMENT BANK

Ordinary Capital Resources
(Expressed in thousands of U.S. dollars)

FINANCIAL SUMMARY											
	Total Income (Thousands)	Total Operating Expenses (Thousands)	Net Income ¹ (Thousands)	Total Assets (Thousands)	Cash & Investments (Thousands)	Total Loans Outstanding (Thousands)					
3/31/83	\$71,284	\$37,544	\$33,741	\$1,414,477	\$218,019	\$641,334					
1982	73,856	41,537	32,318	1,233,726	131,545	595,357					
1981	17.5%	34.0%	1.5%	1,151,746	Negative	540,337					17.4%
Ave. Annual Compound Growth Rate: 1978/82											
	Total Capital: Subscribed & Reserves (Thousands)	Capital Stock Subscribed (Thousands)	Pub/In Capital & Reserves (Thousands)	Central Stock Callable (Thousands)	Funded Debt (Net) (Thousands)	Total Capitalization (Thousands)					
3/31/83	\$5,362,121	\$5,236,415	\$724,542	\$4,617,579	\$400,629	\$1,125,171					
1982	4,400,337	4,244,318	\$17,919	3,812,323	407,338	995,357					
1981	2,678,843	2,547,815	\$17,707	2,511,134	375,013	902,726					
Ave. Annual Compound Growth Rate: 1978/82											
RATIO SUMMARY											
	Funded Debt (Net) % Total Capital	Total Callable Capital % Funded Debt (Net)	Net Investment Coverage	Net Income % Total Income	Net Income % Total Asset	Net Income & Public Capital & Reserves (Stockholders' Equity)					
3/31/83	7.5%	137.4%	1.37x	19.7%	1.1%	2.7%					
1982	9.3	93.9	1.2x	16.5	1.1	2.3					
1981	14.0	571.6									
	Total Capital % Loans Outstanding	Total Capital % Total Debt	Pub/In Capital & Reserves % Total Debt	Total Debt % Total Asset	Cash & Investments % Total Debt	Cash & Investments % Unfunded Loans					
3/31/83	316.7%	171.2%	101.0%	48.8%	33.1%	22.5%					
1982	218.0	612.5	84.3	54.3	34.3	16.2					
1981	172.4	429.3	84.6	54.3	37.3	24.9					
Total Loans Outstanding % Total Asset											
3/31/83	45.4%	83.8%	6.2%	30.1%	20.3%	361.3%					
1982	48.1	712.3	N.A.	N.A.	N.A.	N.A.					
1981	46.1	504.9	N.A.	N.A.	N.A.	N.A.					

LOAN & BORROWING LIMITATIONS

Loan Limitation: The Bank is bound by its Agreement to limit its loans outstanding to the total amount of its common subscribed capital, reserves and surplus, exclusive of the Special Reserve.

Borrowing Limitation: The Bank has adopted a policy of limiting its borrowings to 80% of the callable portion of its common subscribed capital.

¹ Source: KPMG, Peabody & Co. Net Income prior to allocation to Statutory Reserves and to exchange loss or gain.

² Selected members include: Austria, Belgium, Denmark, Finland, France, Germany, Netherlands, Norway, and Sweden.

N.A. Not applicable.

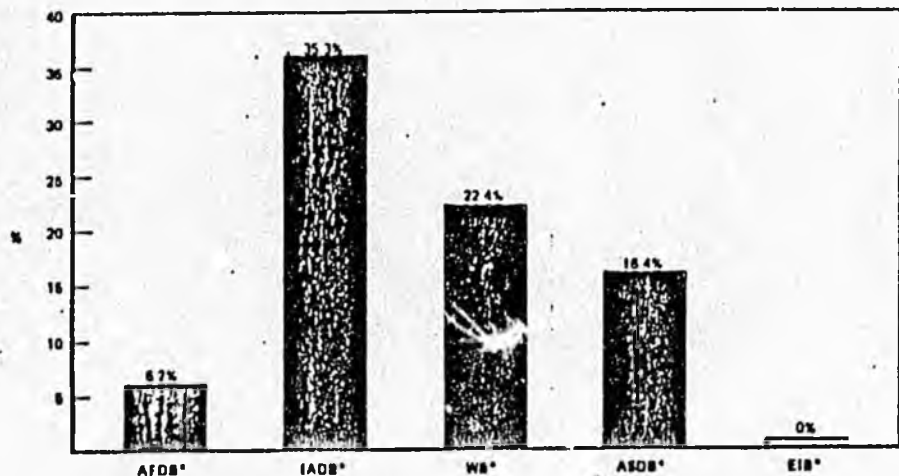
Important Facts About the African Development Bank

- The African Development Bank is located in Abidjan, Ivory Coast, where it is accorded sovereign status by treaty. The Bank has representative offices throughout Africa as well as in London, England.
- At March 31, 1983, the United States subscription to the African Development Bank alone covered the Bank's net funded debt by 80.3%. This compares very favorably to the U.S. subscription coverages (at fiscal year-end 1982) for the World Bank (30.4%), Asian Development Bank (46.3%) and the European Investment Bank (0%). Only the Inter-American Development Bank has a stronger U.S. coverage ratio of 160.0%. (Chart 2)
- At March 31, 1983, when the capital subscriptions of the major industrial nation members of the Bank, including the United States, Japan, and the major European countries, are collectively assessed, their total capital subscriptions covered the Bank's total net funded debt by 361.3%. This compares very favorably to the same coverages of other multilateral development banks' industrial members' subscriptions (at fiscal year-end 1982): World Bank (84.6%), IADB (205.4%), AsDB (170.8%) and EIB (69.6%). (Chart 3)
- Finally, when each bank's full membership subscription is compared to its net funded debt, for the above period of comparison, the African Development Bank reflects the strongest coverage ratio (1,338.4%), when compared to World Bank (147.9%), IADB (488.6%), AsDB (312.2%) and EIB (96.7%). (Chart 4)
- At year-end 1982, the AFDB'S ratio of temporary investments, consisting of government securities and equivalents, to net funded debt amounted to approximately 50.7%. This compares favorably to WB (29.2%), IADB (57.5%), AsDB (71.8%) and EIB (10.3%). (Chart 5)
- At year-end 1982, total equity capital (subscribed plus reserves) of the Bank (\$4,400.9 million) provided a coverage of 772.3% of total loans outstanding (\$617.9 million), the strongest coverage of the multilateral development banks compared. (Chart 6)
- Total loans outstanding, \$617.9 million at year-end 1982, have grown at a compound growth rate of 17.4% for the 1978-1982 period. At March 31, 1983, total loans outstanding (\$641.5 million) represented 45.4% of the Bank's total assets (\$1,414.5 million).
- Total debt for the Bank (net funded debt plus all other liabilities) at March 31, 1983 represented an amount equal to 48.8% of the Bank's total assets.

ASSET QUALITY RATIOS

UNITED STATES SUBSCRIPTION
% TOTAL STOCKHOLDER SUBSCRIPTION
(Fiscal 1982)

CHART 1



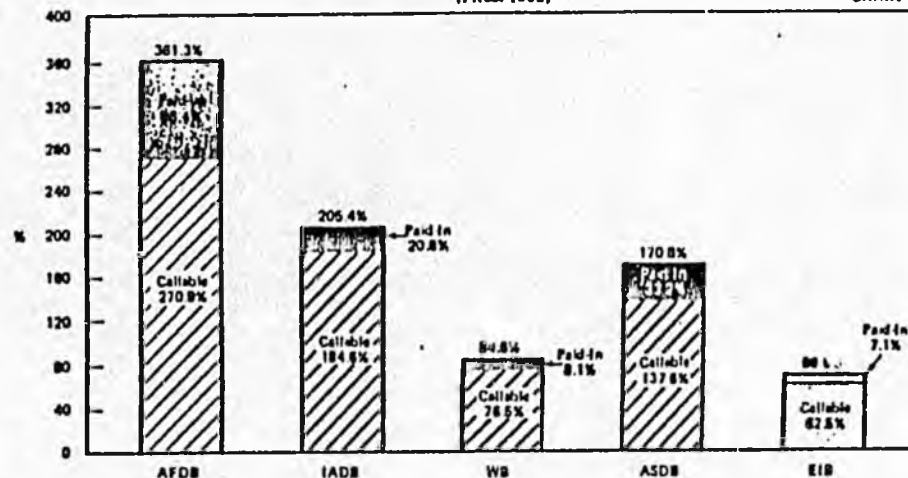
1. Inter-American Development Bank figures include combined Ordinary and Inter-Regional Capital.
2. European Investment Bank figures reflect conversion to U.S. dollars at year-end rate.
IAFDB year-ended 3/31/83

*African Development Bank ("AFDB"), Inter-American Development Bank ("IADB"), World Bank ("WB"), Asian Development Bank ("ASDB"), and European Investment Bank ("EIB").

ASSET QUALITY RATIOS

SUBSCRIPTIONS OF:
U.S., CANADA, SELECTED EUROPEAN MEMBERS*,
JAPAN, AUSTRALIA, AND NEW ZEALAND
% FUNDED DEBT (NET)
(Fiscal 1982)

CHART 3

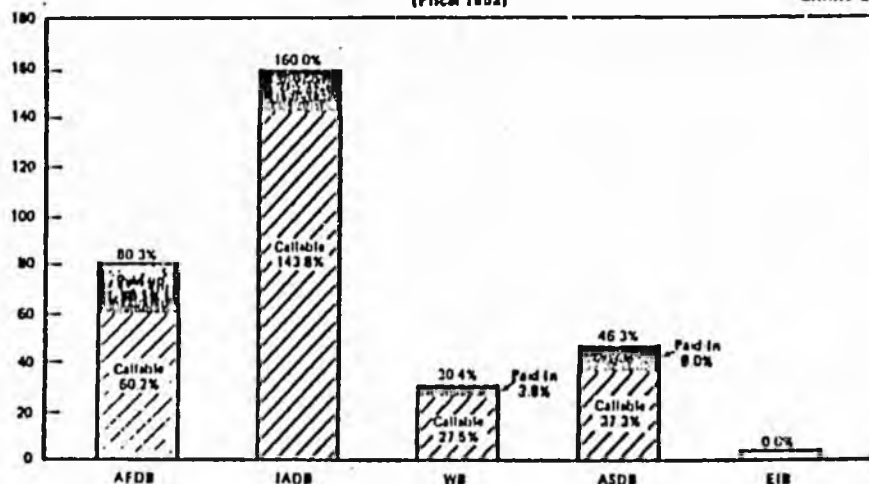


*Members include: Austria, Belgium, Denmark, Finland, France, Germany, Netherlands, Norway, Spain, Sweden, and United Kingdom.

IAFDB year-ended 3/31/83

UNITED STATES SUBSCRIPTION
% FUNDED DEBT (NET)
(Fiscal 1982)

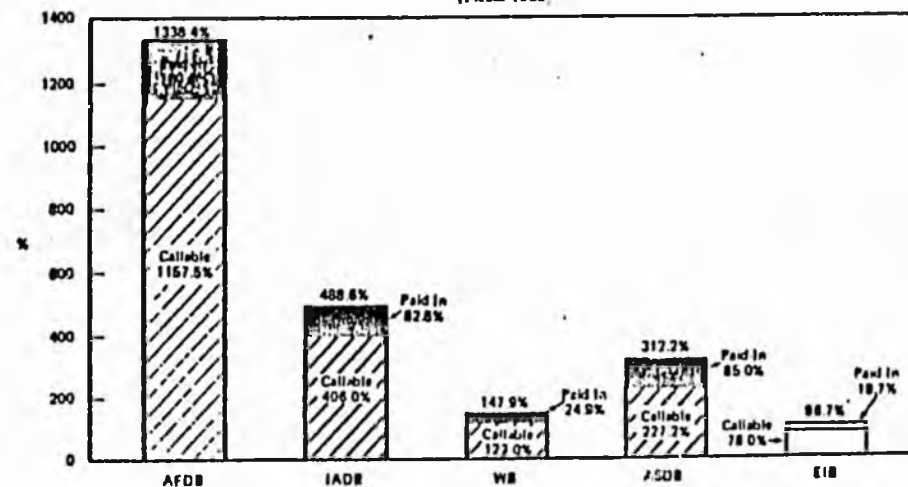
CHART 2



IAFDB year-ended 3/31/83

TOTAL SUBSCRIPTIONS PLUS RESERVES
(Total Equity)
% FUNDED DEBT (NET)
(Fiscal 1982)

CHART 4

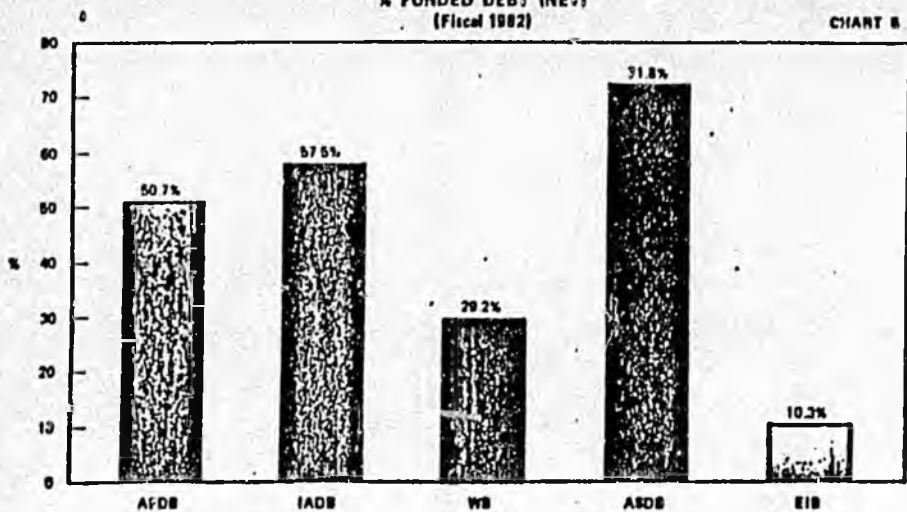


IAFDB year-ended 3/31/83

LIQUIDITY RATIO

**TEMPORARY INVESTMENTS
% FUNDED DEBT (NET)
(Fiscal 1982)**

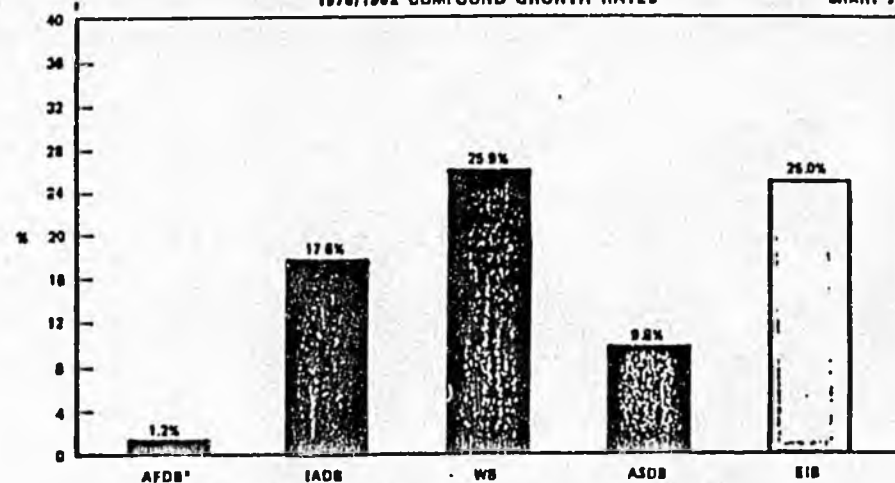
CHART 6



EARNINGS & PROFITABILITY RATIOS

**NET INCOME
1978/1982 COMPOUND GROWTH RATES**

CHART 7

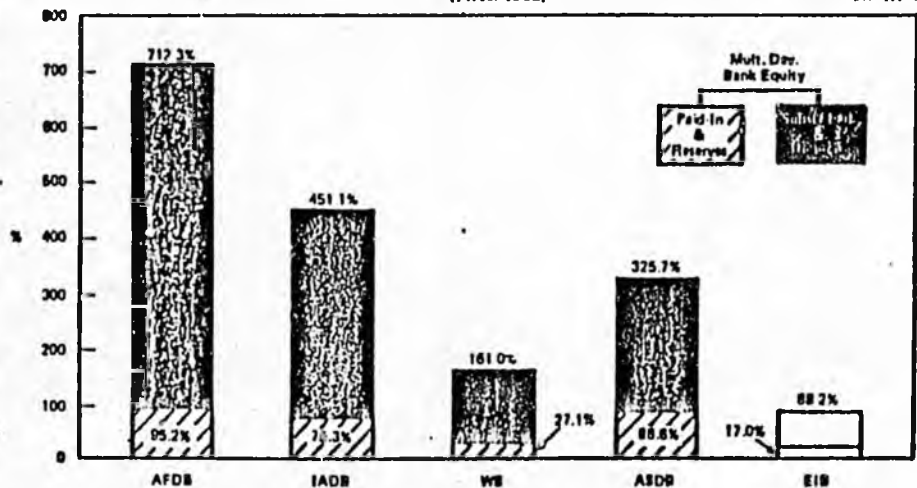


*AFDB figures adjusted to reflect Net Income prior to allocation to Special Reserve and any exchange loss or gain.

CAPITAL ADEQUACY RATIO

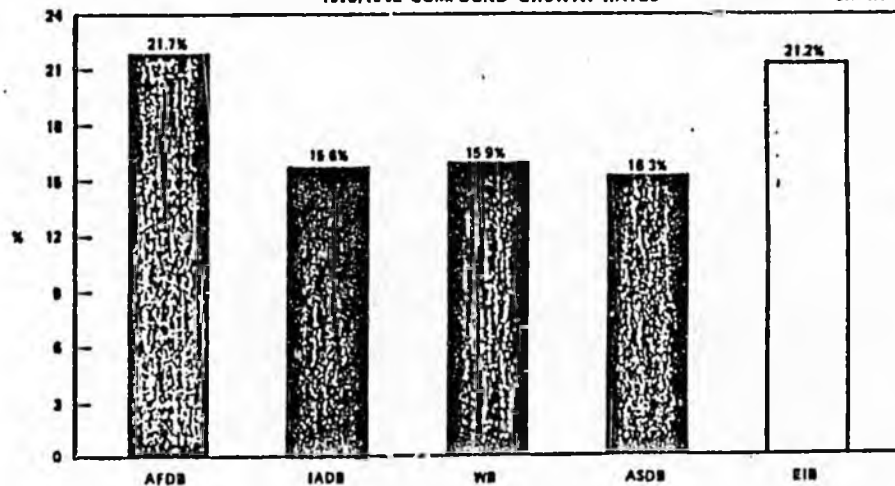
**YEAR-ENDED EQUITY
% YEAR-END LOANS
(Fiscal 1982)**

CHART 8



**TOTAL LOAN INTEREST
OR LOAN INCOME
1978/1982 COMPOUND GROWTH RATES**

CHART 9



OUTSTANDING LOANS AND LOAN RATIOS
(Fiscal 1982)

(In thousands of dollars)

		<u>Total Disbursed, Undisbursed and Approved Loans Outstanding</u>	<u>(Disbursed) Total Loans Outstanding</u>	<u>Loans Undisbursed Balance</u>
AfDB ¹	\$ U.S.	\$ 1,656,100	\$ 641,534	\$ 1,014,566
	% Subscribed & Reserves	30.9%	12.0%	18.9%
IADB ²	\$ U.S.	\$10,300,673	\$ 4,593,778	\$ 5,706,395
	% Subscribed & Reserves	49.7%	22.2%	27.5%
WB ³	\$ U.S.	\$61,151,746 ⁴	\$29,167,535	\$24,978,811
	% Subscribed & Reserves	130.2%	62.1%	53.2%
AsDB ⁴	\$ U.S.	\$ 6,036,704	\$ 2,684,629	\$ 3,352,075
	% Subscribed & Reserves	69.0%	30.7%	38.3%
EIB ⁵	\$ U.S.	\$19,250,985	\$17,594,010	\$ 1,656,975
	% Subscribed & Reserves	124.1%	113.4%	10.7%

¹AfDB figures reflect year-ended 3/31/83 for ordinary capital resources.

²For combined ordinary and inter-regional capital resources.

³International Bank for Reconstruction and Development.

⁴Ordinary capital resources.

⁵At year-end conversion rate: 1 European Unit of Account = 0.967667 U.S. dollars.

⁶Includes loans approved but not yet effective, and disbursed and undisbursed effective loans.

**OUTSTANDING FUNDED DEBT
AND FUNDED DEBT RATIOS**

	<u>Net Funded Debt</u> (Expressed in thousands of U.S. dollars)	<u>Net Funded Debt % Callable Capital</u>
AfDB ¹	\$ 400,629	8.6%
IADB ²	\$ 4,241,499	24.6%
WB ³	\$31,760,918	81.3%
AsDB ⁴	\$ 2,800,713	44.0%
EIB ⁵	\$16,034,390	128.1%

¹At 3/31/83 for ordinary capital resources.

²At 12/31/82 for combined ordinary and inter-regional capital resources.

³At 6/30/82 for International Bank for Reconstruction and Development.

⁴At 12/31/82 for ordinary capital resources.

⁵At 12/31/82 at year-end conversion rate.

For more information about the African Development Bank, or a copy of one of Kidder, Peabody's more detailed analyses on Multilateral Development Banks, please contact:

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CAN DEVELOPMENT BANK

Conservative,
Successful,
It is poised for expansion



AFRICAN DEVELOPMENT BANK

Conservative, successful, poised for expansion

A growing development bank with an outstanding 20-year record

Not unlike Africa itself, the African Development Bank (Af.D.B.) has been distant and mysterious to the outside world. But perceptions are rapidly changing. The Bank is moving into the focus of investors. And they are realizing that while the continent is largely promise, the Bank is both promise and performance. The continent is riven by recurrent strife and an inability to concretize a common purpose. The Bank is tightly managed with precise objectives.

There is every reason, of course, for the continent's apparent inability to realize a common purpose. There are more than 50 countries in Africa, many of them nations for less than two decades, some nations in name but not in reality. Ethnic groupings put together to suit the projects and convenience of former colonial powers. The European community, with far fewer countries, is

hardly united in common purpose; it would be remarkable if Africa were more focused.

What is remarkable, therefore, is the purposefulness of the Bank and the way this purposefulness is understood and supported by its members through the most concrete of commitments: the commitment of cash. Despite the well-known economic difficulties of many of the African countries, they have continued, nevertheless, their periodic cash contributions to the Bank's capital with noteworthy promptness and regularity. More remarkable still, they have done so in convertible currencies, despite their well-known foreign exchange shortages. Most remarkable of all, the Bank has the highest ratio of paid-in capital of any multilateral development bank—by a wide margin. Where others would be happy to have 10 percent paid in, the African Development Bank has no

less than 25 percent paid in.

This commitment is demonstrated as well by the way the African countries have always agreed to support the Bank's capital increases despite their political disagreements, according to M.L. Yuma, Secretary General of African Development Bank. And it has been reaffirmed by the way they have continued to make contributions despite current account deficits, says Vice President Samuel Ogunleye. For a number of countries this represents "a sacrifice," notes Ogunleye. "Uganda is a good example," he says. "Everyone knows how they've been affected by economic problems, yet they have made great efforts to keep up their contributions." While there have been some press reports about capital subscription arrears in the Bank contributions of some countries, Af.D.B. officials demonstrate that the problem is exaggerated.

NON-REGIONAL CONTRIBUTIONS EXPAND THE BANK'S POTENTIAL

The strong commitment by African member countries to the Bank is evident throughout the Bank's history—and in fact it derives in part from that history. For most of its existence—for the 19 years up to December 30, 1982—the African Development Bank depended entirely and exclusively on African countries for its capital. Unlike its sister institutions, the Inter-American and Asian Banks, which were godfathered at their inceptions—the former by the U.S., the latter by the U.S. and Japan—the Af.D.B. very deliberately chose to grow up on its own. Until last year, it refused to accept contributions from non-African nations.

That it finally did so, in fact, was due to certain obvious advantages it gained in the process. That it did so on such a

limited scale—accepting non-regional contributions for only one third of its capital, and amending its constitution so that these contributions cannot obtain a majority—is testimony to the fact that the Bank continues to primarily look for its future development from the commitment of the African members and, to a lesser extent, its non-African partners.

A New York banker familiar with the situation sums up the African Development Bank's rationale for taking the outside money in two key words: "leverage and resources." As Edward J. Waters, Vice President in Corporate Finance of the New York investment banking firm of Kidder, Peabody & Co. Incorporated, sees it, the African Development Bank is adding significantly to its borrowing power, based both on its improved credit and additional capital and leverage.

He and other outside observers, in Japan and Europe as well as the U.S., stress that although the Af.D.B. has managed perfectly well without the non-regional participation for many years, the addition of the industrialized countries would clearly increase the Bank's contribution to the development of Africa. The industrialized countries would also benefit significantly in this accelerated progress.

That the Bank was managing perfectly well without the industrial members' capital is one reason it took the management three years to get the principle of non-regional membership approved by the African members. The other reason, of course, was their determination to keep running their own show—and to avoid all possibility of its domination by the more powerful economies of the industrialized countries.

That the Bank persevered and finally got the increase through is a tribute, in the opinion of the New York commercial banker

mentioned earlier, to the skills of its management.

"President Wila Mung'Omba has kept things in place and kept the boat on an even keel in a stormy environment," he says, and he characterizes this as "quite an achievement."

EXCEPTIONAL MANAGEMENT, AN EXCEPTIONAL RECORD

Management in fact, in the view of financial market investors, is one of the most important of Af.D.B.'s strengths. "The management of this institution compares most positively with that of any financial institution anywhere in the world," states Kidder, Peabody's Waters, who knows financial institutions everywhere. Waters says the degree of commitment of the managers is the aspect of the Bank that is most impressive. Another is the level of Af.D.B. management's ability and experience, says his colleague S. Melvin Rines, also a Vice President with Kidder, Peabody and who has worked with Waters on in-depth studies of all the multi-lateral development banks. As Rines notes, "Why not, they have been educated at the best graduate and post-graduate universities in the world." Moreover, adds Waters, "there is no better tribute to their abilities than to recognize that they have successfully managed this development bank in the most under-developed regional economy in the world, without any blemish on the Bank's loan portfolio, nor any rescheduling of it as well."

A glance at the curricula vitae of some of the Bank officials confirms these remarks. Mung'Omba, who formerly was a senior executive of the Standard Chartered Bank in London and an Executive Director of the International Monetary Fund before joining Af.D.B., holds a law degree from London University. Finance Vice President Babacar N'Diaye holds an advanced graduate business



Pierre Moussa, Af.D.B.'s Executive Director, says that once Africa meets its food production needs, it "above all constitutes potential market."

management degree from France's prestigious Ecole des Sciences Politiques, and in addition he holds an equivalent Chartered Public Accountant degree from France, Diplome Etat d'expertise comptable. K.K. Dei-Anang, the Bank's General Counsel, has degrees from the Oxford School of Jurisprudence and from the London School of Economics. Among the Bank's Executive Directors, there is Rolf M. Jeker, a Swiss who holds a PhD in Economic Business and Public Administration from St. Gall Graduate Institute. And there is Pierre Moussa of Chad—not to be confused with his namesake from France—who has university qualifications from Paris' Faculté de Droit et des Sciences Economiques. Ibrahim M. Hamed, Vice President for Administration, holds a Bachelor of Commerce from Egypt's Aim Shams University; he has also been Undersecretary of State in charge of the office of the State Ministry for Management and Development in Egypt. Every manager of the Bank is similarly qualified.

The Bank's record with its loans and projects is no less distinguished. As far as loan losses are concerned, the record is clear: it has none. As far as successful completion of projects is concerned, the record is equally impressive: Vice President Donatien Bihute (a Swiss-educated former World Bank Executive Director) says that of 240 projects completed to date, only 14 could be described

as problems, and these only on the basis of whether the projects achieved their planned objectives.

RIGOROUS LOAN PROCEDURES

The record is due to a strict adherence to a set of procedures that are not only rigorous but thoroughly tested. In many instances, as the Af.D.B. is quick to acknowledge, it has the advantage of the other multilateral development banks' experiences. Rolf Jeker observes that many of its procedures had been established, and many of their wrinkles ironed out, even before the African Bank came into existence.

The "project cycle" which the Af.D.B. applies to every job, for instance, is patterned on the six tried and true steps taken by the World Bank: 1) *identification of the project*—by Af.D.B., by the country or countries concerned, or by another development institution such as the United Nations specialized agencies, the World Bank, or the Inter-American Development Bank; 2) *project preparation*—including such key stages as feasibility and engineering studies; 3) *appraisal*—to ensure not only that the project is financially and technically practical but that it is both socially and economically rewarding to the borrower as well; 4) *loan approval*—which includes negotiations with the government or governments involved on the extent and terms of Af.D.B. participation; 5) *supervision*; and 6) *post evaluation*. After the preparatory stage, the processing of the project through to the board, according to Christopher Kahangi, Director of the Bank's Central Project Units who studied industrial management at M.I.T., takes an average of 18 months before work gets under way—an indication of the thoroughness with which the Bank approaches each project.

The last two stages are most important and deserve elaboration. As Finance Vice President N'Diaye points out, "One of the biggest differences between us and other multilateral development banks (MDBs) is that they are managed by people from their lending countries, which are mainly industrial, and we're managed by people from our borrowing countries—which are entirely African." This enables the African Development Bank to know its borrowers better, and—if possible, since all MDBs are extremely rigorous in their supervisory procedures—to control its disbursements even more carefully.

Vice President Bihute and General Counsel Dei-Anang emphasize several key points with regard to the precautions taken by the African Development Bank to make sure its money is used properly:

- Af.D.B. makes no loans at all unless they are guaranteed by the government of the country concerned.
- "Af.D.B. participation, as a matter of policy," says Bihute, "is limited to the foreign exchange component of a project."
- Af.D.B. reimburses contractors for expenditures, and does so only when they prove they have made them. "We won't just shell out a blank check," says Dei-Anang. In principle, he goes on, "we have to see that you've procured what you said you were going to procure, then we'll reimburse you." In practice, he adds, under the pressure of the foreign exchange shortages of some borrowers, the Bank has partly relaxed this rule: "On the recommendation of Price Waterhouse, we have evolved a system under which, once the borrower proves it has placed an order, we make payment under letters of credit—to the suppliers."
- Af.D.B. has strict surveil-

lance measures in force. "To the suppliers" is the key phrase in the exception above. The African Development Bank goes out of its way to avoid irregularities. The Bank has developed various measures for bringing pressure to bear: for instance, says Dei-Anang, because of its volume of business, the Bank has developed clout with suppliers and contractors—and, in the worst case, it simply stops doing business with them.

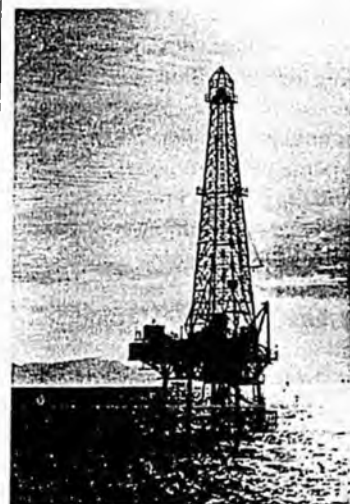
Borrowing countries are anything but eager to be cut off from Bank funds, for the simple reason that they cannot borrow as cheaply anywhere else. Besides, as Dei-Anang points out, on a \$5 million project, the Bank's contribution might be \$2.5 million, spread over 25 or more items—so the possibilities for large scale embezzling are just not there. Concludes Dei-Anang: "We work closely with the other multilateral development banks and we know their experience is the same; it is just very difficult to misappropriate funds from the MDBs."

- To reinforce these procedures, the bank employs strict credit and *post facto* controls. Quite apart from the Bank's team supervising any project, says Secretary General Yuma, there is a separate team of auditors keeping an eye on the extent to which the project is meeting expectations. And behind them, says Yuma, comes "a special division which does post-evaluation; it gives an independent opinion on how the project was conceived, how it was supervised, and how it was executed." How disinterested is the opinion? "They're very independent," says Dei-Anang.

A HISTORY OF SUCCESSFULLY COMPLETED PROJECTS

One result of the efficiency of such procedures is a record of which the Bank's management is visibly and understandably

Off-shore oil rigs in the Gulf of Suez near Abu Rodeis.



proud. Among the more striking achievements are its part in the financing of a Trans-Sahara road, which will link Algiers to Lagos, and the fact that, as West and Central Africa country Programmes Department Director Mohamed Bouzid says, the enormous and ambitious project is proceeding according to plan.

While the Trans-Sahara stands out because of its inherent appeal to the imagination, dozens of other Af.D.B. projects are playing vital roles in the development of Africa. Vice President Bihute talks of a power project in Gambia, which was completed at estimated cost and below estimated time—to the country's great advantage; the Kapiri Glass Project in Zambia, which was not only completed ahead of schedule, but also with enough savings to finance an extra furnace. President Mung 'Omba says, "One can't count the number of schools and hospitals we've helped to build." I.B.C. John, the Agricultural and Rural Development Director, says the outstanding projects in his area have involved irrigation. Most of them are relatively small, he says, but they make significant contributions: "In Malawi, we actually got farmers to double their maize yield in five years, in one rural project."

While nobody pretends that 100 percent of the Bank's projects go according to plan, the percentage that does is remarkably high. The Bank has had serious problems—cost overruns or unwarranted delays—on only 6 percent of completed jobs. And the principal problem-makers have been mining ventures—where problems have arisen largely because of the recession-induced fall in world commodity prices.

Nobody pretends either that problems do not exist. Executive Director Moussa bemoans the shortage of research and statistics. "There are only a few

regional agricultural research institutions in the whole of Africa," he says, "and when you look for the research budgets of governments, you generally find there aren't any." It is difficult to envision progress without research, he goes on, and the Bank is doing something to encourage it, by including research allocations in its projects—sometimes against the real desires of the countries concerned, since they do not like paying the research money back.

SETTING PRIORITIES THAT MATCH AFRICA'S NEEDS

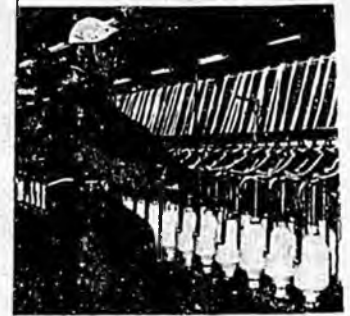
The other overriding problem in Africa, Moussa says, is that malnutrition destroys not only people but productivity. This, too, is a problem the Bank is doing something to solve—indeed a solution is the Bank's overriding policy goal. "The operating program for 1982-1986 provides that the bulk of our resources (slightly over one third) will go to finance agricultural and rural development programs," says Bihute, "with special emphasis on food production."

There is no question that this

is the emphasis of the African Development Bank's President, who speaks movingly of the underfeeding that besets the people of the continent. Mung 'Omba stresses the point, moreover, that the relief of hunger in Africa is a worthy economic goal as well as a humanitarian objective. "The continent is not going to be a prosperous market until the people can feed themselves," he says.

Yet he and other Bank officials stress that, while they are allocating a high percentage of the Bank's resources for this goal, they are doing so on sound banking principles. On the one hand, suggests one Bank officer, "there is a desperate need for a given project—the people can't work as hard as they might because they are sick, and their productivity is low because they are hungry." But on the other hand, he adds, "we have to look at the viability of the project, to be sure it can generate sufficient income to pay back principal and interest."

"We never forget," says still another senior Af.D.B. executive, "we are a bank." ©



Quality control at a textile plant in Gofreville, Ivory Coast.



A railroad through a tropical rain forest—the Transgabon railway under construction between Owendo and Franceville.

Sound banking principles and total professionalism: An interview with Wila D. Mung'Omba, President of the African Development Bank

When you talk to potential investors about the Bank's securities, which are the strengths that you personally stress? The most important is the management and staff. It is vital for outsiders to know that we have a cadre of personnel who can handle the bank's business efficiently.

Second, it's very important to the investor to know that we insist on adhering to the normal banking principles that are practiced by every financial institution in our line of business. We continually insist on technical, economic and financial viability for all our projects. This means that we only finance viable projects—to ensure that each project generates sufficient revenue in one form or another to pay for itself, and thus minimizing or altogether removing the possibility of default.

What do you emphasize in the capital structure area?

That the African Development Bank has been extremely conservative in its gearing—with 25 percent of the capital paid-in. This insistence on having such a high proportion of capital paid-in has actually placed us out of step, in a favorable sense, with the other multilateral development banks (MDBs), because our ratio of paid-in to callable capital is so high.

Next, it is important to mention the support the regional member countries have given, and finally—and this is something investors have been looking forward to for a long time—the admission to membership of non-regional countries.

This is important because the wise investor prefers to lend to

an organization with which he is familiar. That was one of our primary reasons for opening our doors to non-regionals: we knew that investors in the industrialized countries would feel even more confident in our securities if they knew they were dealing with investments which have the backing of their own governments.

You mentioned the quality of your professional staff as the first strength of African Development Bank's securities. Is there any way to quantify this quality?

The first way is the fact that the professionalism of our staff is borne out by outside institutions, the co-financiers who agree to join in financings with us. Our analysis of projects, our administration of loans, the keeping of our books, the handling of the Bank's assets—none of these have been found wanting by the outsiders we've been working with.

Secondly, there is the dedication of the staff, demonstrated by the way we have been able to increase operations without increasing personnel at anything like the same pace. When I tell outsiders we have only between 400 and 500 professionals on our staff, and relate that to the number of projects we handle [the African Development Bank and its affiliates have been getting an average of more than 70 new projects under way per year], they won't believe it.

Thirdly, the academic qualifications of the professional staff are very, very impressive. We now insist that we cannot recruit anyone as a loan officer, for instance, unless they have at least



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a master's degree in economics, finance, or a related field, and that that degree be accompanied by at least five years' experience in a field related to the work they'll be doing. We have more than 2,000 applicants for professional jobs at any given time, and we'll soon reach a point where we will be giving preference to people with [even more] senior degrees.

With the changes in the capital structure, you've brought the wealthiest countries in the "Western" world in as backers of your securities. Do you envision any further changes, in terms of shareholding?

No, I don't. One of the reasons we opened up our capital structure was our desire to continue to find ways to attract capital to Africa, and I think we have now tapped the main ones that have sufficient capital to export. **Now that you have Western governments as shareholders,**

Wila D. Mung'Omba: "We only finance viable projects—to ensure that each project generates sufficient revenues in one form or another to pay for itself."

will you be under any pressure to take the type of action some people in Washington have been urging on the multilateral development banks—of guiding member borrowers toward the liberalization of their economies?

Only in the event of a request from an individual borrowing member can we do so. As an institution, we are prohibited from any attempt, overt or covert, to impose any sort of economic policy on our members. We are actually barred from doing so by the Bank's Charter. Despite this, do you feel there is a general tendency in your member countries toward less controls and subsidies and central planning, and more reliance on the market mechanism?

Looking around the continent, with the direct contacts between the IMF—which does not insist on observance of these criteria—and our member countries, there

is a lot of liberalization going on in Africa today.

Within the limits of the Charter which you mentioned, how do you see your role as a bank evolving?

I don't see it going only in the direction of putting money into the African economies. I do see it evolving not only as a financial but also as an economic institution. It should expand on the activities it has started in order to supplement its own activities. For instance, institution-building. We've created, or helped to create, such institutions as SIFIDA, an investment institution based in Geneva, the Association of African Development Finance Institutions, the African Re-Insurance Corporation, and Shelter Afrique [an institution that will work on the problem of providing housing throughout the continent].

How do domestic political events and the domestic

policies of member countries affect the operations of the African Development Bank? The recent change of power in Upper Volta, for example?

I like to think this is an aspect for which we must be proud of those who first conceived the Bank. They created an institution which was really above the domestic problems of individual countries. Events in Upper Volta would not have any effect on our operations.

The only way in which changes in domestic situations may impact us is when there are changes in the organization of countries and these changes affect our implementation of projects. To that extent domestic politics do have an effect on our operations, but I must add very quickly that, when such interruptions have occurred, the governments concerned have been very quick to contact us to see how we can work with them. ©



ABBAS/GAMMA-LIAISON

Financial strengths endorsed by analysts and investors

The credit of this Bank compares most favorably with the credits of the Inter-American Development Bank (I.A.D.B.), the Asian Development Bank (As.D.B.), the World Bank and the European Investment Bank (E.I.B.)," says Edward J. Waters, with the concurrence of S. Melvin Rines, both Vice Presidents in Corporate Finance of the New York investment banking firm Kidder, Peabody & Co. Incorporated.

To the international investor, there are two particularly interesting aspects to this uncompromising statement. One is the quality of the institutions to which Waters and Rines are favorably comparing Af.D.B. All

four of the multilateral development banks are rated triple-A by Moody's and Standard & Poor's, and that in the financial markets these credits are regarded as superior to all but the most superior of all sovereign credits.

The other point of particular significance about Waters and Rines' analysis is the quality of the corporate finance analysts: the Kidder, Peabody officials have made a series of studies of the MDBs, and their thoroughness has made them the leading authorities on Wall Street, and probably anywhere in the world, on the creditworthiness of these institutions.

In the past three years, Waters and Rines have done in-depth

analyses of the As.D.B. (running 173 pages), of the I.A.D.B. (running 188 pages), as well as reports on the MDBs as a group. During this summer they have concluded extensive research on a similar basis for the Af.D.B. In a number of areas of crucial importance to investors, they found, Af.D.B. comes out ahead of all the others:

- At year-end 1982, the total equity (subscribed capital and reserves) as a percentage of total loans outstanding was 712.3 percent for African Development Bank. By comparison, the respective percentages for the Inter-American Development Bank (at June 30, 1982), Asian Development Bank (at Decem-



Pipelines bring oil to the outstation at Obagui in Nigeria—one of the world's leading oil producers.

ber 31, 1982), World-Bank (at June 30, 1982), and European Investment Bank (at December 31, 1982) were 451.1 percent, 325.7 percent, 161 percent, and 88.2 percent.

- Also for these periods, "stockholders' equity" (paid-in capital plus reserves) as a percentage of total loans outstanding was 95.2 percent for Af.D.B., against 75.3 percent for I.A.D.B., 88.6 percent for As.D.B., 27.1 percent for the World Bank and 17 percent for E.I.B.

- In terms of long-term debt to subscribed capital plus reserves, African Development Bank also offered the most conservative structure. For the periods noted above, its percentage of 8.5 percent compared favorably, Waters and Rines found, with 17 percent for I.A.D.B., 24.3 percent for As.D.B., 40.3 percent for the World Bank and 50.8 percent for the E.I.B. When long-term debt is compared only to paid-in capital plus reserves, these figures reflected 40.9 percent for Af.D.B., 55.1 percent for I.A.D.B., 54.1 percent for As.D.B., 80.1 percent for World Bank, and 84.3 percent for the E.I.B.

It is important to note that the African Development Bank percentages above were calculated without including the capital subscriptions of the United States and some other non-African member countries which were not formerly admitted until early 1983. Waters and Rines also calculated the ratios above at March 31, 1983, when the full non-regional contributions had been fixed and the results were of course even more favorable to Af.D.B. Total equity as a percentage of total loans rose to 835.8 percent. Paid-in capital and reserves alone as a percentage of total loans rose to 112.9 percent. And the percentage of long-term debt to total capital subscriptions and reserves was

reduced to 7 percent, which long-term debt to the Bank's in capital and reserves was 35.6 percent.

- On the same basis, comparing the African Development Bank at March 31, 1983 to the periods noted above for the other MDBs, in terms of the coverage of net funded debt by the newly subscribed capital of the industrialized countries alone, the African Development Bank shows the strongest percentage of all the MDBs. While the I.A.D.B. and As.D.B. have impressive percentages of 205.4 percent and 170.8 percent, and the World Bank and E.I.B. have 84.6 percent and 69.6 percent, Af.D.B., has no less than 361.3 percent. As Waters and Rines point out, "the subscribed capital of the United States alone covered 80.3 percent of the African Development Bank's net funded debt."

RAPID PROFIT GROWTH AHEAD

Moreover, for these same periods, the liquidity position of the Af.D.B. as a percentage of total funded debt of 56.9 percent compares quite favorably with that of the I.A.D.B. (57.5 percent), World Bank (29.2 percent), As.D.B. (71.8 percent) and E.I.B. (10.3 percent).

Not surprisingly, the Kidder, Peabody analysis showed that the African Development Bank was not stronger than its opposite numbers in profitability. In terms of net income growth, for instance, the other MDBs as a group reported annual net income growth rates of 17.6 percent, I.D.B.; 25.9 percent, World Bank; 9.8 percent, As.D.B.; and 25 percent, E.I.B. over the past four years, while Af.D.B. reported a growth rate of approximately 1.2 percent during this period.

Nevertheless, authorities on MDBs regard this shortcoming as less than especially serious, for

two reasons. First, Af.D.B. kept its profit margins deliberately low as a matter of policy. Second, now that it is making more use of the international capital markets, it has adjusted lending rates to reflect these costs and fully anticipates that the Bank will achieve a net income growth rate of approximately 36.1 percent over the 1982-1986 period.

Kidder, Peabody says that as a development bank Af.D.B. "held the view that it was more important to make lower interest rate loans to its members than to accumulate net income in the form of reserves" on behalf of those same members. And, as Bank officials observe, Af.D.B. had two other good reasons for keeping its lending rates low. One was that it wanted to build its asset portfolio, and to get itself recognized by member countries as a key source of funds. The other was that it could afford to charge low rates because such a high percentage of its funding came from paid-in equity capital, on which, of course, it paid no interest.

With all these factors favoring low lending rates, Af.D.B. was actually charging as little as 7 percent on its loans as recently as the middle of last year, when world market rates were so high that the U.S. government was borrowing at 14 percent. Since then, this policy has been amended: the current lending rate for the Af.D.B. is 9.5 percent, and in future the Bank will review its lending rate periodically to take account of changing economic conditions—and set the rate to reflect its marginal cost of borrowing.

This policy change, paradoxically, will help rather than harm the economic situation of borrowing countries. While it will raise their borrowing costs, it will enable them to borrow more, because it will enable the African Development Bank to raise more and lend more. Moreover, it will

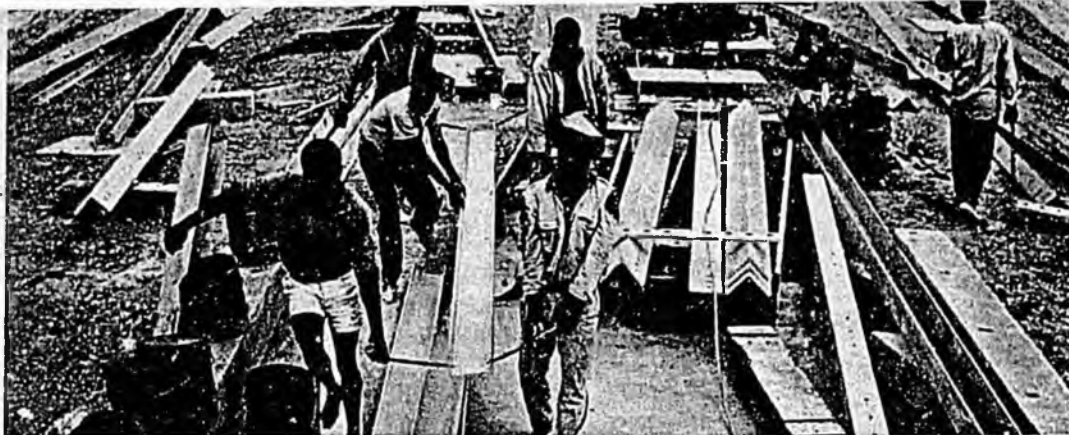
still permit member countries to borrow at rates far lower than those they could obtain on the open market—significantly lower, in practice, than the 11.5 percent currently being paid by the U.S. Treasury. The members that cannot afford to pay any interest at all will continue to borrow from the African Development Fund, a concessional fund administered by Af.D.B., but whose loans, under the Bank's constitution, represent no liability of any kind to the Bank.

While, according to Kidder, Peabody's calculations, the Af.D.B.'s new interest charges will have an extremely significant effect on the Bank's net income (a compound growth rate of 36.1 percent for the 1982–1986 period) and will reinforce Af.D.B.'s credit accordingly, the basic strength of this credit is, nevertheless, the paid-in and callable capital of its members. And now that the industrialized countries have added their cash contributions as well as their moral backing to the commitments of the African nations, that basic strength is more vigorous than ever.

GROWING RECOGNITION AMONG INTERNATIONAL INVESTORS

The African countries are rightly proud of the fact that, until they decided on a major expansion of Af.D.B.'s activities to accelerate Africa's development, they had financed their Bank very handsomely on their own credits. As Irving Friedman, the former top IMF official who is now an advisor to Af.D.B., says, one of the strengths of the Bank is that "[the regional] membership has shown a high degree of responsibility in meeting their obligations to the Af.D.B." Another is that the Bank "has a good—a very good—standing among those who have lent to it."

Among those who have lent



to Af.D.B., and who have organized loans to the Bank by lead-managing issues, there is a strong feeling that the addition of industrialized countries to the membership will add immeasurably to Af.D.B.'s securities' appeal. Uwe F. Flach, a senior official of Deutsche Genossenschaft (D.G. Bank), which led Af.D.B.'s 100 million deutschemark issue in September, 1982, mentions as the chief appeals to investors the facts that "Af.D.B.'s paid-in capital approximately equals its long-term and short-term liabilities, its approved loans represent only 43 percent of subscribed capital, and disbursed loans represent only 14.5 percent." In addition, he says, it is noteworthy that Af.D.B. has the highest percentage of paid-in capital of all the supranational organizations, and the debt-equity ratio is a "convincing argument" from the investor's viewpoint. Furthermore, he continues, the recent opening of the capital to non-African states, and the one-third participation of the industrialized nations in the capital of the Bank "has upgraded the investment quality in the eyes of European investors, individuals and institutions alike."

From Tokyo comes a similar but more emphatic impression. Japanese investors are impressed with the quality of Af.D.B.'s management, its loan portfolio, and its capital structure. Yet to them the overriding consideration is the commitment of the industrialized nations in general, and Japan in particular. "Western summit member countries' capital share in the Bank is the most decisive factor in determining its creditworthiness," says Koichi Kimura, a senior official of Daiwa Securities, while Masao

Kumon, a managing director of Nomura, observes that "sophisticated investors will not hold any doubt about the creditworthiness of the Bank due largely to the fact that Japan has joined the Bank." Moreover, Japan's joining more or less guarantees that Af.D.B. will enjoy excellent borrowing terms in the big Japanese capital market. "Supranational financial institutions with Japanese government participation are ranked at the top of the Tokyo capital market," says Yoshihiko Ando, general manager of the international division at the Long Term Credit Bank of Japan: Af.D.B. will be treated, he says, like the World Bank, Asian Development Bank, and Inter-American Development Bank—"as first-class issuers."

And the United States? As DG Bank's Flach points out, "the African Development Bank is regarded [by European institutions] as by far the best risk in Africa." With endorsements like his and those of the Japanese institutions, it should not be long before U.S. investors form the same judgment. At the moment, says Irving Friedman, the most common reaction when he talks with financial people, is the proverbial blank look: "Lack of acquaintance, sheer ignorance." He adds, though, that when he tells them what Af.D.B. is, "there is a very keen interest, an easy acceptance of the fact that African Development Bank is like the other regional development banks." Given the good name of these others in the U.S., and the uncompromising recommendation of Waters and Rines, Af.D.B. should be sure of a welcome in the American and international capital market. ©

Building a bridge to span the Louesse River in Gabon. Infrastructural needs are a pressing priority in Africa's development plans.

Growing recognition in the international marketplace: An interview with Dr. Rolf M. Jøker, Executive Director of the African Development Bank

When you talk with other international financial people about the African Development Bank, is there anything they find surprising?

Many investment bankers and bond dealers have not heard a lot about our institution. This is because, in the past, it operated on a relatively low level. The African countries paid in a very high percentage of subscribed capital, and this was mainly the resource base for the Bank to operate—there being no intention to borrow substantial amounts in capital markets.

This situation started to change in the late 1970s and early 1980s (because it became desirable to raise the level of operations) and this implied the need to implement changes in the Bank's financial policies and to get bankers and investors to know what the African Development Bank is and what it's all about.

Once they do start paying attention what do they find especially interesting?

Once they realize that we work on the same lines as the World Bank and the Asian Development Bank and Inter-American Development Bank, and that we benefit from the same government guarantees, which is an aspect that is particularly important to bankers and bond investors, they quickly begin to show interest in doing business with us.

Then we can get into more detail and when we explain to them that, like other multilateral development banks, we have never incurred any losses, that we do not go in for debt reschedulings, and that we have a very

low funded debt, they get even more intrigued. On this last point, our level of funded debt is very low relatively as well as absolutely. In fact we even have an advantage over these other multilateral development banks in this respect. We have only borrowed against about 10 percent of our callable capital.

What this means is that all the outstanding debts of the African Development Bank are covered tenfold by the callable capital of our approximately 70 member countries. For the sake of argument it can be demonstrated that all this debt does not even exceed the guarantee level provided by only two or three of the most creditworthy countries in the world, such as the United States, the Federal Republic of Germany and Switzerland.

That is one aspect in which we are better off than most other institutions. We also benefit, because we are a relatively new institution from the viewpoint of non-regional countries, from a very high level of support from the governments of these countries—which is reflected in our very high level of paid-in capital, 25 percent. If you have followed recent discussions about the replenishment of paid-in capital at the other multilateral development banks, they talked of levels between zero and 7½ percent. **Is this realized by the foreign financial people with whom you speak? How widely known is this very high level of capital guarantees of the African Development Bank, and is its significance generally appreciated.**

We have to distinguish between bankers and the investors who buy bonds in the market. The



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bankers we deal with already know, or they very quickly understand what this involves. For the rest, my experience shows that they are not well informed; they don't know that such guarantees exist.

But you are pretty well established in some markets?

We have already floated bonds in the German and Austrian markets, and we've done syndicated loans in Japan: in those three markets we are known, though I wouldn't say well known. In Germany we've had three issues, and our bonds have done quite well, so we're probably best known there.

We also have done syndicated loans and floating rate notes and we have a number of standby facilities—a concept devised by the finance people of this Bank to always have sufficient funds available if needed for disbursements, etc., without having to draw down the full amount immediately. This is something we've done in the past that is now recommended to other development banks, as a

Rolf M. Jøker: "We have never incurred any losses, we do not go in for debt reschedulings, and we have a very low funded debt."

way of keeping liquidity at a reasonable level at low cost. As we move into the capital markets for long-term borrowing we will reduce drawing on these standby lines, because they are priced on a floating rate base and tend to be more expensive.

What are you doing to get the Bank better known to investors?

In the markets we enter, we put on "road shows." We send a team of high level staff, headed by our Vice President Finance, Babacar N'Diaye. The team will be assisted by the underwriters and by the Executive Directors representing the countries where borrowings take place.

You mentioned that one of the strongest marketing points for Af.D.B. bonds is the guarantee you provide investors in the form of limiting borrowing in relation to callable capital. Just

how strong are you going to make this guarantee?

Limiting borrowing to callable capital is a statutory limitation, but in practice we will go much lower than this limit, in order to demonstrate our caution to investors. The level we go to is a question on which the Board will have to decide, taking into account market conditions. We have to work towards an optimum, the level at which you can convince investors.

From your experience of working with other MDBs, where do they set their limits?

At the Inter-American Development Bank, they limit borrowings to 80 percent of inter-regional capital. At the Asian Development Bank the limit is the callable capital in convertible currency: in theory they've limited themselves to 100 percent of

that, but in practice they've held it down to 75 percent—they are now attempting to fully use the potential up to 100 percent.

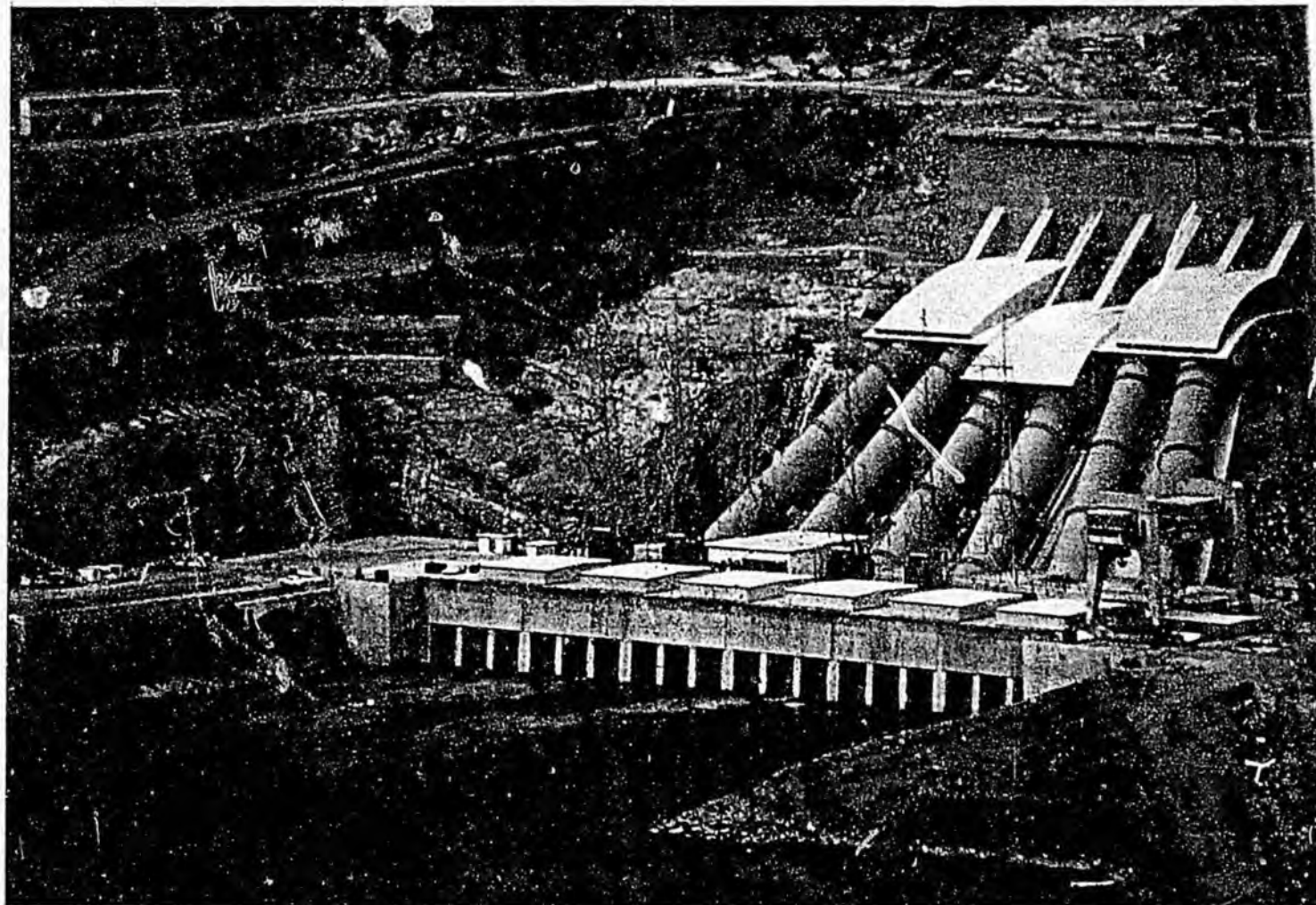
One question that some investors—and some politicians—raise about the staffing of multilateral development banks: does politics enter into the selection of staff here?

I think I can confidently say recruitment of staff is done on merit and qualifications.

As an outside director who has had the opportunity to know all the MDBs, can you say how the professionalism of the African Development Bank compares with that of the others?

I have dealt with all of them on a management level, and here I can say that we also have a competent management team that is aware of the problems and knows how to deal with them. ©

The Volta River Dam: Africa is believed to have the potential to generate 40 percent of the world's hydroelectric power.



Helping a continent develop its resource and market potential

Africa is the continent with a lot of resources waiting to be tapped," observes African Development Bank Vice President for Planning and External Relations Samuel Ogunleye—and investors are becoming increasingly aware of the Continent's promise. Irving Friedman sees this growing interest "in the amount of time I'm able to get from people" to talk about Africa and the Bank.

Europe has always been economically and physically close to Africa. France in particular maintains close ties with the Continent, and relies on Africa for a significant proportion of its external trade and resources. According to DG Bank's Uwe Flach, "European investors and entrepreneurs see greatest promise in projects involving metal processing, particularly aluminum based on the extensive resources of bauxite, [but also] in iron ore, copper, manganese and zinc ...and in the exploration and processing of uranium and crude oil."

The involvement, as Friedman notes, is spreading. Japanese investors, according to economists at the Long Term Credit Bank and Daiwa Securities, are very much aware of the minerals and other natural resources of Africa, and Japan has always been one of the strongest supporters of the African Development Bank. One Af.D.B. publication notes that "when 33 African countries met in Khartoum [in 1963] to sign the agreement establishing the African Development Bank, Japan was one of the few non-African countries which was represented at the conference and the signing ceremony."

Now, of course, some 20 non-African nations have com-

mitted capital to the Bank, and, as Friedman points out, the interest in Africa is not confined to the industrialized West. Brazil, India, Korea and Argentina are among those he mentions as increasingly keen to strengthen their relationships with Africa: for instance, the Banco Nacional de Desenvolvimento, the Brazilian development bank, recently signed a technical cooperation agreement with Af.D.B. for an exchange of technical experts.

A WEALTH OF UNTAPPED RESOURCES

The foreign interest centers on two aspects of Africa: Africa as a resource base and Africa as a market. The continent is rich in both senses:

- "The potential for hydroelectric power is 40 percent of that of the world," says Vice President Donatien Bihute. Many of the enormous possibilities, he points out, "are still untapped." Zaire has the highest potential of all, according to David Twahirwa, head of Af.D.B.'s Statistical Division, followed by Uganda and Ethiopia. Then, it is a matter of "wherever the river Niger goes—Guinea, Mali, Niger, Nigeria." The Zambesi river also, has tremendous potential for hydropower, and Bihute mentions a major multinational dam in construction on the Senegal—the Manantali Dam, owned by Senegal, Mali and Mauretania, and partly financed by Af.D.B.

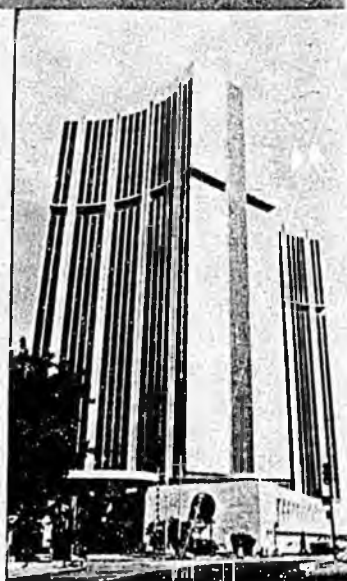
- Under the heading "At last, an alternative to the Mideast," *Business Week* devoted a 1981 cover story to West African oil prospects, and more recently it wrote of "a new tide [there] of offshore investment." It seems that the whole West African coast, from Guinea to Angola,

may contain oil. Congo, Cameroon and Gabon are exporters, the Ivory Coast is very close to self-sufficiency, Nigeria is potentially one of the biggest producers in the world. "Since there is oil in the Ivory Coast and Nigeria, why not also in between?" asks Bihute with a smile. Twahirwa adds that Somalia, Ethiopia, Sudan, Egypt, Zambia, Mozambique and Namibia are among other African countries where the international oil companies are spending money—"and one must assume that they spend their money where they think there are good prospects." Executive Director Pierre Moussa notes that in his own country, Chad, "we've known about oil wells since 1968." Back in Paris, an economist at a top French bank suggests that oil potential may be the reason behind France's recent stepping up of its military presence in Chad.

- Some experts contend that an overwhelming preponderance of the world's strategic minerals reserves—Moussa mentions a figure of 72 percent—are to be found in Africa. Cobalt, chrome, manganese, uranium and vanadium are among the vital minerals for which, as the French economist observes, "there are virtually no other sources of surplus supply."

THE PROMISE OF A MAJOR MARKET

While energy and mineral production and processing represent the greatest potential for foreign investment, food production is Africa's greatest need. When that is met, Africa offers vast promise. "Africa above all constitutes a potential market," says Moussa, and a market which could provide a solution for the surplus



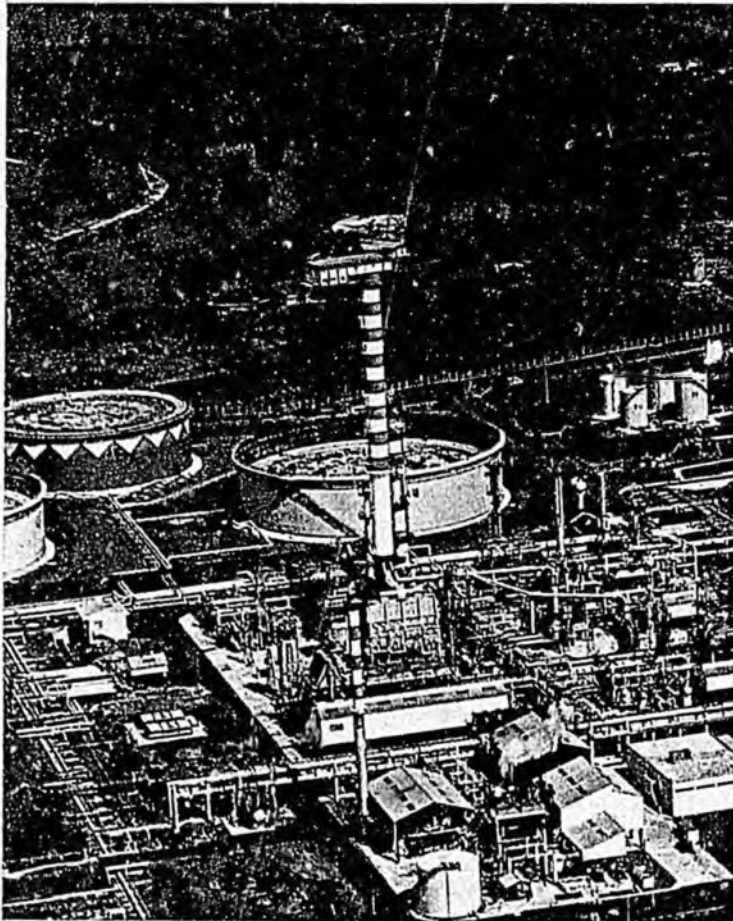
The headquarters of the African Development Bank in Abidjan, Ivory Coast, a country that itself can boast of one of the highest levels of development on the continent.



WORLD BANK PHOTO

A diesel shunting on the Bornu extension of a railroad in Nigeria.

The Sonara Refinery at Cap Limboh, five miles west of Victoria, Cameroon, is designed to provide the country's petroleum needs for the next several years.



ROBERT ROYAL

Af. D.B. Loans by Sector in 1982
(percentage)

Public Utilities 27.7
Agriculture 27.6
Transport 19.1
Education and Health 13.5
Industry and Banks 12.1

\$765.8 million, total

Af. D.B. Loans by Region in 19
(percentage)

East Africa 38.9
West Africa 28.5
Central Africa 21.4
North Africa 11.3

Source: Af. D.B. Annual Report for 1982

industrial capacity problems of the West.

For Africa to realize its potential as a market, however, he and other Af.D.B. officials know that it is essential to build up its human capital, and that is why so much of the Bank's efforts are devoted to agriculture. This, they point out, is plain common sense. "I've had to visit hospitals which have been built with funds from the Bank, and 90 percent of the patients are there because they're suffering from malnutrition," says President Wila Mung 'Omba. "if they had had proper meals and a proper diet, the money spent on those hospitals could have gone to other sectors."

The Bank's economists also make the point that many African countries are capable of becoming breadbaskets for the others. "Zaire, Zimbabwe, Sudan, Mozambique and Angola should not only be self-sufficient in food, they should be exporters," says Twahirwa. Many of them can achieve this goal in the period of the Bank's current five-year plan, he maintains.

Twahirwa also advances some facts that suggest the

capacity of the African market, once this primary need for food is satisfied. It is a widespread misconception, he says, that there is a vicious circle of poverty in every nation in Africa: "People say, 'These countries are all very poor, so they have no savings, so they can't invest, so they stay poor.'" This is simply not true, he contends: "Savings rates are surprisingly high, given the low level of per capita incomes." The figures are not totally reliable, he concedes, and the rates, as might be expected, vary widely from country to country—but generally not less than 15 percent.

With some foreign investment to galvanize this latent economic strength, Africa can fulfill its promise more rapidly than most people in the West are aware. The African Development Bank represents an important channel through which foreign investors can take a share in that realization. One New York banker who knows the institution well sums up the situation neatly: " [Investing in] Af.D.B. is a good way to establish a stake in this promising land." ©

Ivory Coast—a flourishing economy with exceptional promise

"The fact that we're located in Abidjan, Ivory Coast, is an important factor in the Bank's favor," says a senior official of Af.D.B. Location in Abidjan not only places Af.D.B. in a city with good hotels, good services and good communications, it associates the Bank with one of Africa's most promising economies. BERI (the authoritative Business Environment Risk Information service), which ranks the countries of the world for foreign investors by a series of yardsticks, puts the Ivory Coast in the same grouping as South Korea in terms of potential profit opportunity, and well below such countries as Italy in terms of political risk.

According to an economist at Af.D.B., the Ivory Coast owes its success primarily to the quality of leadership of President Houphouët-Boigny. The open economy and atmosphere created by the president "has attracted capital and expertise," says the economist. "It's a process that is self-perpetuating and self-accelerating."

Among the Ivory Coast's recent economic achievements:

- With production at 25,000 barrels a day, it is very near self-sufficiency in oil. According to one knowledgeable local observer, the country has the potential to produce its entire 30,000 barrels-a-day need. Still, with oil at present prices, it makes more sense to import the additional 5,000, and leave Ivory Coast reserves in the ground or seabed for the time when prices improve.

- Meanwhile production of electric power has shot up from 225 gigawatt hours (GWH) in 1966 to 1,844 GWH in 1981 (the latest year for which figures are available)—and 90 percent of it is produced from hydroelectric sources. In the development of some of these sources, loans from African Development Bank have played an important part: another Af.D.B. official notes that the Bank is to lend \$40 million toward the construction of a new dam.

- Between 1975 and 1980, tarred road surfaces increased 60 percent, and Ivory Coast added another 386 kilometers in 1981.

- The country has become the largest coffee producer in Africa—and the third largest in the world.

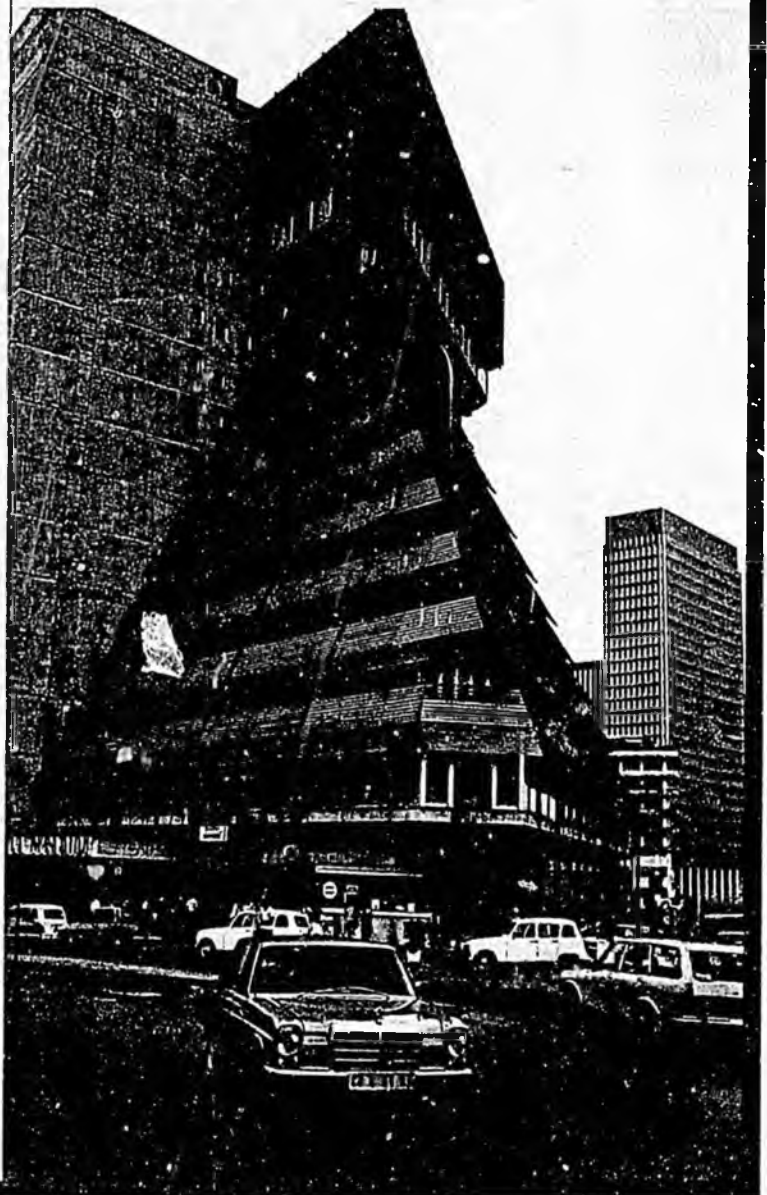
Responsible programs for continued growth

With all these indications of solid progress, the Ivory Coast has also had its share of problems. The big oil price rises of the 1970s, which took place when the country needed to import much more than it does today, played a part in a sharp increase in prices. The recent world recession has cut deeply into exports of coffee and cocoa—which account for half the Ivory Coast's export earnings. And the weakness of the French franc has had a severe impact on the country's debt service costs, because its currency is tied to that of France.

Despite these difficulties, the economy is one of the healthiest on the Continent, says Michel Esnault-Pelterie, a Vice President of Bankers Trust who is the New York institution's Regional Representative in West and Central Africa. "They have taken measures which were extremely courageous" to cure their economic problems, he says, "such as canceling subsidies and cutting down spending considerably." While estimates of current inflation vary quite widely, there is general agreement that it is now under double digit—and well under control.

Two signs of outside interest and confidence in Abidjan are the upcoming opening of a new Hilton Hotel and of a new office building by the World Bank. And one sign of the country's own confidence in itself is up-country—at the new capital, Yamoussoukro, now under construction. Kidder, Peabody Vice Presidents Edward Waters and Melvin Rines, who visited the site in August, returned visibly impressed. For instance, Waters says the new engineering college being built there "will be as good as the finest engineering colleges in the world—including M.I.T."

"La Pyramide" in downtown Abidjan, Ivory Coast—soon to be joined by a new Hilton Hotel and World Bank building.



Careful planning to finance future growth: An interview with Babacar N'Diaye, Finance Vice President of the African Development Bank



Babacar N'Diaye: "We have never made loans out of floating rate funds: all of our loans have been made on the basis of our equity or of fixed borrowings."

What have been the most significant changes in your borrowing strategies?

In the mid-1970s, when we first felt the need to borrow, the Bank had no access to the international bond markets, because the African countries, our sole member countries then, had no access. We could only tap the short-term markets and, because we were then not known at all to international bankers, we had to

accept very high spreads—1 3/4 percent on our first syndicated loan in 1975.

So we had to work on improving our standing—sometimes we would borrow not so much because we needed the money as because we wanted to get ourselves better known in the markets—and on our most recent floating rate borrowing, the spread was down to 3/8 percent.

We also worked on extending our maturities. In 1978 we went to Floating Rate Notes as a bridge between Eurocredits and Eurobonds, and in 1979 we did our first Eurobond issue for 100 million deutschmarks. Since then we've done two more DM issues of bonds, and in April, 1983 we did a bond issue in Austrian schillings.

It's very important to note that this was the first borrowing we've done with the backing of non-regional as well as regional capital. In other words, all our earlier borrowings were made on the strength of the regional capital alone.

What are the most important differences now that you have allowed in non-regional members and greatly increased your equity both with their contributions and the larger contributions of the regionals?

We've changed our policies to reflect the facts that we have both greater equity and continuous access to the bond markets. Which of these markets do you expect to tap over the next year or two?

At this stage, I would not make definite plans to tap one or another on a set schedule. I'd rather look at each market as and when the opportunities arise.

In the same way that you did the first bond issue in Kuwaiti dinars in 1977?

In the sense that we were getting our name known, yes. But in general, this will be a period in which we fix the name of the institution in the different markets, and we'd rather concentrate on the main long-term capital markets—the dollar, the yen, the deutschmark, the Swiss franc, and the Dutch guilder.

So you haven't any definite plans yet for your entry into the U.S.?

It is something we are contemplating, but there are a lot of preparations to be made.

Eventually, entry into the U.S. capital market is essential, not only to broaden our supply of funds, but for two other reasons: one is that the U.S. market gives a longer term than other markets; the second is that it gives us greater leverage in the other markets.

The Asian Development Bank considers that one of its great borrowing strengths is that it has the capital sufficiency not to need to take the maximum amount from any one market at any one time. Do you feel you have the same flexibility?

For the moment, that is the situation. It could change as we get very much bigger, but we have standby facilities which we can use any time we need instant liquidity. We would fall back on these facilities only if we were unable to arrange fixed term financing at what we regard as reasonable cost.

According to the Bank's Operational Program for 1982-1986, your borrowing needs over the next three years were likely to

be about \$950 million. Is that still the case?

Disbursements run pretty much according to plan, so these numbers are still pretty good.

If the world economic recovery continues at least through a reasonably long business cycle, would that cause an increase in your borrowings?

Yes, the world recovery will have an effect on the development process of the Third World, and the acceleration of this development would require the injection of more funds into our borrowing member countries. But the process of change takes time, and it would not increase our borrowing requirements until after the 1982-1986 period.

Have any particular types of

institutions been especially keen buyers of your bonds?

After the last issue, Girozentrale (the lead managers) made a good analysis of the buyers, and found that they were spread around among all types of institutions. A pleasant aspect of the issue was that it not only got a quick distribution, it also got a wide distribution. Demand was surprisingly strong.

On that subject of demand, how does the yield on your bonds compare with the yield on the bonds of other regional development banks?

Right before the U.S. and Japan subscribed, the differential between our yields and those of such banks as the Asian Development Bank and the Inter-Amer-

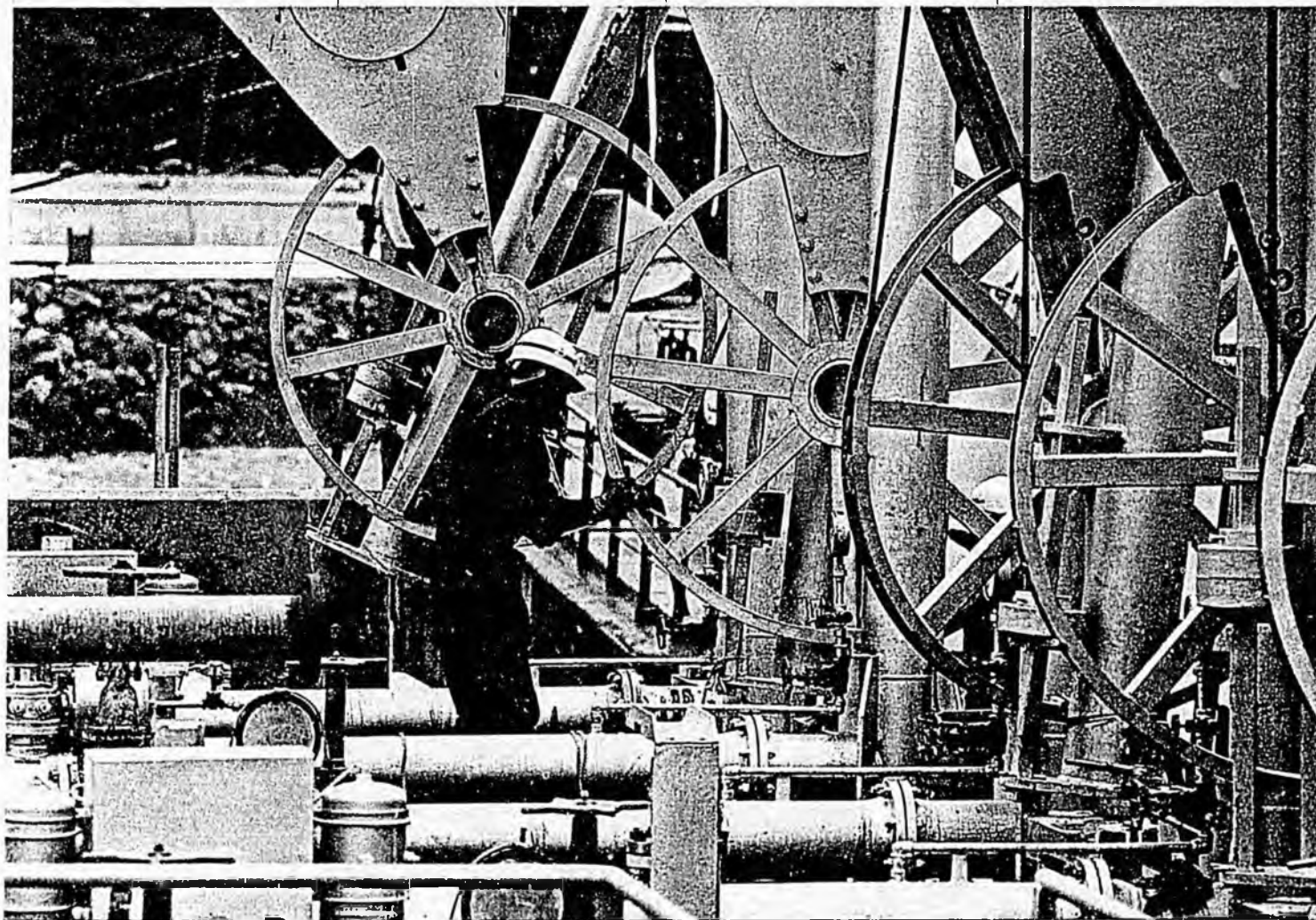
ican Development Bank was around 25 to 30 basis points.

I gather that represents a considerable narrowing—would you expect it to narrow any farther? Now that all the non-regionals are in, my expectation is that the differentials will not only narrow but disappear altogether—at least in the markets where we have made a real penetration.

In markets that are new to us, of course, there will always be a spread, which I call the cost of introduction. But at one point recently we were trading in Germany just about on a par with As.D.B. The key point, in any case, is that the differentials are diminishing.

Going back for a moment to your borrowing in Kuwaiti

The African Development Bank offers an inviting channel for investment in major energy projects. Another view of the Sonara refinery in Cameroon.





UNITED NATIONS/B. WOLFF

dinars, does the Bank as a representative of Third World borrowers get any especially favorable treatment from the Arab banks or Arab funds?

Not particularly. Arab banks that participate in our loans do so on a strictly commercial basis. The Af.D.B. as such gets no special assistance from any funds. And we have never looked for any, because the African Development Bank has to act strictly as a banking institution, just like the other development banks. By comparison with them, the one unfavorable comparison in your operating ratios would appear to be in your operating profit.

There's a certain logic to this. Until we decided to approach the capital markets, we never considered profit growth important. We kept our interest rates very low on the money we were lending, partly because our funding came from paid-in capital, and partly because, to build our asset portfolio, we needed to get ourselves well known as lenders by our member countries. To do this, we needed to make our loans especially attractive in terms of interest rates.

More recently, though, you are paying more attention to profitability? For instance, in 1982 you raised your lending rate to 9.5 percent.

Yes, it is now our policy to get a progressive growth in net income. In line with our Operational Program, we'll have nearly \$300 million in reserves and surplus by the end of 1986.

Could you summarize what you

see as the strongest feature from an investor's viewpoint in your operating procedures ratios?

It is most important that, if you analyze our liquidity against disbursements, you can see that we have never made loans on floating rate funds: all our loans have been made on the basis of our equity or of fixed-term borrowings.

Then of course, there is the structure of the balance sheet of the Bank, with 25 percent of the equity actually paid in, and the low ratio of indebtedness to equity and total capitalization. These features have been analyzed in depth by independent outsiders, and I'd rather invest in what they have studied their conclusions than my own.

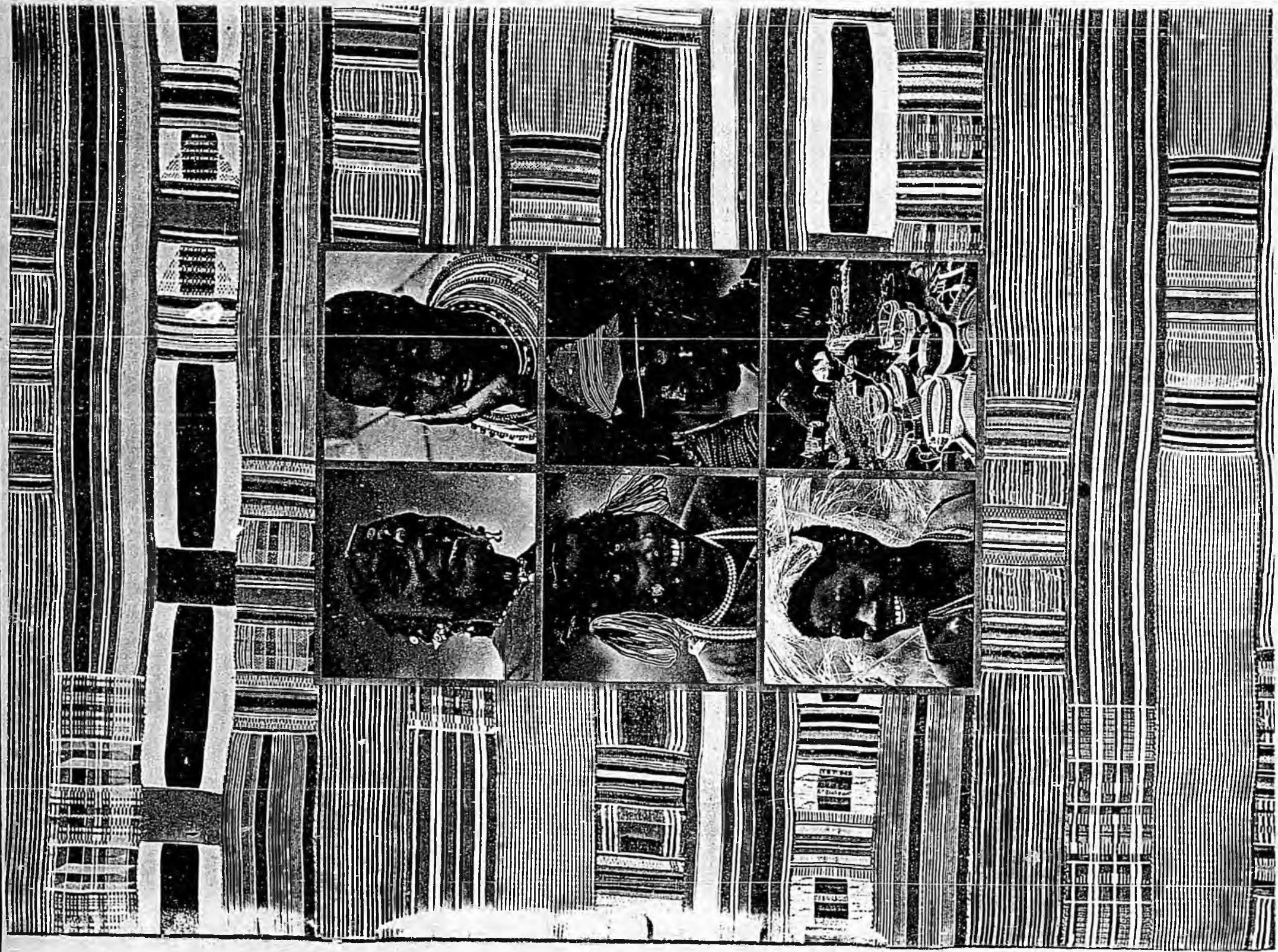
What are the features of the Bank, though, that you personally emphasize, when you talk to lenders and investors?

First that they should realize that this Bank operates as does any other well-run bank—that is, on normal sound banking principles.

Second, I underline the effectiveness of the support of our member countries, because the effectiveness of their support underlines their commitment.

This is reflected in their responses to the Bank's increases in capital, which prove their determination to back the institution [in the most concrete manner] through the subscriptions of the African countries alone—our capital was originally \$250 million, and by 1982 we had raised it to more than \$3 billion. ©

A brick and tile factory being constructed in Dodoma, Tanzania.



Arent, Fox, Kintner, Plotkin & Kahn

Washington Square 1050 Connecticut Avenue, N.W.
Washington, D.C. 20036-5339

David J. Aronofsky
(202) 857-6054

February 3, 1986

FEB 7 1986

VIA EXPRESS MAIL

The Honorable Fred F. Zharoff, Chairman
Committee on Labor and Commerce
Alaska Senate
State Capitol
P.O. Box V
Juneau, Alaska 99811

Dear Senator Zharoff:

As U.S. legal counsel to the African Development Bank, I am writing to request your support for Senate Bill 116 introduced by Senator Rodey and House Companion Bill 277 by Representative Mike Miller to qualify the Bank's obligations for investment by Alaska state banks and insurance companies. Senator Rodey's office has informed me that Senate Bill 116 is currently before your Committee awaiting a hearing.

This Bill merely adds the name of the African Development Bank to those of the other multilateral development banks with identical legal status already listed in the relevant banking and insurance sections of the Alaska Statutes. Moreover, its passage would place state banks on an equal investment footing with Alaska national banks which are already permitted to invest in Bank obligations under federal law (12 U.S.C. § 24. Seventh); and give Alaska insurers investment rights and opportunities equal to those enjoyed by the majority of insurers elsewhere in the United States resulting from passage of this legislation in many other states. Finally, while I understand that South Africa divestiture may still be an issue this year in Alaska, please be assured that the African Development Bank legislation is completely unrelated legislation which would be considered on its own merits without any misunderstanding about this point.

I shall be pleased to come to Juneau to appear before your Committee at a hearing on the Bank legislation this year

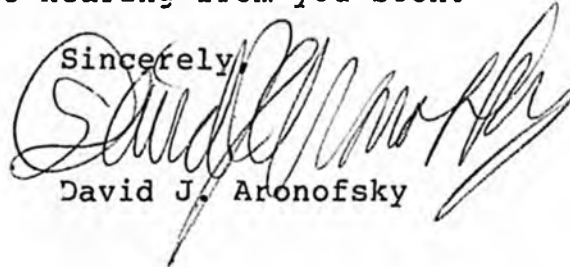
Arent, Fox, Kintner, Plotkin & Kahn

The Honorable Fred F. Zharoff
February 3, 1986
Page 2

so that I can provide you and your Committee Colleagues with all the information you need to make a well-reasoned decision. As I mentioned to Michael Thill on your staff the other day by telephone, I would also like to take such opportunity to discuss with you certain unrelated matters, namely how some of our cruise line clients which are heavily involved in the Alaska cruise trade can become better acquainted with Alaska's legislative leaders on major tourism issues. Working closely with Senator Stevens' staff, I coordinated the Customs Service rules change effort last year which now permits cruise ships to call on more Alaska ports and became quite familiar with the impressive tourism commitment in Alaska's coastal areas. I have recommended that my cruise line clients take the new resulting opportunities to develop stronger ongoing ties with key legislative Committee Chairmen such as yourself and would greatly appreciate your thoughts about how best to accomplish this.

Please do not hesitate to contact me immediately if I can provide you with additional information or materials about the Bank. I look forward to hearing from you soon.

Sincerely,



David J. Aronofsky



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

11/24/89
Date

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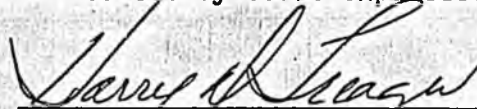
SB 127

SB 127: An Act changing the court jurisdiction of claims against contractors.

The Department of Commerce and Economic Development supports SB 127.

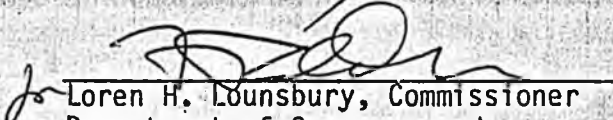
The Bill would allow redress by a consumer to present his/her case in District Court. This would eliminate costly attorney fees and other related costs, thereby allowing available funds to be used toward correcting the construction error.

The present system requires an injured consumer to seek redress through the Superior Court which requires representation by attorneys. Therefore, the amount of the recovery would not be sufficient to cover corrections of the original cause due to costly court expenses.



Harry D. Treager, Director
Division of Occupational Licensing

Date: February 13, 1985



Loren H. Lounsbury, Commissioner
Department of Commerce and
Economic Development

Date: 3/6/85

HDT/kkk/C16

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 31, 1985

SUBJECT: Bill changing jurisdiction of court in which
to bring claims against contractor bonds

TO: Senator Pat Rodey
Chair, Senate Judiciary Committee

FROM: Theresa L. Bannister *TB*
Legislative Counsel

With this memo I am transmitting to you a draft of the bill which you requested to change the court in which claims can be brought against contractor bonds from Superior Court to District Court.

As I mentioned to Roger Lewis over the phone, limiting the court in which the action can be filed to district court may cause a problem for those claimants whose total claim against the contractor exceeds \$10,000. A bond frequently does not cover in amount the total amount that a consumer has against a contractor for a project; in that case the consumer would want to be able to bring all of his/her claims in one action, and the total claims might exceed the district court's jurisdictional limit. District court is only authorized at this time to award damages up to \$10,000. Even if the amount is increased to \$25,000, some claims may exceed that amount. You may wish to give the claimant a choice of district or superior court.

TLB:ojb
J11/041

Attachment

Editor's notes. — This section was controlled by the revisor of statutes to remove personal pronouns in conformity

with AS 01.05.031(c) and § 4, Chapter 58, SLA 1982.

a contractor under any...
ed. All advertising, contracts,
papers and documents prepared
contractor's name and address
ed under this chapter. Individu-
s, agents, salesmen, solicitors
shall use their true names
the capacity of a contractor
00 SLA 1968)

AS 01.05.031(c) and § 4, Chapter
1982.

political subdivision.
under this chapter may not
holding a license issued by
1968).

Insurance.

tion

Insurance required
Advertising bond and insurance
Return of cash deposit

Each applicant shall, at the
station, file with the commis-
sioner of Alaska conditioned upon

the state and political subdi-

material or renting or supply-

ged against the applicant by
breach of contract in the con-
reason of damage to public
construction project.

contractor the amount of the bond
specialty contractor the amount of
surety bond the applicant may
it or other negotiable security
merce, in the amount specified

tion remains in effect until
principal, or the commissioner. No
and later than three years after
am § 1 ch 15 SLA 1977)

NOTES TO DECISIONS

Material and equipment excluded
from operation of section. — AS
08.18.161(5), which makes the chapter
inapplicable to materials and equipment
not incorporated or consumed in the con-
struction of a structure, operates to
exclude such material and equipment from

the operation of this section and AS
08.18.081. Balboa Ins. Co. v. Senco Alas.,
Inc., Sup. Ct. Op. No. 1468 (File No. 3076),
567 P.2d 295 (1977).

Cited in Allison v. State, Sup. Ct. Op.
No. 1703 (File No. 3716), 583 P.2d 813
(1978).

Sec. 08.18.081. Claims against contractor. (a) A person having a claim against a contractor for any of the items referred to in AS 08.18.071 may bring suit upon the bond in the superior court of the judicial district in which the work is done or of any judicial district in which jurisdiction of the contractor may be obtained. A copy of the complaint shall be served by registered or certified mail upon the commissioner at the time suit is filed and the commissioner shall maintain a record, available for public inspection, of all suits commenced. Two copies shall be served upon the director of the division of insurance with the payment of \$5 to the director taxable as costs in the action. This service upon the director shall constitute service on the surety and the director shall transmit the complaint or a copy of it to the surety within 72 hours after it has been received. The surety upon the bond is not liable in an aggregate amount in excess of that named in the bond, but in case claims pending at any one time exceed the amount of the bond, the claims shall be satisfied from the bond in the following order:

- 1) labor, including employee benefits;
 - 2) taxes and contributions due the state, city and borough, in that order;
 - 3) material and equipment;
 - 4) claims for breach of contract;
 - 5) repair of public facilities.
- (b) If a judgment is entered against the cash deposit, the commissioner, upon receipt of a certified copy of a final judgment, shall pay the judgment from the amount of the deposit, in accordance with the priorities set out in (a) of this section. (§ 2 ch 100 SLA 1968; am § 9 ch 127 SLA 1974)

NOTES TO DECISIONS

Material and equipment excluded
from operation of section. — AS
08.18.161(5), which makes the chapter
inapplicable to materials and equipment

not incorporated or consumed in the con-
struction of a structure, operates to
exclude such material and equipment from
the operation of AS 08.18.071 and this sec-

this chapter may act in the capacity of a contractor under any other name unless that name also is registered. All advertising, contracts, correspondence, cards, signs, posters, papers and documents prepared by a contractor which show the contractor's name and address shall show the name and address as registered under this chapter. Individual contractors and partners, associates, agents, salesmen, solicitors, officers and employees of contractors shall use their true names and addresses at all times while acting in the capacity of a contractor or performing related activities. (§ 2 ch 100 SLA 1968)

Editor's notes. — This section was redrafted by the revisor of statutes to remove personal pronouns in conformity

with AS 01.05.031(c) and § 4, Chapter 5, SLA 1982.

Sec. 08.18.061. Requirements of political subdivision. A contractor who is licensed by the state under this chapter may not be required to give bond in applying for or holding a license issued by a political subdivision. (§ 2 ch 100 SLA 1968).

Article 2. Bond and Insurance.

Section

- 71. Bond required
- 81. Claims against contractor
- 91. Cancellation of bond

Section

- 101. Insurance required
- 111. Advertising bond and insurance
- 115. Return of cash deposit

Sec. 08.18.071. Bond required. (a) Each applicant shall, at the time of applying for a certificate of registration, file with the commissioner a surety bond running to the State of Alaska conditioned upon the applicant's promise to pay

(1) all taxes and contributions due the state and political subdivisions,

(2) all persons furnishing labor or material or renting or supplying equipment to the applicant, and

(3) all amounts that may be adjudged against the applicant by reason of negligent or improper work or breach of contract in the conduct of the contracting business or by reason of damage to public facilities occurring in the course of a construction project.

(b) If the applicant is a general contractor the amount of the bond shall be \$5,000; if the applicant is a specialty contractor the amount of the bond shall be \$2,000. In lieu of the surety bond the applicant may file with the commissioner a cash deposit or other negotiable security acceptable to the commissioner of commerce, in the amount specified for bonds.

(c) The bond required by this section remains in effect until cancelled by action of the surety, the principal, or the commissioner. No action may be commenced upon the bond later than three years after its cancellation. (§ 2 ch 100 SLA 1968; am § 1 ch 15 SLA 1977)

Editor's notes. — This section was redrafted by the revisor of statutes to remove personal pronouns in conformity with AS 01.05.031(c) and § 4, Chapter 5, SLA 1982.

NOT

Material and equipment excluded from operation of section. — Section 08.18.161(5), which makes the chapter inapplicable to materials and equipment not incorporated or consumed in the construction of a structure, operation, or maintenance of a structure, shall not include such material and equipment.

Sec. 08.18.081. Claims against a contractor. A contractor licensed under 08.18.071 may bring suit upon a claim against a contractor in the judicial district in which the contractor is licensed or in which jurisdiction of the court is proper. The complaint shall be served by the commissioner at the time suit is filed. A record, available for public inspection, additional copies shall be served upon the contractor and the surety with the payment of the claim. This service upon the contractor and the surety shall be completed within 72 hours after the bond is not liable in an action upon the bond, but in case of a claim for an amount of the bond, the claim shall be paid in the following order:

(1) labor, including employment of the contractor;

(2) taxes and contributions;

(3) material and equipment;

(4) claims for breach of contract;

(5) repair of public facilities.

(b) If a judgment is entered against a contractor, upon receipt of a certificate of judgment from the amount of the claim, the priorities set out in (a) of this section shall apply. (AS ch 127 SLA 1974)

NOT

Material and equipment excluded from operation of section. — Section 08.18.161(5), which makes the chapter inapplicable to materials and equipment not incorporated or consumed in the construction of a structure, operation, or maintenance of a structure, shall not include such material and equipment.

N.B. REVISOR MADE A TITLE
CHANGE IN L&C CS;

Chairman's Information:

1) CSSB 127(L&C): "An act relating to claims against contractors"

a) Introduced: Senate Judiciary

b) Co-Sponsors:

2) INTENT: The original bill changed the court in which claims could be brought against a contractor from Superior Court to district court. This change would have eliminated costly attorney fees and allowed a consumer to present his case before a district court. After testimony in the Labor and Commerce committee, a CS was drafted which would allow a person to seek redress in a district court or in Superior court. Additional changes reflecting drafting style were made by Legal Services.

FISCAL NOTE: 0

Note: No effective date on this bill

3) COMMITTEE COMMENTS:

4) PUBLIC HEARINGS:

a) Sponsor: Sen Rodey testified at the first hearing, and Sen Eliason requested the drafting of a CS;

b) Public witnesses:

5) BILL ACTION:

a) Hold in committee?

b) Assign to sub committee for further review?

c) Move from Committee?

d) close public hearings?

6) COMMITTEE ACTION:

a) amendments?

b) CS adoption? Chairman needs to move for the adoption of L&C CS

Original sponsor: Judiciary Committee

BY THE LABOR AND
COMMERCE COMMITTEE

1
2 IN THE SENATE

3 CS FOR SENATE BILL NO. 127 (L&C)
4 IN THE LEGISLATURE OF THE STATE OF ALASKA
5 FOURTEENTH LEGISLATURE - FIRST SESSION

6 A BILL

7 For an Act entitled: "An Act relating to claims against contractors."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 08.18.081(a) is amended to read:

10 (a) A person having a claim against a contractor for an item
11 [ANY OF THE ITEMS] referred to in AS 08.18.071 may bring suit on
12 [UPON] the bond in the district court or superior court of the judi-
13 cial district where [IN WHICH] the work is done or where [OF ANY
14 JUDICIAL DISTRICT IN WHICH] jurisdiction of the contractor may be
15 obtained. The person having a claim shall serve a [A] copy of the
16 complaint [SHALL BE SERVED] by registered or certified mail on [UPON]
17 the commissioner at the time suit is filed and the commissioner shall
18 maintain a record, available for public inspection, of all suits
19 commenced. The person shall serve two [TWO] additional copies on
20 [SHALL BE SERVED UPON] the director of the division of insurance with
21 the payment of \$5 to the director taxable as a cost [COSTS] in the
22 action. This service on [UPON] the director shall constitute service
23 on the surety and the director shall transmit the complaint or a copy
24 of it to the surety within 72 hours after it has been received. The surety
25 on [UPON] the bond is not liable in an aggregate amount in excess of
26 that named in the bond, but if the [IN CASE] claims pending at [ANY]
27 one time exceed the amount of the bond, the claims shall be satisfied
28 from the bond in the following order:

- 29 (1) labor, including employee benefits;
(2) taxes and contributions due the state, city and

1
2 borough, in that order;

3 (3) material and equipment;

4 (4) claims for breach of contract;

5 (5) repair of public facilities.
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Introduced: 2/4/85
Referred: Labor & Commerce
and Judiciary

1 IN THE SENATE

BY THE JUDICIARY COMMITTEE

2

SENATE BILL NO. 127

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act changing the court jurisdiction of claims
7 against contractors."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 08.18.081(a) is amended to read:

10 (a) A person having a claim against a contractor for any of the
11 items referred to in AS 08.18.071 may bring suit upon the bond in the
12 district court [SUPERIOR COURT] of the judicial district in which the
13 work is done or of any judicial district in which jurisdiction of the
14 contractor may be obtained. A copy of the complaint shall be served
15 by registered or certified mail upon the commissioner at the time suit
16 is filed and the commissioner shall maintain a record, available for
17 public inspection, of all suits commenced. Two additional copies shall
18 be served upon the director of the division of insurance with the
19 payment of \$5 to the director taxable as costs in the action. This
20 service upon the director shall constitute service on the surety and
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22 surety within 72 hours after it has been received. The surety upon
23 the bond is not liable in an aggregate amount in excess of that named
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25 amount of the bond, the claims shall be satisfied from the bond in the
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29 ough, in that order;

- 1 (3) material and equipment;
- 2 (4) claims for breach of contract;
- 3 (5) repair of public facilities.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
BILL ANALYSIS

DEPARTMENT Commerce & Econ. Dev.	DIVISION Occupational Licensing	BILL NUMBER SB 127	SPONSOR Senate Judiciary Committee
DEPARTMENT POSITION Support with amendment.			
PREPARED BY Harry D. Treaquer, Director	DATE 2/8/85	COMMISSIONER'S SIGNATURE Loren H. Lounsbury	DATE 3/6/85

SUMMARY

OTHER AGENCIES AFFECTED BY BILL Alaska Court System	CONSTITUENT GROUP(S) AFFECTED BY BILL Construction Contractors
ORGANIZATIONAL SUPPORT FOR BILL	ORGANIZATIONAL OPPOSITION TO BILL

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

Currently injured consumers must use the Superior Court system, this requires representation by attorneys. The amount of recovery does not allow for corrections of the original cause because of expense getting into court.

ANALYSIS OF BILL/PROGRAM EFFECTS

This bill would allow a consumer to present his own case in District Court, eliminate attorney and related costs, thereby reducing the amount available to correct construction error considerably.

AMENDMENTS PROPOSED

Page 1, line 19, after payment insert "as prescribed in AS 21.06.250."

1654W2885a

PLEASE ATTACH A SEPARATE SHEET FOR ADDITION

BILL ANALYSIS: DIV. OF
OCCUPATIONAL LICENSING

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 127
 Title: "An Act changing the court jurisdiction of claims against contractors"
 Sponsor: _____
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Commerce & Economic Dev.
 Program Category Affected: Consumer Protection
 BRU, Program or Subprogram(s) Affected: _____
 Division of Occupational Licensing

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND						
FEDER. FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: Jennifer Strickler, Management Analyst Phone: 465-2144
 Division: Occupational Licensing Date: February 7, 1985
 Approved by Commissioner: Loren H. Lounsbury Date: 3/6/85
 Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):
 Legislative Finance
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 Office of Management and Budget
 Impacted Agency(ies)



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Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

SB 129: Sectional Analysis

- Section 1) Provides for a ballot choice of "no representation" in an initial election for representation.
- Section 2) Removes noncertificated employees of school boards from the class of public employees that may engage in a strike, for a limited time, after mediation. The effect would be to allow this class of public employees to strike for an unlimited time after a bargaining impasse.
- Section 3) Adds a new section which would prohibit a school board or a municipality from rejecting the provisions of PERA applying to their noncertificated employees.
- Section 4) Adds noncertificated employees of school boards to the definition of "public employee".
- Section 5) Changes the definition of "public employer" to include school board rather than the current school district.
- Section 6) Adds a new paragraph which defines "school board" to include an REAA school board.
- Section 7) Nothing in this act modifies a collective bargaining unit, representative, or agreement which is in effect on the effective date of this act.

STATUTES RELATED TO SB 129

AS23.40.100

CHAPTER = 23.40
SECTION = 23.40.100
TITLE = 23
HEADINGS TITLE 23.
Labor and Workers' Compensation.
CHAPTER 40.
Labor Organizations.
ARTICLE 2.
Public Employment Relations Act.
CITATION Sec. 23.40.100.

CATCH LINE

REPRESENTATIVES AND ELECTIONS.

TEXT

(a) The labor relations agency shall investigate a petition if it is submitted in a manner prescribed by the labor relations agency and is

- (1) by an employee or group of employees or an organization acting in their behalf alleging that 30 per cent of the employees of a proposed bargaining unit
 - (A) want to be represented for collective bargaining by a labor or employee organization as exclusive representative, or
 - (B) assert that the organization which has been certified or is currently being recognized by the public employer as bargaining representative is no longer the representative of the majority of employees in the bargaining unit; or
- (2) by the public employer alleging that one or more organizations have presented to it a claim to be recognized as a representative of a majority of employees in an appropriate unit.

(b) If the labor relations agency has reasonable cause to believe that a question of representation exists, it shall provide for an appropriate hearing upon due notice. If the labor relations agency finds that there is a question of representation, it shall direct an election by secret ballot to determine whether or by which organization the employees desire to be represented and shall certify the results of the election. Nothing in this section prohibits the waiving of hearings by stipulation for the purpose of a consent election in conformity with the regulations of the labor relations agency or an election

AS23.40.100 (cont.)

in a bargaining unit agreed upon by the parties. The labor relations agency shall determine who is eligible to vote in an election and shall establish rules governing the election. In an election in which none of the choices on the ballot receives a majority of the votes cast, a runoff election shall be conducted, the ballot providing for selection between the two choices receiving the largest and the second largest number of valid votes cast in the election. If an organization receives the majority of the votes cast in the election it shall be certified by the labor relations agency as exclusive representative of all the employees in the bargaining unit.

(c) An election may not be held in a bargaining unit or in a subdivision of a bargaining unit if a valid election has been held within the preceding 12 months.

(d) Nothing in this chapter prohibits recognition of an organization as the exclusive representative by a public agency by mutual consent.

(e) An election may not be directed by the labor relations agency in a bargaining unit in which there is in force a valid collective bargaining agreement, except during a 90-day period preceding the expiration date. However, a collective bargaining agreement may not bar an election upon petition of persons in the bargaining unit but not parties to the agreement if more than three years have elapsed since the execution of the agreement or the last timely renewal, whichever was later.

HISTORY (Sec. 2 ch 113 SLA 1972)

AS23.40.200

CHAPTER = 23.40
SECTION = 23.40.200
TITLE = 23
HEADINGS TITLE 23.
Labor and Workers' Compensation.
CHAPTER 40.
Labor Organizations.
ARTICLE 2.
Public Employment Relations Act.
CITATION Sec. 23.40.200.

CATCH LINE

CLASSES OF PUBLIC EMPLOYEES; ARBITRATION.

TEXT

(a) For purposes of this section, public employees are employed to perform services in one of the three following classes:

(1) those services which may not be given up for even the shortest period of time;

(2) those services which may be interrupted for a limited period but not for an indefinite period of time; and

(3) those services in which work stoppages may be sustained for extended periods without serious effects on the public.

AS23.40.200(cont.)

(b) The class in (a)(1) of this section is composed of police and fire protection employees, jail, prison and other correctional institution employees, and hospital employees. Employees in this class may not engage in strikes. Upon a showing by a public employer or the labor relations agency that employees in this class are engaging or about to engage in a strike, an injunction, restraining order, or other order which may be appropriate shall be granted by the superior court in the judicial district in which the strike is occurring or is about to occur. If an impasse or deadlock is reached in collective bargaining between the public employer and employees in this class, and mediation has been utilized without resolving the deadlock, the parties shall submit to arbitration to be carried out under AS 09.43.030.

(c) The class in (a)(2) of this section is composed of public utility, snow removal, sanitation and public school and other educational institution employees. Employees in this class may engage in a strike after mediation, subject to the voting requirement of (d) of this section, for a limited time. The limit is determined by the interests of the health, safety or welfare of the public. The public employer or the labor relations agency may apply to the superior court in the judicial district in which the strike is occurring for an order enjoining the strike. A strike may not be enjoined unless it can be shown that it has begun to threaten the health, safety or welfare of the public. A court, in deciding whether or not to enjoin the strike, shall consider the total equities in the particular class. "Total equities" includes not only the impact of a strike on the public but also the extent to which employee organizations and public employers have met their statutory obligations. If an impasse or deadlock still exists after the issuance of an injunction, the parties shall submit to arbitration to be carried out under AS 09.43.030.

(d) The class in (a)(3) of this section includes all other public employees who are not included in the classes in (a)(1) or (a)(2) of this section. Employees in this class may engage in a strike if a majority of the employees in a collective bargaining unit vote by secret ballot to do so.

(e) Notwithstanding the provisions of (b), (c) and (d) of this section, the employees with the concurrence of the employer may agree in writing to submit a dispute arising from interpretation or application of a collective bargaining agreement to arbitration.

(f) The parties to a collective bargaining agreement may provide in the agreement a contract for arbitration to be conducted solely according to the Uniform Arbitration Act (AS 09.43) if the Act is incorporated into the agreement or contract by reference.

HISTORY (Sec. 2 ch 113 SLA 1972)

AS09.43.030

CHAPTER = 09.43
SECTION = 09.43.030
TITLE = 09
HEADINGS TITLE 9.
Code of Civil Procedure.
CHAPTER 43.
Arbitration.
ARTICLE 1.
Uniform Arbitration Act.

CITATION Sec. 09.43.030.

CATCH LINE

APPOINTMENT OF ARBITRATORS BY COURT.

TEXT If the arbitration agreement provides a method of appointment of arbitrators, this method shall be followed. If no method of appointment is provided, or if the agreed method fails or for any reason cannot be followed, or when before the hearing an arbitrator appointed fails or is unable to act and a successor has not been appointed, the court on application of a party shall appoint one or more arbitrators. An arbitrator so appointed has all the powers of one specifically named in the agreement.

HISTORY (Sec. 1 ch 232 SLA 1968)

AS23.40.250

CHAPTER = 23.40
SECTION = 23.40.250
TITLE = 23
HEADINGS TITLE 23.
Labor and Workers' Compensation.
CHAPTER 40.
Labor Organizations.
ARTICLE 2.
Public Employment Relations Act.

CITATION Sec. 23.40.250.

CATCH LINE

DEFINITIONS.

TEXT In AS 23.40.070 - 23.40.260, unless the context otherwise requires,

(1) "collective bargaining" means the performance of the mutual obligation of the public employer or the employer's designated representatives and the representative of the employees to meet at reasonable times, including meetings in advance of the budget making process and negotiate in good faith with respect to wages, hours and other terms and conditions of employment, or the negotiation of an agreement, or negotiation of a question arising under an agreement and the execution of a written contract

AS23.40.250(cont.)

incorporating an agreement reached if requested by either party, but these obligations do not compel either party to agree to a proposal or require the making of a concession;

(2) "election" means a proceeding conducted by the labor relations agency in which the employees in a collective bargaining unit cast a secret ballot for collective bargaining representatives, or for any other purpose specified in AS 23.40.070 - 23.40.260;

(3) "labor relations agency" means the state personnel board with regard to the state and employees of the state, and means the Department of Labor with regard to all other public employees and all other public employers;

(4) "monetary terms of an agreement" means the changes in the terms and conditions of employment resulting from an agreement that will require an appropriation for their implementation or will result in a change in state revenues or productive work hours for state employees.

(5) "organization" means a labor or employee organization of any kind in which employees participate and which exists for the primary purpose of dealing with employers concerning grievances, labor disputes, wages, rates of pay, hours of employment and conditions of employment;

(6) "public employee" means any employee of a public employer, whether or not in the classified service of the public employer, except elected or appointed officials or teachers or noncertificated employees of school districts;

(7) "public employer" means the state or a political subdivision of the state, including without limitation, a town, city, borough, district, board of regents, public and quasi-public corporation, housing authority or other authority established by law, and a person designated by the public employer to act in its interest in dealing with public employees;

(8) "terms and conditions of employment" means the hours of employment, the compensation and fringe benefits, and the employer's personnel policies affecting the working conditions of the employees; but does not mean the general policies describing the function and purposes of a public employer.

HISTORY (Sec. 2 ch 113 SLA 1972; am sec. 2 ch 10 SLA 1984)

AS 26.15.040(b); (8) [deleted] and (9) the guaranteed portion of Small Business Administration loans. No more than 25 per cent of the surplus may be invested in mortgage securities of the Department of Commerce, and the state shall appropriate sufficient money from the general fund to reimburse the teachers' retirement system for any losses incurred as a result of failure of the obligors to pay on the notes. No more than \$400,000 of the surplus may be invested annually in the mortgage securities of the Department of Natural Resources, and the state shall appropriate sufficient money from the general fund to reimburse the teachers' retirement system for any losses incurred as a result of failure of the obligors to pay on the notes.

* Sec. 2. AS 39.35.110(a) is amended by adding a new paragraph to read:

(9) the guaranteed portion of Small Business Administration loans.

* Sec. 3. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.

Approved by governor: June 7, 1972
Actual effective date: June 8, 1972



LAWS OF ALASKA

1972

Source

HB 683 am S

Chapter No.

112

AN ACT

Relating to wages, hours and working arrangements.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 23.10.140 is amended to read:

Sec. 23.10.140. PENALTY. An employer who violates a provision of secs. 50 - 150 of this chapter, or of any regulation or order of the commissioner issued under it, upon conviction is punishable by a fine of not less than \$100 nor more than \$2,000, or by imprisonment for not less than 10 nor more than 90 days, or by both. Each day a violation occurs constitutes a separate offense.

* Sec. 2. AS 23.40 is amended by adding new sections to read:

ARTICLE 2. PUBLIC EMPLOYMENT RELATIONS ACT.

Sec. 23.40.070. DECLARATION OF POLICY. The legislature finds that joint decision making is the modern way of administering government. If public employees have been granted the right to share in the decision-making process affecting wages and working conditions, they have become more responsive and better able to exchange ideas and information on operations with their administrators. Accordingly, government is made more effective. The legislature further finds that the enactment of positive legislation establishing guidelines for public employment relations is the best way to harness and direct the energies of public employees eager to have a voice in determining their conditions of work, to provide a rational method for dealing with disputes and work stoppages, to strengthen the merit principle where civil service is in effect and to maintain a favorable political and social environment. The legislature declares that it is the public policy of the state to promote

harmonious and cooperative relations between government and its employees and to protect the public by assuring effective and orderly operations of government. These policies are to be effectuated by

(1) recognizing the right of public employees to organize for the purpose of collective bargaining;

(2) requiring public employers to negotiate with and enter into written agreements with employee organizations on matters of wages, hours, and other terms and conditions of employment;

(3) maintaining merit system principles among public employees.

Sec. 23.40.080. RIGHTS OF PUBLIC EMPLOYEES. Public employees may self organize and form, join or assist an organization to bargain collectively through representatives of their own choosing, and engage in concerted activities for the purpose of collective bargaining or other mutual aid or protection.

Sec. 23.40.090. COLLECTIVE BARGAINING UNIT. The labor relations agency shall decide in each case, in order to assure to employees the fullest freedom in exercising the rights guaranteed by secs. 70 - 260 of this chapter, the unit appropriate for the purposes of collective bargaining, based on such factors as community of interest, wages, hours and other working conditions of the employees involved, the history of collective bargaining, and the desires of the employees. Bargaining units shall be as large as is reasonable and unnecessary fragmenting shall be avoided.

Sec. 23.40.100. REPRESENTATIVES AND ELECTIONS. (a) The labor relations agency shall investigate a petition if it is submitted in a manner prescribed by the labor relations agency and is

(1) by an employee or group of employees or an organization acting in their behalf alleging that 30 per cent of the employees of a proposed bargaining unit

(A) want to be represented for collective bargaining by a labor or employee organization as exclusive representative, or

(B) assert that the organization which has been certified or is currently being recognized by the public employer as bargaining representative is no longer the representative of the majority of employees in the bargaining unit; or

(2) by the public employer alleging that one or more organizations have presented to it a claim to be recognized as a representative of a majority of employees in an appropriate unit.

(b) If the labor relations agency has reasonable cause to believe that a question of representation exists, it shall provide for an appropriate hearing upon due notice.

If the labor relations agency finds that there is a question of representation, it shall direct an election by secret ballot to determine whether or by which organization the employees desire to be represented and shall certify the results of the election. Nothing in this section prohibits the waiving of hearings by stipulation for the purpose of a consent election in conformity with the regulations of the labor relations agency or an election in a bargaining unit agreed upon by the parties. The labor relations agency shall determine who is eligible to vote in an election and shall establish rules governing the election. In an election in which none of the choices on the ballot receives a majority of the votes cast, a runoff election shall be conducted, the ballot providing for selection between the two choices receiving the largest and the second largest number of valid votes cast in the election. If an organization receives the majority of the votes cast in the election it shall be certified by the labor relations agency as exclusive representative of all the employees in the bargaining unit.

(c) An election may not be held in a bargaining unit or in a subdivision of a bargaining unit if a valid election has been held within the preceding 12 months.

(d) Nothing in this chapter prohibits recognition of an organization as the exclusive representative by a public agency by mutual consent.

(e) No election may be directed by the labor relations agency in a bargaining unit in which there is in force and effect a valid collective bargaining agreement, except during a 90-day period preceding the expiration date. However, no collective bargaining agreement may bar an election upon petition of persons in the bargaining unit but not parties to the agreement if more than three years have elapsed since the execution of the agreement or the last timely renewal, whichever was later.

Sec. 23.40.110. UNFAIR LABOR PRACTICES. (a) A public employer or his agent may not

(1) interfere, restrain or coerce an employee in the exercise of his rights guaranteed in sec. 80 of this chapter;

(2) dominate or interfere with the formation, existence or administration of an organization;

(3) discriminate in regard to hire or tenure of employment or a term or condition of employment to encourage or discourage membership in an organization;

(4) discharge or discriminate against an employee because he has signed or filed an affidavit, petition or complaint or given testimony under secs. 70 - 260 of this chapter;

(5) refuse to bargain collectively in good faith with an organization which is the exclusive representative of employees in an appropriate unit, including but not limited to the discussing of grievances with the exclusive representative.

(b) Nothing in this chapter prohibits a public employer from making an agreement with an organization to require as a condition of employment

(1) membership in the organization which represents the unit on or after the 30th day following the beginning of employment or on the effective date of the agreement, whichever is later; or

(2) payment by the employee to the exclusive bargaining agent of a service fee to reimburse the exclusive bargaining agent for the expense of representing the members of the bargaining unit.

(c) A labor or employee organization or its agents may not

(1) restrain or coerce

(A) an employee in the exercise of the rights guaranteed in sec. 80 of this chapter, or

(B) a public employer in the selection of his representative for the purposes of collective bargaining or the adjustment of grievances;

(2) refuse to bargain collectively in good faith with a public employer, if it has been designated in accordance with the provisions of secs. 70 - 260 of this chapter as the exclusive representative of employees in an appropriate unit.

Sec. 23.40.120. INVESTIGATION AND CONCILIATION OF COMPLAINTS. If a verified written complaint by or for a person claiming to be aggrieved by a practice prohibited by sec. 110 of this chapter, or a written accusation that a person subject to secs. 70 - 260 of this chapter has engaged in a prohibited practice, is filed with the labor relations agency, it shall investigate the complaint or accusation. If it determines after the preliminary investigation that probable cause exists in support of the complaint or accusation, it shall try to eliminate the prohibited practice by informal methods of conference, conciliation, and persuasion. Nothing said or done during this endeavor may be used as evidence in a subsequent proceeding.

Sec. 23.40.130. COMPLAINT AND ACCUSATION. If the labor relations agency fails to eliminate the prohibited practice by conciliation and to obtain voluntary compliance with secs. 70 - 260 of this chapter, or, before it attempts conciliation, it may serve a copy of the complaint or accusation upon the respondent. The complaint or accusation and the subsequent procedures shall be handled in accordance with the administrative adjudication portion of the Administrative Procedure Act (AS 44.62).

Sec. 23.40.140. ORDERS AND DECISIONS. If the labor relations agency finds that a person named in the written complaint or accusation has engaged in a prohibited practice, the labor relations agency shall issue and serve on the person an order or decision requiring him to cease and desist from the prohibited practice and to take affirmative

action which will carry out the provisions of secs. 70 - 260 of this chapter. If the labor relations agency finds that a person named in the complaint or accusation has not engaged or is not engaging in a prohibited practice, the labor relations agency shall state its findings of fact and issue an order dismissing the complaint or accusation.

Sec. 23.40.150. ENFORCEMENT BY INJUNCTION. The labor relations agency may apply to the superior court in the judicial district in which the prohibited practice occurred for an order enjoining the prohibited acts specified in the order or decision of the labor relations agency. Upon a showing by the labor relations agency that the person has engaged or is about to engage in the practice, an injunction, restraining order, or other order which is appropriate may be granted by the court and shall be without bond.

Sec. 23.40.160. POWER TO INVESTIGATE AND COMPEL TESTIMONY. (a) For the purpose of the investigations, proceedings, or hearings which the labor relations agency considers necessary to carry out the provisions of secs. 70 - 260 of this chapter, the labor relations agency may issue subpoenas requiring the attendance and testimony of witnesses and the production of relevant evidence.

(b) The labor relations agency may administer oaths, examine witnesses, and receive evidence.

(c) The attendance of witnesses and the production of evidence may be required from any place in the state at any designated place of hearing.

(d) If a person refuses to obey a subpoena issued under secs. 70 - 260 of this chapter, the superior court in the district in which the person resides or is found may, upon application by the labor relations agency, issue an order requiring him to comply with the subpoena.

Sec. 23.40.170. REGULATIONS. The labor relations agency may adopt regulations under the Administrative Procedure Act (AS 44.62) to carry out the provisions of secs. 70 - 260 of this chapter.

Sec. 23.40.180. PENALTY FOR VIOLATION OF ORDER OR DECISION. A person who violates a provision of an order or decision of the labor relations agency is guilty of a misdemeanor and is punishable by a fine of not more than \$500.

Sec. 23.40.190. MEDIATION. If, after a reasonable period of negotiation over the terms of a collective bargaining agreement, a deadlock exists between a public employer and an organization, the labor relations agency may appoint a competent, impartial, disinterested person to act as mediator in any dispute either on its own initiative or on the request of one of the parties to the dispute. The parties may also select a mediator by agreement or mutual consent. It is the function of the mediator to bring the parties together voluntarily under such favorable auspices as will tend to effectuate settlement of the dispute, but neither the mediator nor the labor relations agency has any power of compulsion in mediation proceedings.

Sec. 23.40.200. ARBITRATION. (a) For purposes of this section, public employees are employed to perform services in one of the three following classes:

(1) those services which may not be given up for even the shortest period of time;

(2) those services which may be interrupted for a limited period but not for an indefinite period of time; and

(3) those services in which work stoppages may be sustained for extended periods without serious effects on the public.

(b) The class in (a)(1) of this section is composed of police and fire protection employees, jail, prison and other correctional institution employees, and hospital employees. Employees in this class may not engage in strikes. Upon a showing by a public employer or the labor relations agency that employees in this class are engaging or about to engage in a strike, an injunction, restraining order, or other order which may be appropriate shall be granted by the superior court in the judicial district in which the strike is occurring or is about to occur. If an impasse or deadlock is reached in collective bargaining between the public employer and employees in this class, and mediation has been utilized without resolving the deadlock, the parties shall submit to arbitration to be carried out under AS 09.43.030.

(c) The class in (a)(2) of this section is composed of public utility, snow removal, sanitation and public school and other educational institution employees. Employees in this class may engage in a strike after mediation, subject to the voting requirement of (d) of this section, for a limited time. The limit is determined by the interests of the health, safety or welfare of the public. The public employer or the labor relations agency may apply to the superior court in the judicial district in which the strike is occurring for an order enjoining the strike. A strike may not be enjoined unless it can be shown that it has begun to threaten the health, safety or welfare of the public. A court, in deciding whether or not to enjoin the strike, shall consider the total equities in the particular class. "Total equities" includes not only the impact of a strike on the public but also the extent to which employee organizations and public employers have met their statutory obligations. If an impasse or deadlock still exists after the issuance of an injunction, the parties shall submit to arbitration to be carried out under AS 09.43.030.

(d) The class in (a)(3) of this section includes all other public employees who are not included in the classes in (a)(1) or (a)(2) of this section. Employees in this class may engage in a strike if a majority of the employees in a collective bargaining unit vote by secret ballot to do so.

(e) Notwithstanding the provisions of (b), (c) and (d) of this section, the employees with the concurrence of the employer may agree in writing to submit a dispute

arising from interpretation or application of a collective bargaining agreement to arbitration.

(f) The parties to a collective bargaining agreement may provide in the agreement a contract for arbitration to be conducted solely according to the Uniform Arbitration Act (AS 09.43) if the Act is incorporated into the agreement or contract by reference.

Sec. 23.40.210. AGREEMENT. Upon the completion of negotiations between an organization and a public employer, if a settlement is reached, the employer shall reduce it to writing in the form of an agreement. The agreement may include a term for which it will remain in effect, not to exceed three years. The agreement shall include a grievance procedure which shall have binding arbitration as its final step. Either party to the agreement has a right of action to enforce the agreement by petition to the labor relations agency.

Sec. 23.40.215. FUNDING. The monetary terms of any agreement entered into under the Public Employment Relations Act are subject to funding through legislative appropriation.

Sec. 23.40.220. LABOR OR EMPLOYEE ORGANIZATION DUES AND EMPLOYEE BENEFITS, DEDUCTION AND AUTHORIZATION. Upon written authorization of a public employee within a bargaining unit, the public employer shall deduct from the payroll of the public employee the monthly amount of dues, fees and other employee benefits as certified by the secretary of the exclusive bargaining representative and shall deliver it to the chief fiscal officer of the exclusive bargaining representative.

Sec. 23.40.230. ASSISTANCE BY DEPARTMENT OF LABOR. When state employees are involved, the Department of Labor shall, if requested by the personnel board, and if there is no objection by the organization involved, assist the personnel board on matters such as, but not limited to, conducting elections and investigating unfair labor practices.

Sec. 23.40.240. EFFECT ON EXISTING UNITS, REPRESENTATIVES AND AGREEMENTS. Nothing in this chapter terminates or modifies a collective bargaining unit, recognition of exclusive bargaining representative, or collective bargaining agreement if the unit, recognition, or agreement is in effect at the time this Act becomes effective.

Sec. 23.40.250. DEFINITIONS. In secs. 70 - 260 of this chapter, unless the context otherwise requires,

(1) "collective bargaining" means the performance of the mutual obligation of the public employer or his designated representatives and the representative of the employees to meet at reasonable times, including meetings in advance of the budget-making process and negotiate in good faith with respect to wages, hours and other terms and conditions of employment, or the negotiation of an agreement, or negotiation of a question arising under an agreement and the execution of a written contract incorporating

an agreement reached if requested by either party, but these obligations do not compel either party to agree to a proposal or require the making of a concession;

(2) "election" means a proceeding conducted by the labor relations agency in which the employees in a collective bargaining unit cast a secret ballot for collective bargaining representatives, or for any other purpose specified in secs. 70 - 260 of this chapter;

(3) "labor relations agency" means the state personnel board with regard to the state and employees of the state, and means the Department of Labor with regard to all other public employees and all other public employers;

(4) "organization" means a labor or employee organization of any kind in which employees participate and which exists for the primary purpose of dealing with employers concerning grievances, labor disputes, wages, rates of pay, hours of employment and conditions of employment;

(5) "public employee" means any employee of a public employer, whether or not in the classified service of the public employer, except elected or appointed officials or teachers or noncertificated employees of school districts;

(6) "public employer" means the state or a political subdivision of the state, including without limitation, a town, city, borough, district, board of regents, public and quasi-public corporation, housing authority or other authority established by law, and a person designated by the public employer to act in its interest in dealing with public employees;

(7) "terms and conditions of employment" means the hours of employment, the compensation and fringe benefits, and the employer's personnel policies affecting the working conditions of the employees; but does not mean the general policies describing the function and purposes of a public employer.

Sec. 23.40.260. SHORT TITLE. Secs. 70 - 260 of this chapter may be cited as the Public Employment Relations Act.

* Sec. 3. AS 09.43.010 is amended to read:

Sec. 09.43.010. ARBITRATION AGREEMENTS VALID; APPLICATION OF CHAPTER. A written agreement to submit an existing controversy to arbitration or a provision in a written contract to submit to arbitration a subsequent controversy between the parties is valid, enforceable and irrevocable, except upon grounds which exist at law or inequity for the revocation of a contract. However, this chapter does not apply to a labor-management contract unless it is incorporated into the contract by reference or its application provided for by statute.

* Sec. 4. This Act is applicable to organized boroughs and

political subdivisions of the state, home rule or otherwise, unless the legislative body of the political subdivision, by ordinance or resolution, rejects having its provisions apply.

* Sec. 5. AS 23.40.010 is repealed.

BRIEFING PAPER
SENATE BILL No. 129

Under this bill, the Department of Labor would act as the labor relations agency for 53 separate school districts involving approximately 4,400 non-certified employees. The Department would be responsible for investigating representation petitions, determining appropriate units for collective bargaining purposes, conducting elections, investigating unfair labor practices, conducting preliminary hearings and formal hearings under the Administrative Procedure Act, mediating labor disputes, strike action, resolving grievances, acting as a mediation and conciliation service subsequent to impasse during collective bargaining negotiations, and acting as an arbitration tribunal for the formal resolution of grievances pursuant to a collective bargaining agreement being entered into between school districts and labor organizations.

There are a number of employee groups and labor organizations that have indicated an interest in organizing this sizable group of public employees. Except for the four larger school districts in the state (Juneau, Anchorage, Kenai, and Fairbanks) which are loosely organized, virtually all other school districts are unorganized and unaffiliated. It would be necessary for the labor relations agency to determine community of interest groups, to hold representational elections, and to respond to unfair labor practice charges and related disputes.

Other states which have enacted PERA laws to cover this class of employees have advised the Department that during the first few years the laws were in effect, management or employee representatives of 50 percent of the covered school districts filed unfair labor practice charges which resulted in hearings before the labor relations agency. The hearings typically last from one to five days. Assuming that our experience would be comparable to that of other states, we would expect that approximately 26 of the school districts would generate unfair labor practice charges requiring hearings before the labor relations agency. Under PERA, such hearings are required to be heard by an attorney hearing officer using the Administrative Procedure Act guidelines.

In addition to unfair labor practice proceedings, we expect approximately 50 percent of the 53 school districts to be involved in employee organizing during the first year the new law is in effect. In each case, the Department would be responsible for determining the appropriate unit for collective bargaining, based upon such factors as community of interest, wages, hours, and other working conditions of the employees involved, and the history of collective bargaining and the desires of the employees.

Our experience with political subdivisions shows that the average representation/certification proceeding spans a period of two months. The proceeding begins with the filing of a petition by a labor organization with the agency which demonstrates a showing of a community of interest within the employee group to be represented.

The Department must then examine employer records to determine the accuracy of the information listed in the petition and whether or not a showing of a community of interest actually represents a minimum of 30 percent of the work force required for an election to be conducted. Once the community of interest has been verified, the petition is then posted for a period of 15 days to allow sufficient time for the employer or other interested persons to file objections to the conduct of an election or for intervention by other labor organizations. The 15-day posting period is also used to respond to inquiries generated by the petition and to prepare ballots, mailers, and other documents required by statute.

After the 15-day posting period, there is then a period of about two to three weeks when the agency will schedule hearings to resolve objections or challenges to the conduct of an election, to clarify the community of interest, and to make investigations into the right of an intervener to appear on the ballot. Once these issues have been resolved, the election can proceed. Two persons are required to conduct an election at the polling place to ensure that the persons voting are so entitled, that there is no tampering with the secret ballot process, and that electioneering is not conducted within the restricted limits of the polling place. After polling is completed, the ballots must be counted and notification given to all parties, who may challenge the conduct of the election, challenge any ballot, call for recount, or challenge the right to vote of any member of the community of interest. Once the election challenges have been resolved, a bargaining unit is then certified or representation is denied, based upon the vote of the majority. After certification, the agency acts as mediator if the parties reach an impasse during collective bargaining negotiations or acts as an arbitration tribunal to resolve formal grievances under the executed collective bargaining agreement.

Based on past experience, the Department anticipates that coverage of non-certified school employees will require substantial time and resources. Even though many of the employees covered by this legislation are in communities accessible by road, the majority of the school districts are located in the rural areas of Alaska and are accessible only by air travel, ferry, or charter aircraft. Typically, it would require two days of travel to conduct pre-election hearings, and two days of travel to conduct post-election hearings and certification. Moreover, if unfair labor practice charges are generated during the organizational activities or as a result of pre-election campaign interference, this would increase costs significantly. Hearings on unfair labor practice charges require an attorney hearing officer and are conducted under the formal rules of the Administrative Procedure Act. Such hearings are required whenever mediation or conciliation fails to resolve the unfair labor practice complaints or objections to the conduct of an election.

To illustrate the costs associated with representation/certification proceedings, the Department acting as a labor relations agency was recently involved in a lengthy and complex case involving 253 employees in the City of Fairbanks. This situation came about when the City of Fairbanks opted back into PERA in September of 1983. The size and composition of the unit would be equivalent to one medium-sized school district. The Department expended over 1,200 manhours to resolve the issues and certify the bargaining units. The personal services cost of these manhours which include clerical support,

investigators, hearing officers, and board member activities was \$34,000; travel and per diem was \$3,600; transcription cost was \$2,900; mailing, postage, and phone costs were \$300; the total cost of this activity was over \$41,000.

Other examples of the magnitude and complexity of labor relations activity related to school districts and PERA include the following:

- A. The State of Florida by legislative act recently transferred Labor Relations activity for school districts to their public employees relations board. The board's estimated cost for the initial hearings for each school district to clarify communities of interest, appropriateness of bargaining units, and intervention was approximately \$1,500 per day including transcription of the record but exclusive of travel and per diem costs. Hearings for small school districts usually required only one day. The larger districts, however, took several days. The Florida board estimates the cost of an onsite election for their school districts at \$5.00 per employee. Their largest district has 800 workers and cost \$4,000 for the election proceedings alone.
- B. The State of Oregon Public Employee Relations Board has an annual budget of \$1.25 million. They carry an annual case load of 300 matters including elections, unfair labor practices, petitions, and de-certifications. Sixty (60) cases deal with representation, which is about 1/5 of their case load. They allot \$250,000 each year to this type of activity. This figure is slightly larger than what the Department expects with 53 school districts in Alaska.

In summary, the Department believes that our first-year costs are comparable to those of other states. Moreover, in consideration of the higher cost of doing business in Alaska, particularly travel costs, we do not believe that the fiscal note associated with this legislation is extraordinary.

Without adequate funding, the Department would be unable to comply with the statutory mandate of this legislation and could well find itself explaining to a Superior Court judge why it is unable to hold hearings, conduct elections, and otherwise carry out its duties. The end result could be similar to the litigation that occurred a few years ago when the Workers' Compensation Division was unable to get the decisions out on time.



Alaska Public
Employees Association **APEA**
State Headquarters: 340 N. Franklin, Juneau, AK 99801 (907) 586-2334

MEMORANDUM

TO: Senator Fred Zharoff, Chairman
Labor and Commerce Committee

FROM: Cherie Shelley *CS*
Executive Director

SUBJECT: SB 129: Collective Bargaining/School Districts

DATE: March 11, 1985

Equal treatment of employees is the major concern addressed by SB 129. Long overdue, the measure grants collective bargaining rights to noncertificated employees of Alaska's public schools.

These employees are the only public employees excluded from collective bargaining. They include teachers' aides, secretaries and custodians. They are the lowest paid public employees in Alaska. They are the only employees in the educational system who absorb the economic backlash when school boards intimate the presence of financial problems.

SB 129 amends the Public Employment Relations Act to require that "no representation" be one of the ballot choices in all initial representation elections. This provision guarantees that each employee will have the opportunity to fully express his or her wishes on the question of representation.

The bill preserves all existing contracts, bargaining units and bargaining representatives. It establishes the ground rules under which collective bargaining can take place. School boards may not exclude their employees from the provisions of the Public Employment Relations Act.

APEA believes passage of SB 129 will promote better employer-employee relations by affording noncertificated employees the same collective bargaining rights that are provided to teachers and all other public employees.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST
 Bill/Resolution No.: SB 129
 Title: Labor Relations:
School Boards/Employees
 Sponsor: Senator Ray
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL
 Agency Affected: Administration
 Program Category Affected: _____
Administrative Services
 BRU, Program or Subprogram(s) Affected: _____
Labor Relations

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

N/A

ANALYSIS: Attach a separate page for analysis

Prepared By: William J. Gibbons, JR. *JKH*
 Division: Labor Relations

Phone: 465-4404
 Date: February 8, 1985

Approved by Commissioner: Mias Rudd
 Agency: Administration

Date: 2/11/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

- Fiscal Notes (2) Admin. DOL -

12/1/83

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 129
 Title: "An Act relating to labor relations between school boards..."
 Sponsor: Ray
 Requestor: Senate Labor & Commerce
 Date of Request: 2/15/85

FISCAL DETAIL

Agency Affected: Labor
 Program Category Affected: Public Protection
 BRU, Program or Subprogram(s) Affected: Labor Standards and Safety Wage and Hour Administration

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	0	124.7	129.1	74.1	76.7	79.4
200 TRAVEL	0	27.9	29.6	19.5	20.1	21.3
300 CONTRACTUAL	0	89.1	94.5	85.1	90.2	95.6
400 SUPPLIES	0	2.0	2.1	1.4	1.5	1.6
500 EQUIPMENT	0	4.8	0	0	0	0
500 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	248.5	255.3	180.1	188.5	197.9

CAPITAL						
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REVENUE						
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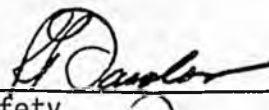
FUNDING: (Thousands of Dollars)

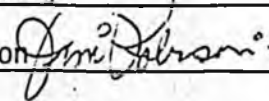
GENERAL FUND	0	248.5	255.3	180.1	188.5	197.9
FEDERAL FUNDS						
OTHER						
TOTAL	0	248.5	255.3	180.1	188.5	197.9

POSITIONS:

FULL-TIME	0	3	3	1	1	1
PART-TIME	0	0	0	1	1	1
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: ^{MB} Robert J. Bacolas, Sr.  Phone: 465-4870
 Division: Labor Standards and Safety Date: 3/8/85

Approved by Commissioner: ^{MB} Jim Robison  Date: 3/8/85
 Agency: Labor

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

7/1/84

Fiscal Note Analysis

Under this bill, the Department of Labor will act as the Labor Relations agency for all school districts and will be responsible for investigating representation petitions; determining appropriate units for collective bargaining purposes; investigating unfair labor practices; monitoring elections; and holding representation and unfair labor practices hearings.

Two investigators (located in Anchorage) are required to conduct the investigations, to monitor the elections, and to hold informal hearings. In addition, one clerical position is required to provide support to the investigators.

In addition to the costs associated with the two Wage and Hour Investigators and one clerical position, the fiscal note also includes costs to contract for a hearing officer on 26 occasions (\$24,000) and court reporting services including transcripts (\$12,700), plus printing (\$5,700) and legal costs (\$13,500). A total of \$6,800 has been included in travel for the hearing officer's transportation and per diem--ten trips of two days each (\$500 + \$180 x 10).

Line item costs for FY 86 are as follows:

Personal Services	\$124,700
Travel	27,900
Contractual Services	89,100
Commodities	2,000
Equipment	4,800
TOTAL	<u>\$248,500</u>

Of these costs, only the equipment costs of \$4,800 are one-time items.

For FY 87 through FY 90, an inflation rate of 3.5 percent has been used for personal services costs, and 6 percent for the other line items.

It is anticipated that the labor relations activity will stabilize after two years. Accordingly, beginning in FY 88, the costs reflect a three-month reduction in the clerk typist position and a deletion of one investigator position.

Other assumptions:

- 1) Effective date of July 1, 1985.
- 2) Contracts of 26 school districts will come up for renegotiations each year.
- 3) Fifty percent of the school districts (equates to approximately 26) will file unfair labor practice charges requiring hearing before the labor relations board.

1.	POSITION TITLE Clerk Typist III				RANGE/STEP 8B	BARG. UNIT GGH	FORM 12 PAGE/LINE	COV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Anch	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE				AMOUNT					
	1		2		3					
	PERSONAL SERVICES*									
5.	Salary		20,136							
6.	Benefits		3,355							
7.	Supplemental Benefits		1,234							
8.	Fixed Benefits		2,732							
9.	TOTAL PERSONAL SERVICES		01		27,457					
0.	Travel		02		0					
1.	Contractual		03		13,016					
2.	Commodities		04		1,000					
3.	Equipment		05		1,600					
4.	Other									
5.	TOTAL COST				43,073					
	RECEIPT CODE	FUNDING SOURCE								
5.		Federal Receipts 1002								
7.		G.F. Match 1003								
3.		General Funds 1004				43,073				
3.		I-A Receipts 1005								
1.		Program Receipts 1028								
1.		Other								
FOR B&M USE ONLY										
4A KEY NUMBER _____										

This position will provide clerical support (typing, answering telephone, mail handling, etc.) for two wage and hour investigators.

Contractual costs include rent of \$3,600, indirect of \$2,416, and equipment rental and other average expenses of \$7,000.

Normal commodities of \$1,000 and a one-time equipment expense of \$1,600 are also included.

AGENCY Department of Labor
PROGRAM Public Protection
BRU Labor Standards and Safety

FY 86

Page 1 of 3

3 REQUEST FOR
NEW POSITION

1.	POSITION TITLE Wage and Hour Investigator II				RANGE/STEP 18A	BARG. UNIT GGU	FORM 12 PAGE/LINE	COV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Anch	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL	ADDITION			JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT						
	1	2	3							
	PERSONAL SERVICES*									
5.	Salary	37,356								
6.	Benefits	6,224								
7.	Supplemental Benefits	2,290								
8.	Fixed Benefits	2,732								
9.	TOTAL PERSONAL SERVICES	01	48,602							
10.	Travel	02	10,550							
11.	Contractual	03	10,083							
12.	Commodities	04	500							
13.	Equipment	05	1,600							
14.	Other									
15.	TOTAL COST		71,335							
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts	1002							
17.		G.F. Match	1003							
18.		General Funds	1004	71,335						
19.		I-A Receipts	1005							
20.		Program Receipts	1028							
21.		Other								
FOR B&M USE ONLY 4A KEY NUMBER _____										

This position will conduct investigations and informal hearings of unfair labor practices complaints filed with this agency. The position will be responsible for monitoring school district representation elections and assisting school districts in complying with state and federal labor relation laws. The investigator will travel extensively throughout the state performing these investigations, hearings, and monitoring functions.

Travel funds allow for 12 (four-day) trips, costing an average of \$539 for transportation and \$340 for per diem.

Contractual services costs include rent of \$3,600, indirect of \$4,483, and other average costs of \$2,000.

Normal commodities of \$500 and a one-time equipment expense of \$1,600 are also included.

AGENCY Department of Labor

PROGRAM Worker Protection

BRU Labor Standards and Safety

FY 86

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13 REQUEST FOR
NEW POSITION

1.	POSITION TITLE Wage and Hour Investigator II				RANGE/STEP 18A	BARG. UNIT GGII	FORM 12 PAGE/LINE	GOV.	APPROV.	DISC.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Anch	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT						
	1	2		3						
	PERSONAL SERVICES									
5.	Salary	37,356								
6.	Benefits	6,224								
7.	Supplemental Benefits	2,290								
8.	Fixed Benefits	2,732								
9.	TOTAL PERSONAL SERVICES	01		48,602						
10.	Travel	02		10,550						
11.	Contractual	03		10,083						
12.	Commodities	04		500						
13.	Equipment	05		1,600						
14.	Other									
15.	TOTAL COST			71,335						
<p>This position will conduct investigations and informal hearings of unfair labor practices complaints filed with this agency. The position will be responsible for monitoring school district representation elections and assisting school districts in complying with state and federal labor relation laws. The investigator will travel extensively throughout the state performing these investigations, hearings, and monitoring functions.</p> <p>Travel funds allow for 12 (four-day) trips, costing an average of \$539 for transportation and \$340 for per diem.</p> <p>Contractual services costs include rent of \$3,600, indirect of \$4,483, and other average costs of \$2,000.</p> <p>Normal commodities of \$500 and a one-time equipment expense of \$1,600 are also included.</p>										
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts 1002								
17.		G.F. Match 1003								
18.		General Funds 1004		71,335						
19.		I-A Receipts 1005								
20.		Program Receipts 1028								
21.		Other								
FOR B&M USE ONLY										
4A KEY NUMBER _____										

3 REQUEST FOR
NEW POSITION

AGENCY Department of Labor
PROGRAM Worker Protection
BRU Labor Standards and Safety

Page 3 of 3

FY 86

Position Paper
Senate Bill 129

This bill would extend coverage of the Public Employment Relations Act (PERA - A.S. 23.40.070 et. seq.) to noncertificated school employees. Currently, where bargaining relationships exist, these employees bargain under local provisions. A clause protecting preexisting bargaining units, representation rights, or collective bargaining agreements is included. The bill would give noncertificated employees "class 3" status - that is, they would have the unlimited right to strike in the event of a bargaining impasse.

School boards, municipalities and REAA's would be expressly prohibited from rejecting the application of PERA to their noncertificated employees and substituting their own scheme of collective bargaining. A final provision, affecting all employees and employers, is the addition of a statutory requirement that "no representation" be a choice on ballots in initial representation elections.

We oppose this bill, for policy reasons. Our opposition is chiefly based upon our belief that bargaining rights for noncertificated school employees should be covered by Title 14, which currently provides for collective bargaining by certificated school employees.

The original PERA permitted political subdivisions of the State to "opt out" of coverage under PERA and substitute their own scheme of collective bargaining; if PERA is to be extended to noncertificated school employees, this local option should be preserved. Finally, the Labor Relations Agency regulations already provide for "no representation" to appear as a choice on all representation election ballots (2 AAC 10.165(b)) making it unnecessary to address this issue in statute.

Prepared by:

William J. Gibbons *WJG*
William J. Gibbons, Director
Division of Labor Relations

2-11-85
Date

Approved By:

Lisa Rudd
Commissioner Lisa Rudd
Department of Administration

2/11/85
Date

Bill No. Senate Bill No. 129

Date March 8, 1985

Title "An Act relating to labor relations between school boards and other public employers and their employees."

Contact: Eileen Plate - 465-2700
Bob Bacolas - 465-4870

This legislation makes it mandatory for all school boards and municipalities to permit their noncertificated employees to enter into collective bargaining and mandates coverage by the Public Employment Relations Act (PERA).

Under this bill, the Department of Labor would become the labor relations agency for 53 separate school districts (including REAA's) involving approximately 4,400 noncertificated employees. The Department would be responsible for investigating representation petitions; determining appropriate units for the purpose of collective bargaining; conducting elections; investigating unfair labor practices; conducting preliminary hearings and formal hearings under the Administrative Procedures Act; mediating labor disputes; monitoring strike actions; resolving grievances; and mediating and arbitrating disputed issues subsequent to impasse during collective bargaining negotiations.

- Section 1: Amends AS 23.40.100(b) to make it mandatory that "no representation" be a choice on all election ballots for elections conducted by the labor relations agency under PERA.
- Section 2: Amends AS 23.40.200(c) to permit noncertificated employees of a school board to engage in a strike.
- Section 3: Adds a new section to AS 23.40 to prohibit a school board or municipality from rejecting having the provisions of the PERA apply to its relations with its noncertificated school employees.
- Section 4: Amends AS 23.40.250(6) to define public employees to include noncertificated employees of school boards and to exclude certificated employees.
- Section 5: Amends AS 23.40.250(7) to define a public employer to include school boards.
- Section 6: Amends AS 23.40.250 by adding a new paragraph to define a school board as including a regional education attendance area.
- Section 7: Provides for existing collective bargaining units, agreements, and recognized bargaining representatives to remain status quo.

There are 53 school boards within the State of Alaska (including REAA's). Therefore, the Department of Labor as the labor relations agency could be monitoring elections for the 53 separate school boards and holding hearings to settle grievances or unfair labor practice charges involving approximately 4,400 noncertificated employees.

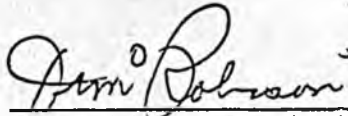
POSITION PAPER/Department of Labor

Four school districts are presently organized or have a collective bargaining agreement with a union or an association. These are Fairbanks, Kenai, Juneau, and Anchorage.

The Department supports the concept of extending collective bargaining to this group of public employees.

The Department's fiscal note is attached.

APPROVED:



Jim Robison, Commissioner
Department of Labor