

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

4836 HLAB HJR 22 - HJR 64

108

Nonresidents Working in Alaska in 1985

State of Alaska
Department of Labor

Steve Cowper, Governor
Jim Sampson, Commissioner

Administrative Services Division

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Research and Analysis Section

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Published January 1987

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PREFACE

In May 1986, the Fourteenth Alaska Legislature amended Title 36 to establish a new system of resident hiring preference on public funded construction projects. The law stipulates that a resident hiring preference will trigger on whenever specific conditions are shown to exist. Consequently, the Commissioner of Labor has been instructed to collect and compile the necessary information and to report annually on the status of employment in Alaska, the effect of nonresident employment on the employment of residents in Alaska, and alternative methods of increasing resident hire.

Last year, under a special appropriation from the legislature, the Department of Labor analyzed the economic impact of nonresident employment in Alaska in 1984. This year's publication, the first annual resident hire report prepared in compliance with Alaska Statute 36.10.130, updates the data contained in that report and provides additional information about the reasons employers hire nonresidents, alternative ways of promoting resident hire, and progress toward determining which geographic areas of the state qualify for preference under existing law.

This report is composed of five chapters and a series of appendixes that contain the best estimates currently available of the impact of nonresidents on Alaska's economy.

Chapter 1 compares employment and unemployment in Alaska to the rest of the United States.

Chapter 2 provides 1985 data about resident and nonresident employment and unemployment in Alaska, and the economic impact of nonresidents on Alaska's economy.

Chapter 3 provides a comparison of how the data contained in Chapter 2 changed from 1984 to 1985.

Chapter 4 describes the process of determining which geographic zones qualify for preference under current law. This chapter explains why no determinations are actually made in this year's report and documents the efforts underway to provide information upon which determinations can be made.

Chapter 5 summarizes the results of several employer surveys in an effort to explain the reasons why employers hire nonresidents and reviews some of the alternative methods available for promoting resident hire.

Readers are urged to read the Sources and Limitations section for an explanation of the limitations of the data provided in this report and to check the Glossary for specific definitions of terms used in this report.

EXECUTIVE SUMMARY

Highlights of the Data

-In 1985, \$691 million were paid to 77,000 nonresident workers in Alaska. This represents an increase of \$14 million and 6,000 employees over 1984. The percentages, however, remained constant from 1984 to 1985 with 12 percent of all wages paid to nonresidents who constituted 23 percent of all employees. See pages 20 and 45.

-The average annual earnings of nonresidents was only 43 percent as much as the average annual earnings of residents of Alaska (down from 48% in 1984). Nonresidents did not spend as much time working in Alaska as residents did. Fifty-eight percent of all residents worked during all four calendar quarters, while only 11 percent of nonresidents worked in Alaska in all four quarters. See page 20.

-1984 and 1985 data are strikingly similar. Although nonresident employees and wages increased in 1985 their overall impact, industry impact, and area impact changed only slightly. See page 45.

-The food processing industry (of which 94% of the firms are in seafood processing) had the highest number of nonresident employees (13,512), the highest percent of wages paid to nonresidents (55%), and the highest percentage of nonresident employees (68%). The oil and gas industry paid the highest amount of wages to nonresidents (\$106 million), although the construction industry as a whole paid more (\$149 million). Of all the wages paid to nonresidents in Alaska in 1985, over 21 percent went to nonresidents who worked in construction (building construction, heavy construction, or special trades construction) and over 15 percent went to nonresidents who worked in oil and gas. See page 23.

-The Anchorage-MatSu Region had the lowest percentage of nonresident wages and employees (10% and 21% respectively); the Southwest Region had the highest (24% and 38%). The Southwest Region also contained both the best and worst (mostly the worst) census areas in the state in terms of the percent of wages paid to nonresidents and the percentage of employees who were nonresidents. Wade Hampton had the lowest nonresident wages and employees (7% and 12% respectively); while the Aleutian Islands had the highest (41% and 61%) with the Bristol Bay Borough close behind (19% and 59%). See page 28.

-In 1985, the number of unemployed never fell below 20,500 individuals in any month (19,000 in 1984). The number of employed nonresidents was always greater than 17,000 individuals in any month (16,000 in 1984). See page 33.

-Alaska has unique economic conditions compared to other states. In 1985, Alaska had the fifth highest overall unemployment rate in the nation, the third highest for all nonagricultural industries, the highest in manufacturing and government, and the sixth highest in construction. Alaska also had one of the highest unemployment rates in the nation for many major occupational categories. See page 15.

-Nearly 22 percent of all regular unemployment insurance benefits paid by Alaska in 1985 were interstate payments. This is the highest interstate rate in the nation; approximately 4.5 times the national average. Seventy-four percent of those interstate payments went to nonresidents. See pages 15 and 41.

-Alaska paid almost \$32 million in unemployment insurance benefits to nonresidents in 1985, of which over \$21 million was paid out of state. This represents a significant increase over 1984 in which Alaska paid nonresidents \$20 million in unemployment insurance benefits, including \$17 million in out of state payments. See page 41.

Resident Hire Preference Determinations

In 1986, the Fourteenth Alaska Legislature passed a resident hire statute which is complex and substantially different from previous versions. The legislature emphasized the need to pass a law which would withstand a test of constitutionality. Consequently, the new statute uses a very targeted approach based on detailed statistical information.

Before preferences can be implemented, determinations must be made as to which zones qualify for preference based on the specific criteria outlined in chapter 4. Before any determinations can be made, regulations must be approved and data compiled. As of early January 1987, regulations have been drafted and reviewed through the public hearing process but not finalized. Data have been compiled which illustrate the overall economic condition of each zone (see Tables 4-1 and 4-2, pages 60 and 61); however, data about occupational supply and demand are not currently available in enough detail to demonstrate that nonresident workers have displaced qualified, available resident workers in specific occupations in specific areas of the state. Consequently, the Department of Labor has designed a system to collect the necessary detail, and has begun implementation of those procedures. The department expects to have the detailed information needed to evaluate possible determinations for most construction-related occupations by January 1988. Data about the social and economic impact of unemployment are available through a variety of sources which will be analyzed in depth during 1987.

For additional information see chapter 4, beginning on page 57.

Reasons Employers Hire Nonresidents

Sixty percent of employers contacted in a Department of Labor survey said their industries hire nonresidents because available Alaskans lack required training or experience.

Thirty-five percent of employers contacted stated that their industries hire nonresidents because there are no Alaskans available. This reason was most commonly cited by employers in food processing.

Fifty percent of employers contacted stated that their industries hire nonresidents because it is company policy to transfer people within the company. This reason was most commonly cited by employers in mining industries.

For additional information see chapter 5, beginning on page 62.

Promoting Resident Hire

Employers commonly promote the hiring of residents by having a company resident hire policy; advertising openings locally; or using local unions, Job Service offices, local private employment agencies or universities to find workers.

Employers felt the State could increase resident hire by promoting the issue, and working actively to train and place resident workers.

In a survey concerning vocational education, 40 percent of respondents from the manufacturing and wholesale trade industries felt there was not a trained Alaska labor force available.

More than 45 percent of employers who responded to the vocational education survey said they would prefer to hire Alaskans. Nearly 76 percent of survey respondents indicated that they would be willing to hire an underqualified Alaskan if the Alaskan could be trained.

The 1986 Alaska Hire Task Force Report presented 36 alternatives for promoting resident hire in Alaska. The report was intended primarily for policy makers to use as a reference of new ideas and initiatives on resident hire.

The Department of Labor is now collecting additional data from employers relating to the occupation and work location of their employees. This will allow the department to evaluate the impact of nonresident employment by individual occupation and specific work location. Then Alaska's policy makers can use those facts to adjust laws, regulations, administrative procedures, and programs to comprehensively encourage higher levels of resident employment throughout Alaska.

For additional information see chapter 5, beginning on page 62.

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 6, 1987

The Honorable Caspar W. Weinberger
Secretary of Defense
The Pentagon
Washington, D.C. 20301

Dear Mr. Secretary:

The 1986 Defense Appropriations Act passed by Congress requires contractors performing work on projects covered by the Act to hire individuals who are residents of our state should they possess or would be able to acquire promptly the necessary skills to perform the contract. The specific language of the law is cited below:

" . . . every contract awarded during FY 1986 calling for construction or services to be performed in whole or in part within the State of Alaska or the State of Hawaii shall include a provision requiring the contractor to employ, for the purpose of performing that portion of the contract work within the particular state, individuals who are residents of that state, and who, in the case of any craft or trade, possess or would be able to acquire promptly the necessary skills to perform the contract."

Section 8078 of the Act also states that this employment preference for residents of Alaska and Hawaii shall not apply when the state's unemployment rate is not in excess of the national average rate of unemployment as determined by the Secretary of Labor.

The State of Alaska has been informed that this employment preference is still applicable in FY 1987 and that, due to Alaska's and Hawaii's severe unemployment problems, may be extended into FY 1988. It is the State of Alaska's desire to enter into a federal/state cooperative agreement with the Department of Defense granting the state the authority to

The Honorable
Caspar W. Weinberger

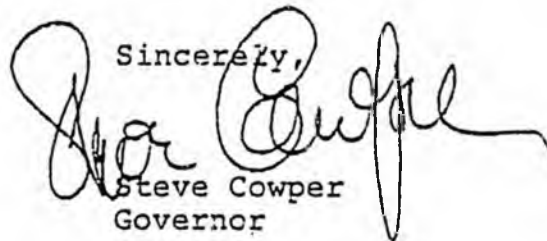
-2-

March 6, 1987

enforce this important preference of employment for residents of our state. The State of Alaska has the experience in the area of employment preference programs and, additionally, has a highly trained workforce available to assist all branches of the military services in the construction and servicing of their facilities in Alaska.

Your assistance in helping to arrange a meeting between appropriate Department of Defense personnel and representatives of my office to explore the possibilities of such a cooperative federal and state effort would be sincerely appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Steve Cowper".

Steve Cowper
Governor

cc: John Katz, Special Counsel
State/Federal Relations
Office of the Governor
Washington, D.C.

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 6, 1987

Mr. John Katz, Special Counsel
State/Federal Relations
444 North Capitol, N.W.
Suite 518
Washington, D.C. 20001-1512

Dear John:

The enclosed letters to the Secretary of Defense and our Congressional Delegation are self-explanatory.

I would like your office to work with Commissioner of Labor Jim Sampson and with the appropriate people in Washington, D.C., to see if the state can assume enforcement of this employment preference for our resident workers in time for this year's construction season. The state would like to enter into an agreement with the Department of Defense instead of each individual branch of military service so that the enforcement of this important federal legislation is consistent.

Additionally, efforts need to be pursued to ensure that adequate federal funding be obtained for the State of Alaska to implement the program.

Should you have any questions on this matter, please contact Jim Sampson, Commissioner of Labor, at (907) 465-2700.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper".

Steve Cowper
Governor

Enclosures

cc: Jim Sampson
Commissioner of Labor
State of Alaska

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 6, 1987

The Honorable Donald E. Young
House of Representatives
2331 Rayburn House Office Building
Washington, D.C. 20515

Dear Don:

Enclosed is a letter recently sent to Secretary of Defense Caspar Weinberger inquiring into the possibility of the State of Alaska assuming enforcement responsibilities for the hiring of residents on military construction projects in Alaska.

I have been informed by Commissioner of Labor Jim Sampson that your office may be willing to assist the State of Alaska in pursuing such a federal/state cooperative agreement and that an appropriation from Congress to help offset the costs associated with such a program would be supported.

Federal spending for military construction projects is very important to the economic well-being of Alaska and is equally important to our country's national defense.

Currently, our Alaskan workers skilled and trained in the building and construction trades are suffering high unemployment. Any assistance your office can render to ensure that these qualified residents are employed on projects covered by this federal legislation would be sincerely appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper".

Steve Cowper
Governor

Enclosure

cc: John Katz, Special Counsel
State/Federal Relations
Office of the Governor
Washington, D.C.

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 6, 1987

The Honorable Frank Murkowski
United States Senate
720 Hart Building
Washington, D.C. 20510

Dear Frank:

Enclosed is a letter recently sent to Secretary of Defense Caspar Weinberger inquiring into the possibility of the State of Alaska assuming enforcement responsibilities for the hiring of residents on military construction projects in Alaska.

I have been informed by Commissioner of Labor Jim Sampson that your office may be willing to assist the State of Alaska in pursuing such a federal/state cooperative agreement and that an appropriation from Congress to help offset the costs associated with such a program would be supported.

Federal spending for military construction projects is very important to the economic well-being of Alaska and is equally important to our country's national defense.

Currently, our Alaskan workers skilled and trained in the building and construction trades are suffering high unemployment. Any assistance your office can render to ensure that these qualified residents are employed on projects covered by this federal legislation would be sincerely appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Steve Cowper".

Steve Cowper
Governor

Enclosure

cc: John Katz, Special Counsel
State/Federal Relations
Office of the Governor
Washington, D.C.

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 6, 1987

The Honorable Ted Stevens
United States Senate
522 Hart Building
Washington, D.C. 20510

Dear Ted:

Enclosed is a letter recently sent to Secretary of Defense Caspar Weinberger inquiring into the possibility of the State of Alaska assuming enforcement responsibilities for the hiring of residents on military construction projects in Alaska.

I have been informed by Commissioner of Labor Jim Sampson that your office may be willing to assist the State of Alaska in pursuing such a federal/state cooperative agreement and that an appropriation from Congress to help offset the costs associated with such a program would be supported.

Federal spending for military construction projects is very important to the economic well-being of Alaska and is equally important to our country's national defense.

Currently, our Alaskan workers skilled and trained in the building and construction trades are suffering high unemployment. Any assistance your office can render to ensure that these qualified residents are employed on projects covered by this federal legislation would be sincerely appreciated.

Sincerely

A handwritten signature in black ink, appearing to read "Steve Cowper", written over the typed name and title.

Steve Cowper
Governor

Enclosure

cc: John Katz, Special Counsel
State/Federal Relations
Office of the Governor
Washington, D.C.



THE OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301-8000

ACQUISITION AND
LOGISTICS
DASD(P)DARS

29 JAN 1986

In reply refer to:
DAR Case 86-3

697-9125

SUBJECT: Section 8078, 1986 Defense Appropriations Act - Restrictions on
the Employment of Personnel for Work on Construction/Service
Contracts in Alaska and Hawaii

The attached Departmental Implementation Letter was issued by the
Military Departments and by this office to the Defense Agencies under our
cognizance.

OTTO J. GUENTHER, COL, USA
Director
Defense Acquisition
Regulatory Council

Attachment



ACQUISITION AND
LOGISTICS
DASD(P)DARS

THE OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE.

WASHINGTON, D.C. 20301-8000

29 JAN 1986

In reply refer to:
DAR Case 86-3

MEMORANDUM FOR THE DIRECTOR, NATIONAL SECURITY AGENCY
THE DIRECTOR, DEFENSE COMMUNICATIONS AGENCY
THE DIRECTOR, DEFENSE INTELLIGENCE AGENCY
THE DIRECTOR, DEFENSE NUCLEAR AGENCY
THE DIRECTOR, DEFENSE MAPPING AGENCY

SUBJECT: Section 8078, 1986 Defense Appropriations Act - Restrictions on
the Employment of Personnel for Work on Construction/Service
Contracts

On 24 January 1986, the DAR Council approved the attached new Subpart 22.72 of the DFARS for publication in the Federal Register as an interim rule and for immediate Departmental implementation. This action is necessary because Section 8078 of the FY 1986 Defense Appropriations Act, enacted on 23 December 1985, requires that whenever the unemployment rate in Alaska or Hawaii exceeds the national average as determined by the Secretary of Labor, service and construction contracts awarded in FY 1986 and calling for performance in whole or in part within those states must contain a restriction on who can be employed to perform work on that contract. This requirement is implemented by a new clause at DFARS 52-222-7002. Contracting officers shall include the clause in all new solicitations, as well as modify existing solicitations to incorporate the clause when to do so will not unduly delay the procurement. For contracts already awarded in FY 1986, contracting officers should attempt to modify them to include the clause on a no cost basis, provided the Government's interests are adequately protected.

This Departmental is effective immediately.

OTTO J. GUENTHER, COL, USA
Director
Defense Acquisition
Regulatory Council

Attachments
DFARS 22.72 and 52.222-7002

Add a new Subpart 22.72 as follows:

SUBPART 22.72--SECTION 8078, 1986 DEFENSE APPROPRIATIONS ACT -
RESTRICTIONS ON THE EMPLOYMENT OF PERSONNEL FOR
WORK ON CONSTRUCTION/SERVICE CONTRACTS IN ALASKA
AND HAWAII

22.7200 Policy.

(a) Except as provided in (b) and (c) below, Section 8078 of the 1986 Defense Appropriations Act requires that notwithstanding any other provision of law, every contract awarded during FY 1986 calling for construction or services to be performed in whole or in part within the State of Alaska or the State of Hawaii shall include a provision requiring the contractor to employ, for the purpose of performing that portion of the contract work within the particular state, individuals who are residents of that state, and who, in the case of any craft or trade, possess or would be able to acquire promptly the necessary skills to perform the contract.

(b) This section shall not apply at any time during FY 1986 when the unemployment rate in Alaska is not in excess of the national average rate of unemployment as determined by the Secretary of Labor.

(c) This section shall not apply to contracts to be performed in whole or in part within the State of Hawaii unless in FY 1986 the unemployment rate in Hawaii is in excess of the national average rate of unemployment as determined by the Secretary of Labor.

22.7201 Waivers. This section may be waived by the Secretary of Defense, the Deputy Secretary of Defense, the Assistant Secretary of Defense for Acquisition and Logistics, and any Secretary, Undersecretary, or Assistant Secretary of the Army, Navy, and Air Force, in the interest of national security. Requests for waiver shall be processed in accordance with Departmental or agency procedures.

22.7202 Contract Clause. The contracting officer shall insert the clause at 52.222-7002, Restrictions on Employment of Personnel, in all solicitations and contracts in accordance with 22.7200.

Add a new clause as follows:

52.222-7002 Restrictions on Employment of Personnel. As prescribed in 22.7202, insert the following clause.

RESTRICTIONS ON EMPLOYMENT OF PERSONNEL (JAN 1986)

(a) The Contractor shall employ, for the purposes of performing that portion of the contract work in the State of (insert appropriate state), individuals who are residents of the state, and who, in the case of any craft or trade, possess or would be able to acquire promptly the necessary skills to perform the contract.

(b) The Contractor agrees to insert the substance of this clause, including this paragraph (b), in each subcontract.

(End of clause)

DEPARTMENT OF DEFENSE

48 CFR Parts 222 and 252

Department of Defense Federal
Acquisition Regulation Supplement

Restrictions on Employment of Personnel

AGENCY: Department of Defense (DoD)

ACTION: Interim rule and request for comments.

SUMMARY: The Defense Acquisition Regulatory Council has issued a change to the coverage in the DoD FAR Supplement regarding Restrictions on Employment of Personnel in DoD contracts. The purpose of the change is to implement Section 8078 of the Fiscal Year 1986 Defense Appropriations Act.

DATES: Effective January 28, 1986. Comments on the change must be submitted in writing to the Executive Secretary, DAR Council, at the address shown below, on or before (30 days from publication), to be considered in the formulation of the final rule. Please cite DAR Case 86-3 in all correspondence related to this issue.

ADDRESS: Interested parties should submit written comments to: Defense Acquisition Regulatory Council, ATTN: Mr. Charles W. Lloyd, Executive Secretary, DASD(P)DARS, c/o OASD(A&L), Room 3E791, The Pentagon, Washington, DC 20301-3062.

FOR FURTHER INFORMATION CONTACT: Mr. Charles W. Lloyd, Executive Secretary, DAR Council, telephone (202)697-7268.

SUPPLEMENTARY INFORMATION

A. Background.

The DoD FAR Supplement is codified in Chapter 2, Title 48 of the Code of Federal Regulations.

The October 1, 1985 revision of the CFR is the most recent edition of that title. It reflects amendments to the 1984 edition of the DoD FAR Supplement made by Defense Acquisition Circulars 84-1 through 84-10.

Interested parties may submit proposed revisions to this Supplement directly to the DAR Council.

B. Interim Changes to 48 CFR Parts 222 and 252.

Section 8078 of the FY 1986 Defense Appropriations Act, enacted on December 23, 1985, requires that whenever the unemployment rate in Alaska or Hawaii exceeds the national average as determined by the Secretary of Labor, service and construction contracts awarded in FY 1986 and calling for performance in whole or in part within those states must contain a restriction on who can be employed to perform work on that contract.

C. Determination to Issue an Interim Rule.

A determination has been made under the authority of the Secretary of Defense that the regulation in DoD FAR Supplement Parts 222 and 252 must be issued as an interim rule in compliance with Section 22 of the Office of Federal Procurement Policy Act, as amended, in order to put in place, as soon as possible, the requirements of Section 8078 of the FY 1986 DoD Appropriations Act.

D. Regulatory Flexibility Act.

This change does nothing more than implement Section 8078 of the

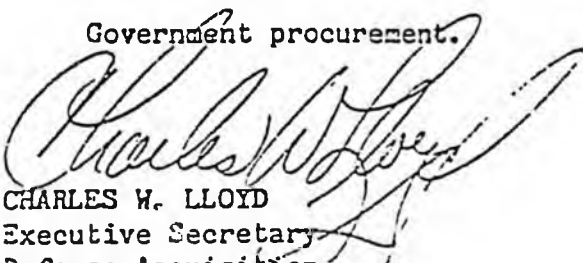
FY 1986 DoD Appropriations Act. If this change impacts on small entities, it will impact only those small entities that have been awarded, in FY 1986, construction and services contracts calling for performance in whole or in part within the States of Alaska or Hawaii and then only if the unemployment rate for those states exceeds the national average. The number of small entities that meet this condition are considered to be insignificant in relation to the total number of small entities that do business with the Department of Defense. Therefore, the Department of Defense certifies that the change will not have a significant impact on a substantial number of small entities under the Regulatory Flexibility Act (5 U.S.C. 601 et seq.).

E. Paperwork Reduction Act Information.

The interim rule does not contain information collection requirements which require the approval of OMB under 44 U.S.C. 3501 et seq.

List of Subjects in 48 CFR Parts 222 and 252

Government procurement.



CHARLES W. LLOYD
Executive Secretary
Defense Acquisition
Regulatory Council

Adoption of Amendments

Therefore, the DoD FAR Supplement contained in 48 CFR Parts 222 and 252 is amended as set forth below:

FRANK H. MURKOWSKI
ALASKA

CHAIRMAN, COMMITTEE ON
VETERANS' AFFAIRS
COMMITTEE ON ENERGY AND
NATURAL RESOURCES
COMMITTEE ON FOREIGN
RELATIONS
SELECT COMMITTEE
ON INDIAN AFFAIRS
SELECT COMMITTEE
ON INTELLIGENCE

United States Senate

WASHINGTON, DC 20510

WASHINGTON OFFICE
(202) 224-8685

ANCHORAGE OFFICE
701 C STREET, BOX 1
(907) 271-2735

FAIRBANKS OFFICE
101 12TH AVENUE, BOX 7
(907) 458-0233

JUNEAU OFFICE
FEDERAL BUILDING, BOX 1647
(907) 888-7400

January 28, 1987

Colonel Otto J. Guenther, USA
Defense Acquisition Regulatory Council
Office of the Assistant Secretary of Defense,
Acquisition and Logistics
Washington, D.C. 20301-8000

Dear Colonel Guenther:

Several engineering and construction contractors bidding on a Navy project in Alaska recently contacted me to seek an interpretation of law and regulation dealing with restrictions on the employment of personnel for work on Construction/Service Contracts in Alaska and Hawaii (DAR Case 86-003).

While all the bidders knew that they were required to hire Alaska resident labor to fill construction trades positions, they were not sure whether they were required to fill positions on the project staff with resident labor as well.

I believe the legislative intent is clear. Workers employed by defense contractors or their subcontractors who perform work in Alaska, regardless of the nature of their duties, should be Alaska residents to the greatest extent possible. I also believe the DoD policy is clear on that point, as it tracks the language of the amendment almost precisely:

"Every contract... calling for construction or services to be performed in whole or in part within the State of Alaska... shall include a provision requiring the contractor to employ, for the purpose of performing that portion of the contract work within the particular state, individuals who are residents of that state, and who, in the case of any craft or trade, possess or would be able to acquire promptly the necessary skills to perform the contract." (DFARS Subpart 22.72, emphasis added)

I believe the DoD language makes it clear that on-site engineers, office personnel, and other project staff needed to perform that portion of the work in Alaska should be Alaska residents to the greatest extent possible, and I have made that interpretation known to the bidders in this particular project.

Colonel Otto J. Guenther, USA
January 28, 1987
Page 2

I would appreciate your confirmation of my interpretation, and notification of the same to the appropriate contracting authorities in order that any confusion in the future can be avoided. My staff contact on this matter is David Garman, who can be reached at (202) 224-6665.

Sincerely,

Frank H. Murkowski
United States Senator

Mr. Gil Florence
A-105
Environmental Protection Agency
401 M Street, S. W.
Washington, D. C. 20460
382-4562

Mr. Tom Jones
Labor Advisor
Logistics Service
Federal Aviation Administration
800 Independence Avenue, S. W.
Washington, D. C. 20591
426-2667

Mr. Justin L. Logsdon
Assistant to the Secretary
for Labor Relations
Department of Housing and
Urban Development
Office of Labor Relations
451 - 7th Street, S. W.
Washington, D. C. 20410
755-5370

Mr. Allen Harding
Director of Industrial Relations
National Aeronautics and Space
Administration
600 Independence Avenue, S. W.
Washington, D. C. 20546
453-2882

Mr. William Oehrl
Contract Labor Relations Advisor
Naval Facilities Engineering
Command
Department of the Navy
200 Stovall Street
Alexandria, Virginia 22332
325-9230

Mr. Richard Hedges
Contract Labor Relations Advisor
Office of the Assistant
Secretary of the Navy
200 Stovall Street
Alexandria, Virginia 22332
692-8657

Mr. Doyle Williams
Special Assistant for Labor Affairs
Directorate, Contracting &
Manufacturing Policy
Department of the Air Force
Washington, D. C. 20330-5040
697-1879

Mr. Louis A. Cornet
Assistant for Labor Relations
Office of the Chief of Engineers
U.S. Army Corps of Engineers
20 Massachusetts Avenue, N. W.
Washington, D. C. 20314
272-0037

Maj. Steve Lundberg
Labor Advisor, CASA (RDA)
Department of the Army
Office of the Assistant Secretary
Washington, D. C. 20310
695-4363

Mr. Morris L. Myers
Director, Office of Industrial
Relations
Department of Energy
1000 Independence Avenue, S. W.
Washington, D. C. 20585
252-9008

Mr. Lyle Brown
Contractor Labor Relations
Specialist
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1000 Independence Avenue, S. W.
Washington, D. C. 20585
252-9019

Ms. Juanita Smith
Director, Employee Relations Div.
Department of Energy
1000 Independence Avenue, S. W.
Washington, D. C. 20585
252-9019

Mr. Gordon Gilson
Deputy Director of Industrial
Relations
National Aeronautics and Space
Administration
600 Independence Avenue, S. W.
Washington, D. C. 20546
453-2882

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BANK

THE FOLLOWING DOCUMENT(S) MAY NOT FILM
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ORIGINAL.

FY 1988 MILITARY CONSTRUCTION TOTAL OBLIGATIONAL AUTHORITY AS REQUESTED

ACTIVE, GUARD AND RESERVE FORCES
INSIDE THE UNITED STATES
(\$ THOUSANDS)

DATA AS OF 05 JAN 1987

STATE/COMP./INSTALLATION -----PROJECT NAME-----	PROJ COST	TOTAL
ALABAMA		
AIR FORCE RESERVE MAXWELL AFB RESERVE FORCES OPERATIONAL TRAINING MAXWELL AFB	1,990	1,990
FAMILY HOUSING		
ARMY		
FORT RUCKER NEW CONSTRUCTION (7) FORT RUCKER FAMILY HOUSING	(110)	(110)
**ALABAMA		
AUTHORIZED IN PRIOR YEAR FAMILY HOUSING		28,692 (1,900) (110)
ALASKA		
ARMY		
✓ FORT GREELY ✓ TEST SUPPORT COMPLEX FORT GREELY	6,400	6,400
✓ FT J M WAINWRIGHT ✓ BARRACKS MODERNIZATION ✓ BATTALION HEADQUARTERS ✓ COMMUNICATIONS FACILITY ✓ DINING FACILITY ✓ FLIGHT SIMULATOR BUILDING ✓ MAINTENANCE COMPLEX ✓ MILITARY CLOTHING SALES STORE Tot FT J M WAINWRIGHT	15,000 2,200 2,250 4,000 3,350 42,000 570	89,970
ARMY		
76,370		
NAVY		
✓ NAVAL AIR STATION ADAK BACHELOR ENLISTED QUARTERS ADDITION RADAR SUPPORT FACILITIES (PHASE II) NAVAL AIR STATION ADAK	12,000 64,200	76,200
NAVAL HOSPITAL BRANCH ADAK EMERGENCY VEHICLE GARAGE NAVAL HOSPITAL BRANCH ADAK	700	700
NAVAL SECURITY GROUP ACTIVITY ADAK TRANSPORTATION BUILDING NAVAL SECURITY GROUP ACTIVITY ADAK	2,360	2,360
NAVY		
79,760		
AIR FORCE		
CLEAR SOLID STATE UNINTERRUPT POWER SPT CLEAR	4,000	4,000
EIELSON AFB AIRCRAFT MAINTENANCE COMPLEX DINING HALL EIELSON AFB	4,700 5,465	10,165
ELMENDORF AFB ALTER UNACCOMP ENLISTED PERSONNEL HOUSING TELECOMMUNICATIONS FACILITY ELMENDORF AFB	6,700 4,300	11,000

FY 1988 MILITARY CONSTRUCTION TOTAL OBLIGATIONAL AUTHORITY AS REQUESTED

ACTIVE, GUARD AND RESERVE FORCES
INSIDE THE UNITED STATES
(\$ THOUSANDS)

DATA AS OF 05 JAN 1987

STATE/COMP./INSTALLATION -----PROJECT NAME-----	PROJ COST	TOTAL
ALASKA		
AIR FORCE		
KING SALMON AFB COMMUNICATIONS FACILITY KING SALMON AFB	3,350	3,350
SHEMYA AFB ACQ-ALTER MECHANICAL/ELECTRICAL SUPPLY SYS AIRCRAFT MAINTENANCE HANGAR FIRE PROTECTION SYSTEMS UNACCOMPANIED ENLISTED PERSONNEL HOUSING SHEMYA AFB	3,400 15,000 1,350 18,900	38,350
VARIOUS LOCATIONS-ALASKA ALASKAN OTH-B REAL ESTATE ACQ SYSTEM ALASKAN OTH-B TECH SUPPORT FACILITIES VARIOUS LOCATIONS-ALASKA	5,300 10,000	15,300
**AIR FORCE		82,665
DEFENSE MEDICAL SUPPORT ACTIVITY		
FORT WAINWRIGHT TRCOP MEDICAL & DENTAL CLINIC FORT WAINWRIGHT	9,100	9,100
ARMY NATIONAL GUARD		
ELI SCOUT ARMORY ELI	246	246
JUNEAU ARMY AVIATION OPERATING FACILITY BOAT DOCK JUNEAU	3,522 255	3,797
NOME ARMY AVIATION OPERATING FACILITY NOME	4,152	4,152
NUNAPITCHUK SCOUT ARMORY NUNAPITCHUK	246	246
TOGIAK SCOUT ARMORY TOGIAK	246	246
ARMY NATIONAL GUARD		8,677
AIR NATIONAL GUARD		
EIELSON AFB COMPOSITE MAINT AND SITE PREP COMPLEX EIELSON AFB	15,400	15,400
KULIS ANGB ALTER HANGAR/AERIAL PCRT KULIS ANGB	950	950
**AIR NATIONAL GUARD		16,350
FAMILY HOUSING		
ARMY		
FORT WAINWRIGHT NEW CONSTRUCTION (150) FORT WAINWRIGHT FAMILY HOUSING	(29,000)	(29,000)
**ALASKA		272,922
FAMILY HOUSING		(29,000)



US Army Corps
of Engineers
Alaska District

Construction Program

Fiscal Year 1987

November 1986

	A Under 1 Million	B 1 - 5 Million	C 5 - 10 Million	D Over 10 Million	Advertise Fiscal Qtr
MILITARY CONSTRUCTION					
<u>Fort Greely</u>					
Rehab Dining Facility, 2 bldgs. Remove & Replace Asbestos, 1 Bngr Add Baths & Garages	X	X	X		4th Qtr 1st Qtr 3rd Qtr
<u>Fort Hainwright</u>					
Utility Expansion Dining Facility, 2 bldgs. Barracks Modernization TAC Equipment Shop, 2 bldgs. Child Care Center Install Mega Door Rehab Division Headquarters Repeve 3400 Area Replace Bridge	X	X X X	X X	X X X	2nd Qtr 1st Qtr 2nd Qtr 2nd Qtr 2nd Qtr 3rd Qtr 4th Qtr 3rd Qtr 3rd Qtr
<u>Fort Richardson</u>					
Replace Heating System, 4 bldgs. Replace Heating System, bldgs. 640 Replace Heating System, bldgs. 650 Replace Controls Boiler Plant	X X X	X			2nd Qtr 3rd Qtr 4th Qtr 4th Qtr
<u>AK Various</u>					
Replace Tank Gauges Rose Band Derrick	X X				1st Qtr 1st Qtr
<u>Elisdon Air Force Base</u>					
Alter OEPH 2204 Fire Protection Flightline Hazardous Material Storage Library Loop Access Road Security Fence	X	X X X X X			1st Qtr 2nd Qtr 1st Qtr 3rd Qtr 1st Qtr 7.3v
<u>Elmendorf Air Force Base</u>					
Battery Shop Alter Elect Distribution System Security Police Facility M/R HQAC		X X X	X		2nd Qtr 1st Qtr 3rd Qtr 4th Qtr
<u>Clear</u>					
SATOOM Ground Terminal		X			3rd Qtr
<u>Galena</u>					
ADAL Power Plant UPH		X	X		2nd Qtr 2nd Qtr
<u>King Salmon</u>					
UPH ADAL Corp OPS Facility Replace Boilers, Stacks, Htng Sys		X X X			2nd Qtr 2nd Qtr 4th Qtr
<u>Shemya</u>					
DIESEL Storage ADAL Water System Solid State Uninterruptible Power Repair OAMP Bangar	X	X X		X	2nd Qtr 2nd Qtr 2nd Qtr 1st Qtr
<u>CIVIL WORKS SHETTISHAM PROJECT</u>					
Supervisory Control	X				2nd Qtr
<u>WINDA RIVER LAKES PROJECT</u>					
Visitors Facility	X				1st Qtr
<u>DERA</u>					
Driftwood Bay (Unalaska) Port Beiden/Port Moller Cape Thompson/Krusenstern		X X X			4th Qtr 4th Qtr 4th Qtr



6th INFANTRY DIVISION (LIGHT)

DESIGN AND CONSTRUCTION
PROJECTS

Guardian of the Great Land

CONTRACT PROGRAMS

RPMA: REAL PROPERTY MAINTENANCE ACTIVITY

OMA: OPERATION AND MAINTENANCE ACTIVITY

FHMA: FAMILY HOUSING MAINTENANCE ACTIVITY

MCA: MILITARY CONSTRUCTION ARMY

FY 87 CONSTRUCTION PROGRAM

I. MILITARY CONSTRUCTION ARMY (MCA):

-DEFINITION: MAJOR CONSTRUCTION PROJECTS WHICH ARE APPROVED AND APPROPRIATED BY CONGRESS TO CONSTRUCT NEW FACILITIES OR RENOVATE/ALTER EXISTING FACILITIES.

-CURRENT PROGRAM: \$72 MILLION AT FORT WAINWRIGHT TO PREPARE FACILITIES FOR ACTIVATION OF THE 6TH INFANTRY DIVISION (LIGHT).

II. REAL PROPERTY MAINTENANCE ACTIVITY (RPMA):

-DEFINITION: REPAIR, MAINTENANCE AND CONSTRUCTION PROJECTS PLANNED, PROGRAMMED, AND FUNDED BY THE 6TH INFANTRY DIVISION WITHIN THE ANNUAL INSTALLATION OPERATING BUDGET.

-CURRENT PROGRAM: \$52 MILLION

\$13 MILLION - ANNUAL CONSTRUCTION PROGRAM

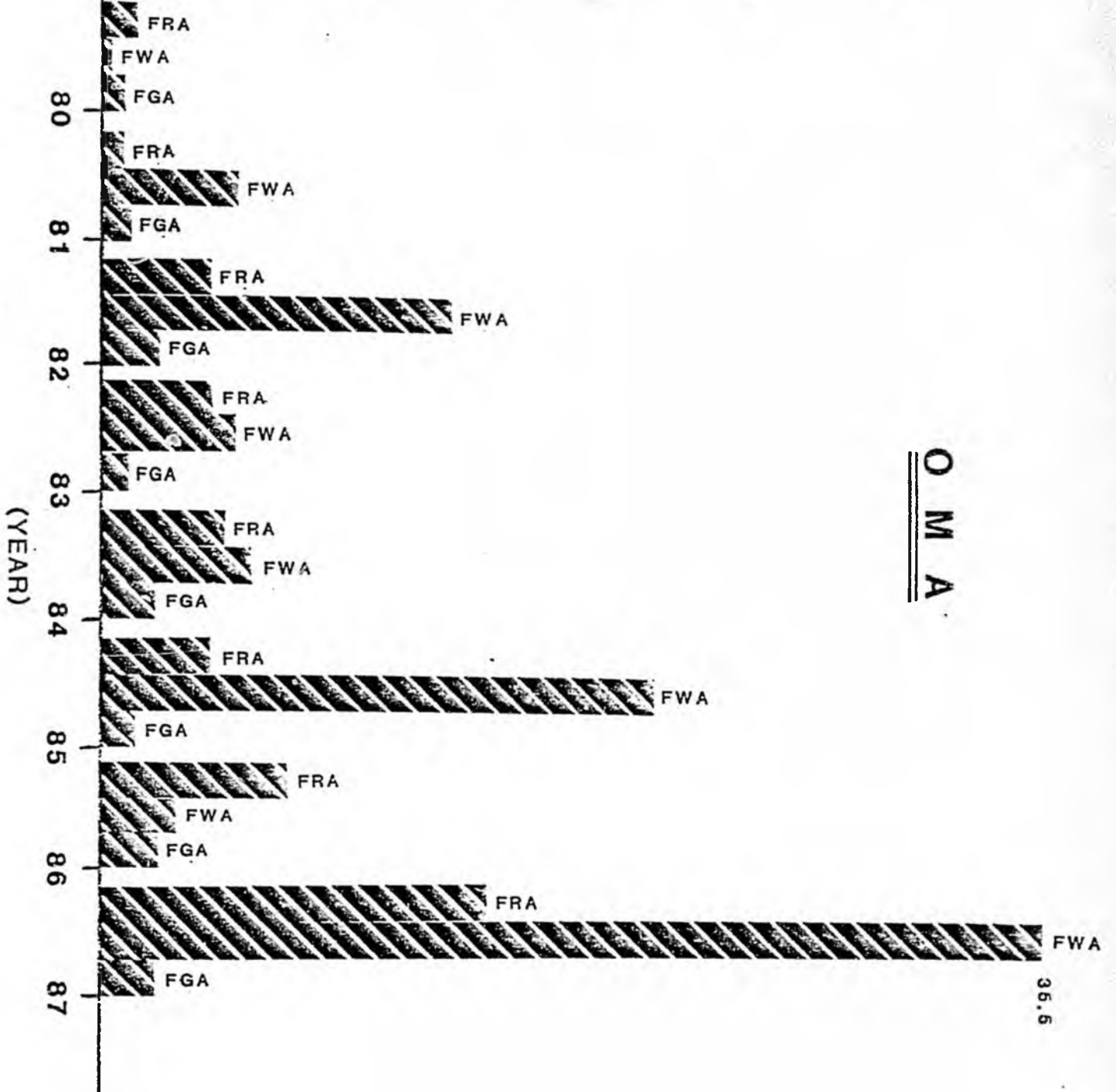
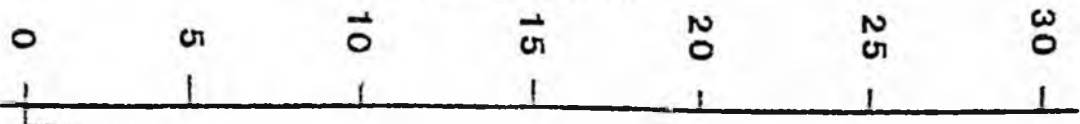
\$ 9 MILLION - JOB ORDER CONTRACT

\$30 MILLION - PLUS UP IN FY 87 APPROPRIATION TO SUPPORT NEW DIVISION

FY 87 RPMA PROGRAM DISTRIBUTION

	<u>OMA</u>	<u>FHMA</u>
FORT GREELY	\$ 1.5 MILLION	---
FORT RICHARDSON	\$35.0 MILLION	---
FORT WAINWRIGHT	<u>\$15.5 MILLION</u>	<u>\$ 5.0 MILLION</u>
	\$52.0 MILLION	\$ 5.0 MILLION

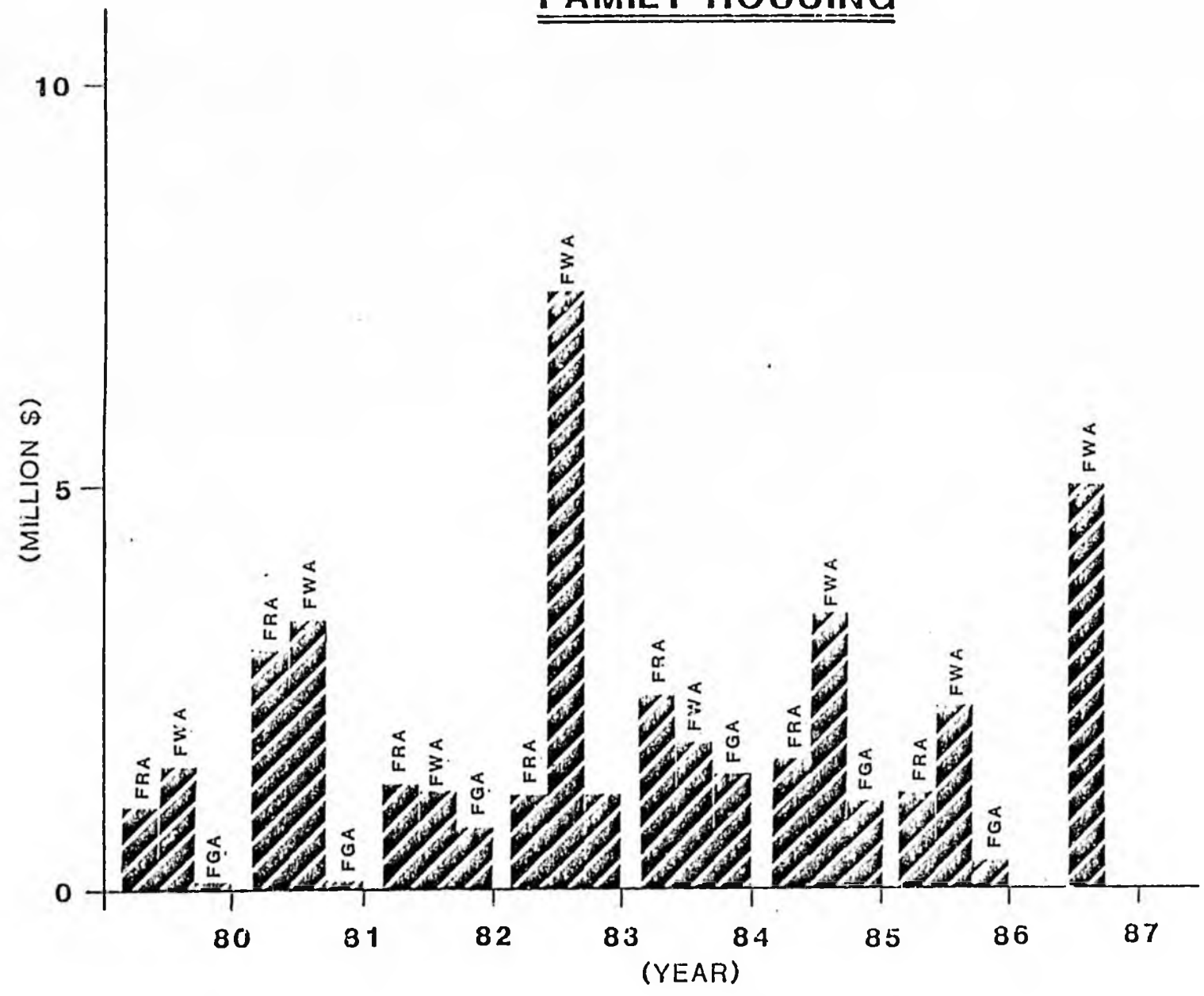
(MILLION \$)



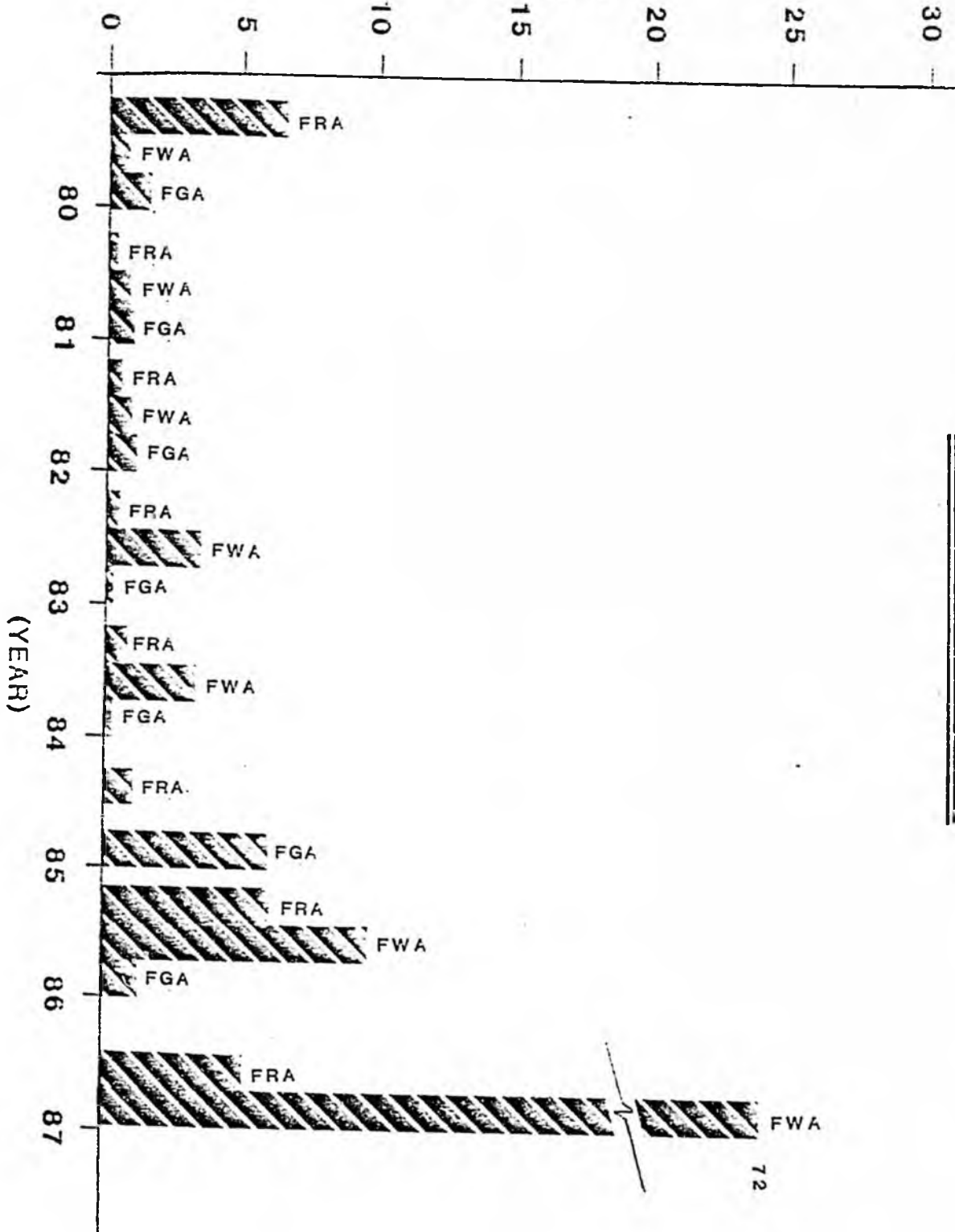
O M A

36.6

FAMILY HOUSING



(MILLION \$)



M C A / OTHER

CONSTRUCTION CONTRACT PROGRAM PROJECTS
 FY 87 OPERATIONS AND MAINTENANCE ARMY (OMA)

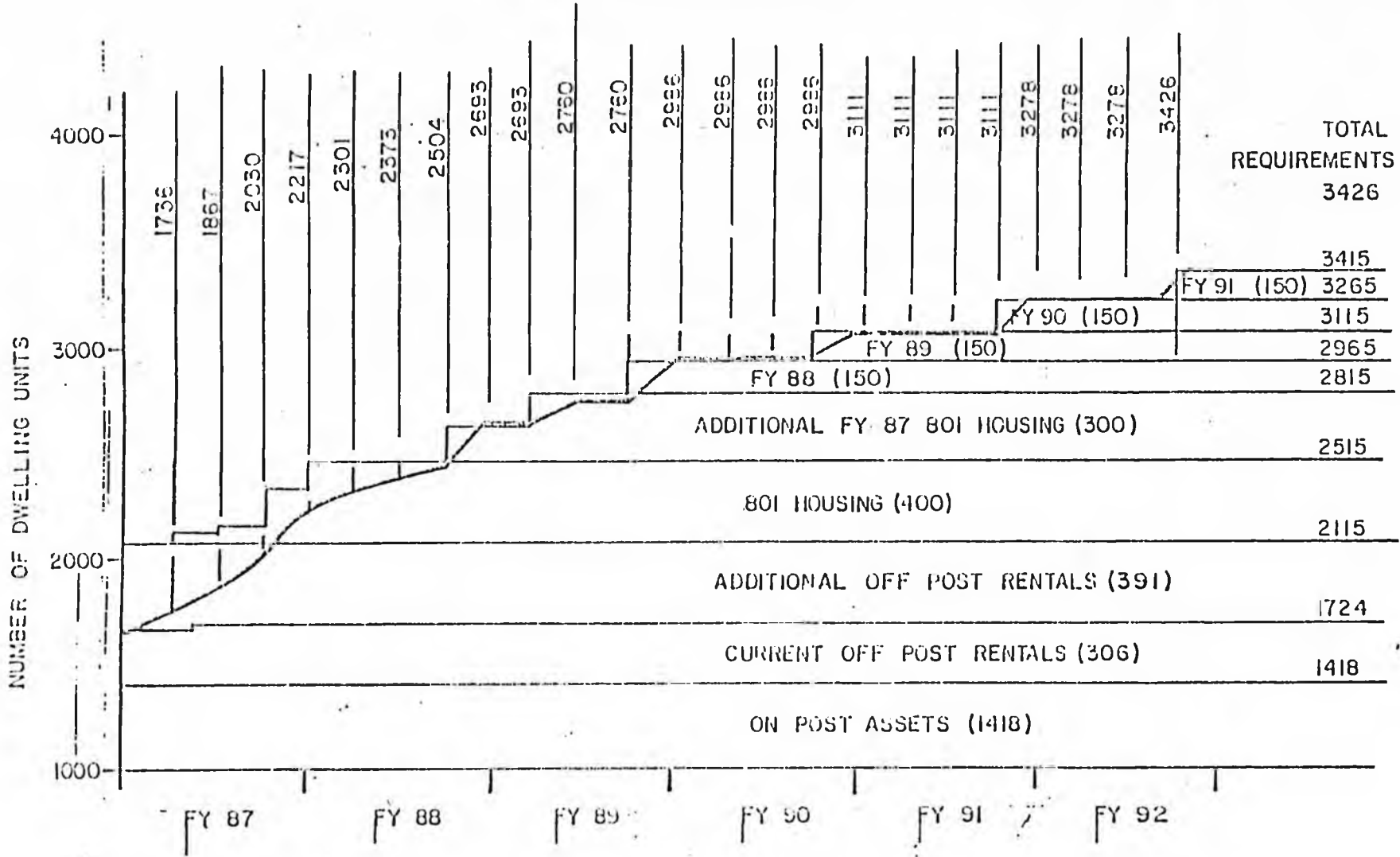
FORT WAINWRIGHT	<u>AWARD</u>	<u>CONTRACT START</u>
1. REPAIR ROOFS, BLDG 3599, 3567, AND 3566	MAR 87	MAY 87
2. RENOVATE BLDG, 4603	OCT 86	DEC 86
3. REPAIR ROOFS, BLDG 3015, AND 3030	DEC 86	APR 87
4. REPAIR/RENOVATE ADMIN OFFICES, BLDG 1555	SEP 87	NOV 87
5. REPLACE ENGINEER BRIDGE	JUL 87	AUG 87
6. REPAIR ROOFS, (2200 SERIES BLDGS)	MAR 87	MAY 87
7. REPAIR AIR CONDITIONING, BAH, BLDG 4065	AUG 87	SEP 87
8. REPAIR/RENOVATE HOSPITAL ADMIN, BLDG 4066	JUN 87	AUG 87
9. REPAIR HANGAR DOORS, BLDGS 1557, 2085, 3005, AND 3008	APR 87	MAY 87
10. REPAIR ROADS AND PARKING LOTS (3400 SERIES BARRACKS)	MAY 87	JUN 87
11. REPAIR/RENOVATE BOQ'S, BLDGS 1061-62-64-65 & 66	JUN 87	JUL 87
12. REPAIR ROADS, VARIOUS STREETS	MAY 87	JUN 87
13. REPLACE SUPER HEATER TUBES CH&PP, BLDG 3595	JUN 87	JUL 87
14. REPLACE SIDING, BLDGS 3454, 3592, 3588, AND 1020	MAY 87	JUL 87
15. REPAIR/INSTALL FENCES, VARIOUS LOCATIONS	APR 87	MAY 87
16. INSTALL HANDICAP ACCESS, BLDGS, 3015, 1045, AND 3595	JUL 87	AUG 87
17. RENOVATE ADMIN OFFICES, BLDG 1557	SEP 87	OCT 87
18. REPAIR/RENOVATE MAINTENANCE SHOPS	AUG 87	OCT 87
19. REPLACE WINDOWS, BAH	MAY 87	JUL 87
20. REPLACE WINDOWS (3400 SERIES BARRACKS)	AUG 87	OCT 87
21. REPAIR/RENOVATE BASEMENTS (3400 SERIES BARRACKS)	AUG 87	OCT 87
22. DEMOLISH ABANDONED POWER PLANT	JUN 87	JUL 87

CONTRACTS WILL BE ADVERTISED 45-60 DAYS PRIOR TO CONTRACT AWARD

FORT WAINWRIGHT

6 NOV 86

REVISED PLAN WITH
ADDITIONAL 801 HOUSING

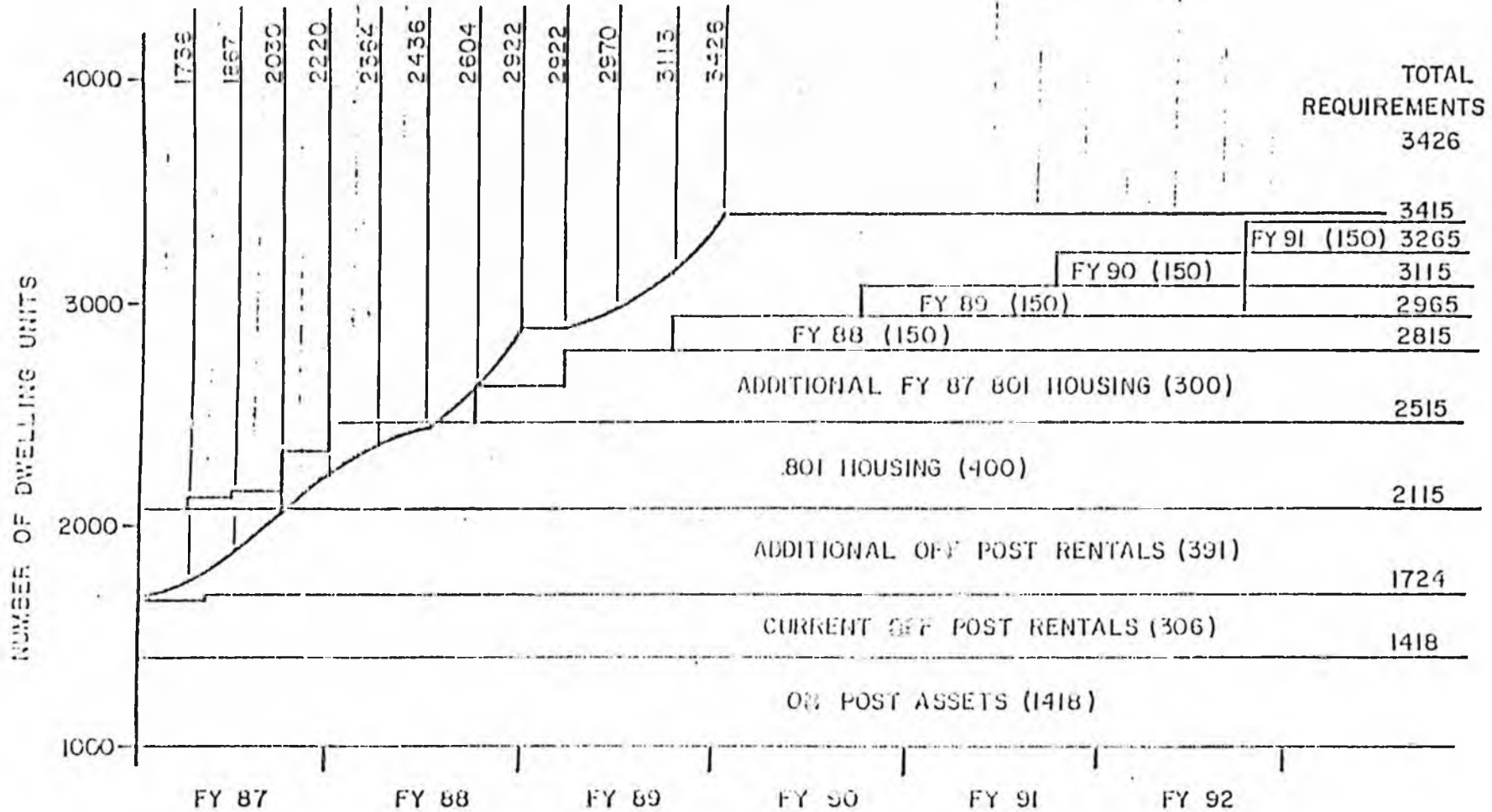


FORT WAINWRIGHT

Concept Plan Requirements with

6 NOV 86

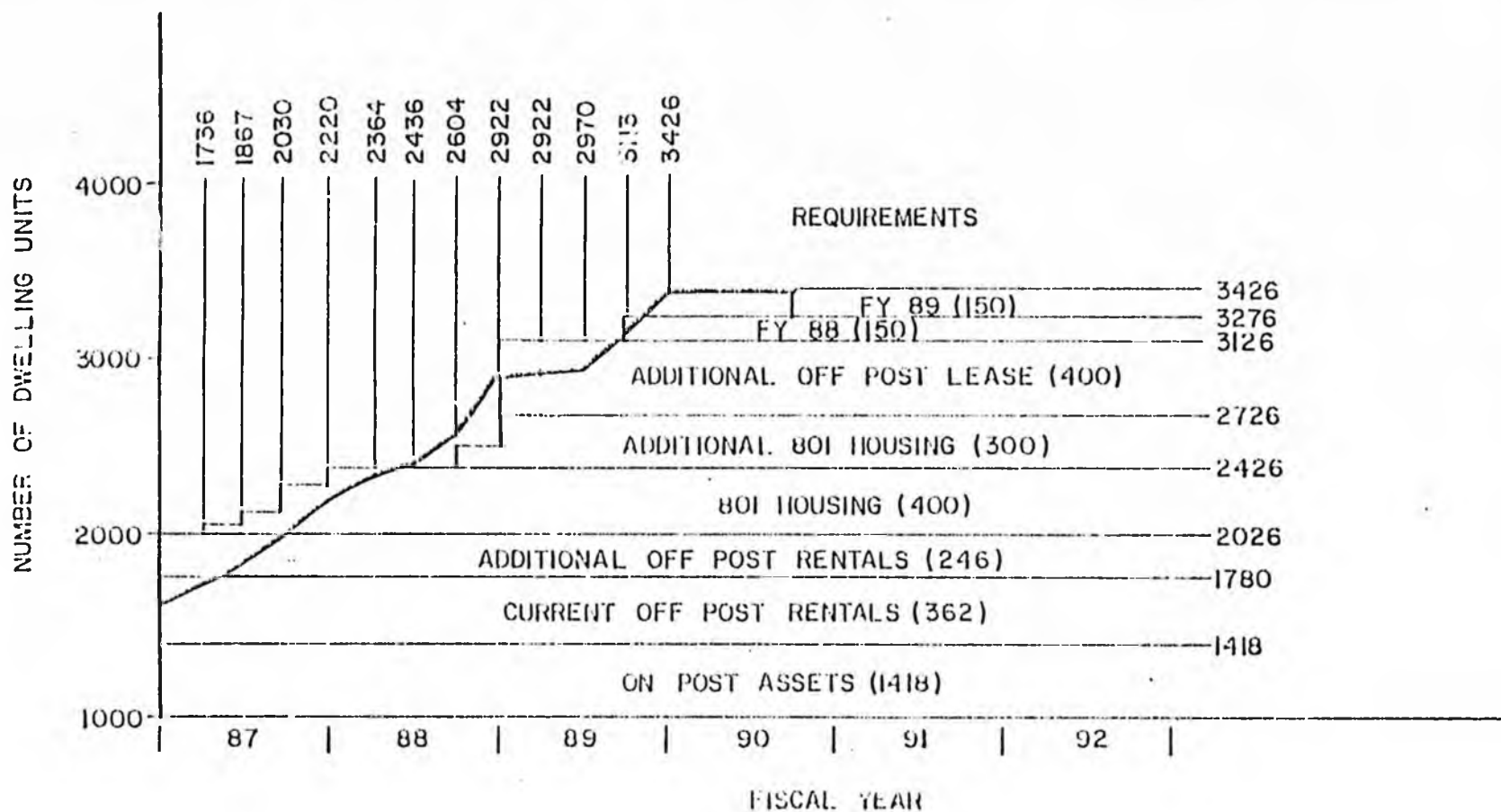
ADDITIONAL BOI HOUSING



FORT WAINWRIGHT

14 JAN 87

CONCEPT PLAN WITH ADDITIONAL OFF POST LEASE



FY 85 - 86 MCA, FII, NAF PROJECT LIST (AWARDED FY 86)

FY 85

<u>POST</u>	<u>PN</u>	<u>PROJ DESCRIPTION</u>	<u>SCOPE</u>	<u>CONTRACTOR</u>	<u>CONTRACT AWARD</u>
FR	280	BARRACKS MOD (B-668)	43,435 SF	CONSOLIDATED ENTERPRISES	2,883,100
FR	279	CHILD CARE CENTER ADDN	6,780 SF	DELTA CONST & ENGR INC	1,177,702

FY 86

FR	261	DINING FAC MOD (B-640)	9,313 SF	WATTERSON CONST	1,369,223
FR	287	SENSITIVE COMPARTMENTED INFO FACILITY (SCIF)	5,610 SF	CONTRACTING VENTURES INC	998,686
FG	141	CHILD CARE CENTER	9,375 SF	HEGDAL CONST	1,708,500
FW	147	BARRACKS MODERNIZATION	124,579 SF	ENSERCH AK CONST	7,935,000
FW	170	YOUTH CENTER ADDITION (NAF)	13,280 SF	GHEM CO INC & ASSOC JV	2,360,902

FY 87 MCA PROJECTS

16 JANUARY 1987

<u>POST</u>	<u>PN</u>	<u>PROJ DESCRIPTION</u>	<u>SCOPE</u>	<u>REMARKS</u>
FW	176	CHILD CARE CENTER	22,500 SF	(1) 300-CHILD FACILITY
FW	177	UTILITY DISTRIBUTION SYSTEM	182,000 LF	STEAM, CONDENSATE AND SEWER
FW	181	NEW DINING FACILITIES	2 BLDGS	(2) 1,000-MAN FACILITIES
FW	182	BARRACKS MODERNIZATION	215,000 SF	5 BLDGS @43,000 SF
FW	183	BDE/DVARTY TACT SHOPS	63,000 SF	(2) FACILITIES 1 - 42,000 SF 1 - 21,000 SF

FY 87 AFH PROJECT

FG	144-II	3/4-BATH & GARAGE ADDITIONS	144 UNITS	ADDITIONS TO 8-PLEX FAMILY HOUSING UNITS
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FY 88 MCA PROJECT LIST

16 JANUARY 1987

<u>POST</u>	<u>PN</u>	<u>PROJ DESCRIPTION</u>	<u>SCOPE</u>
FG	0142000	TEST SUPPORT COMPLEX	38,800 SF
FW	0175000	TROOP MED/DENTAL CLINIC	30,465 SF
FW	0178000	TACTICAL EQUIPMENT SHOPS	295,523 SF
FW	0194000	UH-60 FLIGHT SIMULATOR	13,500 SF
FW	0196000	CLOTHING SALES STORE	5,000 SF
FW	0197000	BARRACKS MODERNIZATION	10 BLDGS
FW	9235880	DINING FACILITY	(1) 650-MAN FAC
FW	9144100	BATTALION HQS BLDG	12,000 SF
FW	9148680	DPI/TCC (COMM CTR)	9,600 SF

JOB ORDER CONTRACT

DEFINITION: TERM, REQUIREMENTS TYPE, CONSTRUCTION CONTRACT FOR REPAIR,
MAINTENANCE, AND CONSTRUCTION OF REAL PROPERTY FACILITIES.

SCOPE: FORT WAINWRIGHT
FORT RICHARDSON
FORT GREELY

MAGNITUDE: \$ 1.0 MILLION MINIMUM
\$15.0 MILLION MAXIMUM

PERIOD: 15 MONTH CONTRACT WITH TWO 1-YEAR OPTIONS.

PREPROPOSAL CONFERENCE:

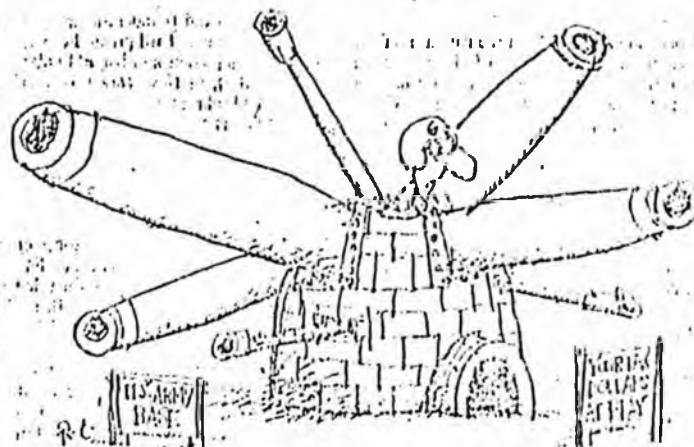
FORT WAINWRIGHT/FORT GREELY - 4 FEB
FORT RICHARDSON - 5 FEB

JOB ORDER CONTRACT

ADVANCE NOTICE TO CBD	8 DEC 86
RFP ISSUED	16 JAN 87
GREELY SITE VISIT	4 FEB 87
WAINWRIGHT SITE VISIT	4 FEB 87
RICH. SITE VISIT & PRE-PROPOSAL CONF.	5 FEB 87
CLOSE RECEIPT OF PROPOSALS	2 MAR 87 (4:00 PM)
NPACO SCREENING	3-5 MAR 87
EVALUATION OF PROPOSALS	9-20 MAR 87
NEGOTIATIONS	23 MAR - 3 MAR 87
FINAL SELECTION PROCESS	9-13 APR 87
MPD APPROVAL	10-18 APR 87
AWARD CONTRACT	19 APR 87
CONTRACT IMPLEMENTATION	29 APR 87

OUTLOOK

Commentary and Opinion



Frozen Pork

How Alaska's Sen. Stevens Got His Army Division

By William M. Arkin

A FUNNY THING happened to the Army's new 6th Infantry Division (light) on the way to battling extremists and desert commandos in Third World "low intensity conflicts."

Sen. Ted Stevens hijacked it to Alaska. Not that anyone's anticipating low-intensity conflicts in Alaska. In fact, Stevens managed to get the division for his home state not because we have determined exactly what the threat to Alaska is, but because we haven't. Meanwhile, every-

William M. Arkin is director of the national security program at the Institute for Policy Studies. He is co-author of a forthcoming book on U.S. military policy in the Pacific, "Naked as a Jaybird."

one seems to win: Alaska steps up from obscurity in military planning, Stevens gets his pork and the Army is assured a firm supporter for its otherwise questionable light division program.

In short, what we have here is a good example of how decisions are actually made about our defenses.

Let's start with "low-intensity conflict."

This magic phrase has opened new congressional coffers and accelerated "special operations" planning to a fever pitch. Secretary of the Navy John Lehman may have his "600 ships," and the Air Force may be bedecked with SDI and nuclear gas-burns, but with "low intensity conflict" the Army now has its light divisions and in the capricious ebb and flow of U.S. military priorities, it's

See ALASKA, D1, Col. 1

Frozen Pork in Alaska

ALASKA, From D1

at the top of the totem pole for the first time during the Reagan Administration.

How does a "light" division, which the Army originally promoted as the cutting edge of America's new fire brigade for Third World capability, end up in Ted Stevens' Alaskan snow?

When it comes to pork-barrel politics, Stevens is the master. He has used his hawkish views and position as chairman of the Senate subcommittee on defense appropriations to interfere in virtually every military decision which relates to his state. Stevens' clout is enhanced by Alaska's unique position in Pentagon politics. Because Alaska is a state and not an overseas military command, and because it was invaded by the Japanese in World War II (no kidding), and because it is opposite the Soviet Union (and therefore on the "front lines"), it receives special treatment by military planners.

But Pentagon officials are surprisingly frank in admitting that it wasn't strategic necessity but Ted Stevens that was the cause of a second division being activated for the "defense" of Alaska. A Department of Defense planner was quoted at the time: "It's a political thing pure and simple. . . . Once they decided to satisfy Stevens, they invented a rationale and said that the Russians are coming to threaten the Aleutians."

What the Army gets out of this is the chance to add another light division to its table of organization. As the Army put it in internal briefings after a 1981 study, "it became evident that there was a need to strengthen our land forces on the West Coast, particularly in Alaska." Ted Stevens for his part saw the opportunity to bring another "hog"—a general officer command—to his neck of the woods.

Stevens bluntly answers his critics: "I'm pleased to see this decision because it means a restoration of ground forces in Alaska, which are there to defend Alaska primarily and also the rest of the country, and I'm proud of the role I played in achieving that," he said in a telephone interview last week.

Ted Stevens' bookkeeping will cost the American taxpayer \$1 billion by fiscal year 1992. "In the cozy moments of the conference committee" this year, according to one Congressional staffer, Stevens not only managed to restore \$72 million cut by the Hodar for his new division in the military construction bill, but also wangled an additional \$10 million in the "operations and maintenance" account for construction of "temporary structure."

In a "Dear Cap" letter to Secretary of Defense Caspar Weinberger dated May 1, 1984, Ted Stevens stated that in view of "the intense competition and political poli-

tics involved in this selection" he thought it would be "important to stress how critical it is to me that Alaska be favored." He added that the decision "is so important that we should discuss it personally at our earliest opportunity. I suggest . . . sometime before May 7 so that the urgency of the Alaska priority is not overlooked in the Department's planning process."

The next day, Stevens sent Weinberger a hand-written note: "When you examine the enclosed [a comparison of defense procurement and operations spending between Alaska and other states] and realize that Alaska's votes in Congress have been consistently pro-defense, the request for consideration of Alaska as the place to deploy the light division just doesn't seem unreasonable."

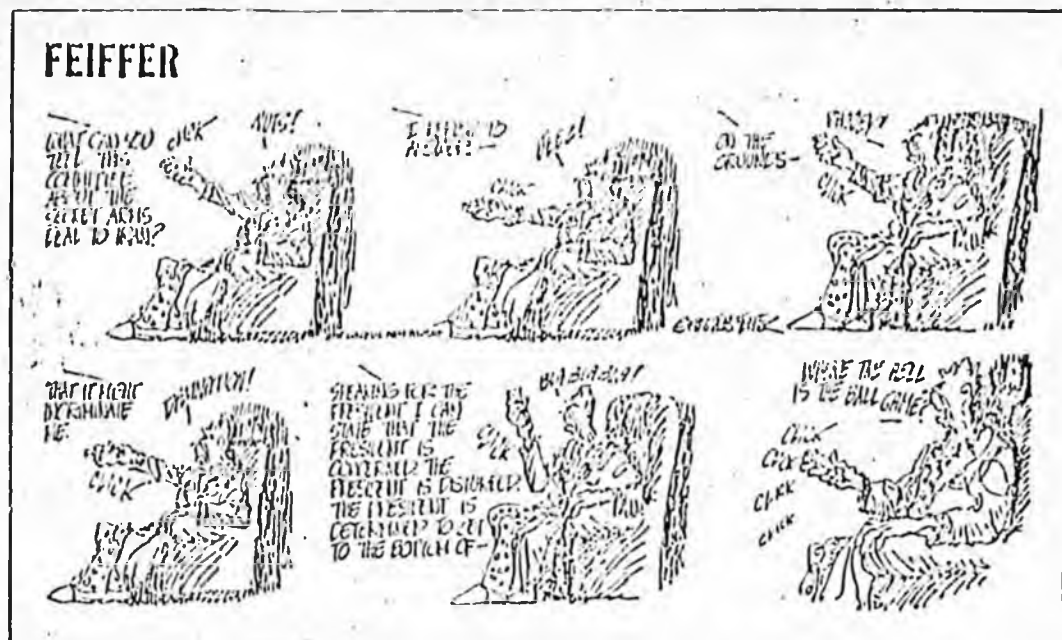
In a closed Pentagon budget meeting on July 26, the decision was made to add the second Stevens division and station it in Alaska. The Army officially designated Alaska as the "preferred alternative" for the second light division, pending "selection" in competition with other locations. According to an Army message of Sept. 11 informing senior commanders of the sudden decision to add two instead of one light division, "a broad examination of the Army's strategic and force posture . . . surfaced a need to strengthen our active component land forces on the west coast, particularly in Alaska, with additional structure. SECDEF [Secretary of Defense] has endorsed a proposal to activate an 18th AC [active component] Division (6th Inf Div) and to select Alaska as the preferred stationing alternative for this unit."

In October, an internal Army "Information Paper" stated that the Alaska light division would not have enough material support to be "globally deployable" and that "the 6th Infantry Division's primary mission, therefore, is one of Alaska/Aleutians theater defense." So much for low-intensity conflicts in the Third World.

Within days, Secretary of the Army John Marsh officially ruled in favor of Alaska as the base for the new division. The Army's internal "Public Affairs guidance" for the decision stated that the decision "allows us to improve our ability to protect this large and vital region while taking advantage of the facilities and unique training environment in Alaska."

Ironically, the original February 1981 Basing Alternatives study placed training factors among the disadvantages of the Alaskan location.

The Army still insists that Third World "deployment scenarios" for the 6th Division will be determined once the second brigade is fully formed in 1989. But don't hold your breath. By scaling down the division to two brigades to simultaneously please Stevens and keep within its congressionally imposed ceiling on manpower, the Army also cut the division's capability to de-



ploy overseas. In addition, the division's mission had to be reduced to "defense of Alaska," rather than rapid deployment overseas, because, among other reasons, it ended up being equipped with snowmobile-like vehicles rather than wheeled vehicles common to rapid deployment units.

At first, Army spokesmen went through great contortions to justify deployment to the state of Alaska—pointing out that Alaska lies closer to Europe and to most of the hotspots in the Third World (other than Central America) where a light division is likely to be needed. Ultimately, though, they just abandoned the entire Third World light-division jive. In March, when the division was activated, the Army frankly stated, "The mission of the 6th Division is the defense of Alaska and the initial defense of the Aleutian Islands."

This is just one example of Stevens' pork-barrel politicking. In fact, his interference in the light-division decision was minor compared to his interference in deliberations over the military chain of command in Alaska.

Ever since the Alaskan Command was eliminated in December 1974 because of fiscal cutbacks there has been lively discussion within the Joint Chiefs of Staff, the Pacific Command (PACOM) and Alaska about what the proper line of authority for Alaska defense should be. It seemed natural that Alaska be part of the Pacific Command.

But Stevens had other ideas. He feared that if Alaska was not a separate command it would lose its special status and attention.

In November 1980, Adm. Robert Long, commander-in-chief of the Pacific Command,

proposed to General Lew Allen, the chief of staff of the Air Force, that the Pacific Command be assigned responsibility for Alaska and the Aleutian Islands. A month later, according to declassified JCS memoranda, Allen, although supportive, "responded that political realities would seem to preclude a realignment in Alaska."

The issue lay dormant until 1983 when it turned into a battle between the Joint Chiefs, who wanted Alaska in the Pacific Command, and Secretary of Defense Caspar Weinberger, who cited objections by the Alaskan delegation.

The chiefs blaked it, noting: "Congressional concerns must be resolved before attempting to change Alaska Command relations—timing critical based on reelection bids."

The military doesn't really believe that there's a problem in defending Alaska and the Aleutians. Just what the light division is to defend against—the Red Army on dog sleds coming over the ice on its way to Chicago—is something that intelligence officers consider ridiculous. "Who's going to invade Alaska? The Russians? One Army officer asked. "Well then you're talking about global conflict and a light division doesn't mean a damn thing."

According to the current planning scenarios of the JCS, the most likely Soviet conventional option for attack on Alaska is small special forces teams infiltrating by air and sea to disable early warning sites, communications links, airfields, and power generation facilities.

Nevertheless, Alaska, our home soil, is a key element of the forward offensive strat-

egy of the Pacific Command. "The last frontier," as the military now calls it, sums up its meaning to today's war planners. "A real 'threat area,'" officers say.

"If we are forced to engage in global hostilities, in my command, I would envision intense sea and air engagements in the north-west Pacific and in the vicinity of the Aleutians," said Adm. William Crowe, commander-in-chief of Pacific Command and now chairman of the Joint Chiefs, before the Senate Armed Services Committee.

Alaska is a new cold war battleground because domestic politics influenced strategic decisions. The cynics may discount the bureaucratic maneuvers and military war games as having no meaning. They can claim that this is how everything is done in Congress. Meanwhile, the military, thwarted in its effort to make a logical framework for its strategy, has blown Alaska out of all previous proportion in the course of reorganizing the world into theaters of war.

Given public anger over the excesses of military spending, one feels compelled to yawn or roll one's eyes in reaction to the sales pitches of still more "threats" and "windows of vulnerability." But always behind the threat-mongering are new organizations, new operations and exercises, and new weapon systems.

Stevens was able to get a light division to Alaska and interfere in the military chain of command because a clearly defined mission really doesn't exist for the new light divisions and a serious appraisal of the "threat" to the state has never been made. If it turns out that there's a threat that a light division is just right to handle, we'll be ready.

CONTRACTING OFFICES

DIRECTORATE OF CONTRACTING

ATTN: AFVR-DOC

P.O. BOX 5-525

FORT RICHARDSON, ALASKA 99505-0525

COMMANDER

U.S. ARMY CORPS OF ENGINEERS

ATTN: NPASU

P.O. BOX 898

ANCHORAGE, ALASKA 99506-0898

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version : HJR 22
Publish Date : _____

Revision Date: _____
Title: "Relating to an agreement . . .
for enforcement of Alaskan hire . . ."
Sponsor: Boyer, Donley, et al
Requestor: House Labor & Commerce

Agency Affected: Labor
IRU: Labor Standards & Safety
Components: Wage & Hour

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		44.4	44.4	44.4	44.4	44.4
TRAVEL		21.2	21.8	22.5	23.2	23.9
CONTRACTUAL		9.0	9.3	9.6	9.9	10.2
SUPPLIES		.4	.4	.4	.5	.5
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		75.0	75.9	76.9	78.0	79.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS		75.0	75.9	76.9	78.0	79.0
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	1.0	1.0	1.0	1.0	1.0	1.0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Tom Stuart, Director *Stuart* Phone: 465-4870
Division: Labor Standards & Safety Date: 3/24/87
Approved by Commissioner: Jim Sampson Date: 3/24/87
Agency: Labor

Distribution (by preparer) :
Legislative Finance
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Impacted Agency(ies)
Senate Secretary

Position Title Wage & Hour Investigator I			No. of Positions 1	Range/Step 16B	Barg. Unit GLU	Gov. ...	Approv.	Disapp.
Time Status PFT	Staff Months 12	RP Number HJR 22	Location Anchorage		Election District	Leg.		
Type of Expenditure			Justification					
		Amount	<p>A wage and hour investigator position would be required to assist in monitoring and enforcing the resident hire provisions of the Defense Appropriations Act on the Defense projects covered by the cooperative agreement.</p>					
1	2	3						
Salary 2804	33,648							
Benefits	10,765							
Premium Pay								
Other								
Total Personal Services		44,413						
Travel		21,187						
Contractual		9,000						
Commodities		400						
Equipment								
Other								
Total Cost		75,000						
Receipt Code	Funding Source							
	Federal Receipts	1002	75,000					
	G. F. Match	1003						
	General Funds	1004						
	I-A Receipts	1005						
	Program Receipts	1028						
	CIP Receipts	1061						
	Other							
For B&M Use Only								
Key Number								

**Request For
New Position**

Agency Labor
 BRU Labor Standards & Safety
 Componen. Wage & Hour

Page of
 Revised Date

FY 87

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version : HJR 22
Publish Date : _____

Revision Date: _____
Title: Resident hire on Dept. of
Defense contracts.
Sponsor: Zharoff et al
Requestor: House Labor & Commerce

Agency Affected : _____
BRU: _____
Components : _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

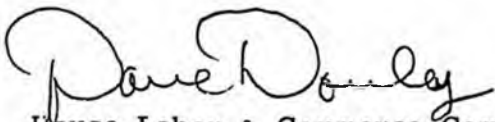
FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)



Prepared by : House Labor & Commerce Committee Phone : 465-3892
Division : _____ Date : March 24, 1987

Approved by Commissioner : _____ Date : _____
Agency : _____

- Distribution (by preparer) :
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

HJR

25

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House LRC:

May 5, 1987

Alaska State Legislature

House of Representatives

P.O. BOX 783
GIRDWOOD, ALASKA 99587
(907) 783-2905

WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
(907) 465-2693/2719

REPRESENTATIVE
JIM ZAWACKI
DISTRICT 7

MEMBER
COMMUNITY & REGIONAL
AFFAIRS COMMITTEE
LEGISLATIVE BUDGET &
AUDIT COMMITTEE
FINANCE SUBCOMMITTEE

MEMORANDUM

May 5, 1987

TO: Representative Dave Donley, Chairman
House Labor & Commerce Committee

FROM: Representative Jim Zawacki

SUBJ: HJR 25

The intent of HJR 25 is to support efforts in Congress to amend the McCarran-Ferguson Act enacted in 1945 which exempts the insurance industry from federal antitrust laws.

The broad antitrust immunity enjoyed by the insurance industry under the McCarran-Ferguson Act is both undesirable and unnecessary. The exemption is undesirable because, by blunting some forms of competitive behavior, it denies consumers the best array of insurance services at the lowest possible cost. The exemption is unnecessary because application of the antitrust laws is in no way inconsistent with either desirable industry cooperation or effective state regulation.

There have been two objections raised by the insurance industry to this resolution. One, it is argued that support of HJR 25 would remove or subordinate the primacy of states' regulatory role as regulator of the industry. This is not so. HJR 25 was drafted to address this concern. Senator Howard Metzenbaum, the original sponsor of the federal legislation, has testified that his intent was not to alter state regulatory primacy. The Senate Antitrust Committee in Washington, D.C. has made it clear that there is no intent to

alter the primacy of state regulatory authority over the industry. Two, is the assertion that the repeal of the antitrust exemption will restrict information pooling that assists the industry in accurately estimating how much they are likely to pay out in the future. Again, this is not so. HJR 25 specifically recognizes the need for the industry to pool and analyze the past claims they have paid; the more claims they can analyze, the more accurate their estimates of future payouts will be.

I was asked by the Citizens Coalition for Tort Reform to introduce this resolution. The Coalition has reviewed this issue closely and determined that it is in the consumers' best interests to repeal this special privilege to the insurance industry. The Coalition has found that there is strong bipartisan support to amend the McCarran-Ferguson Act and that the position of the insurance industry to retain this exemption is not logical or in the best interests of the consumer.

Thank you.

A handwritten signature in cursive script, reading "Jim Zawacki". The signature is written in dark ink and is positioned below the typed text.

6 APR 1987



NATIONAL INSURANCE
CONSUMER ORGANIZATION

STATEMENT
OF THE
NATIONAL INSURANCE CONSUMER ORGANIZATION

ON
REPEAL OF MCCARRAN-FERGUSON ANTITRUST IMMUNITY

BEFORE THE
SENATE JUDICIARY COMMITTEE

FEBRUARY 18, 1987

by

J. Robert Hunter, President
Jay Angoff, Counsel
National Insurance Consumer
Organization

121 N. Payne Street
Alexandria, Virginia 22314
(703) 549-8050

FACT SHEET ON McCARRAN-FERGUSON

I. The McCarran-Ferguson Act, enacted in 1945, exempts the insurance industry from the antitrust laws and thus allows insurance companies to fix prices. There is an exception to the exemption for boycotts, coercion and intimidation -- agreements among insurers to refuse to write insurance at any price therefore can be and have been prosecuted. See, e.g., State of West Virginia ex. rel. Brown v. St. Paul Fire and Marine Insurance Co., Civ. No. 86-C-1400, Kanawha Cty. Circ. Ct. (W. Va., filed Apr. 14, 1986); "Day care centers file insurance suit," The Denver Post, Jan. 17, 1986, at B-1. On the other hand, agreements among insurers to raise their rates in concert are not subject to antitrust prosecution. In other industries such agreements are felonies punishable by three years in jail.

II. Because of the McCarran-Ferguson Act, rates for workers compensation insurance are fixed: the National Council on Compensation Insurance, the rate making organization to which all workers compensation insurers belong, requires its member to adhere to the rates it issues. Constitution of National Council on Compensation Insurance, Art. VII (3)(c). The Insurance Services Office, the rate-making organization for liability insurers, does not expressly require its members to adhere to its rates but rather issues "advisory" rates. Yet, as a practical matter, this "advisory" rate is frequently adhered to. See National Underwriter, Sept. 6, 1985, at 82 ("what has occurred ... is a return to basic ISO rating")

III. There has traditionally been bi-partisan support for prohibiting price-fixing by insurance companies. For example, the Ford Administration exhaustively studied the insurance industry and concluded that price competition in the insurance industry, without McCarran Act antitrust protection, would be in the public interest. U.S. Dept. of Justice, The Pricing and Marketing of Insurance, at viii (1977). Similarly, in 1979 President Carter's National Commission for the Reform of Antitrust Laws and Procedures, composed of the nation's leading antitrust experts, concluded 18-2 that McCarran-Ferguson's broad antitrust immunity should be repealed. In its stead the Commission recommended narrowly drawn legislation to affirm the lawfulness of a limited number of essential collective activities. The Reagan administration also supports repeal of the broad McCarran-Ferguson antitrust exemption, as Federal Trade Commission Chairman Dan Oliver recently testified before the Senate Commerce Committee.

IV. Insurance companies could continue to pool data without McCarran-Ferguson protection.

Because most insurers have not paid enough claims in the past to accurately estimate how much they are likely to pay out in the future, they do need to get together to pool and analyze the past claims they have paid -- the more paid claims they can analyze, the more accurate their estimates of their future payouts will be. However, the joint collection and dissemination of past cost data does not violate the antitrust laws. See U.S. Dept. of Justice, The Pricing and Marketing of Insurance 91-118, and cases therein cited. And if insurers truly have doubts about the legality of pooling loss data under the antitrust laws Congress can expressly legalize such pooling without also legalizing price-fixing, as the McCarran Act does.

V. State regulation of insurance can - and should - be preserved with the McCarran-Ferguson Act repealed. In fact, the two leading organizations of state officials -- the National Conference of State Legislatures and the National Association of Attorneys-General -- have both passed resolutions calling for McCarran repeal. With McCarran-Ferguson repealed, the states would continue to regulate the insurance industry; the federal government would not regulate the insurance industry. As the NAAG put it, repealing McCarran-Ferguson would simply "subject insurance companies to the rules of the competitive marketplace applicable to other firms." NAAG Resolution I, Repealing the Insurance Industry's Exemption From the Antitrust Laws. (June 1986).

VI. Much of the insurance industry is willing to live without McCarran-Ferguson antitrust immunity. For example, the new president of the American Insurance Association, Robert Vagley, told the Journal of Commerce that the industry was willing to consider making changes in McCarran-Ferguson. And in 1979, State Farm Insurance Co. supported a bill that would substantially cut back on McCarran antitrust immunity,. Allstate and several other insurance companies have also indicated that they are willing to live without McCarran. In short, the industry's opposition to the McCarran-Ferguson exemption is probably based more on its traditional opposition to change than anything else.

CC
REC'D
MAY 1987

February 23, 1987

Vol. 20 No. 8

FTC, JUSTICE DEPARTMENT HIT McCARRAN-FERGUSON ACT

At a Senate Judiciary Committee hearing on the McCarran-Ferguson Act last week, Sen. Howard Metzenbaum (D-Ohio), chairman of the Antitrust Subcommittee, found broad support for proposals to amend or repeal the 1945 statute which gives the insurance industry limited shelter from federal antitrust law and confirms the primacy of state regulation of insurance. Federal Trade Commissioner Daniel Oliver charged that the McCarran-Ferguson Act "protects price fixing" by insurers and said the statute's repeal is long overdue. Charles Rule, acting head of the Justice Department's Antitrust Division, affirmed the Department's basic support for ending the antitrust exemption "if certain uncertainties can be resolved." Metzenbaum expressed willingness to revise his bill (S.80) so that it would remove only the antitrust exemption while retaining language clarifying the role of state regulation. Joining the call for repeal or revision of McCarran were representatives of the National Conference of State Legislatures and the National Association of Attorneys General. Small business and consumer groups also called for changing the law.

Insurance industry representatives told the panel that changes in the act would have had no effect on recent problems with commercial liability insurance. They also voiced concern about the costs and confusion that would come from the dual federal-state regulation of insurance that likely would follow repeal of the act. Similar concerns about repeal were voiced by representatives of the National Association of Insurance Commissioners (NAIC) and the Conference of Insurance Legislators. The NAIC came under pointed criticism from Metzenbaum for alleged financial ties and revolving door relationships with the insurance industry.

ABA ADOPTS POSITION PAPER ON TORT LIABILITY SYSTEM

The American Bar Association (ABA) adopted a position paper on the tort liability system which did not contain the significant tort reforms outlined in the draft report presented by a special ABA study commission at its annual meeting in New Orleans. The draft report called for limits on noneconomic damages in certain cases, but the House of Delegates rejected this suggestion and instead voted to go on record as opposing any caps on awards

HOUSE COMMITTEE REPORT

(7)

Date referred: 3/25/87

FURTHER REFERRALS: Judiciary

DATE: 5/5/87

The Labor & Commerce Committee has considered HJR 25
Relating to federal regulation of the insurance industry.

RECOMMENDS:

- replace with HJR 25 the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Robert Douglas
D. G. Thomas
Cliff Davidson
J. Ellis

SIGNING OTHER RECOMMENDATIONS:

W. L. ... NO REC.
... NO REC.

Robert Douglas
 Chairman's signature

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

Bill Version : HJR 25
Publish Date : _____

REQUEST: _____

Revision Date: _____

Agency Affected : _____

Title: Relating to federal regulation of the insurance industry.

BRU: _____

Sponsor: Zawacki

Components : _____

Requestor: House Labor & Commerce

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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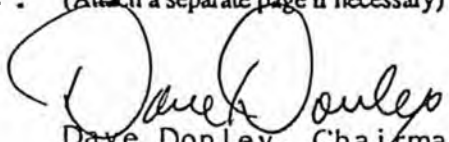
FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)


Dave Donley, Chairman

Prepared by: House Labor & Commerce
Division: _____

Phone: 465-3892
Date: 5/5/87

Approved by Commissioner: _____
Agency: _____

Date: _____

Distribution (by preparer):

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

FROM National Conference of State Legislatures

NAME: Insurance Data Collection

COMMITTEE: Government Operations & Regulation

TYPE OF POLICY: Consent

1 The adequacy and contents of property and casualty insurance data has
2 come under increasingly serious scrutiny as state legislatures have attempted
3 to resolve problems with affordable and available liability insurance.

4 To address this matter, several state legislatures have recently enacted
5 legislation substantially expanding the data which insurers must submit when
6 seeking rate changes. These actions demonstrate how insufficient the
7 information necessary to evaluate rate requests is and how uneven the
8 collection and utilization of appropriate data appears to be. Most annual
9 reports submitted to state insurance commissioners appear to be inadequate.

10 Many insurers operate on an interstate basis. State regulation ought to
11 ensure that rates are developed with sufficient and relevant background
12 information. Rates do affect availability. Appropriate data can demonstrate
13 relationships between the civil justice system and the costs for obtaining
14 property and casualty insurance.

15 To ensure that adequate and comprehensive data is made available
16 regularly, NCSL believes that Congress should enact legislation compelling the
17 annual submission, to the appropriate federal agency, of data that includes,
18 but is not limited to, the following: (a) premiums earned and written; (b)
19 total claims paid regarding judicial dispositions, settlements and
20 administrative/legal costs; (c) reserves; (d) individual classifications of
21 business where premiums have increased/decreased the previous year; and (e)
22 investment income. This data shall be submitted by classification of business
23 and be completed on a national aggregate and individual state aggregate basis.
24 State collection of insurance data and annual financial reporting requirements
25 shall not be prohibited by any federal legislation. All data collected
26 nationally by an appropriate federal agency shall be disseminated to the

August 7, 1986

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NCSL further urges Congress to repeal the antitrust exemption which the insurance industry has been granted, with limited exceptions, by the McCarran-Ferguson Act of 1945. Barring comprehensive repeal, Congress ought to clarify which federal antitrust laws shall or shall not be applicable to the conduct of the insurance industry and which types of data could be shared among insurers.

August 7, 1986

From: William Pennington, Jr., Director, Federal Bureau of Investigation

NATIONAL INSURANCE
CONSUMER ORGANIZATION



March 25, 1987

Honorable Joseph R. Biden
Chairman
Senate Judiciary Committee
U. S. Senate
Washington, D. C. 20510

Dear Mr. Chairman:

Thank you for your letter of February 25. Enclosed are the answers to the questions you pose.

Question 1. The tort policy working group reviewed a number of industries and found that insurance was becoming increasingly unavailable. For example, biotechnology companies are having a difficult time in the insurance market because they are new, small companies dealing mostly in research and development in a field largely unknown to insurers. Many of our basic industries, such as oil, gas drilling and heavy manufacturing are hard pressed to find insurance at a reasonable cost as well. Is this a manufactured crisis? If so, by whom?

Answer 1. The insurance crisis -- sudden, dramatic rate increases and refusals to deal by insurance companies -- is real. It is the insurance industry's explanation for the crisis -- a purported litigation explosion -- that is manufactured. See, e.g., National Center for State Courts, A Preliminary Examination of Available Civil and Criminal Trend Data in State Trial Courts for 1978, 1981 and 1984 (April 1986); "Focusing on the Facts of the Insurance Crisis," a Report to the House Subcommittee on Economic Stabilization, by Phillip J. Hermann, Chairman of the Board, Jury Verdict Research, Inc., August 6, 1986 (JVR studies "do not support any claim of recently escalating jury awards").

The true cause of the recent insurance crisis, and a similar crisis in 1975-76, is the cyclicity of the insurance industry. Insurance rates rose dramatically in 1985-86, just as they did in 1976-77, because the insurance industry's rate of return bottomed out at about 3% in 1984 just as it had in 1975.

1/

121 N. Payne Street
Alexandria, Virginia 22314
(703) 549-8050

Explanations for the cycle vary. The most frequently cited is that the profitability of the industry tracks interest rates. When interest rates are high insurers earn high returns on the premiums they collect, their profitability rises and they begin cutting prices; when interest rates are low they earn low returns on their premiums, their profitability falls and they must raise prices. 2/ Other factors also contribute to the insurance cycle: the inelastic nature of demand for insurance; statutory barriers to entry (e.g., laws prohibiting banks from entering the insurance industry); fluctuations in exchange rates, which substantially affect the supply of reinsurance -- insurance for insurance companies -- since the reinsurance market is dominated by foreign firms; and stock prices, since although most property/casualty insurance company funds are in bonds, about 20% is in common stocks. 3/

More important than all factors but the fluctuation in interest rates, however, is the insurance industry's exemption from the antitrust laws under the McCarran-Ferguson Act. The relationship between the antitrust exemption and the insurance cycle is explained in the answer to Question 2.

Question 2. Is the insurance crisis particularly related to the insurance industry's exemption from the federal antitrust laws or federal regulation in general?

Answer 2. The insurance crisis is related to the insurance industry's exemption from the antitrust laws.

First, the antitrust exemption allows insurance companies to suddenly and dramatically raise rates in concert at the bottom of each cycle. For example, in January 1985, the Insurance Services Office apparently decided that the price-cutting of the last few years had gone far enough: ISO President Dan McNamara called a joint industry conference with the Insurance Information Institute, the industry's public relations arm, at which he emphasized that "the need for significant premium increases, especially for commercial lines, is absolute for the next three years." 4/ Then, in May 1985, ISO distributed throughout the industry a major position paper, entitled "1985: A Critical Year," which proclaimed that "the brutal price war of the last six years is over," and that "significant premium increases are needed, especially for the current commercial lines products." 5/ And the next month William O. Bailey, President of Aetna, the nation's third largest commercial liability insurer, told the National Association of Insurance Brokers that "Clearly another round of price increases is absolutely necessary for the business." 6/ Then suddenly, in the summer of 1985, insurance companies that only a few months earlier had been competing on price and ignoring the ISO "advisory" rate were tripling and quadrupling their premiums, returning to the ISO rate. 7/

Because the courts have consistently prohibited trade associations from circulating "suggested" price lists, even if the list serves only as a guide or starting point for price determination, ISO could probably not issue an advisory rate absent antitrust immunity. See Northern California Pharmaceutical Ass'n v. U.S., 306 F.2d 379 (9th Cir. 1962), cert. denied., 371 U.S. 862; Plymouth Dealers Ass'n of Northern California v. U.S. 279 F.2d 379 (9th Cir. 1969); U.S. v. Nationwide Trailer Rental System, Inc., 156 F. Supp. 800 (D. Kan. 1957), aff'd per curiam, 355 U.S. 10 (1957); Esco Corp. v. U.S., 340 F.2d 1000 (9th Cir. 1965); Dept. of Justice, The Pricing and Marketing of Insurance 167-70 (1977). And absent antitrust immunity, ISO and insurance company executives would certainly be less likely to urge other insurance executives to raise their prices.

Second, the antitrust exemption encourages pricing below cost when interest rates are high. It is the knowledge on the part of insurance companies that, because of McCarran-Ferguson, they can get together, call a halt to price-cutting and suddenly raise their prices in concert to excessive price levels that permits their price cutting to go so far. Because of McCarran-Ferguson, they can get back in one year what they gave away in six.

The children's game of tag provides an instructive analogy. The McCarran-protected rate bureau rate functions as "home base" functions in tag. Insurers, during the competitive phase of the cycle, can ignore the bureau rate and seek market share by cutting price. The price-cuts are deeper and the duration of the price-cutting longer than would be the case in the free market because the price-cutters know that they can always return to the home base of the bureau rate. Because the bureau rate is set at a level at which the least efficient bureau member is profitable, the bureau rate will allow most insurers to earn excess profits. These excess profits attract capital, which sets the stage for the price-cutting to begin again.

If insurance companies competed in a free market subject to the antitrust laws, they would not be able to suddenly call a halt to price-cutting and to sharply raise their prices in concert. Moreover, the knowledge that they could not raise prices in concert after "cashflow" underwriting would prevent them from engaging in such underwriting in the first place, and force them to carefully evaluate risks at all points on the cycle. Because interest rates will continue to fluctuate and demand for insurance will remain relatively inelastic, the insurance cycle will not completely disappear if McCarran antitrust immunity is eliminated. But eliminating that immunity will smooth out the cycle, and should therefore put an end to the insurance "crises" that recur every nine years or so.

Question 3. A number of experts, including those who participated in both the 1977 and 1979 Justice Department studies, have concluded that this industry is competitively

structured, even if individual companies do not behave competitively in the context of the industry's regulatory environment. Why is repeal of McCarran-Ferguson so critical to enhanced competitiveness in the industry? Wouldn't it be enough if the states enacted tougher unfair trade or antitrust laws applicable to the industry?

Answer 3. Repeal of McCarran-Ferguson antitrust immunity is critical to enhanced competitiveness because it is the antitrust immunity which allows the competitively structured insurance industry to perform in an anticompetitive manner, as explained in the answer to question 2.

The states have not applied state antitrust laws to the insurance industry and in general have not enacted tough unfair trade laws that are applicable to the insurance industry. Moreover, as was evident from the testimony of the West Virginia Attorney-General, individual states simply do not have the resources to prosecute the insurance industry under "little FTC Acts" or "little Sherman Acts" even if they did apply to the insurance industry. As New Jersey Insurance Commissioner Ken Merin has put it, the states are simply "outmanned and outgunned" by the insurance industry. 8/ There are also those who argue, including the U.S. General Accounting Office, that state insurance commissioners often do not have what the GAO called an "arms-length relationship" with the insurance industry. 9/

Question 4. The consumer groups have testified that they favor the repeal of the exemption from the federal antitrust laws that the insurance industry enjoys under McCarran-Ferguson. However, such legislative action has often been linked with proposals for increased federal regulation of the insurance industry -- ideas such as the establishment of a federal insurance agency to review state regulation. That is a much more complicated position. Is such regulation necessary if McCarran-Ferguson is repealed?

Answer 4. No. We support repeal of the antitrust exemption for the insurance industry contained in the McCarran-Ferguson Act and the maintenance and strengthening of the national commitment to state regulation of the insurance industry.

We applaud Senator Metzenbaum's public statement that he will amend S. 80 so that it would repeal only the anti-trust exemption while maintaining and strengthening state regulation. The debate must focus on the appropriate question -- do insurance companies need to be able to fix prices? -- rather than the red herring of state versus federal regulation. With the elimination of the antitrust exemption, states could choose to deregulate and would be assured that deregulation would not lead to anticompetitive behavior. On the other hand, states that chose to regulate prices would remain free to do so, under the state action doctrine.

Question 5. Would it be logical to subject insurance companies to liability under federal antitrust law without comprehensive federal regulation of the industry as a whole?

Answer 5. Yes. State-chartered banks, for example, are subject to antitrust law but are not federally regulated.

Question 6. The insurance industry argues that restricting or repealing McCarran-Ferguson would lead to great uncertainty as to what kinds of collective activities would be permissible. For example, what kinds of data would companies be able to share, or would they be able to do this at all? Would they be able to pool risks and establish joint ventures to obtain reinsurance? Aren't these legitimate concerns? How would you propose to establish some legal certainty without years of litigation?

Answer 6. The antitrust laws do not prohibit the pooling of past cost data. To the contrary, the cases clearly establish that the exchange of past cost data is lawful as long as the data are compiled and disseminated in composite form, deal exclusively with past and closed transactions, and are widely published and readily available to consumers. Maple Flooring Ass'n v. U.S., 268 U.S. 563 at 573-74, 586 (1925); U.S. v. FMC Corp., 317 F. Supp. 443, 446 (E.D. Pa. 1970); Department of Justice, The Pricing and Marketing of Insurance at 102, 116-17.

In contrast, the pooling of future pricing data clearly is prohibited by the antitrust laws.

The legality of the pooling of risks and the establishment of joint ventures to obtain reinsurance would be governed by the rule of reason. For example, an agreement among the only three insurers writing a line of business to pool that business would not normally be pro-competitive and thus would not pass muster under the rule of reason. On the other hand, a pooling agreement among several small insurers attempting to enter that same three-firm market would normally be pro-competitive, and thus legal under the rule of reason.

To the extent that insurers truly believe that the rule of reason gives them insufficient guidance as to which activities are lawful and which unlawful, Congress could write carefully drafted standards codifying the rule of reason into the law, as it did with the limited immunity for research and development joint ventures enacted in the 98th Congress.

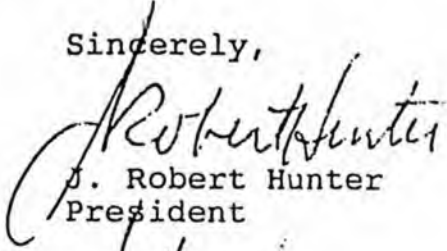
Question 7. If the Judiciary Committee were to act on this kind of legislation, wouldn't we be wiser to consider a more limited and well-defined immunity from the antitrust laws than an outright repeal of McCarran-Ferguson? Wouldn't the uncertainty that might otherwise be created actually harm consumers and make at least some kinds of insurance even harder and more expensive to obtain?

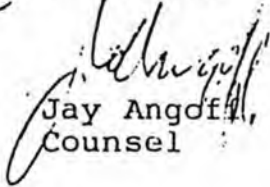
Answer 7. We support, and believe the Judiciary Committee should support, a repeal of the antitrust immunity granted by the McCarran-Ferguson Act rather than a repeal of the entire McCarran-Ferguson Act. To the extent Congress is concerned that repealing the antitrust exemption would create uncertainty that would harm consumers, Congress could write specific standards into the law. (We fail to see, however, how subjecting the insurance industry to the antitrust laws could harm consumers. We are certain that the current situation harms consumers by protecting inefficient anti-competitive behavior which costs consumers billions of dollars in inefficiencies.)

Question 8. What kinds of exceptions would consumer groups be willing to support?

Answer 8. While we do not believe that exceptions are necessary, neither do we believe that expressly permitting insurance companies to jointly collect, compile and disseminate past cost data is harmful. In addition, we believe Congress should give the insurance industry every opportunity to make its case that additional exemptions are needed, and we would welcome the opportunity to discuss with your Committee and the industry the need for any specific exemptions for which your Committee felt the industry had made a prima facie case.

Sincerely,


J. Robert Hunter
President


Jay Angoff,
Counsel

FOOTNOTES

1/ Insurance Information Institute, Insurance Facts: 1986-87 Property/Casualty Fact Book, at 22; Insurance Information Institute, Insurance Facts: 1982-83 Edition, at 19.

2/ E. G., "Insurers Must Take Part of the Rap," Business Week, March 10, 1986.

3/ Insurance Information Institute, Insurance Facts: 1986-87 Property/Casualty Fact Book, at 23.

4/ Business Insurance, Feb. 4, 1986, at 16.

5/ ISO and NAII, "1985: A Critical Year," at 5.

6/ Business Insurance, June 10, 1985 at 3.

7/ National Underwriter, Sept. 6, 1985, at 8, 82 ("The quick reversal in underwriting standards has been shocking What has occurred is a return to the basic ISO rating subject to a minimum 20 percent surcharge.")

8/ Journal of Commerce, July 8, 1986, at 1.

9/ See U. S. General Accounting Office, Issues and Needed Improvements in State Regulation of the Insurance Business (Oct. 1979).

Summer Meeting
Seattle, Washington
June 9-12, 1986

5 APR 1987

I.

REPEALING THE INSURANCE INDUSTRY'S
EXEMPTION FROM THE ANTITRUST LAWS

WHEREAS, The Sherman Act, the Clayton Act, and decisional law prescribe the appropriate standards of conduct for competing businesses and for individual firms acquiring and exercising market power in the United States; and

WHEREAS, those laws prohibit activities in restraint of trade that have repeatedly been shown to be harmful to the economy and injurious to consumers; and

WHEREAS, in 1944, the Supreme Court determined, in United States v. South-Eastern Underwriters Association, 322 U.S. 533, that the business of insurance constitutes commerce within the scope of the antitrust laws; and

WHEREAS, in 1945, Congress, apprehensive about the effect of South-Eastern Underwriters on the powers of states to tax and regulate insurance, adopted the McCarran-Ferguson Act (15 U.S.C. sections 1011-1015), granting the insurance industry broad exemption from most provisions of the Sherman and Clayton Acts, including the proscriptions against such anticompetitive practices as price-fixing, agreements not to compete, monopolization, mergers of dominant firms, tying agreements, and a wide range of other conduct that is unlawful for nearly every firm outside the insurance industry; and

WHEREAS, subsequent developments in antitrust law, particularly evolution of the state-action doctrine, have made it clear that nothing in the Sherman and Clayton Acts would hinder the exercise of traditional state powers of taxation and regulation, including price-regulation, making the antitrust immunity of the McCarran-Ferguson Act unnecessary for the purposes that originally motivated Congress to enact it; and

WHEREAS, it is also clear that nothing in the antitrust laws prohibits insurers from sharing information on losses in order to price their product, or from engaging in reinsurance and other risk-sharing arrangements common to the industry, making the antitrust immunity of the McCarran-Ferguson Act unnecessary to the legitimate needs of the insurance industry; and

WHEREAS, the insurance industry is critical to the national economy, with Americans paying over \$140 billion per year in premiums on property/casualty insurance alone, and with insurance being a necessity for many enterprises; and

WHEREAS, serious questions have been raised about the current crisis in liability insurance and whether it may have been fostered by the industry's antitrust exemption;

NOW, THEREFORE, BE IT RESOLVED, that the National Association of Attorneys General, reaffirming its commitment to the historic right of the states to regulate and to tax insurance and its commitment to the importance of the antitrust laws to free and competitive markets, urges the Congress of the United States to repeal the special immunity from the antitrust laws granted to the insurance industry and to subject insurance companies to the rules of the competitive marketplace applicable to other firms; and

BE IT FURTHER RESOLVED, that the Association authorizes its Executive Director and General Counsel to make these views known to the Congress, the Administration, and other interested parties.

CITIZENS COALITION FOR TORT REFORM

907-561-6250

March 24, 1987

Representative Jim Zawacki
PO Box V
Juneau, Alaska 99811

Representative Zawacki,

This is to confirm our request that you cause to have introduced a House Joint Resolution in support of efforts by Congress to amend the McCarran-Ferguson Act, which exempts the insurance industry from federal antitrust laws.

As we have discussed not only have the past three Presidents of the United States supported such amendments, but a host of national organizations have recently passed resolutions supporting this action. The National Conference of State legislatures and the National Association of Attorneys General are just two examples of national groups that support amendment of the law.

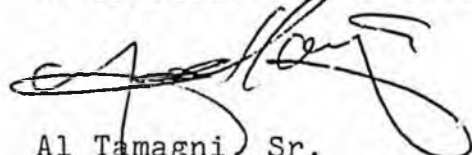
Two concerns have been raised by the insurance industry that must be addressed in the body of a resolution.

1. Individual states must be able to continue their regulatory role of the industry.
2. The insurance industry must still be allowed to exchange past cost data and allow accurate forecasting of future claims.

Additional information on the efforts in Washington, D.C. will be forwarded to you upon receipt, including a new Senate bill that specifies the amendments, that is now in final draft.

We believe the insurance industry, except for the two exceptions we have noted, should be subject to the same laws as other businesses. We believe the insurance consumer and all consumers will benefit from this action and that there will be greater competition in the industry.

We appreciate your efforts in this area of reform.



Al Tamagni, Sr.
Chairman of the Board

The Informer

Citizens Coalition for Tort Reform

Weekly Update

April 10, 1987

RESOLUTION CALLS FOR AMENDMENTS TO FEDERAL ANTITRUST LAW

HOUSE JOINT RESOLUTION 25

Bipartisan group sponsors reform of federal regulation of insurance industry

HJR 25 was introduced by a bipartisan group of House members concerned with insurance reform. Representatives Zawacki, Navarre, Gruenberg, Martin, Shultz and Taylor introduced HJR 25 at the request of the Coalition.

The intent of HJR 25 is to support efforts in Congress to amend the McCarran-Ferguson Act (1945) which exempts the insurance industry from federal antitrust laws.

Two objections have been raised by the insurance industry to this Joint Resolution, they are:

1. Support of HJR 25 to repeal or amend the McCarran-Ferguson Act would remove or subordinate the primacy of states regulatory roll over the insurance industry.

Not so. HJR 25 has been specifically drafted to address this concern. Already the Senate Antitrust Committee in Washington, D.C. has made it clear that there is no intent to alter the primacy of state regulatory authority over the industry. Senator Howard Metzenbaum, the original sponsor of the federal legislation has testified that his intent was not to alter state regulatory primacy and has asked the committee to adjust the original bill to ensure that this is clear. Support for HJR 25 does not alter the primacy of state regulatory authority.

2. Repeal of the antitrust exemption will restrict information pooling that assists the industry in accurately estimating how much they are likely to pay out in the future.

Again, Not so. HJR 25 specifically recognizes the need for the industry to pool and analyze the past claims they have paid - the more claims they can analyze the more accurate their estimates of future payouts will be.

Why is the Coalition calling for repeal of the antitrust exemption and support of House Joint Resolution 25?

Last year, during debate on tort reform legislation, the issue of the McCarran-Ferguson exemption from antitrust was raised by the opposition. The Coalition has reviewed this issue closely and determined that it is in the consumers best interest to repeal this special privilege to the insurance industry. The Coalition found strong bipartisan support for amendment to the McCarran-Ferguson act and that the position of the insurance industry to retain this exemption was not logical or in the best interests of the consumer.

The Coalition has extensive materials in support of and in opposition to the proposed amendment of the McCarran-Ferguson Act. This information, including copies of resolutions by the NFIB, The National Conference of State Legislatures, The National Association of Attorneys General and statements by the Chairman of the Federal Trade Commission, is available upon request. Just call the Executive Director at 561-6250.

907-561-6250

P.O. Box 201668 • Anchorage, Alaska 99520

HJR

64

STATE OF ALASKA
THE LEGISLATURE

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JUNEAU, ALASKA 99811
907-465-3800

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House Labor & Commerce:

March 15, 1988

HOUSE COMMITTEE REPORT

(7)

Date referred: 2/15/88

FURTHER REFERRALS:

Resources

DATE: 3/15/88

The Labor & Commerce Committee has considered HJR 64

Relating to Alaska's participation in the bottomfish fisheries and other benefits from the Exclusive Economic Zone of the United States off the coast of Alaska.

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

David Donley

W. Ellis

Scott Bennett

John L. Brack

Alvin E. Koppman

SIGNING OTHER RECOMMENDATIONS:

[Signature]

David Donley

Chairman's signature



Official Business

COMMITTEE:

HOUSE LABOR & COMMERCE

DATE: March 15, 1988

SIGN-IN

Subject of meeting:

A presentation on the Alliance Bank and the proposed Hallwood Stabilization Trust.
 HJR 64 "Relating to Alaska's participation in the bottomfish fisheries in the exclusive economic zone."
 SB 15 "An Act relating to trade secrets."
 HB 482 "Appropriation loan to the Alaska Power Authority."
 HB 483 "An Act relating to loans from the Railbelt energy fund; and providing for an effective date."
 SB 322 "An Act relating to workers' compensation and providing for an effective date."

PLEASE PRINT
NAME & TITLE

REPRESENTING

ADDRESS & ZIP

PHONE

**DO YOU WANT
 TO TESTIFY?
 YES / NO**

**SUBJECT:
 BILL #**

<i>City Manager Nancy Gross</i>	<i>City of Unalaska</i>	<i>PO Box 89 Unalaska 99685</i>	H W 581-1251	<i>HJR64</i>	
			H W		
<i>TONY GUMBINER</i>	<i>CHAIRMAN OF THE BOARD THE HALLWOOD GROUP</i>	<i>767 Third Avenue NY NY 10017</i>	H W		
<i>JIM CAIRNS</i>	<i>CHAIRMAN OF THE BOARD ALLIANCE BANK</i>	<i>MINNESOTA / BENSON BLVD ANC AK</i>	H W		
<i>GARY DAILY</i>	<i>CITY OF UNALASKA</i>	<i>Box 89 Unalaska AK 99685</i>	H 581-1682 W 581-1250	<i>HJR64</i>	<i>HJR64</i>
<i>Barbara Sheinberg</i>	<i>State Div. of Governmental Coordin.</i>	<i>PO Box AW 99811</i>	H W		
<i>C.S. Christensen</i>	<i>Sen Fails</i>	<i>Capitol Bldg Rm 107</i>	H W 3755	<i>IF NEEDED</i>	<i>SB 15</i>
			H W		
			H W		
			H W		

FISCAL NOTE

REQUEST:

Revision Date: 3/15/88 Agency Affected: _____
 Title: Ak fishing in exclusive economic zone. BRU: _____
 Sponsor: Herrmann Components: _____
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
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						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: _____ Phone: 465-3892
 Division: H.L&C Chairman - Rep. Dave Donley Date: 3/15/88

Approved by Commissioner: _____ Date: _____
 Agency: _____

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

BRIEFING PAPER ON ALASKAN
INVOLVEMENT IN EEZ ISSUES

Provided by the Alaska Division of Governmental Coordination

- ° The State of Alaska is actively working to obtain a more equitable federal-state partnership in the Exclusive Economic Zone (EEZ). On the national level Governor Cowper is working with both the Coastal States Organization and the National Governor's Association to achieve recognition of this goal.
- ° Approximately 7 bills or resolutions have been introduced in the Alaska Legislature this session that address the EEZ. This indicates a growing recognition of EEZ issues in the state. Many of these bills are in development and the Governor does not have a position on each bill. The bills fall into two groups: first, a bill calling for a resource inventory and establishing an EEZ management program (SB 334) and second, resolutions calling for the federal government and private sector to recognize that Alaskans are entitled to a larger share of the resources and revenues generated in the EEZ off Alaska's coast (HJR 45, HJR 63, HJR 64, SJR 51, SJR 57, SJR 67).
- ° Alaska has recently met with the Minerals Management Service to initiate a state-federal taskforce effort on offshore mining in the EEZ. The taskforce will initially focus on developing an Environmental Impact Statement for an offshore mining lease sale in outer continental shelf waters immediately adjacent to state waters off Nome.

This lease sale is anticipated to occur in late 1988 or early 1989. It would be authorized under the Outer Continental Shelf Lands Act (OCSLA) Section 8K. While the state believes that the OCSLA is not the appropriate enabling legislation for offshore mining in the long term, we are willing to work within the existing regime so as not to delay the development of research and the expansion of the existing offshore mining industry in the state. The state believes the project and lease sale off Nome would essentially be a continuation of a successful offshore mining venture in state territorial waters. This is an unique circumstance for the offshore mining industry in that there is a great deal of information known about the exact nature of the deposit, mining methods and environmental impacts.

The State of Alaska has a lease sale for offshore mining in state waters approximately every 18 months. The state has an established regulatory scheme and procedures for such lease sales. The Department of Natural Resources administers the state program and must find proposed offshore mining projects to be in the state's best interest and to be consistent with the Alaska Coastal Management Program.



*Coastal States
and
The U.S. Exclusive
Economic Zone*

COASTAL STATES
AND
THE U.S. EXCLUSIVE ECONOMIC ZONE

Coastal States Organization
Washington, D.C.

APRIL 1987

This project was funded in part by a grant from the
William H. Donner Foundation

ACKNOWLEDGEMENTS

The Coastal States Organization is indebted to Robert W. Knecht, consultant to CSO for this study, whose experience and vision contributed greatly toward our understanding of the complexity and components of this vast ocean area. Special thanks is extended to Admiral Bruce A. Harlow, USN (Ret.), for sharing his expertise in the evolving legal relationships of U.S. Exclusive Economic Zone resources. Special thanks also to the symposium participants whose constructive commentary contributed significantly to the study's purpose and findings. Finally, this report would not have been possible without the continued guidance of the CSO EEZ Steering Committee or the contributions made by the delegates of the CSO's member States, Commonwealths, and Territories.

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CORRECTION

**THIS DOCUMENT
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