

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

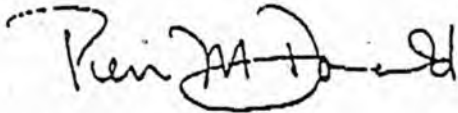
5180 HTRA HJR 6 - HJR 11

752

- 2 -

a further one year waiver under the Canada Shipping Act. I would impress upon you that we must hold this view because of the importance of such service to the Yukon economy as a whole. I would ask that the Water Transport Committee keep this in mind in considering the application by Alaska Marine Lines.

Yours truly



Piers McDonald  
Minister of Community and  
Transportation Services

cc: Elmer McKay  
Federal Minister of Revenue

Erik Nielsen  
Deputy Prime Minister

David Crombie  
Minister of DIAND

# Elvins Equipment Sales Ltd.

A DIVISION OF WAJAX LTD.  
DISTRIBUTORS & DEALERS FOR

CANADIAN KENWORTH  
CUMMINS DIESEL

ALLISON  
DETROIT DIESEL

CHAMPION MOTOR GRADERS  
COLUMBIA TRAILERS

Neil Cross General Manager • Phone 668-2127 • Telex 036-8-214 • 917.5 Alaska Hwy. • Whitehorse, Yukon • Y1A 3E5

March 26, 1986

Mr. Antoine Cote  
Director Merchants Branch  
Water Transport Committee  
Terrasses De Les Chaudieres  
OTTAWA, Ontario  
K1A 0N9

Dear Sir:

With this letter we would like to inform you that the "Water Bridge" concept by Alaska Marine Lines has allowed us to obtain quantities of merchandise, also heavy equipment haulage rates far below those presently obtainable by the all road method.

Alaska Marine Lines, along with the road haulage companies involved, have been punctual and without damage to equipment or merchandise.

We feel in these hard economic times, that a water route from the south to the northern gateway to Yukon, ie Skagway or Haines, Alaska, should be maintained, especially if the rates are consistently below the road route.

We have no hesitation thanking Alaska Marine Lines for the "Water Bridge" concept - it certainly has helped us secure a reasonable commodity rate.

Yours truly

ELVINS EQUIPMENT SALES LIMITED



Neil Cross  
General Manager

/pb



YUKON LIQUOR CORPORATION, BUILDING 278 9031 QUARTZ ROAD, WHITEHORSE, YUKON, CANADA Y1A 4P9

TELEPHONE (403) 667-5245  
TELEX 036-8-336

March 27, 1986

Mr. Antoine Cote  
Director Merchants Branch  
Water Transport Committee  
Terrasses de les Chaudieres  
Ottawa, Ontario  
K1A 0N9

Dear Mr. Cote,

RE: Alaska Marine Lines Transportation  
Yukon Freight Lines

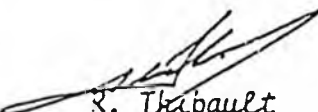
*This is a letter of information regarding the transportation system used by the Yukon Liquor Corporation to ship liquor from Vancouver, B.C. to Whitehorse, Yukon.*

*The Corporation has a contract with Yukon Freight Lines Ltd., a Canadian Motor Carrier to transport goods to Whitehorse via a truck/barge route. The contractor has subcontracted with Alaska Marine Lines to provide the water portion of this route being Seattle, Washington to Haines, Alaska.*

*The marine route for transportation that has been used for the last eight months is a weekly service.*

*The Yukon Liquor Corporation has found the road/marine route of transportation to be both reliable and cost effective.*

Yours truly,

  
R. Thibault  
General Manager

c.c. Alaska Marine Lines

# FRONTIER FREIGHTLINES LTD.

105 GOLD ROAD · WHITEHORSE, YUKON Y1A 2W2 · (403) 668-2441

March 27, 1986.

Water Transport Committee,  
Terrasses De Les Chaudieres,  
Ottawa, Ontario  
Canada K1A 0N9

Attn: Mr. Antoine Cote  
Director Merchants Board

Dear Mr. Cote:

This letter is in support of Alaska Marine Lines application to continue their scheduled service moving Canadian freight to the Port of Haines or Skagway, Alaska.

There are a number of reasons for our support.

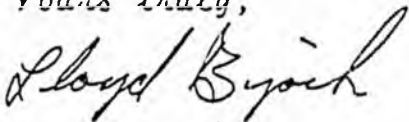
The major one is Alaska Marine Lines is not in competition with Yukon Trucking Companies.

Alaska Marine Lines provides a service that all Trucking Companies can use and not be bothered with back soliciting.

Our Company has had great success with movement of heavy equipment for customers in the Yukon by reducing the cost by 20 to 30 percent.

Alaska Marine Lines is a very fine Company to do business with and their weekly service makes our Company look very good to our customers.

Yours truly,



Lloyd Bjork  
Frontier Freightlines Ltd.

**FINNING TRACTOR & EQUIPMENT COMPANY LIMITED**

BOX 4038, 143 INDUSTRIAL ROAD, • WHITEHORSE, YUKON Y1A 3S9 • PHONE 668-4800



March 27, 1986

To Whom it May Concern:

Alaska Marine Lines provides us with an excellent service. The "Water Bridge" has allowed customers North of '60 to choose a viable economic alternative to normal freight systems.

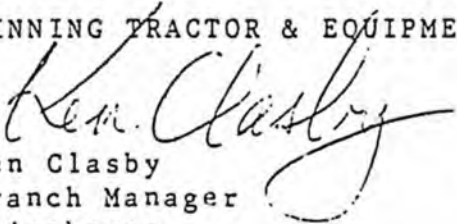
Our recommendation is that Alaska Marine continues with this consistent weekly schedule, non-interrupted, so that Northern business may continue to offer competitive merchandising to concerned consumers.

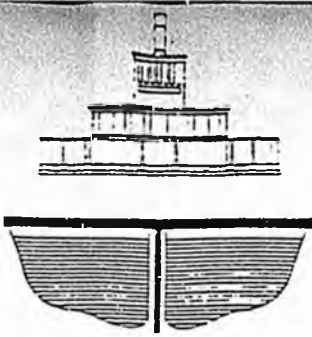
Thank you for your co-operation.

I remain,

Yours truly,

FINNING TRACTOR & EQUIPMENT CO. LTD.

  
Ken Clasby  
Branch Manager  
Whitehorse



# Whitehorse Chamber of Commerce

SUITE 101, 302 STEELE ST., WHITEHORSE, YUKON Y1A 2C5 (403) 667-7545

1986 03 27

Mr. Antoine Cote  
Director, Merchants Branch  
Water Transport Committee  
Terasses des Chaudieres  
OTTAWA, ON K1A 0N9

Dear Mr. Cote:

Last year about this time, the Whitehorse Chamber of Commerce supported Alaska Marine Lines in its bid to obtain a Waiver of the Canadian Coastal Trade Regulations in order to provide a "water bridge" for the movement of freight from the greater Vancouver area to Yukon.

The bid, of course, was successful, and this community has enjoyed and appreciated Alaska Marine Lines alternative freight service over the past twelve months.

The Whitehorse Chamber of Commerce is interested in seeing that an efficient barge service is maintained. We hope that in your deliberations on the licensing of barge services you will take into consideration these points:

First, that the availability of an alternate method of transporting general cargo (by water) has become, and will likely remain, a very attractive and cost effective means of moving freight to the Territory.

Second, that the offering of a regular year round schedule without any interruption of service is important.

Yours truly,

A handwritten signature in cursive script, appearing to read 'April Neave'. The signature is fluid and somewhat stylized.

April Neave  
Manager

AN/cp

cc: Erik Nielsen, Deputy Prime Minister  
Piers MacDonald, Minister of Transport  
Willard Phelps, Leader of Official Opposition



# The City of Whitehorse

2121 SECOND AVENUE • WHITEHORSE, YUKON Y1A 1C2 • TELEPHONE: (403) 667-6401

TELEX: 036-8418

1950 - 1985  
35th ANNIVERSARY

March 25, 1986

Mr. Antoine Cote  
Director Merchants Branch  
Water Transport Committee  
Terasses De Les Chaudieres  
Ottawa, Ontario  
K1A 0N9

Dear Mr. Cote:

Please accept this as a letter of support for the continuation of Alaska Marine Lines which is presently bringing freight up the west coast to Haines, and possibly Skagway, for distribution in Whitehorse and the Yukon.

This carrier has provided a reliable service at a competitive price and provide a very viable option to bring freight into the Yukon. They are competitive both in delivery time and cost.

As you know, we are an isolated and distant centre from the rest of Canada and very vulnerable to freight costs. We believe healthy competition is the best way to keep a good service coming to our doors at a reasonable price. For these reasons, we would ask you to extend the present waiver to the Canadian Coastal Trade Regulations to accommodate Alaska Marine Lines.

Yours truly,

A handwritten signature in cursive script, appearing to read "D. W. Branigan".

D. W. Branigan  
Mayor

CITY OF SKAGWAY, ALASKA

RESOLUTION 86-6R

A RESOLUTION URGING THE CANADIAN GOVERNMENT TO ACT FAVORABLY ON THE WAIVER EXTENSION REQUEST OF ALASKA MARINE LINES FOR EXEMPTION TO THE CANADIAN SHIPPING ACT.

WHEREAS: The year round maintenance of the South Klondike Highway has been agreed upon by the Government of the State of Alaska and the Government of the Yukon Territory, and

WHEREAS: The citizens of Skagway strongly desire that the transportation of freight to and through Skagway to Northwestern Canada becomes more frequent, reliable, and economical, and

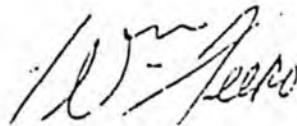
WHEREAS: A strong and competitive freight system is deemed to be in the best interest of, and of highest priority to, both the citizens of Skagway and Northwestern Canada, and

WHEREAS: Such a system encourages economic development and well being through more competitive freight rate and employment opportunities, and

WHEREAS: Alaska Marine Lines desires to continue to operate its presently established weekly freight service to Northwestern Canada utilizing its scheduled year round barge service.

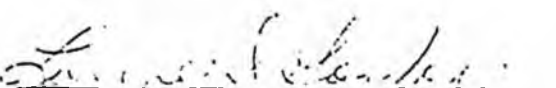
NOW, THEREFORE, BE IT RESOLVED, that the Skagway City Council urges the Canadian Government to act favorably on Alaska Marine Line's request for an extension of waiver to the Canadian Shipping Act.

PASSED AND APPROVED THIS 19th DAY OF MARCH, 1986.



WILLIAM E. FEERO, MAYOR

ATTEST:



Lorene S. Gordon, City Clerk

Upon reapplication in 1986, the Canadian Whitepass and Yukon Corporation objected to Alaska Marine Lines' service, as it desired to offer its own service. Even though the proposed Whitepass service was less frequent and more expensive, Alaska Marine Lines was denied the right to continue its service from Vancouver to Skagway and Whitehorse. Enclosed for your information is a copy of our submission to the Canadian Minister of National Revenue and numerous letters of support from the Yukon, Skagway, and the Governor which accompanied it.

HCR 6 basically says that it is unfair for Canada to preclude such marine transportation service when Canadian service is noncompetitive. The resolution urges Congress to take what steps it deems necessary, including modification of the third proviso of the Jones Act, if Canada does not reciprocate in its treatment of U.S. marine transportation companies.

While Alaska Marine Lines is most impacted by this particular Canadian decision, it has ramifications for all U.S. and Alaskan marine transportation companies.

Thank you for the opportunity to testify, and I strongly encourage you to support this resolution.

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

TESTIMONY REGARDING HCR 6  
PRESENTED BY JIM JANSEN, PRESIDENT  
OF LYNDEN, INC. TO THE  
HOUSE TRANSPORTATION COMMITTEE  
FEBRUARY 4, 1987

Chairman Cato and members of the House Transportation Committee, my name is Jim Jansen and I am president of Lynden, Inc., which is an Alaskan transportation and construction company.

I would like to thank Madam Chairman for introducing this resolution, as we feel it involves a fundamental issue of fairness between the U.S. and Canada in trade relations.

As you are aware, the U.S. Jones Act generally precludes foreign vessels from transporting American goods between American ports. One exception to this requirement contained in the third proviso of the Jones Act allows Canadian vessels to haul American goods between the Continental U.S. and Alaska if the route includes a segment on Canadian rail lines.

The Canadian equivalent of the Jones Act is the Canada Shipping Act. As in the U.S. legislation, there are provisions for exemptions to the Act under limited circumstances. Through regulation, it is possible to obtain a "Coasting Trade Exemption Order", which for a period of one year, waives the Act where no suitable Canadian vessel is available to provide service at a reasonable rate.

Alaska Marine Lines, a subsidiary of Lynden, received such an exemption in 1985 to haul goods from Vancouver to Whitehorse, via Skagway on a weekly basis. This resulted in lower freight costs for both Skagway and the Yukon by virtue of the greater volume of goods transported on this Southeast Alaska route.

Upon reapplication in 1986, the Canadian Whitepass and Yukon Corporation objected to Alaska Marine Lines' service, as it desired to offer its own service. Even though the proposed Whitepass service was less frequent and more expensive, Alaska Marine Lines was denied the right to continue its service from Vancouver to Skagway and Whitehorse. Enclosed for your information is a copy of our submission to the Canadian Minister of National Revenue and numerous letters of support from the Yukon, Skagway, and the Governor which accompanied it.

HCR 6 basically says that it is unfair for Canada to preclude such marine transportation service when Canadian service is noncompetitive. The resolution urges Congress to take what steps it deems necessary, including modification of the third proviso of the Jones Act, if Canada does not reciprocate in its treatment of U.S. marine transportation companies.

While Alaska Marine Lines is most impacted by this particular Canadian decision, it has ramifications for all U.S. and Alaskan marine transportation companies.

Thank you for the opportunity to testify, and I strongly encourage you to support this resolution.

STATE OF ALASKA  
THE LEGISLATURE

POUCHY - 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

H. TRANS.            2-4-87            1:30p.m.

H. TRANS.            2-23-87            (INCLUDES SOME  
DISCUSSION ON HJR(6))

# HOUSE COMMITTEE REPORT

(5)

Date referred: 1/22/87

FURTHER REFERRALS:

DATE: February 4, 1987

The Transportation Committee has considered HJR 6

Relating to reciprocal competition in marine transportation services between United States and Canadian companies operating in Alaska and Yukon Territory.

**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:**

**SIGNING OTHER RECOMMENDATIONS:**

*Bette Cato*  
 \_\_\_\_\_  
*Heinrich Springer*  
 \_\_\_\_\_  
*Mike Miller*  
 \_\_\_\_\_  
*Mike Vance*  
 \_\_\_\_\_  
*Bob Hudson*  
 \_\_\_\_\_  
*Cliff Brubaker*  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

*Bette Cato*  
 \_\_\_\_\_  
 Chairman's signature



Official Business

### COMMITTEE:

House Transportation

DATE: February 4, 1987

# SIGN-IN

### Subject of meeting:

- \* HJR 8: Relating to reauthorization of the Surface Transportation Assistance Act
- \* HJR 6: Relating to reciprocal competition in marine transportation services between U.S. & Canadian companies operating in Alaska & Yukon Territory.

| NAME        | ADDRESS                               | PHONE                    | REPRESENTING       | DO YOU WANT TO TESTIFY? |
|-------------|---------------------------------------|--------------------------|--------------------|-------------------------|
| Jim Tanson  | 3027 Bampton Anchorage                | 279-7501                 | Lyndine            | Yes                     |
| CLIFF FRAME | 95A Roxborough St -<br>Toronto Canada | 46-259 (office)<br>-6311 | Currage Resources  | Yes                     |
| Bill Teoy   | 5015 W Marginal Seattle               | 763-4244                 | Alaska Marine Line | Yes                     |
|             |                                       |                          |                    |                         |
|             |                                       |                          |                    |                         |
|             |                                       |                          |                    |                         |
|             |                                       |                          |                    |                         |
|             |                                       |                          |                    |                         |
|             |                                       |                          |                    |                         |
|             |                                       |                          |                    |                         |
|             |                                       |                          |                    |                         |

\* indicates first public hearing

House Floor Speech on HJR 6

Mr. Speaker,

This resolution, directed to Congress and the Reagan Administration, urges appropriate action to insure that the Canadian Government allows United States maritime transportation companies equitable treatment in applications for waivers from the Canadian Shipping Act, just as the U. S. Government allows Canadian companies waivers from the Jones Act.

A recent specific case illustrates the problem. Alaska Marine Lines had a waiver from Canada to ship Canadian goods to Whitehorse and Faro, Yukon Territories, on its weekly barge run to Haines and Skagway. Its waiver was revoked due to political pressure from a Canadian firm that wanted to displace Alaska Marine Lines service with its own more expensive but less frequent service.

While American firms are prevented from competing with Canadian companies, the U.S. allows the Canadian National Railroad and Canadian vessels the right to ship American goods to American ports under the Third Proviso of the Jones Act.

This resolution will help our Congressional delegation to protest such trade inequities.

Thank you.

WITNESSES

Jim JANSEN, President  
Lynden, INC - Anchorage

Clifford Frame, President  
Curregh Resources,  
Yukon, Canada

Guests

Bob Strong - AK WEST EXPRESS

Bill TROY } AK NAINE LINES  
Bud Hansen }

DAVE Hansen - Lynden - V.P.  
Anchorage

ROBERT GRANT - Curregh - Whitehorse  
N.S.

# STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

P.O. BOX Z  
JUNEAU, ALASKA 99811-2500  
PHONE: (907) 465-3900

OFFICE OF THE COMMISSIONER

February 27, 1987

MAR 04 1987

The Honorable Bette Cato  
Alaska State Representative  
P.O. Box V  
Juneau, AK 99811

Dear Representative Cato:

I am writing to express some concerns regarding HJR 6, which recommends certain actions by Congress regarding the third proviso of the Jones Act.

As you know, Initiative 83-02, approved by the voters in November 1984, expresses the will of the people of the State of Alaska that they wish Congress to repeal fully the Jones Act. While I realize the intent of HJR 6 is certainly consistent with that notion, and merely a response to Canadian Shipping Act restrictions that preclude Alaskan transportation firms from competing freely in this case in the Southeast market for movements of Canadian origin goods destined for the Yukon Territory, I feel obliged to point out that HJR 6 can also be interpreted as being inconsistent with Initiative 83-02.

The third proviso of the Jones Act is a provision which basically exempts certain types of movements (i.e., those goods originating in the U.S. that move through Canada by rail under a tariff regulated by the Interstate Commerce Commission) from the basic requirement to move to and from Alaska in a U.S. bottom vessel. As you probably know, Canadian National currently provides such a service with a rail-car barge that is Korean-built operating between Prince Rupert, British Columbia and Whittier, Alaska. I believe any effort to recommend repeal of this provision could easily be interpreted as an act contrary to the intent of the initiative, since this provision is the one section of the Jones Act which at least provides some relief from the onerous provisions of that law.

It is also worth noting that there may be other Alaskan interests greater than the one addressed in HJR 6 that would warrant support for repeal of a third proviso. A few years ago when this topic was discussed and draft legislation introduced in Congress, the state considered trading repeal of the third proviso for a blanket exemption for the Alaska Marine Highway System to use foreign bottoms that would otherwise be U.S.-owned and U.S.-crewed. My point in mentioning this is merely to stress there may be a more important "quid pro quo" to request if the third proviso is to be offered up in an overall strategy to lessen the anti-competitive effects of both the Jones Act and the Canadian Shipping Act.

The Honorable Bette Cato

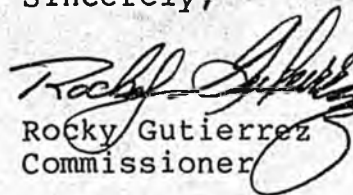
-2-

February 27, 1987

I wanted to bring these issues to your attention as you proceed with your deliberations. Please realize that the mentioning of these concerns should not be construed as lack of support for the basic intent of your resolution, nor lack of support for Alaskan transportation firms having an equal opportunity to compete in the movement of goods to and from the Yukon Territory.

If you wish to discuss this further, please give me or Mark Hickey a call.

Sincerely,

  
Rocky Gutierrez  
Commissioner

cc: Pete Jeans, Chief of Staff, Office of the Governor  
George Sullivan, Legislative Lobbyist,  
Office of the Governor  
Mark S. Hickey, Deputy Commissioner, Operations  
John Katz, Special Counsel, State/Federal Relations,  
Office of the Governor  
Jim Jansen, President, Lynden Incorporated



U.S. Department of  
Transportation-

Office of the Secretary  
of Transportation

Assistant Secretary

400 Seventh St., S.W.  
Washington, D.C. 20590

APR 20 1987

STATE OF ALASKA  
APR 27 1987  
LIEUTENANT GOVERNOR

The Honorable Stephen McAlpine  
Lieutenant Governor  
State of Alaska  
P.O. Box AA  
Juneau, Alaska 99811

Dear Lt. Governor McAlpine:

Thank you for your letters to President Reagan and Secretary Dole on the subject of marine transportation services in the United States by Canadian companies.

I have asked my staff to look into the issue that prompted the resolution of the Alaska Legislature, which is the loss of a Canadian government waiver granted to an American company to carry cargo in the Canadian coastal trade. We have discussed the matter with a representative of the company, Alaska Marine Lines, and obtained up-to-date information on the status of the situation. The Department of State had made previous representations before the Canadian government on the refusal of this waiver petition, but was unsuccessful in reversing the decision.

On April 13 several DOT representatives met in Ottawa with Canadian officials from the Department of External Affairs to express our continued concern over the waiver refusal. We provided to the Canadians new information on the present carriage of the cargo, and we communicated the fact that the United States Congress had taken heed of your resolution and was considering the development of a legislative proposal mandating reciprocity.

The Canadian officials promised to look into the situation. We will keep you informed of any developments.

Sincerely,

Matthew V. Scocozza  
Assistant Secretary for Policy  
and International Affairs

Marine Trans.  
Services  
(reciprocal  
competition)

HOUSE JOINT RESOLUTION NO. 6, by Rep. Cato. Requests the President, Secretaries of State, Transportation, and Commerce to pursue equitable and reciprocal treatment from the Canadian government for U.S. marine transportation companies seeking to provide services to the Yukon Territory and to take action limiting the authority of Canadian marine transportation companies to operate in Alaska until the Canadian government grants rights to U.S. companies to operate in the Yukon Territory.

Requests Congress to amend the Jones Act to require that the authority for Canadian marine transportation companies to operate between ports in Alaska is contingent upon a reciprocal grant of authority for U.S. marine transportation companies to provide service to communities of the Yukon Territory.

Requests the Alaska delegation in Congress to initiate legislation and to seek administrative action to ensure that U.S. marine transportation companies are accorded the same treatment in Alaska and Yukon Territory markets as are Canadian marine transportation companies.

Introduced January 22 and referred to Transportation.

RELATIONSHIP BETWEEN SJR 11 AND HJR 6 AM

SJR 11 urges Congress to repeal those portions of the Jones Act which prohibit the use of foreign built vessels in the American coast wise trade, so long as they are owned by Americans, meet American safety standards, and are crewed by Americans.

HJR 6 AM urges Congress to expand the benefits to Alaska of the Third Proviso of the Jones Act, which is an exception to the Jones Act which does currently allow the use of foreign vessels to transport American goods within the U.S. if a portion of the route includes Canadian rail service. Specifically, the resolution urges Congress to take action to ensure that Canada allows U.S. companies the same treatment under its Shipping Act as the U.S. permits Canadian Companies (i.e., the Canadian Pacific Railroad) under an exception to the Jones Act.

There is nothing inconsistent with the resolutions, although they do deal with separate issues: SJR 11 seeks to change one adverse provision of the Jones Act and HJR 6 seeks pressure on Canada to broaden the opportunity for U.S. companies to engage in coastal commerce.

sd/9.25

STEVE COWPER  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

JAN 27 1987

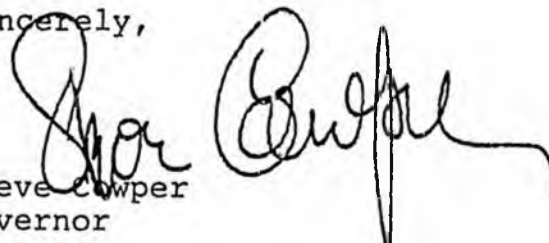
January 23, 1987

Dear Reviewer:

A copy of the Jones Act Report is attached for your information and consideration. The report satisfies the requirements of Initiative 83-02, which mandates the Governor to report annually to the Legislature any actions taken during the preceding year toward repeal of the Jones Act or mitigation of its effects.

This report to the 1987 Legislature covers the calendar year of 1986. It is the product of a team effort by the Governor's Office in Washington, D.C., the Office of Management and Budget, the Department of Revenue, the Department of Commerce and Economic Development, and the Department of Transportation and Public Facilities. If you have any questions about the report, please call Elliot Lipson at 465-2171.

Sincerely,

  
Steve Cowper  
Governor

Attachment

A REPORT TO THE ALASKA LEGISLATURE

JONES ACT RELATED ACTIVITIES  
AND EFFORTS DURING 1986

JANUARY 1987

The purpose of this report is to satisfy the requirements of Initiative 83-02, adopted by Alaskan voters on November 6, 1984. The initiative requires the Governor to lobby Congress for the repeal of the Jones Act and to report annually to the legislature any actions taken in this regard and their effects. This report is an update and expansion of the initial report submitted to the Legislature on January 13, 1986.

In developing the legislative issues list for the second session of the 99th Congress, the Washington, D.C. Office staff identified Jones Act modification as a state priority. In a February 21, 1986, report, it also identified Cook Inlet and North Slope Oil Exports as priorities for the second session. These items are related to the Jones Act initiative because their purposes are to stimulate the international trade activity of Alaskan industries, and to remove the barriers that exist to achieving that goal.

In a series of meetings with key staff from each of the Congressional delegation offices, and in subsequent meetings with delegation principals, the Washington Office discussed the requirement of the initiative to work for the repeal of the Jones Act. In each instance, reference was made to the repeal of the Jones Act as a priority of the state. Discussion of this item with the respective staffs produced a consensus that the climate in Congress was not favorable for major modification or repeal of the Jones Act, but that we would be alert to any possibilities for making minor amendments to, or any waivers of, the Act that might benefit Alaskan commerce. Consensus was also evident in meetings with delegation members that the mood of the Congress had not changed and that any meaningful modification to the Jones Act was very unlikely. These conclusions were corroborated in discussions and meetings with other Congressional staff and with knowledgeable outside observers.

In other actions involving the Jones Act, Senator Stevens introduced S.1935 in December, 1985, to direct the Secretary of Transportation to document certain foreign built vessels as vessels of the United States so as to be entitled to engage in domestic coastwise trade. This bill, as amended by the House, would have authorized an unlimited number of vessels to operate in the coastwise trade. The intention was to allow these vessels to function as cruise ships in the tourist industry. The bill would have constituted a waiver of the Jones Act. Governor Sheffield submitted testimony in support of this measure. However, differences in the Senate and House versions were never resolved, so this legislation was not enacted. A commentary on S. 1935 which discusses Alaska's interests is attached as Appendix A.

Another bill, S.2662, was introduced by Senators Stevens and Inouye to develop and deregulate the United States flag liner fleet. This bill would have provided operating differential subsidy contracts to qualified vessels (using U.S. crewmen) entering into international trade. The Washington Office monitored the bill's Congressional hearing, discussed its possible Alaska implications with Commerce Committee staff, and discussed the legislation with private counsel representing the Alaska Railroad. The opinion of all parties was that the bill would have little or no impact on Alaska. Primarily because of the Administration's objection to the cost of implementing the bill, it was never brought before the full Senate for a vote.

Finally, it should be noted that ADOT&PF has notified the Washington Office that at least one private carrier has contacted Senator Stevens about using the threat of eliminating the third proviso of the Jones Act as leverage in trade discussions with Canada. The third proviso allows American goods shipped between two U.S. ports to travel by Canadian rail as part of their routing. The carrier wants the government to use the threat of ending the third proviso in order to receive similar, but not identical concessions from Canada.

ADOT&PF staff has indicated its concern that this proposal would have a negative impact on the Alaska Railroad's current barge service. Also, the elimination of the third proviso runs against the purpose of the initiative which is to eliminate the Jones Act. The Washington Office contacted Senator Stevens' staff about those concerns and was told that no effort would be made by the Senator in this area without state participation. Furthermore, any strategy involving the third proviso does not seem very promising in view of the prior history of Congressional consideration of this subsection -- a matter dealt with in past communications from the Washington Office.

Even though Congress is presently reluctant to consider changes to the Jones Act, significant elements of national transportation, national defense and national economy interests recognize the need for changes from the status quo. In recent years and months there have been numerous articles by qualified experts and statements by affected organizations which recognize that:

- (1) The Jones Act and related statutes have been unsuccessful in preserving, maintaining and protecting U.S. Merchant Marine and shipbuilding capabilities;
- (2) The present and projected situation is technologically, economically, politically and socially different from that which existed when the present maritime statutes were enacted; and,
- (3) The present deficiencies in merchant marine and shipbuilding capacities have reached critical levels in regard to the several legitimate interests of the United States and the various states.

A July 1985 Special Report to the President and the Congress by the National Advisory Committee on Oceans and Atmosphere concludes that:

- (1) National efforts should emphasize development of a viable commercial fleet during peacetime in order to satisfy potential defense needs;
- (2) Requirements for U.S. build have contributed to the decline of the U.S. merchant fleet and have not created substantial work for U.S. shipyards.

The report recommends:

- (1) Eliminate all requirements for U.S. operators who receive government subsidies to build vessels in U.S. shipyards;
- (2) Amendment of current maritime statutes that impair the competitiveness of U.S. vessels in foreign trade;
- (3) Amendment of the Jones Act to allow foreign building of new vessels for the Jones Act domestic trade.

A copy of the executive summary of this report is attached as Appendix B.

A recent article by L. Edgar Prina made the following significant points:

- (1) In 1950, the U.S. ranked first in the world in numbers of merchant ships and carrying capacity (dwt). Today it is 10th in ships and 8th in dwt.
- (2) In 1950, U.S. flag vessels carried 21 percent of U.S. foreign trade tonnage. In 1983 they carried only 5.8 percent.
- (3) As of August 1985, only 8 U.S. flag merchant vessels were under construction or on order in U.S. shipyards.

The article goes on to identify the national defense implications of these facts and to indicate that the present maritime statutes are clearly not accomplishing their intended purposes. A copy of this article is attached as Appendix C.

The Standing Committee on Water Transportation (SCOWT) of the American Association of State Highway and Transportation Officials (AASHTO), chaired by Richard J. Knapp, then Alaska's Commissioner of Transportation and Public Facilities, developed a policy position statement on National Maritime Policy. The statement recognizes the same kinds of deficiencies in the present situation and calls for the creation of a presidential task force to review present national maritime policy and to recommend changes. A copy of the AASHTO policy position statement and its transmittal to President Reagan are attached as Appendix D.

The heart of Alaska's concerns over Jones Act restrictions, oil export limitations and related federal laws is clearly identified in a September 10, 1986 memorandum from Gregg Erickson, Division of Strategic Planning, to State Senator Frank Ferguson. The memo indicates that the state treasury suffers approximately \$433 million per year in reduced oil revenues alone because of the effects of these laws. A copy of this memo is attached as Appendix E.

To date, we have essentially "tinkered" with the Jones Act and related laws to eliminate or mitigate those restrictions most onerous to Alaskans. Clearly, these laws are not achieving their originally intended purposes and are no longer relevant to the present situation. We feel it will be more effective and will more effectively serve Alaska's interests if a broader perspective is adopted. National interests which coincide with or complement Alaskan interests should be identified and pursued. This approach would offer an alternative program which would better serve the U.S. and Alaskan interests.

Such an alternative program might contain the following kinds of provisions:

- (1) Construction of vessels anywhere in the world, but to U.S. standards, would be allowed for U.S. registered vessels, provided other requirements are met.
- (2) To be U.S. registered, a vessel would have to be:
  - (a) Built to U.S. standards;
  - (b) At least 51 percent U.S. owned;
  - (c) Manned by U.S. crews;
  - (d) Have all major repairs performed in U.S. shipyards.

The beneficial effects of such a program would:

- (1) Eliminate the need for vessel construction subsidies;
- (2) Offset higher operating costs due to U.S. crews and standards with lower amortization costs;
- (3) Create a basis to reestablish and maintain U.S. shipyard capabilities with vessel repairs;
- (4) Provide and maintain the sealift capabilities necessary for national defense purposes and favorable balance of trade.

As indicated, recognition of the need for and value of such a program is growing nationally. The state of Alaska should take advantage of this situation to spearhead an effort to consolidate the interests of other states. All sympathetic states should coordinate their actions to concentrate attention at the national level on reviewing and changing national maritime policy to reflect today's needs rather than outmoded and obsolete impressions of such needs.

In conclusion, various political constraints, particularly the opposition of the maritime industry, blunted the effort to obtain repeal or significant modification of the Jones Act during the 99th Congress. In the absence of major allocations of state resources -- allocations which are far beyond the capacity of existing state agencies -- there is little likelihood that the Jones Act can be significantly modified in the 100th Congress. Even a major dedication of resources does not assure Jones Act repeal given the strength of the forces arrayed against the state on this issue. In these circumstances, the result which is most likely of achievement is the piecemeal modification or waiver of the Jones Act in well-defined factual contexts, such as the cruise ship example described above, according to the Washington Office.

APPENDICES

# MEMORANDUM

APPENDIX A  
State of Alaska  
Department of Transportation & Public Facilities

TO: John Katz  
Special Counsel  
State/Federal Relations  
Office of the Governor

DATE: June 23, 1986

FILE NO:

TELEPHONE NO: 465-3900

FROM: R. J. Knapp  
Commissioner

SUBJECT: S. 1935

The Alaska Department of Transportation and Public Facilities has the following comments on S. 1935, a bill directing the Secretary of Transportation to document up to five foreign-built passenger vessels. The effect of documentation would be to allow these five vessels to carry passengers between U. S. ports, in spite of the restrictions of the Jones Act and similar type legislation. S. 1935 is sponsored by Senator Stevens; Senator Murkowski is a co-sponsor.

The provisions of S. 1935 would apply only if -

- (1) Transportation is limited solely to passengers and their personal luggage.
- (2) The vessel was originally delivered for passenger cruise service.
- (3) The vessel is less than twelve years old but at least two years old.
- (4) The vessel has a minimum of 400 passenger cabins with modern facilities and can be converted to a troop ship.
- (5) Current and future improvements to each vessel will be done in U. S. shipyards.

S. 1935 proposes an exception to the prohibitions of Jones Act type legislation for the purposes of developing a domestic cruise ship industry, according to a recent article in the Alaska Journal of Commerce. The Governor's approach to the prohibitions of the Jones Act is similar in approach, although much broader in application. Under the Governor's approach foreign-built ships could enter all segments of the coastwise trade, as long as are were staffed by U. S. crews and meet U. S. safety and environmental requirements. Both the Governor's position and S. 1935 are in response to a domestic shipbuilding industry that is seen as a high-cost producer. Increasingly, domestic shipyards are losing the ability to produce certain types of vessels at any cost.

The provisions of S. 1935 could be broadened to provide more benefits to the State of Alaska, although most such changes would eliminate any chances of passage that the current proposal may have. For example, the exceptions proposed in S. 1935 do not apply to the Alaska Marine Highway System (AMHS). Among the differences between large cruise ships and AMHS vessels are the smaller number of cabins and the dedication of a full deck to the transportation of private vehicles and some cargo-carrying vans. The State of Alaska should consider some way to broaden the provisions of S. 1935 so it applies to more types and sizes of vessels.

Attachments

cc: Joe Camp, Deputy Commissioner, Alaska Marine Highways  
✓ Warren Sparks, Deputy Commissioner, Headquarters  
Pete Spivey, Special Staff Assistant, Office of the Governor

99TH CONGRESS  
1ST SESSION

# S. 1935

To direct the secretary of the department in which the Coast Guard is operating to cause certain vessels to be documented as vessels of the United States so as to be entitled to engage in the domestic coastwise trade, and for other purposes.

---

## IN THE SENATE OF THE UNITED STATES

DECEMBER 12 (legislative day, DECEMBER 9), 1985

Mr. STEVENS (for himself, Mr. GOLDWATER, Mr. PRESSLER, and Mr. MURKOWSKI) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

---

## A BILL

To direct the secretary of the department in which the Coast Guard is operating to cause certain vessels to be documented as vessels of the United States so as to be entitled to engage in the domestic coastwise trade, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*  
3 That (a) notwithstanding section 12106 or 12107 of title 46,  
4 United States Code, section 27 of the Merchant Marine Act,  
5 1920 (46 App. U.S.C. 883), or any other provision of law,  
6 the Secretary of the department in which the Coast Guard is  
7 operating shall cause, upon application made in accordance

1 with this Act, not more than five vessels under foreign own-  
2 ership, registry and flag on the date of enactment of this Act  
3 to be documented permanently as vessels of the United  
4 States with the privilege of engaging in the coastwise trade,  
5 if—

6 (1) each such vessel is in compliance with all  
7 other requirements of law applicable to vessels engag-  
8 ing in the coastwise trade;

9 (2) any alterations, repairs, or rebuilding of each  
10 such vessel that is necessary to bring the vessel into  
11 compliance with the requirements of part B of subtitle  
12 II of title 46, United States Code (relating to inspec-  
13 tion and regulation of vessels) and regulations issued  
14 under that part, or any conversion to eliminate cargo  
15 space necessary to bring the vessel into compliance  
16 with paragraph (5) of this subsection, are done in the  
17 United States.

18 (3) all future nonemergency alterations, repairs, or  
19 rebuilding of each such vessel after it is documented  
20 under this subsection are effected in the United States  
21 pursuant to the then applicable laws, so long as the  
22 vessel remains documented as a United States vessel;

23 (4) on the date of such documentation, each such  
24 vessel is owned by a citizen or citizens of the United  
25 States, as defined in the applicable laws prescribing the

1 qualifications for vessels to engage in the coastwise  
2 trade;

3 (5) transportation in each such vessel is limited  
4 solely to passengers and their personal luggage; and

5 (6) each such vessel also—

6 (A) has a minimum of four hundred passen-  
7 ger cabins with modern facilities;

8 (B) is capable of being converted to a troop-  
9 ship; and

10 (C) has been originally delivered solely for  
11 passenger cruise service within twelve years  
12 before the date of enactment of this Act, except  
13 that any vessel constructed in a foreign shipyard  
14 and delivered solely for passenger cruise service  
15 within two years before the date of enactment of  
16 this Act shall be deemed constructed solely for  
17 the purpose of entering the coastwise trade pursu-  
18 ant to this Act, and such vessel shall not be eligi-  
19 ble for documentation pursuant to this Act.

20 (b) For purposes of this Act, the Secretary of the depart-  
21 ment in which the Coast Guard is operating shall, with re-  
22 spect to vessels subject to this Act, determine the eligibility  
23 of each vessel to engage in the coastwise trade in chronologi-  
24 cal order of application, made after the date of enactment of  
25 this Act, to the Secretary for documentation as a United

1 States vessel under this Act. Any such application shall be  
2 filed not later than twelve months after the date of enactment  
3 of this Act. Any rebuilding of a vessel or repair work neces-  
4 sary to bring each such vessel into compliance with the re-  
5 quirements of part B of subtitle II of title 46, United States  
6 Code (relating to inspection and regulation of vessels) and the  
7 regulations issued under that part shall be completed within  
8 twenty-four months after the date of enactment of this Act.

○

# State News



## Cruise ship promotion bill is introduced

A bill which would promote the development of a domestic cruise ship industry has been introduced in the Senate by Sen. Ted Stevens.

The measure, which would permit five foreign-built passenger ships to be documented under U.S. law, would require American crews, and would also require that all repairs and modifications to meet Coast Guard inspection standards would be done in U.S. shipyards.

"Our domestic cruise ship industry is non-existent," Stevens said in a statement on the Senate floor, "and it will remain so without the utilization of foreign-built vessels."

Noting the development of a domestic cruise ship industry could benefit many U.S. ports which might not be included in the routes traveled by foreign cruise ships, Stevens said, "My

state is a prime example of the impact a cruise industry can have on ports. Foreign cruises make periodic stops in towns in Southeast Alaska, and the tourism generated through these cruises is rapidly becoming a mainstay of Southeast Alaska's economy."

Any U.S. citizen would be allowed to file an application for documentation under the measure, Stevens said. The bill contains three criteria designed to bring modern and militarily useful vessels into the cruise ship trade.

The first criterion would require that each vessel have a minimum of 400 passenger cabins with modern facilities. This would ensure that in times of emergency the vessel would be large enough to make a significant contribution to the Navy's ability to move people, or could be used as a hospital

ship.

The second criterion would require that each vessel would be capable of being converted into a troop ship.

The third requirement would

be an age limitation on each vessel to ensure modernity. It would also prohibit potential applicants from contracting for the construction of new passenger vessels in foreign ship-

yards.

"The purpose behind the bill is to revitalize a U.S. industry," Stevens said, "not to encourage the growth of foreign industries."

## Kodiak Fish Tech Center wins Board of Regents OK

The University of Alaska Board of Regents has given the go-ahead on planning a facility for the Kodiak-based Fishery Industrial Technology Center (FITC).

"Forty-four of the 50 states," President Donald O'Dowd said, "and Alaska is not one of those 44, have universities with technology development centers. Since fishing is Alaska's num-

processing and new products development.

The staff of the center has been sharing research facilities with other Kodiak fisheries related agencies and providing about 40 workshops each year in fishing communities throughout the state.

The new facility will provide about 18,000 square feet of cryogenic laboratories, con-



### Golden Nugget Motel

Fairbanks, Alaska

### "Friendliest Hotel in Fairbanks"

SUPER LOW OFF SEASON RATES

\$49 single

\$54 double

#### OFFERING:

- Food & Beverage Service
- Cable/Color TV's in All Rooms
- Large Newly Refurbished Rooms
- We Reimburse for Airport Limo
- Happy Hour Weekdays 5-6 PM  
Most Drinks \$1
- Right Downtown

GOLDEN NUGGET MOTEL

900 NOBLE ST.

FAIRBANKS, AK 99701

452-5141

A Special Report to  
The President and  
The Congress

---

## Shipping, Shipyards and Sealift:

Issues of National Security  
and Federal Support 1985

---

National  
Advisory  
Committee on  
Oceans and  
Atmosphere

July 1985



**NATIONAL ADVISORY COMMITTEE  
ON  
OCEANS AND ATMOSPHERE**  
3300 Whitehaven Street, N.W.  
Washington, DC 20235

SEP 09 1986

To the President and the Members of the Congress:

As Chairman of the National Advisory Committee on Oceans and Atmosphere (NACOA), I am pleased to forward to you a copy of our report, "Shipping, Shipyards and Sealift: Issues of National Security and Federal Support." The conclusions reached and the recommendations made support current trends unlinking shipping from shipbuilding and advance several approaches for strengthening our Nation's sealift capability in the interests of national security.

Respectfully,

John E. Flipse  
Chairman

# EXECUTIVE SUMMARY

## Defining the Problem

The Nation's maritime policy, embodied in the Merchant Marine Acts of 1920 and 1936, as amended, has for over half a century provided Federal supports to the maritime industries to preserve in peacetime sufficient capacity to respond to a national defense emergency. It is increasingly clear that our maritime policy, and the package of protections derived from it—tax credits, loan guarantees, ship construction and operating subsidies, limited cargo preference, protected domestic trade (cabotage) and build-U.S. requirements—have had limited success in preserving a viable U.S.-flag fleet and merchant marine. The decline in the shipping and shipbuilding industries despite substantial government supports suggests the need to examine and define the national security requirements for each.

The United States has for some time been the world's largest trading nation with a dramatic increase from 130 million long tons of foreign trade in 1950 to 630 million in 1983. Carriage of foreign trade in U.S.-flag vessels has fallen from over half (by weight) at the end of World War II to less than 6 percent in 1983, but the declining role of U.S. shipping has not impeded the overall growth of the U.S. economy or our foreign trade. Indeed it can be argued that the decline of the high-cost, U.S.-flag fleet, and its supporting shipbuilding base, has had a net beneficial effect on the overall national economy. The economic arguments for Federal support of the maritime industries are thus less than conclusive, and the arguments have focussed increasingly on the national defense needs for U.S. shipping and shipyards.

The primary national requirements for the U.S. maritime industries are the national defense needs, during a conflict, for naval combatant ships to wage war at sea; adequate merchant sealift capacity to project military equipment and supplies overseas and concurrently provide critical shipping to support our economy; and sufficient shipyard capacity to support both. Sealift needs fall into three categories: floating prepositioned storage of supplies; rapid initial overseas deployment of forces, their equipment and supplies (surge sealift); and long-term resupply of overseas forces (sustaining sealift). In addition, shipping assets would be needed for import of critical materials and some ordinary trade and for domestic waterborne

transport of critical materials, such as transport of strategic petroleum reserve oil to refineries.

Many experts are concerned that, in time of conflict, the Nation will need many more ships for combat and sealift—and more shipyards to activate, repair and replace them—than present natural economic forces will maintain in peacetime. NACOA has therefore defined the issues, for the purposes of this study on shipbuilding and sealift in the national defense context, as follows:

- What is the most effective and least costly way to ensure that adequate sealift capacity will be available in the timeframe required for a major modern conflict?
- What level of shipbuilding capacity would ensure an adequate base for mobilization and new ship construction and repair in a major conflict?
- To the extent that shipping and shipbuilding capacity is required, what level and type of Federal support are needed or appropriate?

## The Scenario

Until recently, national sealift requirements were based on the scenario of a NATO/Warsaw Pact conflict requiring movement of U.S. troops and supplies across the North Atlantic to Europe. The changing balance of world economic and political forces resulting from the late 1960s discovery of massive oil reserves in the Middle East prompted U.S. military planners to begin focusing more attention on the Indian Ocean and the Southwest Asia region (the Middle East and Persian Gulf area). The current defense planning scenario, established by the Joint Chiefs of Staff, assumes that a major global conflict could begin in Southwest Asia, and spread to Europe, Northeast Asia (especially Korea) and three oceans. It is a worst-case scenario in terms of the requirements it generates—a prolonged (3-year), non-nuclear, global conflict, waged in three theatres, with two major periods of sea battle.

Military strategists conclude that a modern global conflict would have to be fought with Naval and sealift vessels already built during peacetime; NACOA concurs with this conclusion. Unlike the beginnings of World War II, where the United Kingdom held off the aggressor for several years while the United States prepared for war, a modern global conflict would almost

certainly mean immediate U.S. involvement, and the increased distances required for seallift of supplies adds severe time constraints. These considerations have prompted serious reappraisal of the status of, and requirements for, the Nation's seallift assets.

## Maritime Industry Status

The continued decline in both the shipping and shipbuilding industries in this country has raised increasing national defense concerns.

Although the United States has one of the largest shipbuilding industries in the world, devoted almost solely to naval programs at this time, it ranks only 10th among commercial shipbuilding nations worldwide with less than two percent of the world's commercial ship orderbook. Largely because of differences in national standards of living, the world shipbuilding market, as with other heavy industry, is moving generally from the United States and Europe to the Orient, and from developed to developing nations. The U.S. shipbuilding industry has long been unable to compete with foreign yards. Virtually all of the merchant vessels built in U.S. yards in the past decade have been built either with Federal subsidy or for protected domestic trades, but recent changes in Federal maritime support programs and depressed economic conditions have all but halted this commercial ship construction. Three major shipyards have closed since 1982, and General Dynamics Corporation recently announced that its Quincy Shipbuilding Division, a major shipyard that has been in business for 101 years, will close in the spring or summer of 1986.

There are currently only 6 major U.S. shipping lines, carrying container cargo, down from 19 in 1970, and they are heavily dependent on government cargo reserved for U.S. ships. Almost all U.S.-flag bulk vessels operate in the domestic trades that are reserved for U.S. ships. In the domestic trades, however, trucks, railroads, pipelines, and tug/barges are replacing oceangoing, self-propelled cargo vessels. These developments threaten the viability of the domestic fleet, an important source of militarily useful tonnage and trained U.S. crews for meeting seallift demands in a national emergency.

There are currently less than 500 oceangoing vessels greater than 1,000 gross tons in the U.S.-flag fleet, and 105 U.S. shipyards capable of building or repairing vessels of this size. Except for the tremendous World War II peak, the U.S. shipyard employment base has risen fairly steadily over six decades despite the continued decline in the U.S.-flag fleet. Our longstanding national maritime policy appears to have done a better job of preserving our shipyard base than our U.S.-flag fleet.

## Defense Requirements for Ships

The primary national defense requirement for the U.S. shipping and shipbuilding industries, beyond the peacetime carriage of government cargoes and peacetime building and repair of military vessels, is to provide increased seallift and Naval combatant capacity in case of national emergency. Seallift requirements would be similar for a global conflict and for a major U.S. action in Southwest Asia, because lift requirements for other areas would be provided by our allies. Seallift and shipyard requirements to support a major deployment to Southwest Asia have thus received great attention in recent years.

Since 1981, the Department of Defense has completed a comprehensive series of studies quantifying requirements for: prepositioning of supplies, airlift and seallift, delivery of liquid products, shipping needs at home during a global conflict, shipyard capacity for early mobilization (e.g., activating reserve ships) and shipyard capacity for wartime shipbuilding. These studies are all classified either "Secret" or "For Official Use Only;" NACOA has reviewed the entire series.

The 1981 "Congressionally Mandated Mobility Study" (CMMS) concludes that the United States requires an additional airlift capacity of about 20 million ton-miles per day, and recommends that this be supplemented by additional prepositioned supplies and more and faster seallift. The "DOD Seallift Study," completed in March 1984, concludes that the seallift capacity necessary to meet dry-bulk lift requirements for Southwest Asia is about 4.6 million deadweight tons of shipping capacity during the initial surge and about 3.3 million deadweight tons for sustaining resupply. Every militarily useful U.S.-flag private cargo vessel would be needed for seallift in a major overseas deployment, and projections of the future size of the fleet indicate a growing shortfall in U.S.-flag, dry-bulk seallift tonnage. Most of the U.S.-owned vessels under foreign flag are not now considered militarily useful. A companion study, called the "DOD Seallift Tanker Study," now nearing completion, will document a shortfall in militarily useful wet-bulk tonnage for seallift under U.S. ownership (U.S. and foreign flag).

The "Economic Security Shipping Study," recently completed by the Maritime Administration, addresses the shipping requirements for import and domestic transport of critical materials during wartime. The study concludes that there is no shortfall in container or breakbulk ship capacity, because most scheduled general cargo is nonessential in wartime. No shortfall in dry-bulk capacity is expected, since most critical bulk materials are required in small enough quantities to be taken from strategic stockpiles or imported by air. A shortfall is projected, however, in tanker capacity for domestic carriage of refined petroleum prod-

ucts, because the U.S.-flag tanker fleet would be required to support U.S. forces overseas.

Responding to the rapid decline of the U.S.-flag fleet, and increased readiness requirements imposed by the long-distance sealift routes in the new scenario, the Navy is rapidly improving the Nation's sealift capacity. More than \$1 billion a year for 5 years is planned for strategic sealift expenditures, more each year than was spent during all the years since World War II combined. The shortfall in dry cargo sealift is being addressed by increases in government-owned sealift vessels and increased funding for modifying commercial cargo vessels. The shortfall in wet-bulk sealift will probably be addressed by purchase of tankers for the Ready Reserve Force and further examination of alternatives such as foreign petroleum supply. The only projected shortfall in domestic shipping needs during a conflict is in tanker capacity for domestic petroleum carriage, but this could be alleviated by allowing foreign tank vessels (owned by U.S. citizens) to enter the protected Jones Act trade during a conflict. The cumulative effect of these approaches is greatly enhanced sealift capacity that is substantially more "ready."

## Defense Requirements for Shipyards

The U.S. shipbuilding base must have sufficient "surge capacity" during early mobilization to activate the reserve combatant and sealift vessels and to convert active merchant vessels for sealift, and must expand quickly for battle damage repair of merchant and combatant ships and for new construction to replace vessels lost during a prolonged conflict.

Two joint studies by the Department of Defense and the Maritime Administration examine the shipyard capacity requirements. The "Shipyard Mobilization Base Study" (SYMBA) reviews the adequacy of the October 1982 shipbuilding base for a 3-year global conflict. The "National Defense Shipyard Study" (NADES) examines the adequacy, for the early mobilization stage of a conflict, of a much smaller shipyard base that is expected to survive the current decline and remain available in 1988-1990. The SYMBA Study concludes that an absolute minimum of facilities needed for the first year of conflict is 51 building positions, 41 graving docks and 56 floating drydocks; that shipyard facilities existing in October 1982 were more than adequate for a major mobilization; and that there might be temporary shortfalls in the number of skilled shipyard workers during early mobilization and later during wartime ship construction. The NADES Study uses different, and NACOA believes more realistic, assumptions about early mobilization and reflects the increased sealift readiness now planned by the Department of Defense. The NADES Study found that early mobilization would require initial availability of 142,000 skilled shipyard workers, peaking to 157,000

in the eighth month. The Department of the Navy concludes that peacetime employment, even in the smaller shipyard base projected for 1990, would be roughly adequate for early mobilization and facilities would be more than adequate for mobilization tasks.

An independent NACOA survey of shipyard surge capacity in the major defense contract yards suggests they are currently operating at only about half their full peacetime capacity in workers and steel fabrication, and only about a third of their capacity to finish new vessels. Our estimate of their wartime maximum capacity suggests a possible increase in ship production of 4 to 6 times greater than in today's underutilized shipbuilding base, without expansion of facilities.

Surge requirements for U.S. shipyards for a major mobilization have been lowered through several government initiatives: by increasing the amount of prepositioned military supplies, thus reducing the number of sealift ships needed; by building and converting a number of vessels under government control for sealift; by increasing the readiness of our reserve fleets, and thus reducing the shipyard work needed for activation; by relying more on conversion of existing commercial vessels than on wartime newbuilding of sealift vessels; and by planning more pre-mobilization work on commercial vessels in the active U.S.-flag fleet. NACOA concurs with the Department of Defense that a substantially reduced private U.S. shipbuilding base would be adequate to meet early mobilization needs required by the present scenario.

## Alternatives

The range of solutions offered by public and private interests for solving the Nation's sealift problems fall into three broad categories:

- Preserving excess shipbuilding capacity through increased support for U.S. shipyards in peacetime, so that warships and sealift vessels can be activated, repaired and built during a major conflict.
- Increasing the government-controlled merchant fleet to have immediate and direct control of needed sealift assets during a major mobilization.
- Increasing the number and military readiness of privately owned sealift assets through measures to aid U.S. ship operators.

Our positions on several major proposals are as follows. We oppose a Federal shipbuilding program for new merchant vessels to be chartered or laid up in reserve fleets. We oppose a cargo preference scheme that would reserve a percentage of commercial cargoes in U.S. foreign trade to U.S.-flag, U.S.-built vessels. We oppose a federally supported "Maritime Redevelopment Bank," that would use Federal funds to encourage financing for ship construction. We oppose any increased Federal supports to the U.S. shipbuilding industry, because the industry has overcapacity for the commercial market it serves, and the present

shipyard base is substantially in excess of the capacity needed for defense mobilization. We support more concerted efforts to increase the military usefulness of private merchant vessels and to increase the shipping tonnage in the active commercial U.S.-flag fleet. We favor increased use of private vessels as sealift assets rather than preserving excess shipbuilding capacity or increasing government control of sealift assets.

For the most part, NACOA opposes the range of proposals initiated largely in the Congress to preserve excess shipbuilding capacity; opposes further growth in the government-controlled active and reserve sealift fleets without fully exploring other alternatives; and supports a range of proposals from various sources, including our own deliberations, to increase the number and military usefulness of private vessels under U.S. control.

## Conclusions and Recommendations

NACOA concludes the following:

- Sealift requirements for the initial stages of a modern major conflict depend more on the sufficiency of existing U.S.-controlled shipping and trained U.S. crews than on shipbuilding capacity. National efforts should therefore emphasize developing a viable Federal and commercial sealift fleet in peacetime.
- The United States now has a very large shipbuilding capacity, and the yards expected to survive the current decline will still have sufficient surge capacity to satisfy wartime needs as defined by current defense scenarios.
- Requirements to build in U.S. shipyards have impaired the competitiveness of U.S. operators of oceangoing, self-propelled cargo vessels, have contributed to the decline in the U.S.-flag fleet, and have failed in recent years to create substantial commercial work in U.S. shipyards.
- Most recent proposals to aid the U.S. shipbuilding industry—such as a federally funded merchant shipbuilding program, renewed construction subsidies, a federally backed maritime bank, and expanded cargo preference—are too small in scope to be of significant impact or would create larger problems.

NACOA recommends the following:

1. OPPOSITION TO PROPOSALS FOR A FEDERAL SHIPBUILDING PROGRAM FOR COMMERCIAL SEALIFT VESSELS—OR ANY OTHER PROGRAM REQUIRING MAJOR FEDERAL FUNDING—DESIGNED TO PRESERVE THE PRESENT EXCESS CAPACITY IN THE SHIPBUILDING BASE.

NACOA believes that all additional surge capacity required for mobilization currently exists within the yards doing Navy peacetime construction, and Navy and commercial repair work, and that this work will preserve an "irreducible minimum" shipbuilding base that will be adequate in future mobilization. This smaller shipbuilding base might initially be inadequate for wartime construction, but shipyard expansion would begin immediately and would continue as needed throughout the conflict. The Department of Defense studies allow virtually no geographic movement of skilled shipyard workers during mobilization, and we believe this is an unrealistic constraint. The major constraint on expansion of wartime shipbuilding would not be shipyard capacity, but delayed availability of major components, e.g., propulsion plants for Navy and merchant vessels, and complex weapons systems for combatant vessels; increases or decreases in the shipbuilding base would not affect this problem.

2. DECREASED DEPENDENCE ON A GOVERNMENT-OWNED AND MAINTAINED READY RESERVE FORCE, AND REDUCED SIZE AND INCREASED READINESS OF THE RESERVE SEALIFT FLEETS.

NACOA supports the approach of adapting modern, active commercial vessels to military purposes, because maintenance costs are borne by the operator in trade, the vessel provides training for U.S. crew, and the ship would have a ready crew if it were called up for service. In the long run, we believe this is a more efficient and less costly alternative than Federal building, acquiring or serving of an outmoded reserve fleet.

3. CONTINUED EMPHASIS ON METHODS OF ADAPTING COMMERCIALY EFFICIENT VESSELS FOR MILITARY PURPOSES.

Continued research is needed to develop cost-effective ways of adapting modern commercial vessels to military sealift needs. In addition, funding should be provided to do such conversion and activation work on U.S.-flag commercial ships during peacetime to enhance their readiness, reduce the shipyard conversion time required at mobilization, decrease the shipyard base required and decrease the need for expanded government-controlled sealift fleets.

4. INCREASED EMPHASIS ON ENSURING THE AVAILABILITY, TRAINING AND READINESS OF U.S. CREWS NEEDED FOR MOBILIZATION OF RESERVE AND FOREIGN-FLAG SEALIFT VESSELS.

Requirements for increased numbers of ready crews are being generated by the expanding size of the Ready Reserve Force, and increased reliance on U.S.-owned, foreign-flagged vessels. In addition, the greater readiness requirements for sealift vessels require better training and more rapid availability of crews to staff them.

ity  
he  
vy  
ill  
se  
er  
or  
ld  
d  
e  
of  
e  
r  
d  
f  
/

5. CONTINUED UNLINKING OF NATIONAL SHIPPING AND SHIPBUILDING POLICIES BY ELIMINATING ALL REQUIREMENTS FOR U.S.-FLAG OPERATORS RECEIVING GOVERNMENT SUPPORTS TO BUILD VESSELS IN U.S. SHIPYARDS.

Specifically, we recommend that operators be allowed to use foreign-built vessels in the U.S. foreign trades and still be eligible for Capital Construction Fund tax deferral, Title XI Federal Ship Loan Guarantees, immediate access to government-impelled cargos and operating subsidy, preferably a new form of operating incentives we propose. (See recommendation #6.)

We believe the half century of requirements to build new vessels in high-cost U.S. shipyards has increased the capital and operating costs of the U.S. shipping industry; has discouraged modernization and expansion of the U.S.-flag fleet; and has contributed to the long-term decline of domestic and foreign waterborne trading opportunities for the U.S. fleet. We support permanent authority for U.S. shipowners to operate foreign-built vessels in the foreign trades while receiving Federal supports, to improve the competitive position, and thus the size and sealift capacity, of the U.S.-flag fleet.

6. AMENDMENT OF CURRENT MARITIME STATUTES THAT IMPAIR THE COMPETITIVENESS OF U.S. VESSELS IN FOREIGN TRADE.

Specifically, we recommend establishment of a new form of operating incentives linked to reductions in crew size and related operating costs; amendment of shipboard manning laws and regulations that prevent reductions in U.S. vessel crew size; and exemption of oceangoing cargo ships from paying duty on foreign

shipyard repairs. Federal supports must be designed to encourage decreases in U.S. operating costs. Crew size and other operating costs must be reduced if the U.S. fleet is to become competitive in the world market and grow to provide increased sealift assets under private control.

7. INCREASED EMPHASIS ON INCENTIVES TO ATTRACT FOREIGN-REGISTERED VESSELS—UNDER U.S. OR FOREIGN OWNERSHIP—TO THE U.S. FLAG.

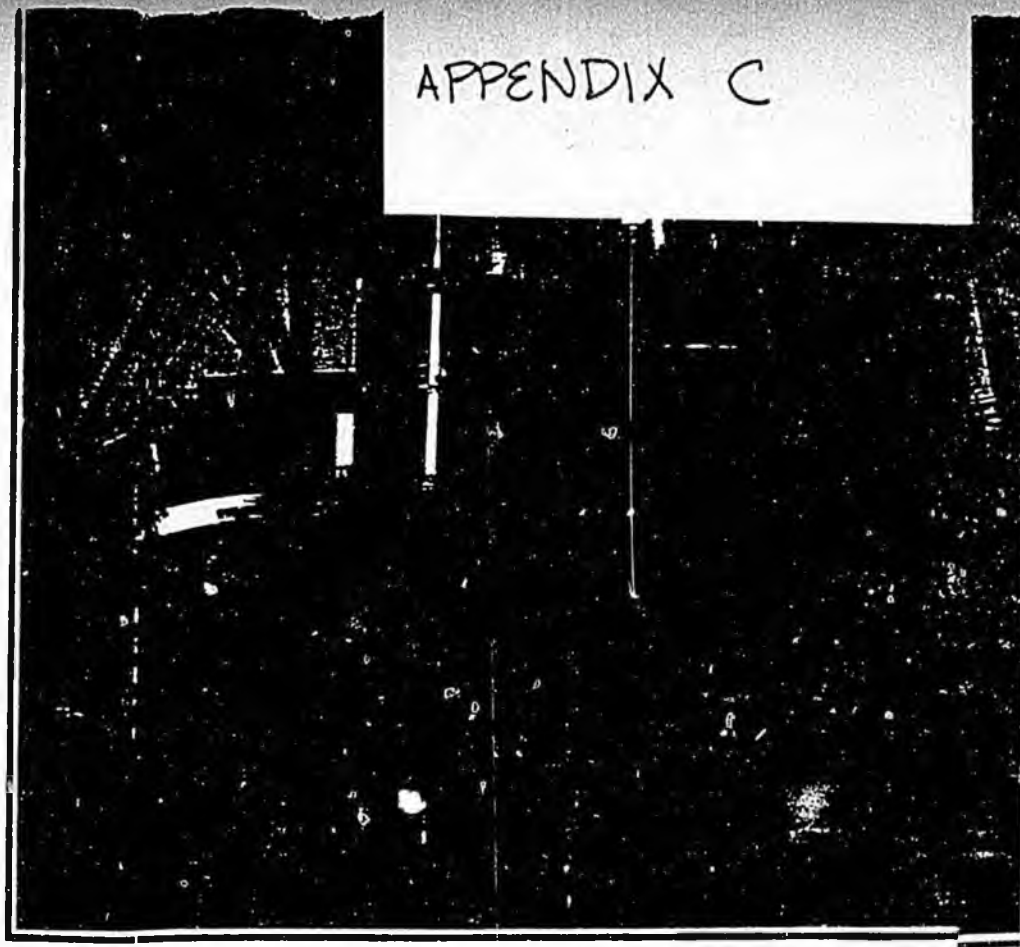
We propose a number of measures to encourage reflagging to the U.S. registry of vessels now under foreign registry. Even a small-scale reflagging would be desirable from a national defense standpoint, because these ships would provide work and training for U.S. crews, would be available for pre-mobilization installation of Sealift Enhancement Features, and would thus increase the sealift readiness of the U.S.-flag fleet.

8. AMENDMENT OF THE JONES ACT TO ALLOW SOME FOREIGN BUILDING OF NEW COMMERCIAL CARGO SHIPS FOR THE JONES ACT DOMESTIC TRADE.

We recommend a 10-year "coproduction" period, requiring building in U.S. shipyards in order to earn transferable credits for building in foreign yards. We suggest that these provisions be applicable only to large, oceangoing self-propelled, cargo-carrying ships that are capable of contributing to the Nation's sealift needs in case of a national emergency. This approach might stimulate a limited increase in commercial shipbuilding orders in U.S. yards, without Federal funding, and would expand and modernize the U.S.-flag, sealift capable cargo fleet.



**CONTROL OF THE SEAS IS VITAL DURING WARTIME, BUT CAN OUR U.S. MERCHANT FLEET STILL MEET ITS COMMITMENTS?**



# OUR AILING MARITIME INDUSTRY

By L. Edgar Prina

**N**AVAL experts from Mahan to Gorshkov have agreed unanimously that a nation's sea power is made up not of warships alone, but also of its blue-water commercial fleet and shipbuilding assets.

The current administration has done an outstanding job of strengthening the combat potential and readiness of the U.S. Navy in the last four years. It has done little, however, to halt the increasing deterioration of the maritime industry. The 1980 campaign

*L. Edgar Prina, a Washington editor and author, is a retired Navy Reserve captain who specializes in naval affairs.*

promises to revitalize the merchant marine, which President Eisenhower called "our fourth arm of defense," remain unfulfilled.

America's maritime industry has been ailing for a number of years. It is sicker today than it was yesterday and it will be sicker tomorrow than it is today.

The Pentagon is deeply concerned that in the event of war it will not have sufficient shipping available to support and sustain U.S. ground and air forces overseas, to say nothing of simultaneously meeting the needs of the economy at home.

The dramatic decline of the U.S. maritime industrial base is told in these stark statistics:

- In 1950, the U.S. ranked first in the world in numbers of ships and in carrying capacity or deadweight tonnage (dwt). Today, it stands 10th in ships and eighth in dwt.

The Soviet Union, which was virtually off the charts in 1950, ranked 26th in ships in 1960 and is now number two. It ranks seventh in carrying capacity.

- As of Aug. 15, 1985, only eight U.S.-flag commercial vessels were under construction or on order in American yards.

- U.S.-flag ships carried only 5.8 percent of the total tonnage of our foreign trade—the world's largest—in 1983. It carried 21 percent in 1950.

That's not all the bad news. Thirty private U.S. shipyards have gone out of business in the past eight years. Currently, 24 major and 8 smaller yards remain in operation.

With the global glut of commercial ships not expected to ease before 1992, and non-subsidized U.S. yards unable to compete with the lower labor costs enjoyed by foreign builders, some experts believe that as many as seven

**A SHRINKING FLEET**—American ports such as Seattle always seem busy, but the ships are mostly foreign.

ters, as well as for shipyard workers.

There also is the Kremlin factor. The Soviet Union began expanding its merchant marine by cutting rates far below the profit line. It was thus able to penetrate and then dominate a number of trade routes. This had led to shrinking Western merchant fleets, bankruptcies and disinvestment in the shipping industry.

Extremely close coordination exists between the Soviet merchant marine and the Soviet navy. Acting as a naval auxiliary, the merchant marine exercises regularly with the fleet. Naval officers command and staff the merchantmen, most of which are readily adaptable for military use.

The Soviet Union, in short, knows the importance of a large and versatile merchant marine. It has learned well the lessons of Admiral Alfred Thayer Mahan, even if the United States appears to have forgotten them.

The decline of the U.S. merchant marine has had a grave impact upon our capability for reinforcing and supporting American military units overseas. Many officials have been reluctant to concede this. The true situation is masked by optimistic calculations of potential losses to enemy attack or to the number of bottoms that would be available from allies and the fleet of American-owned ships that sail under Liberian, Honduran, Panamanian and other flags.

Admiral James D. Watkins, Chief of Naval Operations, was one who did speak out. In a little-noticed speech last April, he said:

"Can we allow this vital arm of sea power (merchant marine) to atrophy by

default any further? I say, no. If we do, our nation could easily be crippled by determined foes and they know it."

Pointing out that the British barely prevailed in the Falklands War with a merchant fleet twice as large as ours, the admiral said:

"Today, our sealift studies show that it would essentially take every single U.S.-flag merchant ship and most of those of our allies just to support our forward deployed forces in a large-scale conflict. And that doesn't even include any additional ships for attrition."

Losses very likely would be staggering, particularly in the early weeks, given the large and powerful fleet of Soviet nuclear submarines armed with missiles and torpedoes.

IT HAS been widely assumed that great numbers of allied merchant ships would be made available to the United States in the event of a NATO war. But allied commercial fleets have been shrinking for years and the end is not in sight. The British merchant navy numbered 1,592 ships in 1975. It is now down to 685. Norway, France and Italy have 600 fewer ships today than they had 10 years ago.

Despite the atmosphere of gloom and doom that pervades much of the maritime industry today, the situation is not hopeless. If the American people and their representatives in Congress could be alerted, a number of reasonable, logical and legal actions could be taken to protect and preserve the maritime base.

First, the President could order the strict enforcement of the cargo preference laws already on the books. A new report by the Congressional Office of Technology Assessment quoted liner operators who said that the requirement for 50 percent of U.S. government

*Continued on page 52*

other major and 35 smaller yards could be forced to shut down by 1990.

Ship operators have done somewhat better than the builders. Construction differential subsidies (CDS) were halted by the administration in 1981, but operating differential subsidies (ODS) are still being paid. The subsidies were designed to help operators and builders meet foreign competition.

With a few exceptions, however, things have not been rosy for the operators either. Of 19 American liner companies in business in 1965, only seven remain and one of them has filed for bankruptcy.

The number of U.S.-flag ships in the active, privately owned ocean-going commercial fleet today totals 383. It could easily drop to 300 or fewer by 1990, if no remedial action is taken by the government.

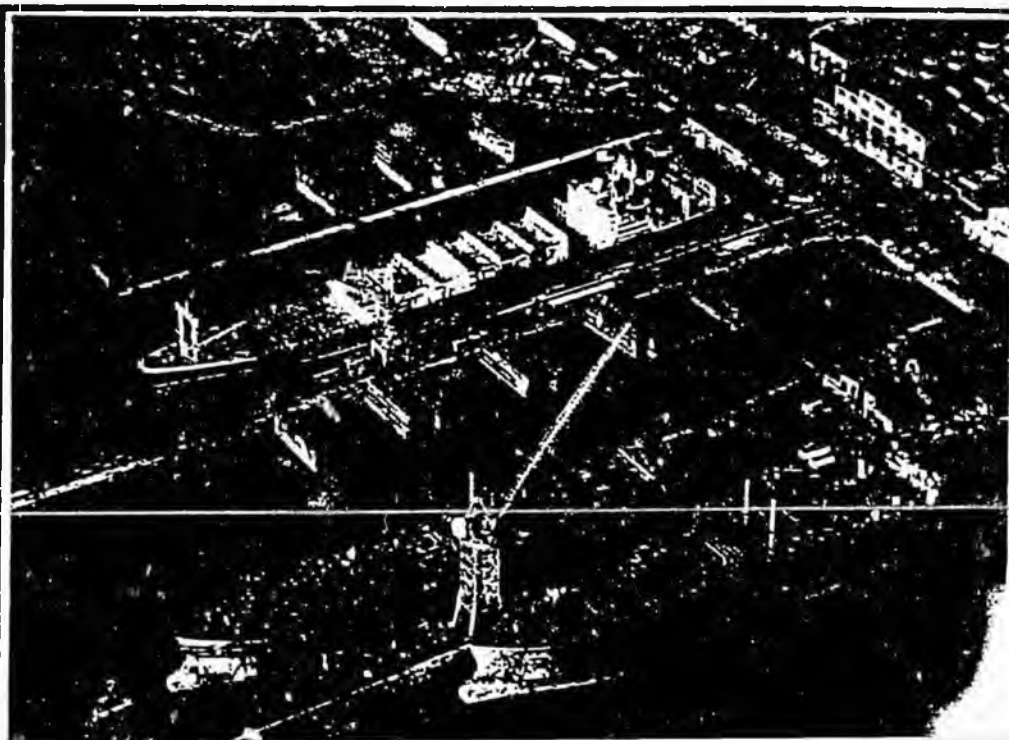
Several major factors have caused this erosion of the U.S. maritime industry.

More and more countries have adopted cargo preference programs to aid their commercial fleets, something the United States has declined to do because it would violate the principle of free trade.

U.S. competitiveness was limited by the high salary structure labor unions negotiated for seamen, mates and mas-

**SHAKY TIMES**—Unable to compete with the cheap labor of foreign shipbuilders, U.S. shipyards face an uncertain future.

ALAN BEGER UNPHOTO



# "GIMME A LIGHT!"

"AND MAKE IT RIGHT WITH MY NEW BUD LIGHT DRINKING STEIN!"

It's the drinking stein that brings the famous Bud Light commercial to life! Now toast your favorite plays — or share a few with your poker buddies. Heavy duty flint glass stein holds a hefty 15 ounces. Just flip open the gold-tone, screw bottom lid, (metal covered with durable melamine), and enjoy! Buy one for the whole crew — and keep one as a collectible, too! Satisfaction guaranteed. Made in U.S.A.



Lid easily flips open, and stays open, as you hold the handle and lever!



**\$14.95** (plus \$2.50 S&H each)

Call 1-800-431-9003  
24 hours a day, 7 days a week

Amex, Visa and MasterCard honored.  
N.Y. residents, add applicable sales tax

Send \$1.00 for Spring '86 four color catalog or free with order!

To order, please call number above, or send check, indicating item #AL14 to:

*Dare To Be Different™*

Box 548, Dept. AL-14, Armonk, New York 10504

An authorized licensee of Anheuser-Busch, Inc.

**THERE IS MONEY TO BE MADE SELLING KNAPP SHOES**

Start earning extra cash instantly... plus receive a 30% discount on a pair of cushion comfort Knapp shoes for yourself from the largest direct selling shoe company in the entire country. Over 20,000 sales people like yourself are making money every day selling from our full color catalog featuring over 250 attractive styles for men and women including dress, casual, work, safety and outdoors. Knapp will send you a complete FREE BILLING KIT, including everything you need to get started earning extra money immediately. There is no risk when you sell Knapp shoes. We support our sales people with free training and back our shoes with an unconditional money back guarantee. No cost! No Obligation! Send coupon today!!

Thomas McCaffrey, KNAPP SHOES, One Knapp Centre  
Dept. 5662, Brockton, MA 02401

Name \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

**KNAPP** America Works in Knapp Shoes

## MAN'S WIG \$9.95

Stretch Wig Completely Covers All Your Hair



Stays in place on all size heads—easy to put on. Thinned and razor cut—handsome tapered look and full sideburns. Cool and lightweight. Made of monacrylic fiber—looks and feels like real hair—has luster, rich body and bounce of human hair. Can be washed and shampooed—never loses its shape—can be combed, trimmed and restyled if you wish. Mention style number and color desired: Black, Off Black, Chestnut, Dark, Medium or Light Brown, Warm Blonde, Grey and Black mixed, Grey and Brown mixed. Send \$9.95 plus \$1.95 for shipping and handling. Money back guarantee if not satisfied.

FRANKLIN FASHIONS, Dept. M-612,

163 E. Hawthorne Ave., Valley Stream, NY 11580

## END READING STRAIN



### Read Clearly—Save Money

Modern, one-piece frameless reading glasses for better looks, easier reading. Ideal for fine print in phone books, Bible, catalogs. Perfect for sewing, hobbies. Not Rx or for astigmatism. Sold elsewhere for up to \$20, our price only \$8.98 plus \$1.25 postage and handling. Save even more, order two pair for only \$16.98 plus \$1.75 shipping. State age and sex when ordering. Check or MO to:

Burton Taylor  
Room 104 Box 269 Millwood, NY 12546

## MARITIME INDUSTRY

Continued from page 25

cargoes to be shipped in American-flag bottoms is "not being met in a single U.S. preference program."

Indeed, of 55 Postal Service contracts issued in fiscal year 1984 to carry U.S. mail overseas by ship, 43 were awarded to foreign-owned, foreign-flag vessels. Four of the contracts went to Poland's state-controlled line and one to communist Yugoslavia.

Senator Daniel K. Inouye of Hawaii and Rep. Helen Delich Bentley of Maryland introduced bills earlier this year to require the Postal Service to use American ships.

Another popular assumption is that the Navy, in time of war, could draft U.S.-owned ships flying foreign flags and crewed by non-Americans. Unfortunately, many of the 400 vessels in this fleet are huge tankers having little military usefulness.

Given these circumstances, the U.S. Navy recognized it had to do something to guarantee that at least a minimum number of merchant ships would be immediately available if war should come. Accordingly, it has been buying surplus commercial ships for its Ready Reserve force. Current plans are for a total of 116 ships to be ready for sea within five, 10 and 20 days of the outbreak of a national emergency.

The Navy's new construction and ship repair programs have been a godsend to the U.S. shipbuilding industry, accounting for more than 80 percent of its current workforce. Since 1981, the number of yards involved in Navy work has increased from nine to 21. But as large as these programs are—the Navy has obligated more than \$50 billion for them over the past five years—they cannot, by themselves, sustain the present maritime industrial base.

Outraged by what she asserted was a violation of the Merchant Marine Act of 1936, Bentley made this point on the House floor in July:

"It is bad enough that foreign-flag ships of friendly nations are allowed to carry U.S. mail, but I think it is a national disgrace that the privilege to carry this important cargo is now enjoyed by Soviet-bloc vessels."

The current administration, with an assist from Congress, could restore construction subsidies to encourage the building of 20 merchant ships a year in U.S. yards, as suggested in a recent

Continued on page 54

# Florida's best retirement addresses

Send now for your big 100-page guide to Florida's finest manufactured home communities. This handsome color volume spotlights over 75 top parks and is just chock full of information about locations, facilities and prices.

Plus, you'll see how Florida's best selling home — the EnerGmiser — is manufactured. This special bonus section tells the EnerGmiser story with genuine factory photos, revealing why they are the best selling...and showing how solid and beautiful your retirement home can be.

Complete the coupon and return it with your check or money order. We'll rush you! FLORIDA'S BEST RETIREMENT ADDRESSES right away.



Mail coupon with check for \$9.95 payable to:  
Palm Harbor Homes, Inc.  
605 S. Frontage Rd., Plant City, FL 33566

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_

Zip \_\_\_\_\_ Phone (\_\_\_\_) \_\_\_\_\_

## EARN A CASH COMMISSION with every order for Mason Shoes

No Investment Required. That's right. A part time business that pays you instant cash without any investment. Sell quality Mason Shoes to your friends, neighbors and relatives and earn \$100-\$300, or more per month. Just take orders from your Mason full-color catalog with over 400 shoes for work and leisure. They're America's finest shoes at reasonable prices. All you do is make the sale, take a cash deposit which you keep for your instant commission. Write for details.

Mason Shoe Mfg. Co.  
Chippewa Falls, WI 54774

SEND FOR FREE SALES KIT



Mason Shoe Mfg. Co.  
Dept. F-743  
Chippewa Falls, WI 54774

Please rush giant FREE catalog & starting kit to:

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_ Zip \_\_\_\_\_



### 5 Wheat Pennies



10¢

LAST OF THE WHEAT PENNIES. (1909 to 1958). FREE price list of U.S. coins and some coins to guarantee for purchase. No obligation to buy. **LIMIT 1 SET, ADULTS ONLY.** Satisfaction guaranteed.

Village Coin Shop, Inc., Dept. A  
Plaistow, NH 03885



### AWARD CASES

Hardwood, walnut finish. Full 1" between glass and velvety mounting board.  
5"x7"-\$18.45, 8"x10"-\$23.45  
11"x14"-\$28.45 Includes UPS  
R. Andrew Fuller Co.  
Box 2071-L, Pawt, RI 02861  
Brochure \$1.00 (refundable)

### HERNIA APPLIANCES

FOR COMFORT!

You can enjoy heavenly comfort night and day at work or at play! Send for FREE illustrated booklet.



BROOKS APPLIANCE COMPANY  
822 Michigan Ave., Marshall, Mich. 49668

## MARITIME INDUSTRY

Continued from page 52

Congressional Budget Office report. This would be enough, the CBO said, along with projected naval programs, to maintain the current industrial base.

The Navy could provide additional help if it withdrew its objections to the building of foreign warships in American yards.

Commercial shipping and shipbuilding depend upon cargo availability. The administration could aid both by entering into bilateral agreements with its allies to share the carriage between their countries.

U.S.-flag ships would benefit also if the United States would approve the U.N. Conference on Trade and Development Code of Conduct for Liner Conferences, as many West European countries and Japan have done.

Some students of maritime affairs, such as Dr. Harlan K. Ullman of the Georgetown Center for Strategic and International Studies, believe the present industrial base could be preserved at an annual cost of \$2 billion.

The United States needs to develop a comprehensive, coordinated maritime policy at the earliest moment. Critical to this policy is a determination of the minimum number of commercial ships and shipyards needed for the mobilization base.

As Vice Admiral William H. Rowden, then-commander of the Military Sealift Command, said last May:

"The U.S.-flag merchant marine and shipbuilding industry is the cornerstone of our wartime sealift capability. It's clearly in the best interests of the United States that the American maritime industry survive and prosper." □

### THE LEGION'S POSITION

The American Legion has long been aware of the urgency to rebuild and modernize the U.S. Merchant Marine Fleet. The resolving clause of Res. 302 reads:

RESOLVED, by The American Legion in National Convention assembled in Salt Lake City, Utah, Sept. 3, 4, and 5, 1984, that we urge the U.S. Government, in cooperation with labor and management, to revitalize the U.S. Merchant Marine to its former position as second to none in the world, under the Merchant Marine Act of 1970."

AMERICAN ASSOCIATION OF STATE HIGHWAY  
AND TRANSPORTATION OFFICIALS

RICHARD P. BRAUN, President  
Commissioner  
Minnesota Department  
of Transportation



FRANCIS B. FRANCOIS  
Executive Director

October 10, 1985

President Ronald Reagan  
The White House  
1600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20500

Dear President Reagan:

We are writing to you to express our concerns about the maritime industry in the United States, and the importance of establishing a cohesive and comprehensive national maritime policy.

Founded in 1914, the American Association of State Highway and Transportation Officials (AASHTO) represents the departments concerned with highways and transportation in the fifty states, the District of Columbia, and Puerto Rico, to foster the development, operation and maintenance of an integrated national transportation system. The active members of AASHTO are the duly constituted heads and other chief directing officials of the member highway and transportation agencies. As state officials involved with all modes of transportation, we have become increasingly concerned over the problems facing the maritime industry in our country.

As evidenced by trends observed in a number of reports published in recent years, the United States imports and exports significant levels of tonnage every year, but the percentage of foreign trade which is transported in U.S. flag ships has steadily declined. Additionally, the number of vessels in the U.S. overseas fleet has declined from 1,100 ships in 1950 to fewer than 400 today, while construction of ships in U.S. shipyards has virtually ceased. At the same time, the U.S.S.R. has over 2,500 vessels in its merchant fleet. It appears that our defense posture and our ability to respond to overseas conflicts may well be diminished by the lack of a merchant marine fleet to call into military service. The import and export industries are also important to the U.S. in other ways. For example, millions of people are employed in manufacturing, agricultural, mining and other jobs related to exports, alone.

President Ronald Reagan  
October 10, 1985  
Page two

AASHTO believes that the significant changes taking place in this most important industry are occurring, to the detriment of our country, without the benefit of the clear direction that a comprehensive national-level policy could provide.

In the past, several programs have been initiated or proposed to promote our exports and development of the U.S. merchant marine. These have included the following:

- o A proposed promotional program to allow for overseas construction of U.S. vessels without loss of operating subsidies, authorize U.S. vessel operators to use certain tax-deferred funds to purchase foreign built ships, make vessels newly transferred from foreign to U.S. registry immediately eligible to carry government preference cargoes, and allow an increase in the percent foreign investment in U.S. flag vessels.
- o Streamlining of the operating differential subsidy program.
- o Proposed reduction in regulations to minimize government intervention in the shipping industry.
- o A proposal to reorganize U.S. trade policy by the creation of a Department of International Trade and Industry.

While these programs to stimulate exports and to restructure our maritime assistance programs might be helpful to the maritime industry, they do not constitute a national maritime policy, even when taken collectively. For example, they do not address such critical policy issues as the desired size and composition of the U.S. flag merchant marine fleet; the need for federal subsidies for construction and operation of U.S. flag vessels; whether U.S. cargoes should be reserved for U.S. flag vessels; the role of the merchant marine in national defense and military mobilizations; and the need for domestic shipyard capability.

A recent study by the U.S. Office of Technology Assessment, An Assessment of Maritime Trade and Technology, states that "Existing Maritime policies are a patchwork of measures adopted at various times to address specific needs. They do not add up to a comprehensive and coherent policy with clearly defined purposes," and "it is clear that major new or revised Federal policies are needed if the U.S. maritime industries are to remain healthy in the decades to come". We agree with these findings.

President Ronald Reagan  
October 10, 1985  
Page three

AASHTO believes that a Presidential directive creating a special maritime task force could be the right catalyst for developing a comprehensive national maritime policy. We thus recently adopted, by a vote of our member departments of 50 affirmative, none opposed, a "Policy Position Statement on Development of National Maritime Policy." A copy of this position statement is enclosed. In that statement we urge that you "create a special task force to study the problems facing our maritime industry, both the government and the private sector, and prepare a final report which recommends a national maritime policy. The composition of this task force should include representatives of all levels of government and the maritime and port industries, both coastal and inland." We would greatly appreciate your giving this recommendation your serious consideration.

Very truly yours,



Francis B. Francois  
Executive Director

FBF:djt  
enclosure

AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS

POLICY POSITION STATEMENT  
ON DEVELOPMENT OF  
NATIONAL MARITIME POLICY

The presence of a strong U.S. merchant marine fleet is vital to the economy and national defense, to our domestic and international transportation systems and to maintaining the shipment of exports from and imports to all states -- those located inland as well as those having ports on the oceans and Great Lakes. Despite the vitality of the national economy and the growth of exports and imports since 1950, the U.S. merchant marine fleet has been declining in size and capacity, which is threatening our capability to maintain a competitive fleet of vessels for waterborne commerce and defense purposes. The health of the American maritime/port industry is dependent upon the resolution of a wide range of complex issues. These issues encompass diverse areas such as the huge task of maintaining and improving the inland and deep water port complexes, user charges, intermodalism and related issues, shipbuilding and repair, subsidy for construction and operation of the U.S. merchant fleet, cargo reservation policies, federal regulation of oceanborne commerce, commercial trading relationships with other countries, implementation of international trade agreements, the UNCTAD Code, and cross-border movements.

Contributing to the decline of the U.S. position in world trade has been the lack of a comprehensive and consistent national maritime policy.

AASHTO urges the Administration to direct immediate attention to the development of a national maritime policy. The President has addressed other critical national issues by creating special task forces to define the problems and recommend solutions. Because of the acceptance of this approach, AASHTO recommends that the President create a special task force to study the problems facing our maritime industry, both the government and the private sector, and prepare a final report which recommends a national maritime policy. The composition of this task force should include representatives of all levels of government and the maritime and port industries, both coastal and inland.

Adopted by mail ballot by the  
AASHTO Policy Committee,  
August 8, 1985

# MEMORANDUM

# State of Alaska

TO: Senator Frank Ferguson  
Co-chair, Joint Special Committee

DATE: September 10, 1986

FILE NO: 87-592

THROUGH: Gordon S. Harrison, Associate Director  
Office of Management and Budget

TELEPHONE NO: 465-3568

*gnh*

FROM: *GKE* Gregg Erickson, Senior Economist  
Division of Strategic Planning  
Office of Management and Budget

SUBJECT: The Jones Act and the  
Price of Alaska Oil

## Introduction

At the July 21 meeting of the Joint Special Committee on Tax Policy you requested that OMB provide you with background information and material regarding the Jones Act and the price of Alaska oil.

## Background

Shipyard inefficiencies, lack of competition, and high labor costs, make American ships two to three times as expensive to build and operate as their foreign counterparts. Despite these higher costs, virtually all waterborne commerce between Alaska and the rest of the United States moves in U.S. rather than foreign ships. The reason is the Jones Act (Sec. 27 of the federal Merchant Marine Act of 1920), which requires that maritime trade between U.S. ports be carried in ships built in the U.S., documented under U.S. law, owned by U.S. citizens, and crewed by Americans.

Trade goods shipped between the Alaska and American ports must bear this burden, either as lower return to the seller or a higher price to the buyer. As a practical matter, Alaska usually bears the burden regardless of which way the commerce moves. In the case of Alaska crude oil, the burden is reflected in reduced wellhead values; over \$100 million per year may be lost to the State treasury due to lower severance taxes and royalties.

A related burden on the value of Alaska oil comes from the Export Administration Act of 1979 and other U.S. laws that prohibit the foreign export of Alaska oil. The prohibitions deny Alaska oil its most profitable markets in the Far East, and thus make the oil less valuable at the wellhead. A recent study by the federal Department of Commerce estimated the loss to the State treasury at \$333 million per year.

Some oil companies have opposed any relaxation of the export limitations, noting that much of their investment in U.S. flag tankers could be lost if exports were allowed. Oil companies'

production revenues would be enhanced if exports were allowed, however, and this would marginally encourage additional development of existing fields and further exploration.

Recent Studies

Several recent studies have addressed these issues. An annotated listing of those that appear most interesting in terms of the State revenue implications is attached. Copies of the studies themselves are attached with the original of this memorandum.

GKE/dmc

Attachments

cc: Committee Members

**Annotated Listing of Selected Studies  
On The Jones Act, Oil Export Limitations,  
and Alaska Oil Revenue**

**U.S. Department of Commerce, *Report To Congress on Alaskan Oil*, June 1986.** In 1985 Alaska made an unsuccessful effort in Congress to amend the Export Administration Act to allow some exports of Alaska oil. As a consolation prize for Alaska, Congress authorized and directed the administration to conduct the study that led to this Report. According to the study, the export limitations will cost Alaska \$1,330 million in the 1987-90 period (\$333 million per year), \$1,510 million in 1991-95, and \$1,116 million in 1996-2000. The study's findings generally support Alaska's position, though the authors make some factual errors and incorporate a number of unusual assumptions. For example, the federal study's "low" oil production scenario shows about twice as much annual production as the state's current "mean" production forecast.

**Samuel A. Van Vactor and Arlon Tussing, "The Export of Alaska Crude Oil: Its Significance for Pacific Basin petroleum Trade,"** prepared for the International Association of Energy Economists annual meeting, June 1986. The authors believe that "[o]ver the coming year...the distortions and waste entailed by [the export limitations] will become more apparent, and as they come to light, the policy is likely to change. Once the inhibition on exports of Alaska oil is removed, there will likely be a cascade of reactions that will substantially increase crude-oil and petroleum product trade throughout the Pacific Basin."

**State of Alaska, *Report to the Legislature on Implementation of Initiative 83-02*, January 1986.** The initiative was adopted by the voters in 1982. It directs the governor to work for repeal of the Jones Act, and to annually report on those efforts. This was the first of these annual reports, and was largely prepared by John Katz and his staff in the governor's Washington, D.C. office. The report uses data from the Alaska Statehood Commission studies (cited below) to estimate that the Jones Act costs Alaska consumers \$40 million per year, and the state treasury \$225 million. The report is not optimistic about the prospects for near-term fundamental change in the trade restrictions.

**National Advisory Committee on Oceans and Atmosphere, *Shipping, Shipyards and Sealift*, July 1985.** The report focus on the national security implications of the Jones Act. It concludes that the nation's defense capabilities would be improved if foreign built ships were allowed to be used in the domestic maritime trade. The authors say they had access to "secret" and "official use only" Department of Defense materials on sealift capacity, etc.

Alaska Department of Revenue, "The Export of Oil to Japan - State Revenue Impacts," by Dr. Charles Logsdon in *Petroleum Production Revenue Forecast Quarterly Report, March 1983*. "Under a wide range of assumptions the State of Alaska would enjoy revenue increases should the current ban on exports [of Alaska North Slope crude oil] be removed. Though the impact illustrated ranges between \$10 and \$500 million per year..., the best guess revenue impact would probably be about \$50-\$100 million per year."

Simat, Hellieson, & Eichner, Inc., for The Alaska Statehood Commission, *The Jones Act and Its Impact on the State of Alaska*, July 1982; and Arlon R. Tussing and Associates, Inc., for The Alaska Statehood Commission, *Alaska's Economy and the Merchant Marine Act of 1920 (the Jones Act)*, September 1982. Though now somewhat out of date, these two studies still remain the best starting point for anyone wishing a good understanding of the effects of the Jones Act (and the export limitations) on Alaska.

HJR

8

# Alaska State Legislature

## House of Representatives

### Committee on Transportation



Rep. Bette Cato, Chairman

Pouch V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-4858

February 4, 1987

FOR TODAY'S MEETING YOU HAVE:

-----  
A FILE ON HJR 8 WHICH INCLUDES:

- a copy of HJR 8
- ~~- a current status report on HJR 8~~
- a fiscal note on HJR 8

A FILE ON HJR 6 WHICH INCLUDES:

- a copy of HJR 6
- a current status report on HJR 6
- a fiscal note on HJR 6
- an excerpt from the Jones Act
- a report by Alaska Marine Lines to the Canadian Minister of Revenue
- a letter from the Governor of Alaska to the Canadian Minister of Revenue
- misc letters supporting an extension of a waiver to the Canadian Shipping Act
- a resolution from the City of Skagway supporting an extension of the waiver

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

REQUEST: 1-30-87

Bill Version: HJR 8  
Publish Date: \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: Reauthorization of the  
Surface  
Sponsor: Davis, etal.  
Requestor: Cato

Agency Affected: DOT&PF  
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         |  |  |  |  |  |  |

**POSITIONS:**

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL-TIME |  |  |  |  |  |  |
| PART-TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

**ANALYSIS : (Attach a separate page if necessary)**

There is no fiscal impact to the Department of Transportation and Public Facilities.

Prepared by: Mark S. Hickey, Deputy Commissioner Phone: 465-3900  
Division: Office of the Commissioner Date: 1/30/87

Approved by Commissioner: *Robert S. ...* Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

**Distribution (by preparer):**

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

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

H. TRANS.

2-4-87

1:30 p.m.

# HOUSE COMMITTEE REPORT

(5)

Date referred: 1/23/87

FURTHER REFERRALS:

DATE: February 4, 1987

The Transportation Committee has considered HJR 8  
Relating to reauthorization of the Surface Transportation Assistance Act.

**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:**

*Burt Cat*  
 \_\_\_\_\_  
*Heinrich Sprung*  
 \_\_\_\_\_  
*Mike Miller*  
 \_\_\_\_\_  
*Don Keiser*  
 \_\_\_\_\_  
*Bill Hudson*  
 \_\_\_\_\_  
*C. A. Rankin*  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**SIGNING OTHER RECOMMENDATIONS:**

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

*Burt Cat*  
 \_\_\_\_\_  
 Chairman's signature



Official Business

**COMMITTEE:**

House Transportation

**DATE:** February 4, 1987

**SIGN-IN**

**Subject of meeting:**

- \* HJR 8: Relating to reauthorization of the Surface Transportation Assistance Act
- \* HJR 6: Relating to reciprocal competition in marine transportation services between U.S. & Canadian companies operating in Alaska & Yukon Territory.

**NAME**

**ADDRESS**

**PHONE**

**REPRESENTING**

**DO YOU WANT TO TESTIFY?**

| NAME        | ADDRESS                               | PHONE                     | REPRESENTING                    | DO YOU WANT TO TESTIFY? |
|-------------|---------------------------------------|---------------------------|---------------------------------|-------------------------|
| Jim Towson  | 3027 Bancroft Ave. S.W.               | 279-7501                  | Lynden                          | Yes                     |
| CLIFF FRAME | 95A Roxborough St -<br>Toronto Canada | 416-259 (office)<br>-6311 | Curragh                         | Yes                     |
| Bill Troy   | 5015 W. Marginalia Seattle            | 763-4244                  | Resources<br>Alaska Marine Line | Yes                     |
|             |                                       |                           |                                 |                         |
|             |                                       |                           |                                 |                         |
|             |                                       |                           |                                 |                         |
|             |                                       |                           |                                 |                         |
|             |                                       |                           |                                 |                         |
|             |                                       |                           |                                 |                         |
|             |                                       |                           |                                 |                         |

\* indicates first public hearing

INTRODUCTION OF BILLS, (House)

HB 93, (cont'd)

designation of the recreation river unless the commissioner determines that the activity threatens the water quality or an essential habitat within the river.

Provides for adoption of a management plan and addresses management of municipal land, acquisition of additional land, application of public land laws, and cooperative management agreements. Lists rivers to be included in the system. Provides Act takes effect immediately.

Introduced January 30 and referred to Resources; Finance.

Boat Numbering,  
Accidents &  
Safety

HOUSE BILL NO. 94, by Rep. Taylor. Adds new sections to AS 05.25 (Amusements & Sports. Watercraft) prohibiting a person from operating a boat on state water unless the owner of the boat holds a current, valid state or federal certificate of number issued in the owner's name. The owner of the boat is prohibited from allowing another person to operate the boat unless he holds a current, valid certificate, also. The certificate of number must be carried on the boat and be available for inspection by a peace officer.

Prohibits operation of a boat on state waters unless a number is painted or permanently attached to each side of the forward half of the boat. Lists method for applying for number; application by owner having a number given by the federal government or another state; application by dealers or manufacturers; fees; etc.

Adds another section that outlines the duties of boat operators and witnesses at the scene of a boating accident. Requires an accident report be filed with the Dept. of Public Safety. Requires notification of department when a passenger dies or disappears from a boat. States that a boat owner is liable for injury or damage caused by the negligent operation of the boat, whether the negligence consists of a violation of state law or failure to observe ordinary care in the operation of the boat.

Would require the Dept. of Public Safety, in cooperation with the Dept. of Education, to offer public education programs designed to reduce boating accidents. Requires boats operating on inland water to carry and exhibit between sunset and sunrise at least one white light to show all around the horizon. Also requires boat operated on inland water to carry at least one readily accessible life preserver. Motor-driven boats operated for hire would be required to carry a fire extinguisher. Divers would be required to display a diver's flag. Lists requirements for boats towing water skiers and surfboards.

Provides Act takes effect January 1, 1966.

Introduced January 30 and referred to Transportation; Judiciary; Finance.

INTRODUCTION OF BILLS, (House)

Limited  
Gambling  
(historic)

HOUSE BILL NO. 95, by Rep. Taylor. Would authorize certain municipalities to conduct limited historic gambling enterprises. The municipality would be allowed to do so if it adopts an ordinance permitting the limited gambling; if the economy depends substantially on tourism; if the municipality has a substantial history of gambling during the gold rush; and if the gambling enterprise enhances the historic character of the municipality.

Would limit gambling to locations that are in historic districts or parks established to preserve or recreate the historic character of the municipality and that are approved by a majority of the voters of the municipality. Prohibits gambling by minors under the age of 18. Limits gambling to those types of games occurring in the municipality during the period of 1890 - 1910. The municipality would be required to establish by ordinance the maximum amount of a bet. Proceeds would go to the municipality. Provides Act takes effect immediately.

Introduced January 30 and referred to State Affairs; Community & Regional Affairs; Finance.

Kindergarten  
(compulsory/  
age minimum)

HOUSE BILL NO. 96, by Rep. Miller. Note: Also see HB 76, this report, similar). Would require each school district to offer a kindergarten program. Sets time requirement for kindergarten programs at three hours, exclusive of intermission. A child who is five or who will become five before June 2 preceding the beginning of the school year, and who is under the age of 20 and who has not completed the 12th grade, is of school age (current law sets the minimum school age child as one who is six or who will become six before November 2 following the beginning of the school year). A child who is five before June 2 preceding the beginning of the school year may enter a public school kindergarten (currently the child must be five or become five before November 2 following the beginning of the school year).

Would allow a school board to require that a child attend kindergarten before entering first grade. Changes age of child who must attend public school to six (currently seven). Provides Act takes effect July 1, 1987.

Introduced January 30 and referred to Health, Education & Social Services; Finance.

INTRODUCTION OF RESOLUTIONS (House)

Surface Trans-  
portation Act

HOUSE JOINT RESOLUTION NO. 8, by Reps. Davis, Koponen, Boyer, Frank, Miller, Cato. Requests the Congress to expeditiously enact legislation reauthorizing the Surface Transportation Assistance Act and to maintain the present formulas for allocation of federal-aid highway funds among the states. Note: Also see SJR 9, Senate introductions and committee action, this week, same subject.

HJR

||

Box 362  
Nome, Alaska 99762-0362

February 16, 1987

FEB 24 1987

Representative Bette Cato  
Fifteenth Alaska State Legislature  
First Session, 1987  
Alaska State House of Representatives  
P. O. Box V  
Juneau, AK 99811

Dear Representative Cato:

This letter expresses my support for House Joint Resolution No. 11.

Current U. S. Postal Service mail distribution methods are encouraging all-cargo aircraft and all-cargo companies to provide infrequent flights into rural Alaskan communities. This practice reduces federal funding of the Alaskan multi-service air transportation system. Eventually, the practice will result in higher passenger fares, lower passenger service levels, and fewer jobs in rural Alaskan communities.

I hope that the Alaska Legislature will see the adverse impact of this practice and help to nip it in the bud before the rural Alaskan communities suffer damage to their air services and economies.

Thank you.

Yours truly,  
  
Richard Stern

cc: Representative A. P. Adams  
Representative Henry Springer

TED STEVENS, ALASKA  
LOWELL P. WEICKER, JR., CONNECTICUT  
JAMES A. McCLURE, IDAHO  
PAUL LAXALT, NEVADA  
JAKE GARN, UTAH  
THAD COCHRAN, MISSISSIPPI  
MARK ANDREWS, NORTH DAKOTA  
JAMES ABDNOR, SOUTH DAKOTA  
ROBERT W. KASTEN, JR., WISCONSIN  
ALFONSO M. D'AMATO, NEW YORK  
MACK MATTINGLY, GEORGIA  
WARREN RUDMAN, NEW HAMPSHIRE  
ARLEN SPECTER, PENNSYLVANIA  
PETE V. DOMENICI, NEW MEXICO

JOHN C. STENNIS, MISSISSIPPI  
ROBERT C. BYRD, WEST VIRGINIA  
WILLIAM PROXMIRE, WISCONSIN  
DANIEL K. INOUE, HAWAII  
ERNEST F. HOLLINGS, SOUTH CAROLINA  
LAWTON CHILES, FLORIDA  
J. BENNETT JOHNSTON, LOUISIANA  
QUENTIN N. BURDICK, NORTH DAKOTA  
PATRICK J. LEAHY, VERMONT  
JIM SASSER, TENNESSEE  
DENNIS DICINCINI, ARIZONA  
DALE BUMPERS, ARKANSAS  
FRANK R. LAUTENBERG, NEW JERSEY  
TOM HARKIN, IOWA

## United States Senate

COMMITTEE ON APPROPRIATIONS  
WASHINGTON, DC 20510

J. KEITH KENNEDY, STAFF DIRECTOR  
FRANCIS J. SULLIVAN, MINORITY STAFF DIRECTOR

February 6, 1987

The Honorable Elizabeth Dole  
The Secretary of Transportation  
400 Seventh Street, S.W.  
Washington, D.C. 20590

Dear Elizabeth:

As you are aware, Section 6(b) of the Civil Aeronautics Board Sunset Act of 1984 (P.L. 98-443) requires reports to Congress by July 1, 1987, from the Department of Transportation and the Postmaster General recommending "whether the authority to establish rates for the transportation of mail between points within the State of Alaska should continue to be carried out by the Secretary by regulatory ratemaking or by the Postal Service through negotiations for competitive bidding."

As the author of the provisions in the Sunset Act which retained the status quo regarding both the fair and equitable distribution of mail within Alaska to the various air carriers, and the establishment of rates for the carriage of that mail, I wanted you to know that I continue to support the current system. With minor modifications, it will continue to adequately serve the interests of Alaskans and the Postal Service.

The vast majority of the communities in Alaska rely on air service for the delivery of the mail, and the revenue from mail carriage to rural air carriers represents a major portion of their total revenues. Due to the impact that these mail revenues have on the rural air carriers' schedules and overall service to the smaller Alaskan communities, a competitive bidding allocation system for the mail which distributed this mail to a single carrier would effectively eliminate competitive service into many of the rural communities. Without mail, no carrier can afford to provide scheduled service to rural Alaska. Accordingly, in order to ensure a competitive air transportation system, the current mail allocation system and rate making procedures should be maintained, with only minor modifications.

The Honorable Elizabeth Dole  
February 6, 1987  
Page Two

While the current system provides an excellent framework -- I believe it should be modified by requiring the Department and the Postal Service to factor into the allocation methodology the needs of the traveling public. Under the present Postal Service policy, any air carrier is entitled to an equal share of the non-priority mail if that air carrier provides at least three trips per week to a given community. This policy does not account for the level of service or the type of aircraft serving the community. Furthermore, this policy may encourage a one-dimensional approach to rural Alaska air transportation.

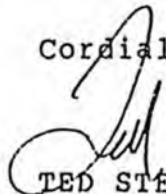
One-dimensional service to rural Alaska, in turn, may force up the costs of the Essential Air Service (EAS) program in Alaska. If mail, pasenger, and cargo, revenues are not adequate to support service, EAS costs will rise. Simply put, mail acts as a supplement to the entire rural air transportation system -- and if it is not fully integrated into the spectrum of services, the shortfall will be borne by the EAS program. Consequently, I encourage you to examine methods of maximizing service to rural communities by coordinating the carriage of mail with the objectives of the EAS program.

In these tight budgetary times, it is imperative that we carefully consider how these programs can best use available Federal resources to encourage the optimal air service within the State. Factoring the quality or range of services provided by a carrier into the allocation methodology would enhance the overall service to rural Alaska, and might also result in a reduction of EAS payments within Alaska.

Please don't hesitate to contact me if I can be of any assistance in this matter. I look forward to your July 1, 1987 report.

With best wishes,

Cordially,



TED STEVENS



FEB 24 1987

February 16, 1987

Representative Bette Cato  
Fifteenth Alaska State Legislature  
First Session, 1987  
House of Representatives  
P. O. Box V  
Juneau, AK 99811

Dear Representative Cato:

This letter is to express MarkAir's support of House Joint Resolution #11.

Current U.S.P.S. mail distribution methods encourage all-cargo aircraft providing infrequent flights into communities. This practice reduces federal funding of the Alaskan transportation system and will result in higher passenger fares and fewer jobs at community passenger airlines.

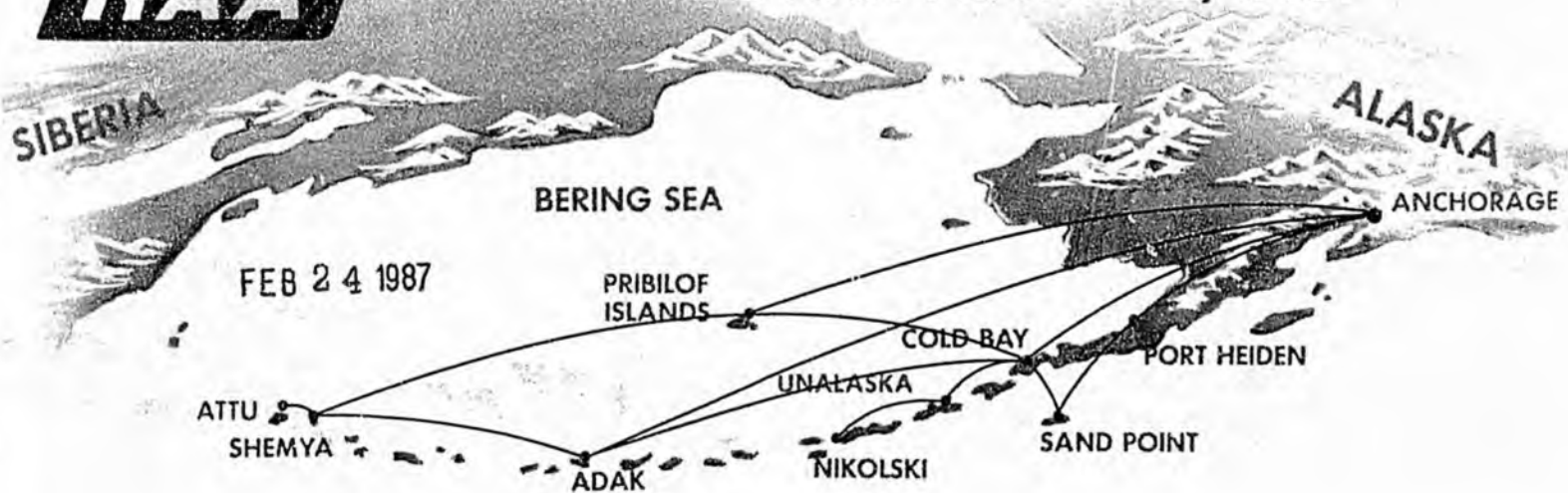
I am confident that MarkAir is one airline among many who feel that mail revenues are the backbone of the Alaskan passenger transportation system.

Very truly yours,

Robert Ensminger  
Vice President Postal Affairs

RE:avn  
(0241T-6)

cc: Representative A. P. Adams  
Representative H. A. "Red" Boucher  
Representative Adelheid Herrmann  
Representative Drue Pearce  
Representative F. Kay Wallis  
Reed Stoops

**RAA****REEVE ALEUTIAN AIRWAYS, INC.**

February 18, 1987

Honorable Betty Cato  
House of Representatives  
P.O. Box V  
Juneau, AK 99811

Dear Representative Cato:

Reeve Aleutian Airways respectfully requests your support of HJR11.

Involvement by the U.S. Dept. of Transportation in this issue would seem appropriate. With the sunset of EAS subsidies in the near future it seems that now is the time to consider to what extent U.S. Postal Service revenues may offset the loss of the EAS subsidies.

It is our belief that HJR11 will initiate a process in the U.S. Postal Service to consider methods and alternatives for distribution of mail to air carriers which recognizes an air carrier's overall level of service and financial commitments to a community.

Sincerely,

David A. Jensen  
Administrative Vice President

DAJ/kd

THE FOLLOWING DOCUMENT HAS  
NOT BEEN FILMED BUT IS  
AVAILABLE IN THE ORIGINAL  
FILE

RITA N. SHOLTON  
President

## **NORTHERN AIR CARGO**

3900 W. INTERNATIONAL AIRPORT ROAD  
ANCHORAGE, ALASKA 99502  
(907) 243-3331

Don Brugman  
Vice President & General Manager

## **NORTHERN AIR CARGO** *Alaska's First and Only All-Cargo Airline*

3900 W. INTERNATIONAL AIRPORT ROAD  
ANCHORAGE, ALASKA 99502  
(907) 243-3331

## **All-Cargo Services Schedule & Tariff**

*Fall/Winter-1986*

**(907) 243-3331**



# **NORTHERN AIR CARGO**

NORTHERN AIR CARGO, INC.  
3900 W. INTERNATIONAL AIRPORT ROAD  
ANCHORAGE, ALASKA 99502  
(907) 243-3331

# **NORTHERN AIR CARGO**

## MAIL DISTRIBUTION IN RURAL ALASKA

U.S. MAIL DESTINED FOR RURAL ALASKA FROM THE ORIGIN POINTS OF ANCHORAGE AND FAIRBANKS IS CURRENTLY TENDERED TO THE MAINLINE CARRIERS (ALASKA AIRLINES, MARKAIR AND NORTHERN AIR CARGO) ON THE BASIS OF A USPS POLICY KNOWN AS "EQUITABLE TENDER".

EQUITABLE TENDER SIMPLY MEANS THAT THE USPS DISTRIBUTES THE VOLUME OF MAIL AS EQUALLY AS POSSIBLE AMONG THE AIRLINES FLYING ON A PARTICULAR ROUTE. AN EXAMPLE OF THIS IS THE ANCHORAGE TO BETHEL WHERE THE MAIL IS SPLIT AMONG TH. 3 CARRIERS, THE CARRIER WITH THE MOST FREQUENCY OF SERVICE IN THAT MARKET RECEIVING A PROPORTIONATELY LARGER SHARE.

FOR THE PAST 3 YEARS THERE HAS BEEN A LOBBYING EFFORT OF THE ALASKA CONGRESSIONAL DELEGATION TO PRESSURE THE USPS TO CHANGE THEIR EQUITABLE TENDER POLICY TO A FORMULA WHICH MARKAIR HAS DEVELOPED AND WHICH EFFECTIVELY ELIMINATES NORTHERN AIR CARGO FROM CARRYING U. S. MAIL.

THE RATIONAL BEHIND THIS LOBBYING EFFORT ALLEGES THAT PASSENGER SERVICE IS BEING HAMPERED BY NORTHERN AIR CARGO, AN "ALL CARGO" AIRLINE, CARRYING THE U.S. MAIL AND THEREBY DEPRIVING THE PASSENGER CARRIERS OF THE ADDITIONAL REVENUE TO OFF SET THE COST OF PROVIDING PASSENGER SERVICE.

THIS ALLEGATION HAS NOT BEEN BORNE OUT BY THE FACTS. PASSENGER SERVICE IN RURAL ALASKA IS AT AN ALL TIME HIGH IN BOTH THE MAINLINE AND THE BUSH. THE LEVEL OF SERVICE HAS CONTINUED TO INCREASE AS WITNESSED BY TWO NEW PASSENGER CARRIERS RECENTLY ENTERING THE ANCHORAGE TO DILLINGHAM, KING SALMON, AND KODIAK MARKETS. THE SAME TREND IS OCCURRING IN THE SMALLER BUSH COMMUNITIES.

IT MAY BE TRUE THAT THERE IS TOO MUCH PASSENGER SERVICE AND SOME AIR CARRIERS MAY NEED TO ADJUST THEIR STRATEGIES. WHAT IS MORE IMPORTANT TO RURAL ALASKANS IS THAT THEIR QUALITY OF LIFE HAS IMPROVED DRAMATICALLY WITH THE ADVENT OF RELIABLE SCHEDULED ALL CARGO AIRLINE MAIL AND AIR FREIGHT SERVICE. EVIDENCE OF RURAL ALASKANS FEELINGS ON THIS ISSUE IS OBVIOUS BY THE MANY RESOLUTIONS, PETITIONS, AND LETTERS OF SUPPORT FOR ALL CARGO SERVICE THAT THE ALASKAN CONGRESSIONAL DELEGATION HAS RECEIVED ON THIS ISSUE.

ATTACHED IS A COPY OF A NEWSPAPER ARTICLE WHICH APPEARED IN THE ANCHORAGE DAILY NEWS ON APRIL 27, 1986 AND GIVES A FACTUAL ACCOUNT OF BOTH SIDES OF THE ISSUE.

Today, freight and mail fly on Douglas DC-6 air freighters. The airline owns ten DC-6 aircraft, and each plane can lift nearly 30,000 pounds. The planes are economical to operate, reliable, and ideally suited to the varied Alaskan flying conditions. The planes are able to land on improved and unimproved airstrips 4,000 feet in length, and the Company has upgraded the aircraft to include sophisticated electronics including LORAN navigation and Color Radar. Eight of the ten aircraft in the fleet are of the standard configuration; the ninth freighter is dedicated exclusively as a tanker, and can haul up to 4,500 gallons of fuel; the tenth freighter is one of only two in the world with a "Swingtail" which swings completely open from the tail allowing rear loading of cargo as long as 65 feet. The aircraft is ideally suited for the special transportation needs of rural Alaska.

Northern Air Cargo's philosophy is one of service to the customer, and providing this service as quickly, efficiently, and safely as possible. The airline has had over 30 years of accident free operations.

Northern Air Cargo employs 150 people in Anchorage and sub-contracts with local business enterprises in the 20 rural Alaskan communities that it serves. In all these areas, Northern Air Cargo has made a significant economical contribution.

# **NORTHERN AIR CARGO**

Northern Air Cargo was founded in 1956 as a partnership between Robert "Bobby" Sholton and Maurice Carlson. The airline was established as a charter air freight service, utilizing two C-82 "Flying Boxcars." As the airline founders, Sholton and Carlson were both considered Alaskan aviation pioneers; since the late 1940's, Sholton had flown extensively all over Alaska delivering freight, passengers, and mail; Carlson had flown for the military.

With a fleet of C-82's, Northern Air Cargo established an impressive record of service to many areas of the State. The airline pioneered delivery of special-outsized cargo to some 192 different air strips within the State. Areas served were mining settlements, construction and DEW Line sites as well as delivering freight to rural communities on a charter basis. In 1969, the first DC-6 aircraft was added to the operation. This aircraft gave the Company additional lift and capacity and opened up a more expanded rural market. Since the early 1970's, Northern Air Cargo has been on a controlled rate of growth adding DC-6 all-cargo aircraft periodically up to its present fleet of ten aircraft. Northern Air Cargo was co-owned by Sholton and Carlson until Sholton purchased his partner's interest in the airline in 1981.

The widow of Robert Sholton, Mrs. Rita Sholton is the airline's President and Chief Executive Officer. Mrs. Sholton has steered Northern Air Cargo on a course of steady growth since Robert Sholton's death in 1982. Mrs. Sholton moved the airline from almost 100% charter operations prior to 1982, to a scheduled airline that serves 20 communities within Alaska on a regularly scheduled basis with freight and mail delivery. The airline flies approximately two and one-half million miles per year within the State of Alaska.

# MAIL FLIGHTS: Airlines fight for bigger share of Bush cargo

Continued from Page J-1

age mail and oversized freight in a low-cost fleet of vintage 70Cs to 25 Bush destinations.

Northern Air's schedule includes the only direct mail service from Anchorage to about a half dozen villages. Passenger airlines shuttle mail for these villages through regional hubs, such as Nome or Bethel. The mail is then unloaded to await delivery on smaller commuter airlines.

MarkAir officials say their reform proposal is not aimed at Northern Air.

"It's a philosophical issue, as to whether or not the mail should, in any way, shape or form, be a factor in providing safe and reliable and passenger service," said Jim Berg, a MarkAir vice president for finance.

Passenger airlines deserve more mail freight because they offer far more flights than cargo competitors, said Larry Anderson, another MarkAir official. The passenger airlines also have much larger investments in terminal buildings, salaries and equipment than the cargo carriers.

"We're not after Northern Air Cargo, we're after a more equitable distribution of the mail," Anderson said.

But Northern Air Cargo officials disagree.

"The MarkAir proposal must be viewed for what it is: a blatant effort to put a competitor out of business," wrote Theodore Seamans, a Washington, D.C. attorney for Northern Air, in a memo to the Postal Service.

Dennis Gladwin, a Northern Air vice president, said MarkAir is trying to fix a system that isn't broken. He has launched a vigorous public relations counteroffensive to kill the MarkAir proposal. He carries around a binder full of petitions and testimonials from villagers and shippers who like his cargo airline's mail service and don't want to see it hurt.

Postal Service officials also have problems with the MarkAir proposal. Their attorney said it's probably illegal.

Congress told the agency to develop an air delivery system that provides customers with the best possible system, wrote Michael J. Vandamm, the Postal Service's assistant general counsel, in an internal agency memorandum.

That means subsidizing the cost of mail delivery in Alaska so it's the same as in the Lower 48. But Vandamm doesn't think it means skewing the system to help bail out passenger airlines.

"There is no statutory basis for establishing a policy of distributing the mail business so as to favor passenger carriers at the expense of all-cargo and small aircraft operators," he stated.

Despite Postal Service skepticism, MarkAir's postal proposal is very much alive.

The proposal has been promoted by Stevens, chairman of the Senate Postal Subcommittee. Stevens helped arrange a meeting in Anchorage last February at which Bergt unveiled the formula to a crowded

room of Postal Service and airline officials.

In a recent interview, Stevens said he's talked with both Northern Air and MarkAir officials. But he appeared to support MarkAir's proposal.

Northern Air Cargo plans to add new routes and Stevens that expansion threatens the stability of the state's air passenger system.

Mail makes up at least one-third of the revenue for most passenger airlines. Without this revenue, the passenger airlines will reduce service and raise their rates, Stevens predicted.

Today, federal Transportation Department records show Alaska passenger service levels, despite all-cargo competition, are at an all-time high. And most airfares have stabilized.

But if passenger carriers keep losing mail to cargo lines, Stevens said the state transportation system will begin to disintegrate.

"We will rue the day that happens because there is no alternative. You can't take a bus . . ." Stevens said.

Postal Service officials are well aware of Stevens' views.

In recent weeks, the Postal Service has had "a lot of correspondence" with Stevens' office about the MarkAir proposal, said Rex Maytam, a Postal Service program manager based in Washington, D.C.

Maytam, of the Postal Service, said his agency is reviewing the MarkAir proposal and may hold hearings on it later this year.

The mail distribution formula that Bergt is seeking to reform was written three years ago in a sweeping Postal Service policy change that broke up mail-route monopolies held by the old Wien Airlines and a handful of subcontractors.

Under the old system, the Postal Service heavily subsidized shippers who chose to mail merchandise to the Bush. In some instances, the Postal Service paid more than 90 percent of the \$50 cost of shipping a 50 pound box to a Bush village.

Wien and its subcontractors loaded the groceries, merchandise and other mail in the cargo holds of passenger planes and took it to regional hubs. Village-bound mail — including perishable meat, dairy products and vegetables — then was unloaded and stored in warehouses. It often sat there for days until a smaller passenger airline, under subcontract to Wien, found room to deliver it to the villages.

The present postal distribution system retains the old system's heavy freight subsidies. But it attempts to divide up the postal money more evenly among the dozens of Alaska carriers spawned by the 1978 federal deregulation of the airline industry.

Most of the mail travels fourth class. And the formula offers roughly equivalent amounts of mail to all carriers who maintain at least once-a-day service levels to Alaska towns, said Daniel Benton, an Anchorage-based Postal Service official.

And it offers some mail to cargo

planes that bypass regional hubs and fly direct from Anchorage to more than eight Bush villages. Most of these flights are offered by Northern Air, one by MarkAir.

The cargo planes fly only to villages with enough people to support once-weekly cargo trips and airstrips long enough to handle big planes.

The direct flights have been embraced by villagers and Anchorage shippers. Produce no longer rots in hub warehouses and merchandise arrives in better shape because it is handled less.

"The whole community has been behind Northern Air Cargo," said H. Vernon Sitwoko, mayor of the St. Lawrence Island village of Gambell.

In St. Paul in the Pribilof Islands, Northern Air's direct flights have drastically reduced food prices by allowing frozen products to be shipped through the subsidized mail system, said Carol Melovidov, manager of the village's Aleut Community Store. The cargo service has also reduced monthly damage bills from mishandled mail by \$1,000, she said.

The direct flights also save the Postal Service money. The subsidy formula often requires the Postal Service to pay much higher freight costs to passenger airlines that carry freight via the indirect flights that pass through the hub system.

For example, mailing a package from Anchorage to Gambell on a direct cargo flight costs the Postal Service 43 cents a pound. The same freight flying to Gambell via Nome on a passenger jet costs the Postal Service \$1.22, according to federal Department of Transportation statistics.

Last year, Postal Service statistics showed a saving of more than \$1 million from direct cargo flights to the villages.

But officials of some commuter airlines say they need those mail revenues to help finance passenger service. They don't think they get a fair share of the mail; one that fully reflects their high service levels to rural Alaska.

"You get someone coming in and sharpshooting a certain type of (air) traffic," said Richard Reeve of Reeve Aleutian Airways. "You know that the other types of traffic are going to suffer."

"They (Northern Air) carry no passengers, and they do not face the high insurance premiums," said Grant Thompson, vice president of Barrow-based Cape Smythe Airlines.

"Bypassing the hub with the mail will eventually cause a collapse of the (passenger) system," said Jim Rowe, president of Bering Air.

But commuter airlines aren't entirely united in their opposition to the direct cargo flights.

Wilfred Ryan, president of Ryan Air — Western Alaska's largest passenger airline — said his company has lost mail to Northern Air, but he doesn't favor changing the formula. Instead, he favors free-market competition between the cargo carriers and the passenger airlines.

"The ultimate benefactor is the village consumer," he said. "The cost of living is declining."

In Unalakleet, which receives direct all-cargo service, Ryan Air has responded to the competition by operating small aircraft that can be filled up with passengers alone.

Ryan hasn't supported changing the postal formula. But a half dozen other commuter airlines have joined with MarkAir to lobby for changes in the Postal Service formula.

MarkAir's proposal would help the small passenger airlines by requiring all village mail carriers to provide service at least three times a week. Northern Air officials say that level of service isn't profitable for an all-cargo airline, so they would have to end village service.

The proposal helps the large passenger airlines flying from Anchorage by heavily weighing a carrier's weekly flights and plane size. The more flights and the bigger the planes, the more mail a carrier would receive.

MarkAir, for example, flies 20 times a week to Bethel; Northern Air flies seven. The new formula would raise MarkAir's share of the mail market to Bethel from 37 to 59 percent, earning the carrier more than \$500,000 in new revenue.

But according to Berg of MarkAir, the statewide effect of the MarkAir proposal would not have much effect on the carrier's revenue.

"It seems like everyone thinks this is a fight between a couple of different carriers," Berg said. "But we're not really that big of winners in this thing. We won't gain that much."

According to Berg, other passenger airlines would benefit as much, if not more, than MarkAir.

Northern Air's calculations of the MarkAir formula — using the last quarter of 1984 as a base — indicate Northern Air's state-wide mail share would drop from 20 percent to 8 percent. Meanwhile MarkAir's share would increase from 39 to 45 percent.

With only 8 percent of the mail, Northern Air couldn't afford to operate postal or freight service, said Gladwin, the company's vice president.

Stevens, when asked about Northern Air's claims that the formula would put them out of business, showed little sympathy.

"We must take whatever steps we have to assure the viability of passenger air transportation system," Stevens said.

Stevens believes the greater danger lies in allowing cargo carriers to keep grabbing more mail.

As passenger traffic softens in a faltering economy, he fears the rise of "monopoly carriers who are interested in freight delivery only."

Melovidov, of the St. Paul's Aleut Community store, said she understands the problems of the passenger airlines who are losing mail. But in a recent letter to Stevens, she urged to the senator to also consider her community's villagers who want to see Northern Air survive.

"My feelings are that the United States Postal system was initiated to benefit the people — not those private corporations that are presently backing those proposed revisions."

NORTHERN AIR CARGO INC.  
3900 W INTERNATIONAL AIRPORT ROAD  
ANCHORAGE ALASKA 99512  
(907) 243 3311

# NORTHERN AIR CARGO

February 11, 1987

Representative Betty Cato  
House of Representatives  
P.O. Box V  
Juneau, Alaska 99811

Dear Representative Cato:

Northern Air Cargo has been notified that House Joint Resolution #11 has been scheduled for a hearing on February 25, 1987. We have also been notified this hearing will not be teleconferenced.

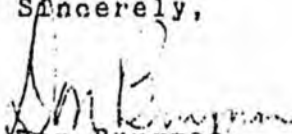
During our meeting with you last week, we indicated we would be Outside at a seafood industry convention during the 25th, 26th and 27th of February. This convention is critical to our business.

We have also been informed by many of our customers who live in rural Alaska that they will not be able to travel to Juneau to testify because of conflicting business already committed to on February 25th. Further, some have indicated that the financial burden is a hardship they don't wish to incur in view of the current economic situation. We also have had requests from numerous seafood industry executives who are desirous of testifying and wish to have access to some sort of teleconference arrangement so that they may inform the committee of the seriousness of this resolution to their industry.

Because this resolution has a severe impact on Northern Air Cargo and our customers who are principally residents of rural Alaska, we respectfully request that this hearing be scheduled for a later date which will accomodate our schedule and teleconferencing.

Thank you for your consideration of this request on behalf of rural Alaskans.

Sincerely,

  
Don Brugman

Vice-President/General Manager

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**