

ALASKA LEGISLATURE COMMITTEE FILES 1993-1994 8672

8449

SENATE RESOURCES



RECORDS



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11/6/97
Date

HJR

18

ALEUTIANS EAST BOROUGH

FEB 22 1993

SERVING THE COMMUNITIES OF

■ KING COVE ■ SAND POINT ■ AKUTAN ■ COLD BAY ■ FALSE PASS ■ NELSON LAGOON

February 17, 1993

Representative Carl Moses
P.O. Box V
Juneau, AK

Dear Representative Moses:

The Aleutians East Borough supports HJR #18. The use of the harbors around Adak Naval Base would be advantageous to the fishing industry in a number of ways. First and paramount is the issue of safety. No other industry has the mortality rate of the fishing industry in Alaska. Having access to safe harbors and good facilities is essential to the safety of our fishermen. The creation of such a port at the extreme end of the Aleutians is an intriguing concept that needs further exploration and development. It would appear that additional fish products would be brought ashore that are now leaving the State. This should enhance the State's revenue picture.

For the above reasons, the Aleutians East Borough supports the further development of this concept.

Sincerely,



Dick Jacobsen
Mayor

CLERK/PLANNER
P.O. BOX 349
SAND POINT, ALASKA 99661
(907) 383-2699
(907) 383-3496 FAX

BOROUGH ADMINISTRATOR
1600 A STREET, SUITE 103
ANCHORAGE, ALASKA 99501-5146

FINANCE DIRECTOR
P.O. BOX 49
KING COVE, ALASKA 99612
(907) 497-2588
(907) 497-2386 FAX

LETTER: ALEUTIANS EAST BOROUGH



ALASKA CRAB COALITION

3901 Leary Way (Bldg.) N.W., Suite #6 • Seattle, WA 98107 • (206) 547-7560 • FAX (206) 547-0130

March 5, 1993

Representative Carl E. Moses,
Chairman, House Special Committee on Fisheries
Alaska State Legislature
Capitol Building, Room 204
Juneau, AK 99801-1182

Dear Carl:

At a recent meeting of the Board of Directors of the Alaska Crab Coalition, we reviewed House Joint Resolution No. 18, relating to the "establishment of a fishing community at Adak," in the Aleutian Islands.


The Board has endorsed the resolution which respectfully requests the Department of Defense and the Department of the Navy to release a portion of the Adak Island Naval Reserve to the State of Alaska for the development of a model fishing community on Adak Island.

Crab fishing vessels frequent this relatively remote area of the Aleutian Islands at different times of the year and they are in need of safe harbors for anchorage, floating fish processors and a deployment base with air transport facilities for changing out crews and resupplying of groceries and fresh water.

As you are already aware from your lengthy residence and experience in the Aleutians, there are very few harbors open for safe anchorage in this area, as most are closed by military orders for security related reasons. This has long created logistical inconveniences and added expenses for crab and groundfish vessels.

Opening harbors on Adak Island will add an important logistical seaport for Alaska.

Sincerely,


Arni Thomson
Executive Director

cc: Alaska Congressional delegation

Alaska State Legislature

Representative Carl E. Moses



CHAIRMAN
HOUSE RULES COMMITTEE

CHAIRMAN
HOUSE SPECIAL FISHERIES COMMITTEE

MEMBER
FINANCE SUBCOMMITTEES
FISH AND GAME
PUBLIC SAFETY

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Sponsor Statement

HJR 18

Relating to establishment of a fishing community at Adak

The Adak Naval Base has been in existence as a military establishment in the Aleutian Islands since World War II. With the easing of Cold War tensions, the U.S. Department of Defense is now looking at reducing or phasing out numerous installations across the country, including Adak. In fact, Adak is being considered for a reduction of three-quarters of its active forces.

Commercial fishing is the major industry in the Aleutian Island Chain and along the Alaska Peninsula. Natural harbors that are adjacent to prime fishing grounds are at a premium. Adak Island has a number of such harbors that have the potential of being developed as small outposts of the local fishing industry.

At one time, civilians did have limited access to the Adak Naval Reserve, but that access was revoked.

It is now time for Alaska and the U.S. Department of Defense to look to the future of Adak Island. Releasing a portion of the naval reserve for development of a fishing community, or at least making it available for civilian use, would be a first step.

STATE COMMITTEE REPORT

DATE: 3/16/93

FURTHER

DATE TURNED INTO OFFICE: _____

RESOURCES Committee considered HOUSE JOINT RESOLUTION NO. 16

Relating to establishment of a fishing community at Adak.

and recommends:

- replace with _____ CS _____
- or adopt previous _____ CS _____
- attaches amendment(s)

- same title
- new title
- technical
- title change
- (HE only)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal
Dmva	2-16-93	✓	

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

DO PASS:

[Signature]

OTHER RECOMMENDATIONS:

[Signature]

Mike Miller Do Pass

Chair: Signature and Recommendation

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. HJR 13

Revision Date: _____ Dept. Affected: DMVA
 Title: Establishment of a fishing community BRU: _____
at Adak. Component: _____
 Sponsor: Rep. Moses
 Requestor: Rep. Moses COMPONENT SERIAL NO. _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE FUND SOURCE:						

FUNDING: (Thousands of Dollars)

	FY94	FY95	FY96	FY97	FY98	FY99
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL						

POSITIONS:

	FY94	FY95	FY96	FY97	FY98	FY99
FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ _____

ANALYSIS: (Attach a separate page if necessary)

Zero fiscal impact

Prepared by: Jeff Morrison, Director
 Division: Administrative and Support Services
 Approved by Commissioner: *J. Morrison* Hugh L. Cox III
 Agency: Military and Veterans Affairs

Phone: 465-4730
 Date: 16 Feb 93
 Date: 2/16/93

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Adak stands to lose sub hunters and 75 percent of its Navy force

By JIM CLARKE
The Associated Press

Adak Naval Air Station is expected to lose its anti-submarine aircraft and about 75 percent of its more than 4,000 sailors and dependents next year under plans being reviewed by the Pacific Fleet.

Capt. E.A. Caldwell, commander of the Aleutians base, was ordered last week to write a reorganization

plan that includes the sharp staffing cuts, Petty Officer 1st Class Walter Panych, a Navy spokesman on Adak, said Tuesday.

The base, on Adak Island about 1,200 miles west of Anchorage, has served as a supply depot since World War II. It has been a forward airfield for Soviet submarine hunters for most of the Cold War.

But a Navy spokesman at

Pearl Harbor, Hawaii, said the Adak orders are part of a larger plan to reduce submarine-hunting missions in the Pacific.

"They're coming up with a plan that will, over time, reduce the mission of Adak as much as possible," Lt. Kenneth Ross said. "It's part of ongoing efforts to use bases more efficiently to meet mission requirements."

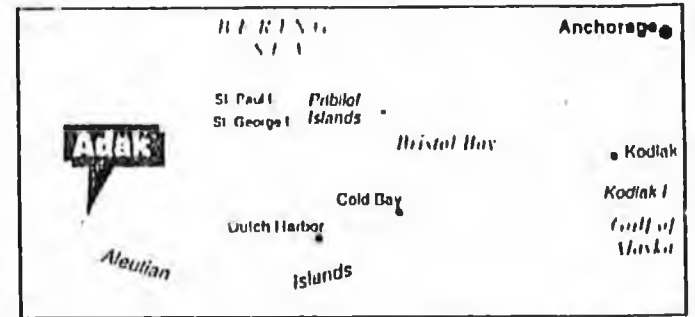
About 4,200, which in-

cludes sailors and their families, live on the base. That number would be cut to below 1,000.

And the four Lockheed P-3 Orion submarine hunters deployed to the base would be removed.

A Navy spokesman on Adak said the reduction would be gradual, and that the island's runways, light-

Please see Back Page, ADAK



NOVEMBER 11, 1991 / Anchorage Daily News

ADAK: Cuts planned

Continued from Page A-1

ing and control tower would still be maintained.

"The threat that was once there has subsided markedly," Panych said. "Looking at it realistically, we're doing this because everybody's drawing down."

While the orders from the Pacific Fleet were received Friday, the same day the Pentagon's latest base-closing list was released, Navy officials said the Adak move was not related.

In a separate move, the Army announced last week that it will reassign about 2,800 soldiers in Alaska from Fort Richardson, in Anchorage, and Fort Wainwright, near Fairbanks.

Because Adak is so remote, and because few private businesses operate on the island, the move should not be a serious blow to the state's economy.

But Richard Reeve, president of Reeve Aleutian Airways Inc., said the Adak

cutback may mean the airline will reduce service to the island.

Reeve Aleutian now operates five flights a week from Anchorage to Adak in the winter and six in the summer. Reeve said the flights represent at least 10 percent of the airline's business.

Besides the anti-submarine missions, Adak also handles some communications for the Pacific Fleet, as well as surveying. Those activities are expected to remain on the island, Ross said. Most of the sailors will leave because the submarine hunters are going, he said.

That is in line with other Navy bases scheduled to close.

Moffett Naval Air Station in Mountain View, Calif., was on a 1991 base-closing list, and Barbers Point NAS in Hawaii was on the list released Friday.

Both bases are home to squadrons of P-3 aircraft, the Navy's primary submarine hunter.

HJR

28

To the Senate Transportation Committee Members:

Denali Citizen's Council is an all volunteer organization started in 1974 to act as a watchdog over Denali National Park. We are not connected with the National Park Service, but serve as a vocal group of citizens who detect and publicize problems concerning Denali National Park.

Denali Citizen's Council strongly opposes HJR 28. A northern route into Kantishna (sometimes linked with the Healy to McGrath road) would not be good for Denali National Park visitors, the wildlife, or state tourism. Everytime this idea has been studied, it has been soundly rejected.

*****Studies recommend AGAINST Kantishna development *****

The question of overcrowding in the Park has been studied for years by the Park Service. In February 1992 the National Park Service released the Denali Access Task Force Report, where the second road was the most prominent issue and recommended that a new road into the Kantishna area of Denali National Park is not justified. The task force supported development on the southside of Denali and in other parks. (press release enclosed)

The Kantishna Resource Management Plan for Denali released in July of 1990 states that the Park Service should acquire all inholdings in the Kantishna Hills under a phased acquisition plan. That "NPS is particularly concerned by commercial development that would cause a major shift in focus of the park experience away from a nature preserve where wildlife viewing along the Denali park road corridor is a primary resource, to a hub for access to commercial recreational facilities.

"If the Kantishna area were to continue to develop unchecked, the increase of traffic to that area is inevitable. Without restrictions on the level of traffic, wildlife viewings would continue to drop. As exemplified by the advertisements of the businesses in the local area, the major attraction is the wildlife viewing in Denali. If that were no longer available, all local businesses would lose revenue, including any facilities that had been developed in Kantishna."

The Park Service is committed to buying privately held parcels in Kantishna to protect valuable wildlife habitat and prevent further development. The mining claim acquisition program currently has a budget of 98 million, including \$3 million appropriated for fiscal 1993. (Boyd Sponaugle, NPS Realty Specialist, 257-2584)

***** Southside Denali is the answer *****

The Denali National Park General Management Plan discusses southside development as a practical alternative for increased visitor use. "The escalating demands on Denali's resources,

coupled with the need to provide a visitor experience equal to the resources, is the the single most critical problem facing park managers. The solution presented in this plan is to expand recreational opportunities on the south side of Denali.... additional demand cannot be accomodated in the existing park road corridor without a significant decline in the visible wildlife, but it can be accommodated if the south side is develeped as an alternative destination for visitors. Together the north and south sides will offer a large range of visitor experiences geared to the full complement of Denali's outstanding natural resources. Develeped in this way, the parks should be able to meet visitor demands for many years." (pg. 12. General Management Plan, 1986) There are currently plans for southside development, which is already on road and rail lines. Why would the State want a very expensive road into Kantishna federal land when there are options on state controlled land!!!!

***** Environmental Damage to Kantishna *****

"A northern access route through the park would have severe environmental impacts. The Stampede Trail crosses the denning areas of the Toklat and Savage wolf packs, the winter range of the Denali caribou herd, the major movement corridor along the Toklat River for both wolves and caribou, and many miles of pristine country. The benefits to visitors of having expanded services in the northern portion of the park would not justify the ecological damage." (page 32, General Management Plan, 1986)

***** NOT A ZERO FISCAL NOTE!! ***** HJR 28 proposes that the private sector will build a new road or railroad. The estimates from the Dept. of Transportation acknowledge the road would cost \$80-120 million! (Promoter Thomas Engineering of Fairbanks estimates a railroad at \$216 million) How can private industry do this without State money? They won't. Even though the State has not done a comprehensive study on the need for another road into Kantishna, DOT is spending \$200,000 of public money on preliminary engineering studies. The State of Alaska does not have right-of-way into Kantishna. The contested right-of-way assertions will cost thousands of dollars in litigation.

HJR 28 is based on erroneous information and faulty assumptions, and will HARM Denali National Park. HJR 28 is a time wasting diversion, trying to coerce the Park Service into overdevelopment instead of working on Denali State Park plans, where the state would have control and a real solution. Your vote against HJR 28 will wisely encourage development in other parts of the state, and not in Kantishna where we need it the least!

Sincerely,

Lenore Sappington

Lenore Sappington
Denali Citizen's Council

NEWS RELEASE

U.S. DEPARTMENT OF THE INTERIOR

NATIONAL PARK SERVICE

FOR IMMEDIATE RELEASE
February 19, 1992

CONTACT: John Quinley
Public Affairs (907) 257-2696

DENALI TASK FORCE RECOMMENDS NO NEW ROAD

A task force of high-level National Park Service officials has found that with some improvements, the existing road in Denali National Park and Preserve is adequate and that a second road to Kantishna is not justified.


The question of a second road was the most prominent issue for the task force, which was appointed last year by James Ridenour, director of the National Park Service. The recommendation is contained in the task force's report to the director, which was released this week.

The recommendations are the opinion of task force members, and have not been endorsed by Ridenour or the Department of the Interior.

The task force was directed to examine how the park has balanced the protection of natural resources with increased public demand for access to the park interior, to consider the safety and adequacy of the existing park road, and to consider alternative access to Kantishna, the major collection of private inholdings in the park's interior.

Public comment, testimony from private industry and the state of Alaska, and research into the park's mandates were used to reach the conclusions. The recommendations are aimed at protecting wildlife and other park values, improving safety, increasing visitation, and making park visits easier for people.

-- MORE --



The task force supported completion of the development plans for the south side of Denali, plans which will evaluate sites for a visitor center, trails, and other facilities. The four draft concepts for development were outlined in a workbook made public February 14. Public comment will run through April 10, 1992.

The task force also supported the Alaska Region's facility development priorities for parks other than Denali. "Investing in other areas -- with visitor centers, trails, campgrounds and the necessary administrative facilities -- would bring Alaska far greater, and surer, benefits than would expanded facilities in the Kantishna area," the report concluded.

The members of the task force were John M. Morehead, associate director for operations, Washington, D.C. (since appointed Alaska regional director); Don Castleberry, regional director, NPS Midwest Region; Paul Haertel, associate regional director, Alaska Region; Bob Barbee, superintendent, Yellowstone National Park; Russell W. Berry, Jr., superintendent, Denali National Park and Preserve; Elmer Hernandez and Jim Straughan, transportation planners, NPS Denver Service Center.

-- NPS --

Feb, 1992

I. EXECUTIVE SUMMARY

As one of the premier wildlife viewing areas in the National Park System, Denali National Park and Preserve is properly considered a major visitor destination for people around the world. More than any other attraction, the mountains and wildlife of Denali define Alaska for thousands of visitors and for scores of companies marketing the Last Frontier.

Like national parks in the Lower 48, Denali has struggled to accommodate growing visitation and respect the rights of inholders while at the same time has fulfilled its mission to protect the wild life, natural processes, and scenery of the park for generations to come.

The focus of that struggle has been the 90-mile park road, a narrow ribbon reaching deep into a wilderness valley. The balance struck for the past 20 years -- limited private vehicle access, provision of free public transportation and encouragement of inholders to minimize their use of the park's only road -- has, for the most part, worked.

This task force was charged with examining that balance, to consider the safety and adequacy of the park road, and to consider alternative access to Kantishna, the major collection of inholdings in the park's interior.

After several public meetings and meetings with state, local and business organizations, the task force recognized there existed a broad range of opinion regarding the future of Denali National Park. Further, the task force realized that any compromise which maintains the balance of the Park Service's mission will necessarily leave some interest groups less than satisfied.

The task force makes the following six primary recommendations to the Director of the National Park Service:

1. There is no need for an additional gravel or paved road into the Kantishna area of Denali National Park and Preserve. A new road is not justifiable in terms of its effect on the park purposes or on wildlife. Neither is it justifiable with regard to economics or visitor services. The park's major concessioner, large tour companies and smaller inholder operations oppose both a northern access route and major changes to the character of the existing road.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

December 10, 1992

Mr. Laurence H. Irving
President
Kantishna Group, Inc.
P.O. Box 71047
Fairbanks, AK 99707

Dear Mr. Irving:

Thank you for the briefing on your proposal to build a light rail service from Lignite into Kantishna.

I am very aware of the need to expand services in the area of the Denali National Park. We have turned away approximately half a million visitors a year who have indicated that they would spend time and dollars if there were facilities and transportation in the park. Our tourism marketing efforts have maximized our capacity in the summer season and have expanded into the "shoulder" seasons. The international interest in viewing the Northern Lights will provide even greater demand.

We consider your project a significant economic development opportunity for the Denali region. It will affect local communities in a positive way, providing construction jobs and long-term, year-round employment.

Dr. Glenn Olds, Commissioner of Natural Resources, has advised me that processing of your application for a conditional right-of-way over state land is expected to be completed in January. I also hope we can help you with the challenge of access into Denali Park.

I regard your project as one of the private sector initiatives which will help us meet our goal of increased visitor opportunities within the state. Please keep me informed of any issues and milestones as this project proceeds.

With best regards,

Sincerely,

A handwritten signature in cursive script that reads "Walter J. Hickel".

Walter J. Hickel
Governor

Startafile

Kantishna Group Incorporated

Post Office Box 71047, Fairbanks, Alaska 99707

Tel: 907-451-7906 Fax: 970-451-6494

January 23, 1993

Rep. Tom Brice
State Capitol Building
Juneau, Alaska 99801

Dear Rep. Brice:

Thank you for taking interest in our Kantishna Railroad^o project. As you are aware, in the last session of the Alaska Legislature the Senate passed a resolution (SJR 44) supporting increased access into Denali National Park.

The House passed a similar Resolution (HJR 83) through several committees only to have it die in the Rules Committee at sessions end.

Over the past year the subject of access into the Park has continued to be the subject of much debate. Last year the question was weather it would be road or rail access along the alignment of the old "Stampede Trail". The State DOT&PF applied for Federal Highway monies for this alignment and was informed that it would need the agreement of Federal sister agencies (the NPS) to gain approval.

As we understand it, this agreement was not given and the alignment was changed to a "Parks Highway - McGrath access with a spur to Kantishna" project. I suggest that if you have questions on this that you contact Mr. Steven C. Sisk, P.E., Director, Design & Construction, Northern Region (907)451-2214 , 2301 Peger Road, Fairbanks, Alaska 99709-5316.

On the other hand, the Kantishna Railroad^o project is moving ahead. We have been working with State DNR and are negotiating a recognizance permit for the first thirty mile of our alignment. We have talked with the NPS and have been informed that this project could be acceptable under certain circumstances. The specific circumstances are not entirely clear at present, however, the basic understanding we have is that the Railroad / Utility Corridor we want from the NPS must meet the criteria of being "public Access to Kantishna.

Our railroad would certainly be that. As a public carrier it would meet the criteria and in fact it would provide year around access that the existing road does not. The Kantishna Railroad^o project is proposed to built from private funds. A new dirt road of two lanes would cost the State US\$100-125 million and have a annual maintenance cost at today's cost of US\$ 2,500.00 per lane mile (\$5,000.00 for two) not to mention the cost of security, etc.

I have addressed the Denali Borough Assembly and Mayor and have asked for their passage of a Resolution supporting the creation of a Railroad / Utility Corridor. I include a copy of the draft of that Resolution for your perusal.

It may also be that the Railroad / Utility Corridor should be included in the law governing the pipelines, AS. 38.05. This will take more review.

We have the strong support of the Dept. of Commerce & Economic Development under Comm. Paul Fuhs, The Dept. of Natural Resources under Dr. Olds and of course the Governor. We feel it is time to move this project forward. To do so, I would be very grateful if you would consider organizing the creation of a Resolution specifically directed at the creation of a Railroad / Utility Corridor within Denali National Park.

The Kantishna Railroad is an environmentally sound and responsible method for expanding the tourism infrastructure in Alaska. It does not conflict with any of the existing tour operators in our view. As an economic development project, it meets the criteria of the new President in sustaining economic growth and is not of a resource extractive project. Tourism is one of the largest producers of foreign exchange, perhaps effecting the national balance of trade more directly than any other form of enterprise.

If you or any other members of the House or Senate need additional information please call me at any time.

With best wishes for a successful session, I am.

Sincerely yours.



Joseph N. Fields III, Dir.

Incl: Gov's ltr, maps, Denali Borough Draft Resolution.

1 5 : 1 4 0 P . 0 4

Alaska Wilderness Recreation and Tourism Association

Board of Directors

Nancy Lethcoe
President
Alaskan Wilderness
Sailing Safaris

Carol Kasza
Vice President
Arctic Treks

Karla Hurt
Secretary
Alaska RainforestTours

Don Ford
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Wilderness Birding
Adventures

Kirk Hoessle
Alaska Wildlands
Adventures

Bob Jacobs
St. Elias Alpine Guides

Karen Jettmar
Equinox

Steve Ranney
Fishlog & Flying

Eruk Williamson
Eruk's Wilderness
Float Trips

Honorable Richard Foster
Chairman House Transportation Committee
State Capitol, Juneau,
AK 99801-1182

March 2, 1993

Dear Representative

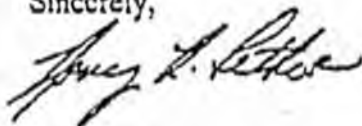
The Alaska Wilderness Recreation and Tourism Association promotes the recognition and protection of Alaska's recreation and tourism resources and works for ecologically responsible recreation and tourism use of Alaska's natural resources. We have over 300 members statewide of which 180 are in the tourism business.

The Board of Directors has met and discussed House Joint Resolution No. 28. I have been instructed to write to you expressing our opposition to this resolution. Our members disagree with the statement that there is a lack of facilities at Kantishna. The current facilities have promoted a quality wilderness experience for tourists to Alaska for decades and will continue to do so. Therefore, the Alaska Wilderness Recreation and Tourism Association opposes developing routes to Kantishna through some of Mt. McKinley's most spectacular wilderness area, opposes the development of a Kantishna visitor activity area, and opposes the establishment and development of a rail utility corridor into Kantishna by private corporations. Development of these routes would reduce the opportunities for quality wilderness experiences.

Our business members make their living by marketing Alaska's wilderness and other natural resources. When companies make an investment, they expect continued access to the product they market. The proposed development would deprive them of the product they have developed and marketed by changing a wilderness area into a developed area.

We respectfully request that the Transportation Committee oppose House Joint Resolution No. 28.

Sincerely,



Nancy R. Lethcoe

Kantishna Group Incorporated

Post Office Box 71047, Fairbanks, Alaska 99707

Tel: 907-456-7906 Fax: 970-451-6494

March 9, 1993

Honorable Richard Foster, Chairman
House Transportation Committee
State Capitol Building
Juneau, Alaska 99801- 1182

Dear Mr. Foster:

We wish to thank the members of the House Transportation Committee for their good work on behalf of all Alaskans and especially for their consideration of HJR 28.

I want to start today by quoting Chapter 1 of Title 16 of Federal law which establishes the National Park Service. " The Service ... shall promote and regulate the use of Federal areas known as...national parks, monuments and reservations... by such means and measures as to conform to the fundamental purpose of said parks, monuments and reservations, **which purpose is to conserve the scenery and the natural and historic objects and wild life therein and to provide for the enjoyment of the same in a manner and by such a means as will leave them unimpaired for the enjoyment of future generations.** "

The Kantishna Group Incorporated (KGI) has proposed the construction of a tourism railroad from Lignite to Kantishna, Alaska. The project would include the construction of terminal facilities at both ends of the railroad and would be financed privately.

Problems:

When Denali National Park was expanded in the 1980's and Denali became a Park and Preserve and a Wilderness Area. Inholders maintained their rights of access for themselves and their guests. The original Park became Wilderness, with the exception of the existing park road which bisects it and land around Wonder Lake. If effect, there are two Wilderness Areas. Because the road was built to access the Park interior by the NPS and not to handle thousands of busses each season it is said to have reached its "carrying capacity".

To correct this problem some have suggested creating a second road, but as visitor volume grows, so does the potential for damage a road might do to the Park eco-systems. The 1965 Federal law on Park concessions states; "***Congress hereby finds the preservation of park values requires such public accommodations, facilities and services as have to be provided in those areas should be provided under carefully controlled safeguards against unregulated and indiscriminate use, so that heavy visitation not unduly impair these values...***". A second road would be clearly in conflict with this statement. The Kantishna Railroad would provide the controlled and discriminating access and distinctly different tourism activities necessary for the Park service to support this significant change in the 75 year operation of Denali National Park.

Alaska, is a popular destination, it is safe, accessible, quick to reach by air or sea, has no terrorism, English is spoken and no currency conversion are required. Alaska has spent a great deal of money on marketing and now sees the visitor / tourism industry as the third largest sector of its private economy with a growth rate of 4% to 7%.

Mitigating adverse impact of traffic on Park road: A rail / utility corridor along the northern routing suggested by KGI, will provide discriminating and controlled public access to Kantishna. This will allow the NPS to exercise controls on the Park road and reduce the impact on the adjacent wilderness area.

It would be foolhardy to conclude that visitor volumes or tourism will decrease over the next thirty years. It is irresponsible for tourism in Alaska to be constrained by a lack of infrastructure or to be discounted as a major factor in Alaska's economy. The Kantishna Railroad will eliminate the "choke" point and provide high quality low impact access into the Park. The Kantishna Historic Visitor District will re-focus tours for viewing Mt. McKinley, historic preservation, conservation education, outdoor recreation and wildlife.

Zoning: The Kantishna Historic Tourism Zone (KHTZ) could provide a mechanism for zoning privately held land in the Kantishna region. It could be organized as a special zoning district of the Denali Borough or as a Port Authority of the Borough. Agreements could be made between the Borough and the NPS, as in other states for the Park Service to enforce policies established by the Borough. Clearly, the Kantishna region is a special place where assessments of the historic places and objects should be made and historic preservation and authentic restoration should be undertaken.

Kantishna Historic Tourism Zone:

KGI has suggested the creation of a Kantishna Historic Tourism Zone (KHTZ). The purpose of this zone would be to create an area in which tourism facilities could be developed under strict zoning. Several thousand acres of land in Kantishna is privately owned, some in patented mining claims with more in application for Patent. Tourism operations currently exist in Kantishna and others are being planned. The KHTZ could be a manifestation of the concept of "Zones of Confluence" where the statutory mandate to the National Park Service to deliver the Parks to the people while protecting them could be accomplished. This concept is similar to the Primary Tourism Zone suggested by AVA studies. The KHTZ could produce revenues in the form of user fees, tariffs, rents, taxes etc., offsetting its cost of operation.

The KHTZ would provide the private property inholders in the Park with the ability to utilize their holdings for tourism activities while at the same time eliminating the need for the NPS to continue the already implemented, very costly program of buying them out. We have been advised that the National Park Service has some zoning powers.

The Denali Borough could create a special or enterprise zone or even a Port Authority in the Kantishna area to be used to control important developmental factors such as:

- A. Architectural standards.
- B. Solid waste.
- C. Trails and activities on them.
- D. Quality and safety of area developments.
- E. Historic Preservation, including the authentic restoration of the Kantishna townsite and perhaps the historic Stampede Mine.

Location and Route: The Kantishna Railroad(KRR) is proposed as an environmentally sound and sensible mass transit system creating access to the Park interior along a northern route. Approximately 90 miles in length, **no portion of the railroad will pass through the wilderness portion of Denali.** It will be designed for tourism with enough freight capacity to service Park Service, inholders and the railroad operations in the Kantishna area.

True Access To The Park:

Each passenger coach will have two decks with full handicapped access, perhaps including a lift for upper deck wheelchair access. Terminals will be equipped for walk-on and roll-on passenger loading. Compliance with the provisions of the Americans with Disabilities Act (A.D.A.) will bring many benefits to our operation. We feel Eco-Tourism is not just for the physically fit. The majority of our Alaskan visitors feel a very close relationship to the land even though they may not be physically able to hike over it.

Environmental Conservation and Recycling:

The control of sewage and solid waste will be accomplished through the use of low water, foam operated toilets coupled to composting systems manufactured in Alaska. This process will dramatically reduce the use of water and reduce potentially hazardous sanitary problems. Solid waste control will be through a vigorous and up-to-date recycling program and use of the proposed regional facility at Nenana, now being planned.

Power Systems:

The system is proposed as an electric traction (powered) railroad similar to nearly all the train systems in Europe. These systems facilitate communication and power transmission, but until all question relating to this concept are cleared, we must also consider diesel-electric. Our current plans call for the use of standard gauge rails and couplings to facilitate an intertie with the Alaska Railroad. We have discussed with the A.R.R., the utilization of A.R.R.'s maintenance facilities to reduce costs.

Now I would like to comment on the letters which have been sent in opposition to the passage of HJR 28.

While the Alaska Wilderness Recreation and Tourism Assoc. and Alaska Wildland Adventures do represent a portion of the touring public, that portion is only a small part of the tourism industry in Alaska.

They appear to represent only those in the economic class that can afford the specialized trips they provide.

One calls the north route we propose 1. "lowland, bog areas that would be uninteresting to potential visitors." and the other opposes 2. "developing routes through some of Mt. McKinley's most spectacular wilderness areas. They go on to oppose development by private corporations, yet they say 3. "When companies make an investment, they expect continued access to the product they market. The proposed development would deprive them of the product they have developed and marketed by changing a wilderness area into a developed area."

1. The route proposed is beautiful Alaskan interior viewing which will provide longer and better viewing of the Mt. McKinley.
2. The route proposed does not touch Wilderness Area land.
3. The "product" is Denali National Park. "They" did not create it. It belongs to the public and must be accessible, even to those who are disabled and in their later years or who have marginal budgets.

The sum of the objections is "I've got mine and I want no competition"

We urge you to pass HJR 28. It is essential to the expansion of tourism infrastructure in Alaska.

With best regards I am,

Sincerely yours,

Joseph N. Fields III, Dir.
Kantishna Group Inc.

My name is Teri Camery. I am a resident of Fairbanks from Representative Davies district. I am testifying to voice my opposition against House Joint Resolution 28 and the construction of the Stampede Route through Denali National Park from Healy to Kantishna.

I know Denali Park very well from countless visits and backpacking trips over the past few years. I have also exhaustively researched controversies in this park, and did my thesis on the impact of RS2477 in Alaska.

I am opposed to a new road through the park for many reasons:

1) Economic

The Stampede Route is impassable during the summer months and passes over a glacial river bed. It also disappears in a number of places.

Under 1986 estimates the cost of the road would be \$85 million to \$125 million. Even if the federal funding pays for the construction of the road, doubtful at these huge prices, the state will still have to cover maintenance costs which may be tremendous, especially when building a road over a glacial riverbed and large acres of wetlands. Where will the state come up with this money?

The state made a one-time \$450,000 investment in a minimal upgrade of the Stampede Road beyond Eight-mile Lake in the early 1960s which quickly deteriorated and never resulted in any significant public travel.

In addition, as I understand it, the park's major concessioner (ARA), larger tour companies, and smaller inholder operations oppose ~~both~~ a northern access route. If they don't believe there is an economic benefit it is hard to believe that there is one for the state.

Residents of Healy and other neighboring communities are also generally opposed to the road.

2) The View

Mount McKinley viewing is superior on the south side of the Alaska Range. Wildlife and mountain views on the north side are significantly less dramatic compared to the existing route.

3) The Meaning and Purpose of Denali

Adding a new road will permanently change the character of the park and harm the priceless qualities people come there to see in the first place. A new road puts at risk the up-close viewing of animals that draws people to Denali.

Obviously the impacts of new road are not confined to the borders of the pavement. The impacts on wildlife and habitat are virtually undeniable. The Park Service has a mission to preserve Denali for future generations. The State has no right to interfere with that mission.

Regardless of RS2477 and private landholdings in Kantishna, the State does not have the right to damage land in the federal trust for its own financial gain. Under the current federal administration, the state would be foolish to tamper with Denali. A lawsuit would be imminent.

Finally, I have a copy of the Denali Access Task Force Report from the National Park Service which has much useful information. I would be happy to send copies to interested representatives.

Thank you for this opportunity to comment.

Teri Camery
1816 Musk Ox Trail
Fairbanks, AK 99708



ALASKA WILDLAND

ADVENTURES

March 19, 1998

THIS TESTIMONY IS IN OPPOSITION TO HJR NO. 28

Honorable Mike Miller
Chairman Senate Resources Committee
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Miller,

Alaska Wildland Adventures provides small-group natural history tours from the Kenai Peninsula to Denali National Park. Last summer we had over 70 individual departures and we serviced over 900 participants in our seven to twelve day trips. We are part of a growing trend in travel, now sometimes labeled "Ecotourism". We have several serious concerns with House Joint Resolution No. 28.

DISPLACING EXISTING AND QUALITY BUSINESS ESTABLISHMENTS IN THE KANTISHNA REGION. Over the last few years, the Kantishna area has emerged as a center of Small Group Natural History Tourism serving trip participants who want an active and educational vacation experience. Camp Denali, North Face Lodge, Kantishna Roadhouse, and Denali Backcountry Lodge (formerly Denali Mountain Lodge) are examples of established operations that collectively serve thousands of visitors in an environmentally responsible and highly educational and participatory manner each summer season. Economically, these businesses are important: for example, Alaska Wildland Adventures alone spends over \$350,000 in contracted services in this area each summer. In addition, these businesses have spent millions of dollars to construct facilities custom designed to provide the participatory and informative lodge experiences that their guests want and travel throughout the world to find. We believe that supporting increased access to this area as outlined in House Joint Resolution No. 28 would displace and negatively impact the businesses that are currently in the area.

WE DO NOT BELIEVE THE KANTISHNA REGION IS THE ANSWER TO INCREASING ACCESS TO DENALI NATIONAL PARK. By existing park road or by new access, the journey to Kantishna does not appear to be suitable to the general interest traveler nor the cruise/bus tour traveler. ARA, the concessionaire at Denali National Park, has

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noted a shift in use patterns from their six hour tour to their much shorter two hour tour of the park. There is no evidence that visitors in numbers of enough magnitude would travel the much longer route in order to justify the expense financially and environmentally. The proposed access route north of the park includes a lot of lowland, bog areas that would be uninteresting to potential visitors.

INCREASED ACCESS TO KANTISHNA THAT LEADS TO MORE EXTENSIVE USE OF THE PARK ROAD WOULD DESTROY THE WILDERNESS QUALITY AND WILDLIFE VIEWING THAT IS UNIQUE TO DENALI NATIONAL PARK. If in the end we destroy what it is that makes the area so coveted, what have we accomplished? Mass tourism access to the Kantishna area would certainly be a threat to the wilderness qualities that make Denali National Park such a desirable destination for visitors. In so doing, it would degrade the experience of all visitors and it would degrade the businesses that are currently operating successfully in the area.

Because of the above reasons, we hereby urge the Transportation Committee oppose House Joint Resolution No. 28.

Respectfully,



Kirk Hoessle
President



NORTH FACE LODGE

CAMP DENALI



P.O. Box 67, Denali National Park, Alaska 99755 • (907) 683-2290 • FAX (907) 683-2290
Winter: P.O. Box 369, Cornish, N.H. 03746 • (603) 675-2248 • FAX (603) 675-9125

March 25, 1993

Honorable Richard Foster
Chairman House Transportation Committee
State Capitol
Juneau, Alaska 99801-1182

Dear Representative Foster:

Denali National Park Wilderness Centers, Ltd. (dba *Camp Denali* and *North Face Lodge*) wishes to go on record in opposition of Alaska State House Joint Resolution No. 28, which supports increased access near Mount McKinley through establishment of a visitor activity area at Kantishna in Denali National Park.

In December of 1980, when this area was added to the existing Mount McKinley National Park, it was done for the purpose of more completely protecting the traditional wildlife habitat of the Park, particularly the Denali caribou herd. It was *not* set aside as a focal point for tourism development. In fact, the National Park Service is currently in the process of buying up patented mining claims which would be the only lands on which future tourist development could occur. In the view of Park managers and ourselves, this resolution is inconsistent with the natural values and the management goals for this region of Denali National Park.

Denali National Park Wilderness Centers, Ltd. owns and operates two of the four wilderness lodges in the Kantishna area. *Camp Denali* was established in 1951 as a true wilderness destination. *North Face Lodge* followed in 1973. Both deal with small numbers of people (capacities in the mid 30's, dedicated not to the number of people they can attract but to the aesthetics and to the capacity of the land which they use). A few Park visitors choose these places because of in-depth natural history and wilderness hiking opportunities. For the State of Alaska to promote further development of the Kantishna region would undermine the philosophy and market of our business and of the other two businesses in the area.

In addition, increased access to Kantishna will ultimately lead to more extensive use of the ninety-mile road into Denali National Park, whether or not there is a north boundary loop road or a railroad. Any increased development will further destroy the wilderness quality and wildlife viewing so unique to Denali National Park, those features that all Park visitors come to experience.

We trust the State of Alaska can understand that there is economic value in leaving some special areas for wilderness experiences, that not every uniquely beautiful place in the state should be developed to appeal to the masses. That is especially true when logistics do not make an economically sound case for development, as in the Kantishna scenario. The concessionaire at the Park entrance recently indicated that most Park visitors served by their tour bus system prefer a three-hour tour of the Park rather than the long-established six-hour tour. Indeed, over the years tour packages to Alaska have decreased from three weeks to less than two weeks in order to keep the price within the range of most travellers. Consequently, severe time constraints are put on the various destinations in those itineraries including Denali National Park. Over all, there simply is no evidence that a significant number of tourists to Alaska will dedicate the time or money to a destination so far off the beaten path as is the Kantishna area of Denali National Park.

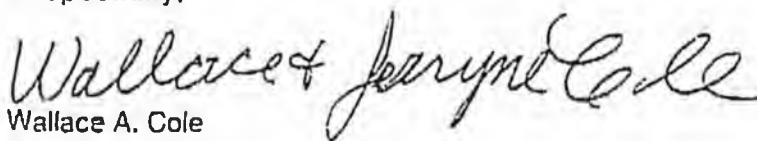
If large scale development in the Kantishna area was economically feasible, we have the best private land and views for large-scale enterprise. But, in our thirty-five years of experience at both the Park entrance and in the Kantishna, we do not believe that the market demands it and we know that the costs of construction and operation in the Kantishna simply cannot justify it. As an aside, if large-scale development was justified, the "big players" in Alaska tourism would be killing each other for building opportunities in the Kantishna; they are not.

For years we have strongly advocated the development of the south side of the Alaska Range in Denali State Park as a major, multi-faceted tourist destination. Millions of dollars and hours of time have already been expended jointly by the National Park Service and the State of Alaska toward design concepts and site selections. We urge both parties to get on with the concept that germinated in the 70's, was refined in the mid-80's and has been on and off the "back burner" ever since. The area has easy, year-round access off the Parks Highway, is a mere 135 miles from where over half of the state's population resides and from where the majority of the out-of-state visitors disembark. Views of Mount McKinley and of the Alaska Range are unsurpassed; the climate is milder and there is more dependable snowfall for winter activities. It is worth noting that in all these years, no large-scale private enterprise has seized the

opportunity either on private or state land in this easily accessible area of stupendous scenery. If it hasn't happened yet on the south side of the Alaska Range (or at Hatcher Pass), how can large-scale development be justified in the remote Kantishna region, given its logistics? Wake up, State of Alaska!

Let the Kantishna region remain a wilderness destination for those few who want to make the effort to get there and who are seeking an in-depth experience in Denali National Park. Do not support development nor go to the expense of building miles of roads or railroads where there is no known economic justification, especially when there is state-owned and private land with views of Mount McKinley in a much more accessible location.

Respectfully,



Wallace A. Cole

Jerryne M. Cole

Owners, Denali National Park Wilderness Centers, Ltd.

cc: Vice-President Aibert Gore, Jr.

- Bruce Babbitt, Secretary of the Interior

Senator Ted Stevens

Senator Frank Murkowski

Senator Dale Bumpers

Representative Don Young

Governor Walter Hickel

Jack Moorhead, Regional Director Alaska Region National Park Service

Russell Berry, Superintendent Denali National Park



Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

907-463-3366

THE ALASKA ENVIRONMENTAL LOBBY OPPOSES HOUSE JOINT RESOLUTION NO. 28

The Alaska Environmental Lobby opposes House Joint Resolution No. 28., a resolution calling for another transportation corridor and more development in Denali National Park's Kantishna area.

The Denali Access Task Force, in its November 1991 report, found that the level of business activity, new business starts, visitation and mining did not justify additional access. The same report concluded a "new road is not justifiable for park purposes, wildlife, economics or visitor services." The National Park Service has been buying private inholdings in Kantishna, and is opposed to new commercial construction in this fragile wilderness location. Cooperation of the Federal Government in further developing the Kantishna area is questionable. Another transportation corridor, especially a road with a large influx of visitors, will damage the unique remoteness that attracts tourists now.

During these times of severe state and federal budget cuts, the cost of a potential corridor cannot be justified economically. HJR 28 urges the Governor and executive branch to be aggressive in their resolve to enhance the Mt. McKinley experience by developing new environmentally sound access routes into Kantishna. Is there federal transportation money and the required 10% General Fund match available for such a project? If a road is built, is there General Fund money available for continued maintenance and operations? DOT/PF has cut its maintenance and operations budget over the past few years. Everyone is aware of our current crisis in properly maintaining existing roads. HJR 28 also suggests that the private sector could build a rail utility corridor into Kantishna. Road construction estimates were over \$80 million in 1992 and a rail corridor would be even more expensive. How can private industry do this without public money? These issues must be seriously considered prior to approving HJR 28.

The State should focus on improving existing tourist facilities in Denali State Park and other tourist destination sites throughout the State.

HJR 28 has the potential to be expensive and to seriously damage Denali National Park's Kantishna area as a tourist attraction. HJR 28 should be rejected.

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KNIK GROUP, SIERRA CLUB • ROE
PRINCE WILLIAM SOUND COM

LETTERS: OPPOSITION

EARTH
S' COUNCIL
KAYAKERS
IRONMIENTAL CENTR
IVATION COUNCIL



*Department of Transportation
and Public Facilities*

POSITION PAPER

BILL NO: HJR 28

APPROVED: 

TITLE: Support Kantishna Area
Tourism Development

DATE: March 3, 1993

DOT&PF supports improved access to the Kantishna Area. It would relieve the bottleneck that exists around the existing entrance to Denali National Park. That bottleneck has resulted in escalating land use, traffic, and tourism capacity problems. The fact that people travel to the state and are unsuccessful in adequately accessing Denali National Park, including Mt. McKinley, reflects poorly on the state's tourism industry rather than on the National Park Service.

Improved access to the Kantishna Area would allow expansion of the tourist industry by making quality Mt. McKinley viewing accessible to large numbers of people. Such use would be non-consumptive, would satisfy an existing demand (much of which is currently not satisfied), and would impact a small percentage of Denali National Park (much of which has previously been developed to support mining).

DOT&PF is proceeding with a location study for improved access to Kantishna. This resolution would offer substantial support to our effort. That would be valuable as we develop this project within Denali National Park. Rail is one of the alternative modes that will be considered. If, through the Federal-Aid location/environmental process, the NEPA process and the ANILCA Title XI process, it is identified as the preferred alternative, DOT&PF would advocate its development.

DOT&PF is opposed to selection of a preferred alternative until the location/environmental process has satisfactorily completed. Such a premature decision would jeopardize Federal-Aid funding (to the extent it would be applicable) and would jeopardize the process of securing necessary rights of way within Denali National Park.



Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

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During these times of severe state and federal budget cuts, the cost of a potential corridor cannot be justified economically. Is there federal transportation money and the required 10% General Fund match available for such a project? If a road is built, is there General Fund money available for continued maintenance and operations? DOT/PF has cut its maintenance and operations budget over the past few years. Everyone is aware of our current crisis in properly maintaining existing roads. HJR 28 also suggests that the private sector could build a rail utility corridor into Kantishna. Road construction estimates were over \$80 million in 1992 and a rail corridor would be even more expensive. How can private industry do this without public money? These issues must be seriously considered prior to approving HJR 28.

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ALASKA ENVIRONMENTAL LOBBY, INC. • 22151 BOX • JUNEAU, ALASKA 99802 • 907-463-3366
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DENALI BOROUGH, ALASKA

RESOLUTION NO. 93-02A RESOLUTION ENDORSING THE CREATION OF A RAILROAD/UTILITY
CORRIDOR FOR DENALI NATIONAL PARK ACCESS.

WHEREAS, Denali National Park is the top visitor destination in Alaska, and

WHEREAS, Denali National Park is a critical element in the Alaska Visitor Industry throughout the State, and

WHEREAS, the current limits on access into Denali National Park restrict many visitors and residents from entering the Park that would like to, and

WHEREAS, lack of access to Denali creates a bottleneck in the visitor/tourism delivery system of Alaska, and

WHEREAS, no additional access to the interior of the Park is included in the South Denali Concept Plan now under consideration, and

WHEREAS, the National Park Service "Denali Task Force Report" released in 1992 did not provide for any immediate increase in the capacity on the current north entrance road, and

WHEREAS, the National Park Service "Denali Task Force Report" described the rail access concept as captivating, and

WHEREAS, Kantishna Group Inc. has proposed an environmentally sound, sensible, innovative, and unique tourism railroad between Healy and Kantishna to provide access to the growing numbers of Alaskan visitors, and

AND WHEREAS, the Denali Borough and the communities within it, will benefit from permanent jobs and other economic activity created by the building and operation of the Kantishna Group Inc.'s railroad;

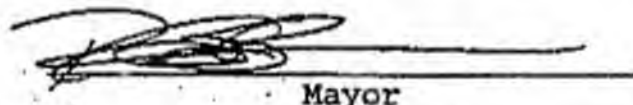
NOW THEREFORE BE IT RESOLVED: that the Denali Borough Assembly and Mayor strongly supports the Kantishna Group Inc.'s plans to construct and operate a general purpose tourism railroad into Denali National Park.

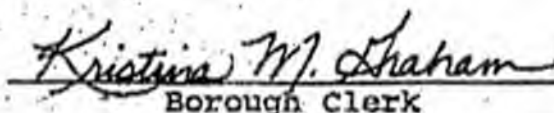
FURTHER BE IT RESOLVED: that the Denali Borough Assembly and Mayor encourages the National Park Service at Denali National Park, the Regional and National levels, the State of Alaska, its Governor, Legislature and National Delegation, to give full support to the creation of a Railroad Utility Corridor as proposed by the Kantishna Group Inc. as an appropriate, environmentally sound and sensible means of access to the Park to better serve the people of the United States and the World.

PASSED and APPROVED by the DENALI BOROUGH ASSEMBLY this 14th day of February, 1993.



ATTEST:



Mayor

Borough Clerk



Representative Tom Brice

ALASKA STATE LEGISLATURE

119 N. Cushman, Ste. 205
Fairbanks, AK 99701
907-456-7423
While in Juneau
State Capitol
Juneau, AK 99801-1182
907-465-3466

SPONSOR STATEMENT FOR HJR 28

Establishing rail access and a visitor area in Kantishna would help solve the problems of overcrowding and limited access that Denali National Park is now suffering. A rail corridor would provide for controlled public access, without the problems associated with road access, in an environmentally sound manner.

Rail access to Denali National Park adds visitor capacity and it creates a new way of experiencing the park. Private sector capital would be used for the construction and maintenance of a railroad using this access corridor. The jobs created would help to stabilize and diversify the Alaskan economy at a time when they will be needed to offset declining oil revenues.

Alaska's state government must take a philosophical turn. We must start encouraging and supporting the efforts of the private sector when they feel they can contribute to the economic well-being of the entire state. One such effort is outlined in HJR 28. This resolution is asking that the state be supportive of the private sector in its efforts to provide tourism opportunities to the visitors of Alaska. By looking into the possibility of establishing a rail utility corridor that could be leased from the state by the private sector as well establishing a visitor activity area in Kantishna, we can accomplish this.



3-26

The Anchorage Times

Publisher: BILL J. ALLEN

"Believing in Alaska, putting Alaska first"

Editor: DENNIS FRADLEY, PAUL JENKINS, WILLIAM J. TUBIN

The Anchorage News Conservancy in this respect of the Anchorage Daily News (not returned) the views of the Daily News & its content are published under an agreement with former owners of The Times in the interest of preserving a diversity of viewpoints in the community.

Kantishna resolve

DENALI NATIONAL Park with its magnificent Mt. McKinley is by far the premier visitor attraction in Alaska.

People of all ages — tourist or resident — enjoy experiencing the wildlife and scenery of their park. The only problem is the park's manager, the National Park Service, doesn't enjoy letting people in. Each year, the Park Service seems to find yet another reason to further restrict visitors from traveling its barely maintained road or from doing any camping and hiking within the park boundaries.

It is because of this restrictive federal policy that a resolution now making its way through the Legislature is very important. The measure, House Joint Resolution 28, declares strong support for increased public access to the old mining region of Kantishna and for the development of visitor facilities in the area. Passing this resolution would declare the state's position to be opposite that of the Park Service.

Kantishna, at the end of the park's 88-mile long gravel road, was once an active gold mining region. It would still be one today had President Jimmy Carter not enclosed the gold mine region into an expanded national park — and the National Park Service subsequently denied miners the ability to work their claims.

IN RECENT YEARS, the federal government has attempted to buy out the old mines, offering private land owners a mere fraction of their land's worth. The Park Service makes no secret of its desire to get rid of all evidence of the old community and its history.

Kantishna is a few miles from Wonder Lake — the superb location for viewing the largest mountain in North America. Tremendous tourist potential exists for the area — someday, when it's economically feasible. However, that day will never come if the Park Service has its way.

The pending state resolution affirming support for development at Kantishna passed the House earlier this month and now awaits action in the Senate. It urges the governor and the Park Service to develop a new access route — a new road, railroad extension, or other mode of transportation — in order to provide the private sector an opportunity to meet the increased demand for tourism facilities in the region.

The measure's sponsor, Democrat Rep. Tom Brice of Fairbanks, says he hopes the resolution will serve as leverage for private investors to use in partnership with the state in developing environmentally sound tourist attractions at Kantishna.

He also hopes that the resolution, virtually identical to one authored by former Sen. Shirley Craft last session, will give the Park Service a clear message about Alaska's desire that Denali National Park be available for the enjoyment of the public — and not restricted just for the privileged few.

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. HJR 28

Revision Date: Original
Title: Supporting increased access near Mt. McKinley

Dept. Affected: Natural Resources
BRU: Resource Development
Component: Land Development

Sponsor: Representative Brice
Requestor: House Transportation Committee

COMPONENT SERIAL NO. 431

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	N/A	N/A	N/A	N/A	N/A	N/A
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FUNDING:

(Thousands of Dollars)

1002 FEDERAL RECEIPTS						
1003 GF MATCH						
1004 GF						
1005 GF/PROG RECEIPTS						
1006 GF/MHTIA						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

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

Estimate of current year (FY 93) impact \$ None

ANALYSIS: (Attach a separate page if necessary.)

There has long been an interest in providing a transportation route into the north side of Mt. McKinley. This resolution supports those efforts by having interested members of the public and private sectors work with appropriate state agencies and the National Park Service to accomplish that goal.

Prepared By: Ron Swanson
Division: Land

Phone: 762-2692
Date: March 4, 1993

Approved by Commissioner: Giann A. Olds
Agency: Natural Resources

Date: _____

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. HJR 28

Revision Date: _____
Title: Supporting increased access near Mt. McKinley through
establishment of a visitor activity area at Kantishna
Sponsor: Representative Brice
Requestor: _____

Department Affected: Commerce and Economic Development
BRU: Tourism
Component: Tourism Development
COMPONENT SERIAL NO. 1017

Expenditures/Revenues:

OPERATING EXPENDITURES	FY 95	FY 96	FY 97	F ' 98	FY 99	FY 00
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL EXPENDITURES	0	0	0	0	0	0
-----------------------------	----------	----------	----------	----------	----------	----------

CHANGE IN REVENUES ()	0	0	0	0	0	0
-------------------------------	----------	----------	----------	----------	----------	----------

FUND SOURCE

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

Estimate of current year (FY 94) cost: \$ 0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary.)

This resolution does not impact operations of the Division of Tourism.

Prepared by: Mary B. Pignalberi, Director
Division: Tourism

Phone: 465-2012
Date: 1/19/94

Approved by Commissioner: Paul Fuhs
Agency: Commerce and Economic Development

Date: 1/19/94

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STATE OF ALASKA
1994 LEGISLATIVE SESSION

No. 3
Bill Version: HJR 28
(S) Publish Date: 1-20-94

Revision Date: _____
Title: Supporting increased access near Mt. McKinley through
establishment of a visitor activity area at Kantishna
Sponsor: Representative Brice
Requestor: _____

Department Affected: Commerce and Economic Development
BRU: Tourism
Component: Tourism Development
COMPONENT SERIAL NO. 1017

Expenditures/Revenues:

OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL EXPENDITURES	0	0	0	0	0	0
----------------------	---	---	---	---	---	---

CHANGE IN REVENUES ()	0	0	0	0	0	0
------------------------	---	---	---	---	---	---

FUND SOURCE

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

Estimate of current year (FY 94) cost: \$ 0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary.)

This resolution does not impact operations of the Division of Tourism.

Prepared by: Mary B. Pignatelli, Director
Division: Tourism

Phone: 465-2012
Date: 1/19/94

Approved by Commissioner: Paul Fuhs
Agency: Commerce and Economic Development

Date: 1/19/94

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HJR

34

Alaska State Legislature

Representative Carl E. Moses

CHAIRMAN
HOUSE RULES COMMITTEE

CHAIRMAN
HOUSE SPECIAL COMMITTEE FISHERIES

MEMBER FINANCE SUBCOMMITTEES ON:
DEPT. OF FISH AND GAME
DEPT. OF PUBLIC SAFETY

SESSION
CAPITAL BUILDING, ROOM 204
JUNEAU, ALASKA 99801-1182
PHONE: (907) 465-4451
FAX: (907) 455-3445

INTERIM
715 W. 4TH AVE #630
ANCHORAGE, AK 99501-2133
PHONE: (907) 258-8167
FAX: (907) 258-9468

SPONSOR STATEMENT FOR HJR 34

Requesting the Department of Commerce to give a high priority to fisheries development project grants for the Alaska salmon industry

A decade ago, the United States was a dominant force in the worldwide salmon market, with Alaska producing 40% of the world's salmon. That share is now 30%, and dropping. New salmon producers from all over the world are entering the market, especially with the advent of farmed salmon. The United States' worldwide competitiveness is being seriously threatened. To remain competitive, the U. S. industry must improve its processing technology, investigate new value-added uses for salmon, develop new quality assurance specifications, and open up new opportunities with the domestic food processing industry.

Although Alaska's salmon production comprises a major share of the U.S. seafood industry, salmon has not received any government assistance for technology development. The Saltonstall-Kennedy (S-K) Industry Grants Program is intended to assist the seafood industry with such development. In the past however, the S-K program in Alaska has focused primarily on groundfish development. Salmon was perceived to be fully utilized, and not in need of such assistance. Global conditions have changed so much recently that the salmon industry is now in dire need of additional financial and technical resources in order to regain its position in the world market.

HJR 34 expresses the wishes of the Alaska Legislature to have the federal Department of Commerce give a high priority to S-K grants that will enhance the Alaska salmon industry. Such governmental assistance will benefit the industry, the state of Alaska, as well as help reduce our nation's foreign trade deficit.

ADAK • AKUTAN • AMCHITKA • ATKA • ATTU • BELLEVILLE • BRANSON • CENAPESKI • CHIGNIK • CHIGNIK LAGOON • CHIGNIK LAKE
COLD BAY • DUTCH HARBOR • EGECHIK • EKWOK • FALSE PASS • FERRIS • FRANKS • KING COVE • KING SALMON • KOLIGANEK • LEVELOCK • NAKNEK
NELSON LAGOON • NEW STUYAHOK • NIKLSKI • PEDRO BAY • PERRYVILLE • PILOT POINT • PORT HEIDEN • PORT MOLLER • SAND POINT
SHEMYA • SQUAW HARBOR • TONGUE POINT • UNGA

**THE ECONOMIC IMPACT OF THE
SHORESIDE PROCESSING INDUSTRY
UPON ALASKA DURING 1992**

prepared for the

Pacific Seafood Processors Association

by

Pacific Associates

in conjunction with

Capitol Associates

March, 1994

Executive Summary

The purpose of this report is to quantify the economic impact of the shoreside seafood industry during 1992 upon Alaska, its communities and regions. The report is organized into several chapters that address purchases of fish and shellfish (in pounds and ex-vessel value) on a statewide and regional basis, purchases of goods and services within regions, the generation of revenues to the state, local municipalities and boroughs through taxation, the economic impact of employment, and a review of the regional economic impacts of the shoreside industry.

The seafood industry is Alaska's largest private sector employer; more than 35,000 people are employed in the harvesting and processing sectors of the industry. In some coastal regions of Alaska, the seafood industry generates nearly all economic activity. The shoreside processing sector of the industry is composed of over 550 facilities. Although the bulk of the industry consists of approximately 100 plants, the huge impact of the industry in Alaska is reflected by the large number of small processing facilities; many families throughout Alaska derive a substantial portion of their livelihood from small scale, shoreside seafood processing.

This report identifies the economic impact of the direct and indirect expenditures by the shoreside seafood processing industry upon various regions within Alaska. The indirect expenditures constitute a multiplier. Since there is no commonly accepted multiplier for the seafood industry, we have used a factor of 2.5 to determine the total direct and indirect expenditures (for every \$1 spent in directed expenditures, an additional \$1.50 is generated). This seems reasonable given the conservative estimates of direct expenditures and the very substantial impact the industry has on coastal Alaska.¹

The expenditures identified in this report were generated from a number of sources, including detailed, confidential information from members of the Pacific Seafood Processors Association, who identified in-state and local spending by plant location in Alaska. Municipal and borough governments, and various state and federal agencies, also provided information.

The information received from state and federal agencies on harvests and landings in Alaska conflicted at times. This was due to confidentiality provisions that restrict the type of information available to the general public. In some instances, the data generated by this report (with regard to landings) will vary from the total harvest levels of a species. In part this is due to the data, and in part it is due to the transfer of fish and shellfish outside of Alaska for processing.

¹ A 1987 report by Matthew Berman and Teresa Hull for the Institute of Social and Economic Research, University of Alaska, Anchorage, entitled The Commercial Fishing Industry in Alaska's Economy, identified a statewide multiplier of 1.73 (for every \$1 spent, an additional 73¢ is generated) for the seafood industry. The authors cautioned that this could easily be a conservative estimate based upon several variables; additionally, they reasoned that changes in the industry during the near future could generate an increase in the multiplier.

Executive Summary

The regions used in this report consist of the following:

Alaska Peninsula: Chignik and the Aleutians East Borough (minus Akutan).

Bristol Bay: The Bristol Bay region.

Bering Sea/Aleutian Islands: Unalaska/Dutch Harbor, Akutan, villages in the Aleutians west of Unalaska, and the Pribilof Islands.

Kenai/Cook Inlet/Anchorage: The Kenai Peninsula, including Seward, and Anchorage.

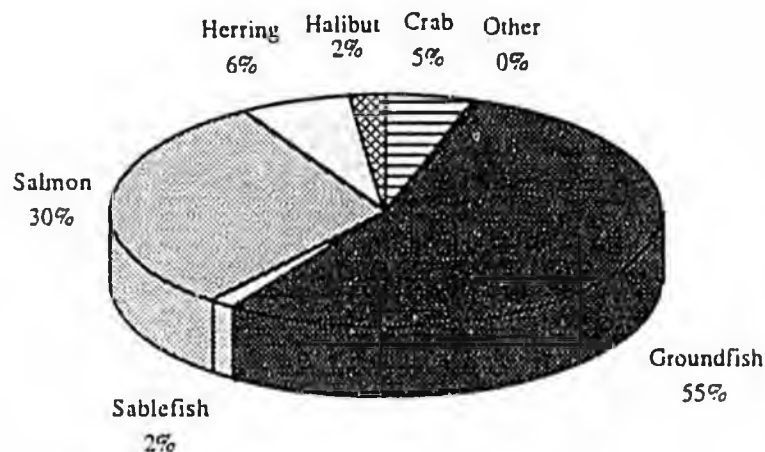
Kodiak: All communities in the Kodiak Island Borough.

Prince William Sound: Cordova, Whittier, and Valdez.

Southeast: All communities south of, and including, Yakutat.

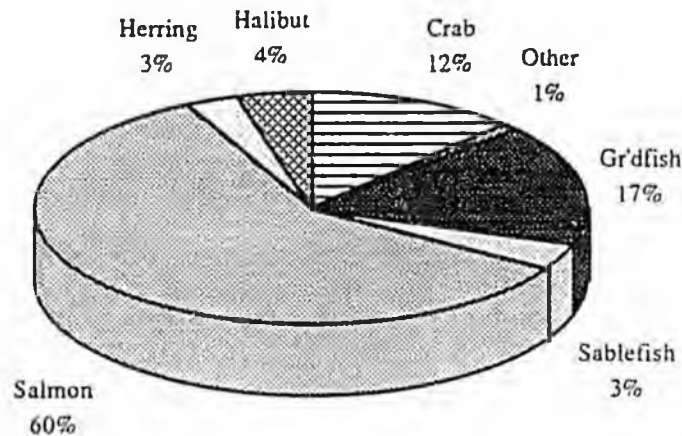
In 1992, the shoreside seafood industry processed 2.26 billion pounds of fish and shellfish in Alaska communities — an average of 6.2 million pounds per day. Each day's production by Alaska's shoreside processing sector produced enough food to feed 774,000 people.

Figure 1
Distribution of Fish & Shellfish by Major Species Category Purchased by the Shoreside Processing Industry in Alaska during 1992 (in percent of total pounds)



The ex-vessel value of the species harvested was over \$1 billion. On a quarterly basis, 15% of the value occurred during the first quarter, 34% in the second quarter, 44% in the third quarter, and 7% in the fourth quarter.

Figure 2
Distribution of Fish & Shellfish by Major Species Category Purchased by the Shoreside Processing Industry in Alaska during 1992 (in percent of total value)



The Bering Sea/Aleutians region accounted for \$215.5 million of total fish and shellfish purchases, followed by Bristol Bay with \$220.5 million, Southeast Alaska with \$165 million, the Alaska Peninsula with \$124 million, Kodiak with \$110 million, and Prince William Sound with \$56 million. (See Figure 3.)

An average of 11,233 individuals per month were directly employed by the shoreside sector in Alaska during 1992; at peak employment, over 16,000 individuals were employed in processing facilities. The total direct payroll during 1992 was \$271 million; an additional \$101 million was spent on employee fringe benefits and other related costs, bringing the total directly expended for shoreside processing employees to \$371.5 million. (See Figure 4.)

The seafood industry is the economic engine for many communities and regions within coastal Alaska. The purchase of fish and shellfish by shoreside processors sets in motion an entire economic structure that affects all ways of life in each community. In preparation for the fishing season, harvesters employ crew members and purchase goods and supplies; following the delivery of the harvest and production, the products must be transshipped to the market. Each individual employed and each dollar expended in the community, contributes to another job in the community — which, in turn, generates additional employment and expenditures within the community.

Executive Summary

Figure 3
Distribution of Fish & Shellfish Purchased by the Shoreside Processing Industry in Alaska during 1992 by Region (in percent of total value)

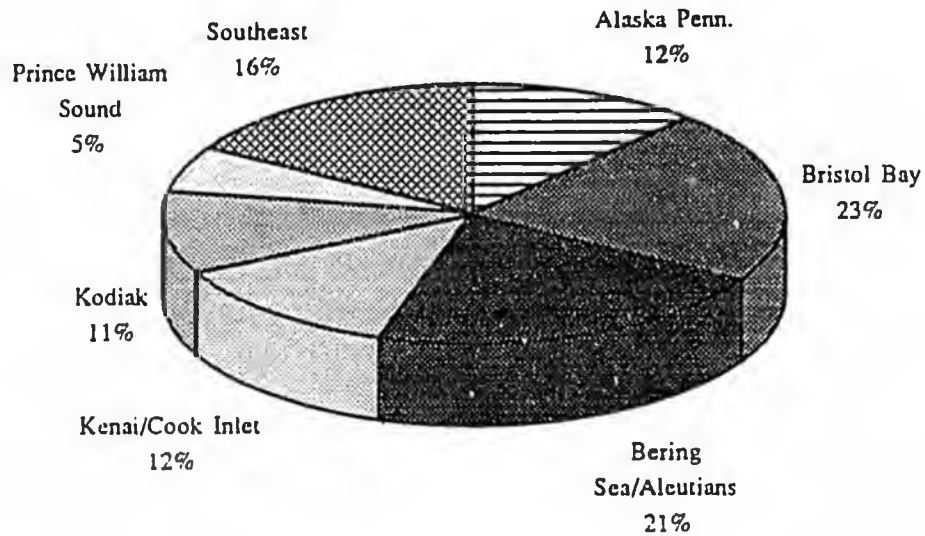
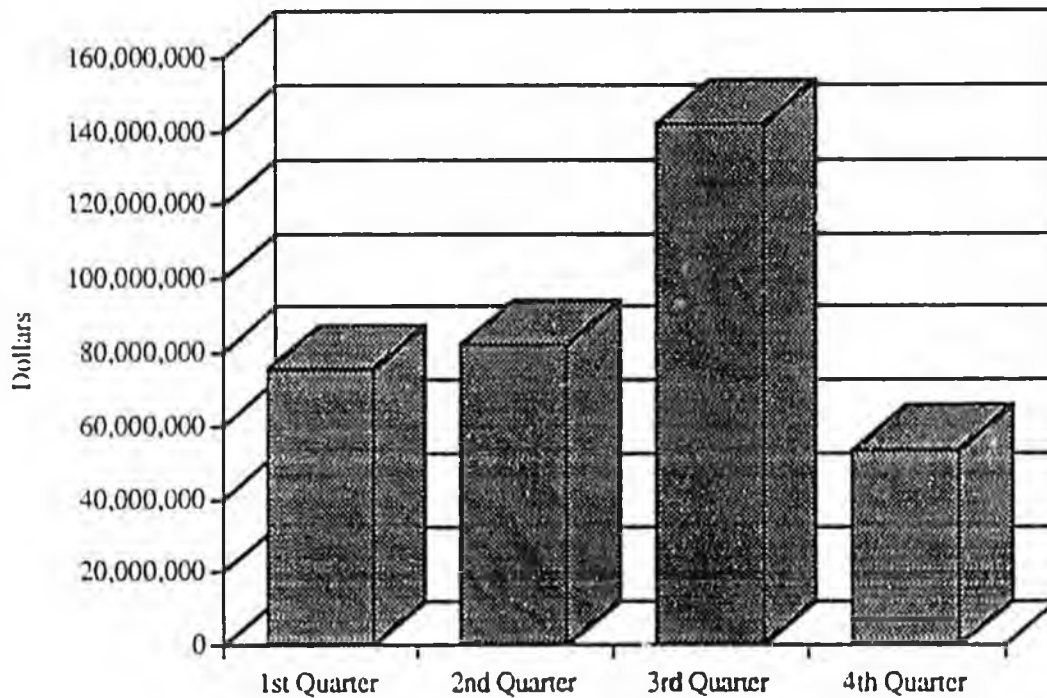
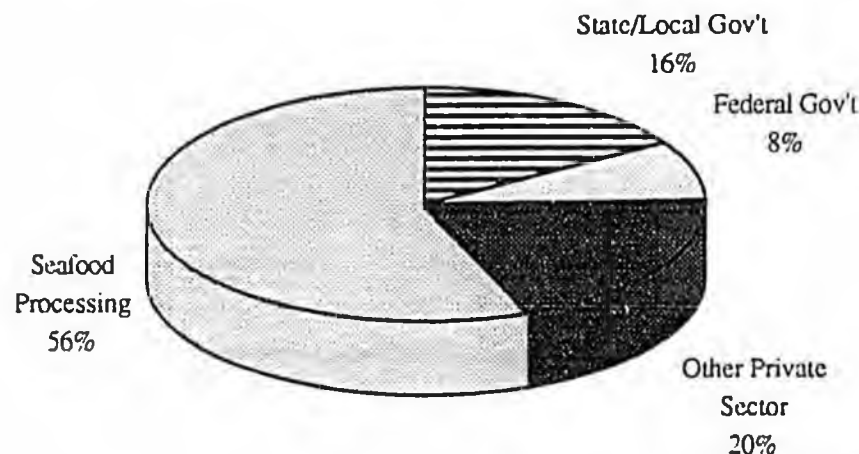


Figure 4: Distribution of Shoreside Processing Employee Wages & Benefits during 1992 (all regions combined)



For example, in the region encompassing Kodiak, Bristol Bay, the Alaska Peninsula, and the Aleutian Islands during 1992, 56% of total employment opportunity during 1991 consisted of seafood processing — the remainder was split between other private sector employment (20%), and government (24%). (See Figure 5.) Bear in mind the 56% seafood processing figure does not include crew jobs or captain positions on fishing vessels. Most of the other private sector jobs are in industries that directly provide services to the shoreside seafood processing industry; as processing employment increases, so does employment opportunity elsewhere in the private sector.

Figure 5
Percentage of Available Jobs in the Region Encompassing Kodiak, Bristol Bay, the Alaska Peninsula, and the Aleutian Islands during 1992



Over \$64 million in goods and services were purchased directly by the shoreside processing sector in Alaska communities from local vendors and municipalities. This includes \$32 million for consumables, \$22 million for services, and \$10 million for water, sewer, and utilities. (See Figure 6.)

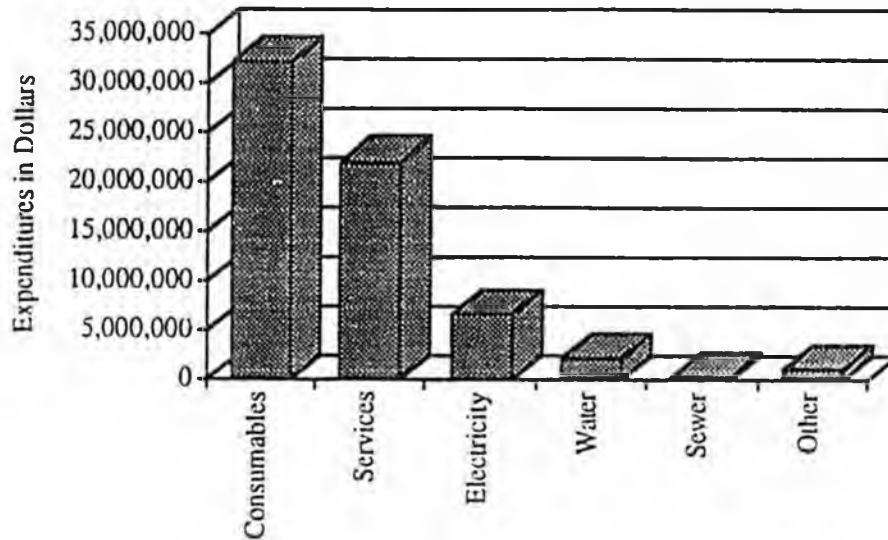
The shoreside processing sector also paid over \$57 million in state and local raw taxes for their purchases of fish and shellfish. Of this amount, approximately \$36.5 million was paid directly to the communities and region served by the shoreside processing sector; one-half of the state fish tax (\$21 million) and all of the local raw fish tax (\$15.5 million).

Payments of taxes and other fees made by the shoreside seafood processing industry constitute significant contributions to the overall revenues available to most municipalities and boroughs in coastal Alaska. In the Aleutians East Borough, for example, 80% of total revenues during 1992 were composed of fish taxes paid by the shoreside processing industry. (See Figure 7.)

Executive Summary

Additionally, the shoreside processing industry contributed over \$1 million to local charity, scholarship, and other programs.

Figure 6
Distribution of Expenditures of Goods & Services Made by the Shoreside Processing Industry in Alaska during 1992 (in dollars)



The total economic impact of the industry upon Alaska communities during 1992 was nearly \$4 billion. On a regional basis, the total economic impact consisted of the following:

Alaska Peninsula	\$ 526,127,727
Bristol Bay	\$ 708,301,858
Aleutians/Bering Sea	\$ 959,740,898
Kenai/Cook Inlet/Anchorage	\$ 418,255,167
Kodiak	\$ 424,491,064
Prince William Sound	\$ 182,081,210
Southeast	\$ 546,556,690
Other Alaska	\$ 120,762,976

Total \$ 3,886,317,589

Figure 7
Comparison of Revenue Sources for Aleutians East Borough 1992 Revenues
(in percent of total dollars)

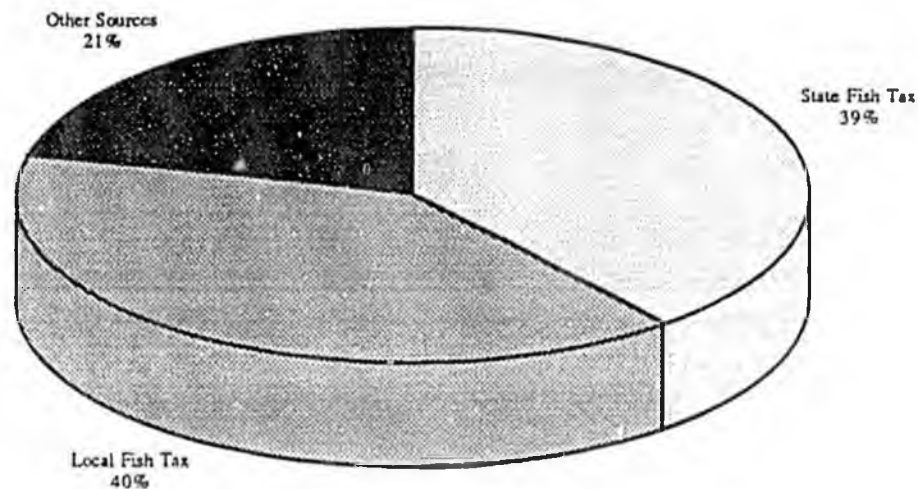
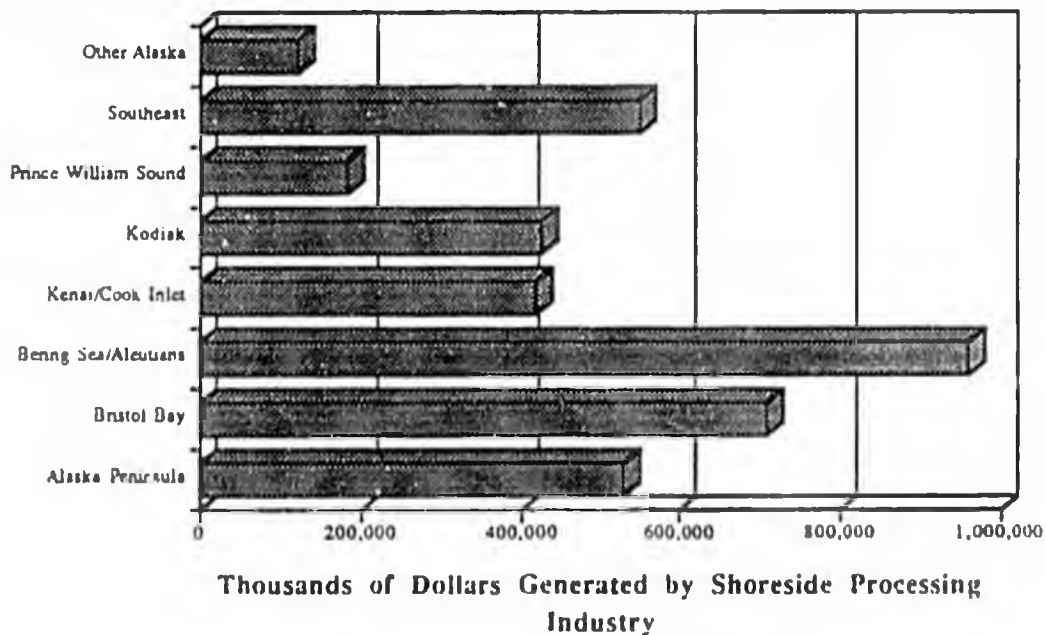


Figure 8
Economic Impact of the Shoreside Processing Industry in Alaska during 1992
(by region, in thousands of dollars)



FISCAL NOTE

No. 1
 Bill Version: HJR 34
 Publish Date: 3/12/93

STATE OF ALASKA
 1993 LEGISLATIVE SESSION

Revision Date: _____
 Title: Fisheries development project grants
 for the Alaska salmon industry
 Sponsor: Representative Moses
 Requestor: House Fisheries

Department Affected: Fish and Game
 BRU: Commercial Fisheries
 Component: Commercial Fisheries
 COMPONENT SERIAL NO. 459

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE FUND SOURCE:	0	0	0	0	0	0
----------------------	---	---	---	---	---	---

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

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

Estimate of current year (FY93) impact: \$ 0

REMARKS: (Attach a separate page if necessary.)

Prepared By: Geron Bruce Phone: 465-6143
 Division: Commissioner's Office Date: 3/9/93
 Approved by Commissioner: [Signature]
 Agency: Department of Fish and Game Date: 3/9/93

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HJR

49

DEPT. OF ENVIRONMENTAL CONSERVATION

DIVISION OF SPILL PREVENTION AND RESPONSE
410 Willoughby Avenue, Suite 105
Juneau, AK 99801-1795

Telephone: (907) 465-5250
Fax: (907) 465-5262

October 26, 1993

RECEIVED

JAN - 7 1994

Department of Interior
Minerals Management Service
381 Elden Street
Herndon, VA 22070-4817

DEPARTMENT OF
ENVIRONMENTAL CONSERVATION
COMMISSIONER'S OFFICE

Attention: Chief, Engineering and Standards Branch

Dear Sir or Madam:

Re: **ANPRM 30 CFR Part 253, Oil Spill Financial Responsibility for Offshore Facilities**

The Alaska Department of Environmental Conservation (DEC) has reviewed the Minerals Management Service's (MMS) proposed rule to implement oil spill financial responsibility requirements of the Oil Pollution Act of 1990 (OPA 90).

As presently drafted, DEC believes the proposed rule far exceeds the intent of OPA 90 and the traditional jurisdiction and mission of MMS. We recommend you redirect the scope of your rulemaking effort. Specifically, MMS should:

- 1) **Choose a more appropriate interpretation of the term "navigable waters"**. For the purpose of implementing OPA 90, MMS should limit its role to the Outer Continental Shelf and state submerged lands outside of traditional lines of demarcation. The move to include state wetlands in this rulemaking is particularly objectionable.
- 2) **Rely on State of Alaska financial responsibility requirements in State waters**. State of Alaska financial responsibility requirements are some of the most comprehensive in the world. They take into account varying levels of risk associated with each category of oil operator in the State, and differentiate between crude and noncrude oil - AS 46.04.040 (copy enclosed). Operators storing less than 5,000 barrels of crude oil, or less than 10,000 barrels of noncrude oil, are exempt from financial responsibility requirements - AS 46.04.050 (copy enclosed). Financial responsibility amounts of \$150 million or greater are not applied to any operation in Alaska other than crude oil tankships.

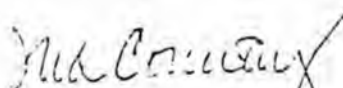
October 26, 1993

Crude oil pipelines and offshore exploration and production facilities, those operations appropriately regulated by MMS under OPA 90, are required to show proof of financial responsibility in the amount of \$50 million in State waters. DEC does not object to MMS regulating these operations, offshore, at the \$150 million level, since those are the specific operations we believe Congress intended to apply that amount to.

3) **Exempt small operators not within MMS's regulatory expertise and traditional jurisdiction.** The proposed rules radically expand MMS's scope of jurisdiction and the type of facilities regulated, and fail to recognize any difference in risk between small and large operators. Since a \$150 million financial responsibility requirement is set in statute, MMS should decide which operations pose a threat of that magnitude and exempt all smaller operators. Clearly, Congress did not intend to impose such a burden on the small operators who would be affected by your proposed rule.

I am disappointed that MMS has not exercised its discretion to interpret and carry out Congressional intent in a more realistic manner. I suggest that MMS reconsider the scope of this rulemaking before going any further.

Sincerely,



Michael A. Conway
Director

MM\jsg (G:\SPAR\ANPRM.MMS)

Enclosures (2): AS 46.04.040
AS 46.04.050

cc: John Sandor, Commissioner
John Katz, Governor's Office, Washington, D.C.
Dr. Paul Rusanowski, Governor's Office, Division of Governmental Coordination
Regional Administrators (4)

October 26, 1993

bcc: Mead Treadwell, Deputy Commissioner, DEC
Michael Mansker, Program Manager, Industry Preparedness Program (IPP),
DEC
Glenn Gray, Governor's Office, Division of Governmental Coordination
Glenn Adams, IPP, DEC

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

November 3, 1993

PLEASE REPLY TO:

- 1031 WEST 4TH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501-1994
PHONE: (907) 269-8100
FAX: (907) 278-3697
- KEY BANK BUILDING
100 OUBAKIAN ST., SUITE 100
FAIRBANKS, ALASKA 99701-4679
PHONE: (907) 451-2811
FAX: (907) 451-2946
- P.O. BOX 110300 - STATE CAPITOL
JUNEAU, ALASKA 99811-0300
PHONE: (907) 485-3600
FAX: (907) 483-6296

Tom Fry, Director
Department of the Interior
Mineral Management Service
Mail Stop 4700
381 Elden Street
Herndon, Virginia 22070-4817

Re: Rulemaking under the Oil Pollution Act of 1990

Dear Mr. Fry,

I have reviewed the "Special Information for Alaska," attached to the August 25, 1993 news release announcing proposed rulemaking requiring all operators of facilities handling oil and oil products to provide evidence of financial responsibility.

I am pleased to learn that the Department of Interior believes that the term "navigable waters" traditionally has included wetlands, among other water bodies. As the news release states, large areas of Alaska have been classified as wetlands. Therefore, because title to all navigable waters passed to Alaska at statehood, the state holds title to much more submerged land than Alaskans previously realized.

Now that the Department has made this position clear, I expect that the United States will disclaim interest in all Alaska's wetlands when the state formally asserts title to them.

Very truly,



Charles F. Cole
Attorney General

CKC/JG

cc: Bruce Babbitt
John D. Lesly

03-03-93

NOV 3 '93 14:37

2792834

TOTAL P.01
PAGE.001

KONIAG, INC.

• 4300 B Street, Suite 407, Anchorage, AK 99503

(907) 561-2668 • FAX (907) 562-5258 •

January 19, 1994

907
L-1013015
JAN 24 1994

Joseph P. Green, Chairman Committee on Oil & Gas
Alaska State House of Representatives
Capitol Building
Juneau, AK 99801-1182

Dear Representative Green:

Please be advised that Koniag, Inc. fully supports your House Joint Resolution No. 49 regarding the proposed M.M.S. regulations pertaining to the Oil Pollution Act of 1990.

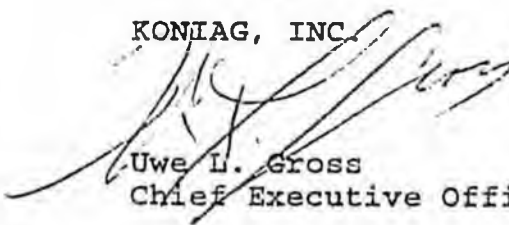
It should be clear to everyone that the proposed requirement of anyone in the oil transport/handling business to "commit and maintain \$150 million to clean up a spill" is ludicrous at best.

That such a regulation would have a devastating effect on Alaska (and other states) is probably a gross understatement.

We wish you the best in getting H.J.R. 49 passed expeditiously.

Sincerely,

KONIAG, INC.


Uwe L. Gross
Chief Executive Officer



City and Borough of Sitka

304 LAKE STREET . SITKA, ALASKA . 99835

January 20, 1994

Joseph P. Green, Chairman
Committee on Oil and Gas
Alaska House of Representatives
Capitol Building
Juneau, Alaska 99801-1182
FAX 465-6790

Re: HJR No. 49

Dear Representative Green,

As Municipal Administrator for the City and Borough of Sitka, Alaska I am writing to inform you of Sitka's support of your sponsored House Joint Resolution No. 49.

We oppose these U.S. Mineral Management Service proposed regulations as those affected within the City and Borough of Sitka would find it impossible to comply and still remain in business.

Your effort to pass HJR No. 49 is greatly appreciated.

Sincerely,

Gary L. Paxton
Administrator
City and Borough of Sitka
FAX 747-7403

JAN 24 1994

Ahtna, Inc.

GLENNALLEN OFFICE
PO BOX 649
GLENNALLEN, AK 99588
PHONE: (907) 822-3476
FAX: (907) 822-3495

ANCHORAGE OFFICE
406 W FIREWEED LANE, NO 101
ANCHORAGE, AK 99503
PHONE: (907) 274-7662
FAX: (907) 274-6614

January 24, 1994

Representative Joe Green, District 10
718 West 4th Avenue
Anchorage, Alaska 99501


Re: House Joint Resolution #49 *see bill*

Dear Mr. Green:

Thank you for informing us about the new regulations promulgated by the U.S. Mineral Management Service (MMS). In our review of the proposed MMS regulations, we find it's potential implementation as being "not in the best interest" of Ahtna, Inc. We urge the Alaska State Legislature to oppose the regulations and support House Joint Resolution #49.

Thank you for contacting Ahtna, Inc. If you should have questions or require further assistance, please feel free to call this office.

Sincerely,


Roy S. Ewan
President/CEO



217 Second Street, Suite 200 • Juneau, Alaska 99801 • Tel (907) 586-1325, Fax (907) 463-5480

January 25, 1994

TO: Representative Bill Williams, Chair
and Members, House Resource Committee

FROM: Kent E. Swisher, Executive Director

RE: HJR 49 - Federal Regulations Under OPA 90

The Alaska Municipal League supports passage of HJR 49. The League specifically opposes unfunded federal mandates as evidenced by the passage of AML Resolution No. 94-2 at the November 1993 annual meeting (copy attached).

The mandate to require municipalities, businesses, and individuals to obtain \$150 million in liability insurance before they can legally move or store oil products across navigable waters would be devastating. The proposed regulations by the U.S. Minerals Management Service will adversely affect municipalities and cities in Alaska as many of them are surrounded by navigable waters, which includes wetlands.

The Alaska Municipal League supports HJR 49, which urges the clarification of the proposed definition of "offshore facility" in the financial responsibility section so that it will only apply to facilities that are more clearly offshore, as intended by the Congress under the Oil Pollution Act of 1990.

cc: ✓ Rep. Joe Green
Chair, House Committee on Oil and Gas

LAW OFFICES OF
KEMPEL, HUFFMAN AND GINDER
A PROFESSIONAL CORPORATION

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255 E. FIREWEED LANE, SUITE 200
ANCHORAGE, ALASKA 99503-2094
TELEPHONE (907) 277-1604
TELECOPIER (907) 276-2493

January 25, 1994

ANDREW J. FIERRO
GEORGE S. HARRINGTON JR.
BOBBY DEAN SMITH

Representative Joe Green
Room 114
State Capitol
Juneau, Alaska 99801-1182
Attention: Jeff Logan

VIA FACSIMILE: 465-4316

Re: Committee Substitute for House Joint Resolution No. 49

Dear Mr. Logan:

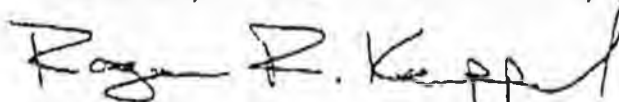
I am writing as general counsel for the Alaska Rural Electric Cooperative Association, Inc. ("ARECA"). ARECA is a non-profit corporation whose members consist of the numerous electric cooperatives located throughout the state of Alaska. Those cooperatives located in rural Alaska for the most part rely upon diesel generation for power production. In turn, bulk fuel storage facilities are located in the villages to provide a ready supply of fuel for the diesel generators. These facilities in numerous instances may be located upon wetlands, and, in any event, most are supplied by a fuel-filled pipeline terminating on lake, river, or bay. Diesel fuel is delivered to these facilities by a barge.

The Mineral Management Services' ("MMS") proposed rules with respect to oil spill financial responsibility in the amount of \$150 million would devastate many of these utilities. ARECA's members can only hope that MMS uses common sense in promulgating these proposed regulations. It is ARECA's position that when OPA 90 was enacted, Congress was thinking of oil platforms when drafting the financial responsibility requirements in the law.

For these reasons, ARECA strongly supports passage of the Committee Substitute for House Joint Resolution No. 49. If you need any additional information concerning this matter, please feel free to give me a call.

Sincerely yours,

KEMPEL, HUFFMAN AND GINDER, P.C.



Roger R. Kempel
General Counsel for Alaska Rural Electric
Cooperative, Inc.

RRK:ibf

cc: Dave Hutchens, Executive Director
Alaska Rural Electric Cooperative, Inc.

Native Village of Kwigillingok

Kwigillingok I.R.A. Council
P.O. Box 49
Kwigillingok, Alaska 99622
(907) 588-8114/8212

January 27, 1994

Joseph P. Green, Chairman
Committee on Oil & Gas
Alaska House of Representatives
Room 114
State Capitol Building
Juneau, Alaska 99801-1182

RECEIVED
FEB 04 1994

Re: HJR 49

Dear Representative Green,

We are strongly in support of the House Joint Resolution 49.

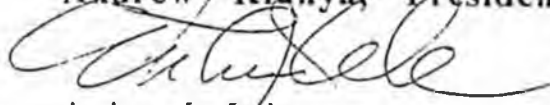
The financial requirements the federal Oil Pollution Act of 1990 will make a nation of criminals because we just simply will not be able to comply with the \$150,000,000 insurance requirement. In a small Alaskan villages, even if we had to pool all of our resources together we still would not be able to meet that requirement. To try to solve this one problem created by oil tankers will only create even a bigger and broader problem.

Again we are in full support of the passage of HJR 49 by the legislature and are in full opposition to the proposed regulations by OPA '90.

Sincerely,

NATIVE VILLAGE OF KWIGILLINGOK

Andrew Kiunya, President



Arthur J. Lake
Tribal Administrator

cc: Senator George Jacko
Representative Lyman Hoffman
file

McGrath Light & Power Company

Box 52
McGrath, Alaska 99627
(907) 524-3009

F A X T R A N S M I T T A L M E M O

TO: REP. JOE GREEN

DEPT: _____ FAX #: 465-4316

FROM: BILL FRAZIER PHONE: 524-3391

CO: McGrath L&P FAX #: 524-3701

Post-It brand fax transmittal memo 7671

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PAGES

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Date: Jan. 27, 1994

To: Representative Joe Green


From: William F. Frazier / General Manager
McGrath Light & Power

Re: HJR 49

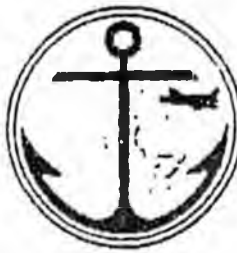
Dear Rep. Joe Green

You have my complete support on this most vital resolution for our state's rural utilities. Another example of someone in D.C. writing unmanageable, unenforceable stupid regulations for a state they probably have never seen. This regulation has the possibility of closing down most of the small utilities and fuel distributors in rural Alaska.

Thank you for taking them on.


William F. Frazier

**Municipality
of
Anchorage**



P.O. BOX 196650
ANCHORAGE, ALASKA 99519-6650
TELEPHONE: (907) 343-4431
FAX: (907) 272-1991

Tom Fink, Mayor

OFFICE OF THE MAYOR

December 20, 1993

Chief, Engineering & Standards Branch
Interior Dept., Minerals Management Service
Mail Stop 4700, 381 Elden Street
Herndon, Virginia 22070-4827

RE: OIL POLLUTION ACT OF 1990, LIABILITY REQUIREMENTS

Dear Sir:

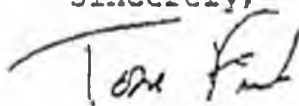
This letter responds to your Advanced Notice of Proposed Rulemaking that would require citizens to post a \$150 million liability bond before transporting oil products across navigable waters.

According to the notice, there is no minimum amount of oil products stored or transported that would be excluded from the liability bond requirement. In addition, aside from peoples' inability to pay for such liability insurance or good reasons for their doing so, we know of no companies willing to provide coverage of such magnitude.

I do not believe Congress intended the liability insurance requirement to cover activities on lakes, rivers, streams and wetlands, but rather intended it for major offshore oil operations. As written, it would place an unacceptable burden on municipal operations and residents alike, particularly because it would include activities in navigable waters deemed "wetlands." It would create an administrative nightmare for the most routine of municipal activities, with no apparent benefits.

We must strongly object when employees, employers and local governments are forced to adhere to regulations that have such far-reaching effects on their freedom and which fail to reflect even the slightest measure of common sense.

Sincerely,


Tom Fink

Introduced by: Mayor Selby
Requested by: Division of
Governmental Coordination
Drafted by: Community
Development Department
Introduced: 12/02/93
Adopted: 12/02/93

KODIAK ISLAND BOROUGH
RESOLUTION NO. 93-40

**A RESOLUTION OPPOSING THE AMOUNT OF FINANCIAL RESPONSIBILITY
REQUIRED IN PROPOSED RULEMAKING BY THE MINERALS MANAGEMENT SERVICE**

- WHEREAS,** the Department of Interior's Minerals Management Service (MMS) has published a notice of proposed rulemaking advising all operators of facilities handling oil and oil products located in, on, or under navigable waters of the United States that they will need to provide evidence of financial responsibility; and
- WHEREAS,** the Oil Pollution Act of 1990 (OPA 90) mandates the development of new regulations to implement provisions of the law that increase financial responsibility requirements to \$150 million; and
- WHEREAS,** for the first time, all operators in, on, or under navigable waters of the United States and its territories, will face new regulations establishing the identical \$150 million requirement; and
- WHEREAS,** OPA 90 potentially broadens the categories of activities that fit the definition of offshore facilities; and local oil and gasoline storage and distribution centers and boat harbors, for example, could be affected; and
- WHEREAS,** the proposed rulemaking represents an unfunded federal mandate to the State and local governments in Alaska; and
- WHEREAS,** the proposed rulemaking contains no threshold levels, and facilities of any and all sizes are subject to the \$150 million financial responsibility requirement; and
- WHEREAS,** the proposed rulemaking would pose a serious threat to local fuel distributors; and
- WHEREAS,** the proposed rulemaking will hit local governments and small operators especially hard, potentially causing serious financial hardship; and

WHEREAS, It appears that the private insurance market does not have the capacity to provide for the financial responsibility requirement, even if it was financially feasible for those subject to the requirement to obtain it; and

WHEREAS, the proposed rulemaking is vague and difficult to interpret, especially in terms of its application;

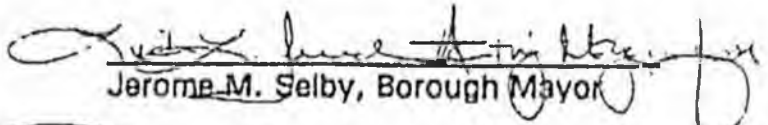
NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH THAT:

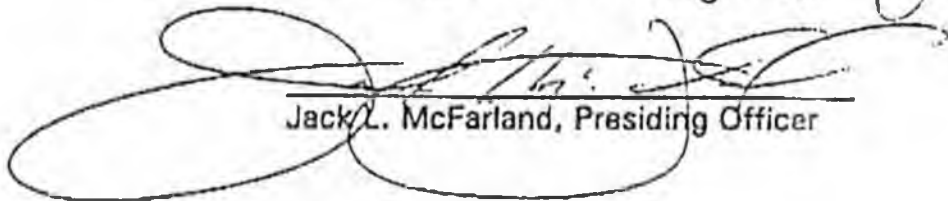
Section 1: The Kodiak Island Borough Assembly is opposed to the amount of financial responsibility required in the proposed rulemaking publicly noticed by the federal Minerals Management Service.

Section 2: The Assembly urges the MMS to prepare workable regulations that are fair and equitable, and truly relate to the potential impact an operator might cause should an oil spill occur.

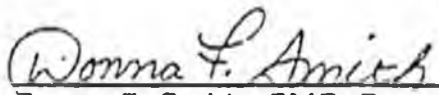
ADOPTED BY THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH
THIS 2ND OF DECEMBER, 1993

KODIAK ISLAND BOROUGH


Jerome M. Selby, Borough Mayor


Jack L. McFarland, Presiding Officer

ATTEST:


Donna F. Smith, CMC, Borough Clerk

Alaska State Legislature

WHILE IN SESSION:
CAPITOL BUILDING
JUNEAU, ALASKA 99801-1102
(907) 465-4931
(907) 465-4318 FAX

INTERIM ADDRESS
718 WEST 4TH AVENUE
ANCHORAGE, ALASKA 99501
(907) 258-8198
(907) 258-8171 FAX

DISTRICT 10



CHAIR, OIL & GAS COMMITTEE
VICE CHAIR, LABOR & COMMERCE
COMMITTEE
JUDICIARY COMMITTEE
RESOURCES COMMITTEE
INTERNATIONAL TRADE & TOURISM
COMMITTEE
ECONOMIC TASK FORCE

Representative Joe Green

SPONSOR STATEMENT

for House Joint Resolution 49
Senate Resources Committee
February 7, 1994

In August 1993 the Minerals Management Service (MMS) of the U.S. Department of the Interior initiated the process of implementing the financial responsibility section of the Oil Pollution Act of 1990 (OPA 90). Currently, the MMS requires a \$35 million liability bond for Outer Continental Shelf (OCS) facilities. OPA '90 increased the financial threshold to \$150 million, and expanded its application to navigable waters.

In the process of drafting regulations to implement OPA '90 the MMS has interpreted the terms "navigable waters", "offshore facility", and "responsible party" in a very broad manner. Tom Fry, Director of the MMS has stated that "These definitions seem to create a financial responsibility requirement for any activity that can spill oil and is located in, on, or under most of the surface waters of the U.S. and adjacent wetlands."

The financial responsibility requirements apply both to commercial and private operations, and make no allowance for quantity. Read literally, if someone were to store or transport 5 gallons of petroleum-based fuel in, on, or under navigable waters - including wetlands - that person would fall under the OPA '90 requirements.

These regulations could apply to marinas, port facilities, utility companies, gasoline filling stations, trucking companies, logging operations, railroads, refineries, airports, farms, fishing boats and tenders, pipelines, and many other Alaskans.

Representative Joe Green
Sponsor Statement
CSHJR 49

CS HJR 49 requests the MMS to reinterpret and narrow their definitions. Further, due to the problems caused by this, *and other* sections of OPA '90, this resolution asks the MMS to propose amendments to Congress to address these problems. Alaskans from Ketchikan to Anchorage to Kotzebue have written to support these redefinitions. I would note support on CS HJR 49 OR for action by the MMS from:

Local Governments, including Boro's, Muni's and the Municipal League; Utilities, including two statewide utility organizations; Commissioner Paul Fuhs, DEC, Native Corporations, Fuel Carriers, Statewide Development Organizations, Tug and Barge Companies, and, last but not least, my own majority leader.

The MMS has scheduled a hearing on these regulations for February 16 in Anchorage. I am hopeful that HJR 49 can pass the Senate in a timely manner, so that it can be included as part of the official public record at those hearings.

I would like to add Mr. Chairman, that a similar resolution has been introduced in this body. While this resolution asks the MMS for specific action, SJR 40 asks Congress for specific action, so they are different, and I believe they compliment each other. I would hope that the committee will act on the merits of this resolution, and pass CS HJR 49 today so we can get it on the floor as soon as possible.



This edition sponsored by: Anderson Tug & Barge Petersburg - Wrangell Insurance Center

Resource Review

December 1993 A monthly publication of the Resource Development Council, Inc.

OPA liability regulations "unenforceable"

Alaskans from Kodiak to Kotzebue send clear message to Washington



The financial liability requirements of OPA '90 will also apply to private and public marinas.

Alaskans, rural and urban, from Kodiak to Teller, and from all walks of life, are sending in a wave of critical comments to the U.S. Minerals Management Service (MMS) over the development of new regulations that would require corporations and individuals alike to post \$150 million in liability insurance before they can legally move or store oil or oil products across navigable waters.

In response to a feature article in the October *Resource Review* and a recent RDC "Action Alert," Alaskans are writing MMS in large numbers to tell federal regulators how the financial responsibility requirements of the Oil Pollution Act of 1990 (OPA '90) will affect their businesses and livelihoods.

So far the message MMS is hearing is that the financial responsibility requirements of OPA '90 will adversely affect many segments of the economy and "result in unenforceable regula-

tions," according to Tom Fry, Director of MMS.

In late August, MMS published an "Advanced Notice of Proposed Rulemaking" in the Federal Register aimed at implementing the financial responsibility section of OPA '90. The financial responsibility requirements of the law apply to both commercial and private operations and can be read to literally include any person or persons transporting or storing any oil or oil products on or over navigable waters. The law makes no exceptions for quantity. In theory, if one moves as little as five gallons of oil or diesel on a sled

behind a snowmachine across navigable waters, that person is responsible to the OPA '90 requirements.

State, federal and municipal facilities, as well as schools, airports, boat harbors, electric cooperatives, bulk fuel tank owners, wilderness lodges and many businesses and individuals would fall under the requirements.

In the past, a \$35 million liability bond was required for Outer Continental Shelf operations. The new law increased financial responsibility to \$150 million and expanded its application to navigable waters. According to

(Continued to page 4)

"It appears that the private insurance market does not have the capacity to provide for the financial responsibility requirement, even if it was financially feasible for those subject to the requirement to obtain it."
- Mayor Jerome Selby, Kodiak Island Borough

Amendments to statute offer only solution to regulatory dilemma

(Continued from page 1)

Fry, the term "navigable waters" includes most of the surface waters in the United States and adjacent wetlands. Moreover, "offshore facilities" is considered, under the law, any facility located in, on or under any of the navigable waters of the United States.

"These definitions seem to create a financial responsibility requirement for any activity that can spill oil and is located in, on, or under most of the surface waters of the United States and adjacent wetlands," Fry said. "This goes beyond the offshore oil platforms with which the MMS is familiar."

Fry confirmed that OPA '90 applies to state and municipal governments that operate facilities. "This could be significant to states such as Alaska, where many small communities maintain and operate oil fueled electric generating facilities."

Fry said public responses center mostly on the broad scope of the definition "offshore facility" and the probability that \$150 million in liability bonding would not be available or could not be afforded the majority of those potentially affected by the law.

"At \$150 million, we believe that very few companies can self-insure; therefore, insurance, as evidence of oil spill financial responsibility, will probably gain increasing importance when the oil spill financial responsibility requirements of CPA '90 are implemented," Fry said.

The MMS would like to be able to develop approaches to implement OPA '90 in a reasonable and balanced way that preserves the purpose of financial responsibility without creating economic hardships, Fry said. "We are trying to determine what, if any, flexibility is available within the confines of the statute."

So far, however, the federal agency claims the language of the statute leaves it with very little discretion. Fry warned

unless the agency follows the law as literally stated, "our regulations may fail on one or more key issues if challenged in the courts."

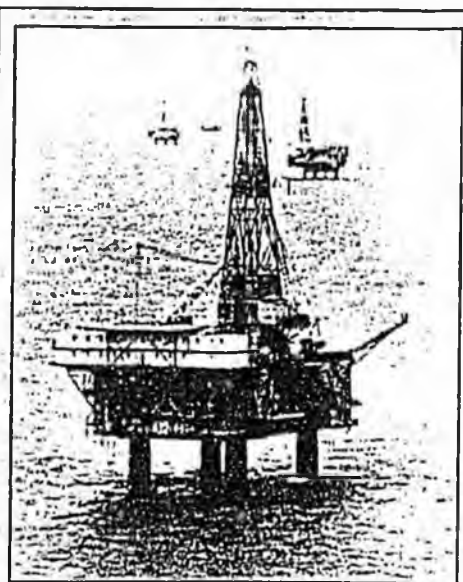
The financial responsibility section of the law is based on broad definitions such as "offshore facility," "navigable waters" and "responsible parties." RDC is urging MMS to seek amendments to the statute to address these definitions and bring regulations in line with the original intent of Congress.

Representative Gail Phillips, Majority Leader of the Alaska House of Representatives, warned Secretary of the Interior Bruce Babbitt that MMS's newly proposed rules will have dire consequences on Alaskans if they go into effect.

"A requirement for \$150 million in liability bonding would affect a major portion of our industries, schools, individuals and transporters of any fuel source to rural Alaska so adversely that it would force them out of business entirely," Phillips warned. "In particular, the lack of any minimum quantity of oil covered under these rules would force individuals storing only a few gallons for generators or other equipment to violate the law or get the \$150 million in liability insurance."

The Kodiak Island Borough passed a resolution opposing the financial responsibility section of OPA '90, noting that the proposed rulemaking "represents an unfunded federal mandate to the State and local governments in Alaska." The resolution warned that the rulemaking will hit local governments and small operators especially hard, potentially causing serious financial hardship. "It appears that the private insurance market does not have the capacity to provide for the financial responsibility requirement, even if it was financially feasible for those subject to the requirement to obtain it," the resolution stated.

MMS is considering holding a public hearing in Anchorage in February.



By a 7-1 ratio, Alaskans are personally supportive of the oil industry, but those who are unfavorable are nearly twice as likely to express their feelings as those who are favorable, according to a recent survey.

Alaskans favor oil industry

By a wide margin, Alaskans believe oil and gas development has been conducted in an environmentally-safe manner, according to a statewide survey.

The survey, conducted by Dittman Research Corporation for the Alaska Oil and Gas Association, also found that nearly 90 percent of Alaskans surveyed expressed the opinion that oil and gas development has been good for Alaska.

"The survey results clearly show that Alaskans recognize the economic benefits oil and gas activities provide to the state and that Alaskans support resource development," said Judy Brady, Executive Director of AOGA.

According to the survey, nearly three out of four Alaskans believe oil and gas development has been conducted in an environmentally-safe manner and nearly 70 percent support oil and gas exploration within the ANWR Coastal Plain. Among long-time residents, support for ANWR exploration was even stronger.

Another significant finding, according to the survey, is that

(Continued to page 6)



This edition
sponsored by:

Usibelli Coal Mine, Inc.

Resource Review

Proposed liability bond requirement shocks Alaskans

Regulations would require \$150 million in liability insurance for any company or individual transporting or storing oil or oil products in any quantity

Alaska's business community and rural electric cooperatives are reacting with shock and disbelief over the development of new federal regulations that could require individuals, corporations and school districts alike to post \$150 million worth of liability insurance before they can legally move or store oil or oil products across navigable waters in Alaska and elsewhere.

At issue are new regulations the U.S. Minerals Management Service is developing to implement provisions of the Oil Pollution Act of 1990 (OPA). The 1990 law increased the financial responsibility requirements for companies handling oil on the Outer Continental Shelf from \$35 million to \$150 million and expanded the requirement for financial responsibility to all operating in navigable waters.

"The financial responsibility requirement of OPA can be read to literally include any person or persons transporting or storing any oil or oil products on or over navigable waters," said Paul Glavinovich, a mining geologist and Executive Committee member of the Resource Development Council. In Alaska, Glavinovich noted that navigable waters would include not only coastal waters, but many rivers, streams, lakes and wetlands — a dominant portion of the state.

"The law makes no exceptions for quantity," Glavinovich noted. "If one moves as little as five gallons on a sled behind a snowmachine across navigable waters, they are responsible to the OPA requirements, as well as anyone operating a tank farm, fuel transfer business, refueling station or utility."

The OPA also increases the civil penalties for failure to comply from \$10,000 per incident to \$25,000 per incident per day.

(Continued to page 6)

"The impact of the rules if promulgated as proposed will merely create a nation of scofflaws."

- Tom Hawkins, Bristol Bay Native Corporation

"The law makes no exception for quantity. If one moves as little as five gallons on a sled behind a snowmachine across navigable waters, they are responsible to the OPA requirements, as well as anyone operating a tank farm, fuel transfer business, refueling station or utility."

- Paul Glavinovich, Mining Geologist

"Combined with the ludicrous definition of navigable waters, the liability requirement sets up a situation that is going to be impossible for most businesses in Alaska to comply with."

- Frank Dillon, Alaska Trucking Association

"As a practical matter, rural electric cooperatives cannot afford \$150 million in liability insurance even if it were available. Requiring \$150 million in insurance for these facilities is ridiculous."

- Dave Hutchens, Alaska Rural Electric Cooperative

Jeopardy

Alaskans at risk should MMS regulations move forward

(Continued from page 6)

"Utilizing expansive definitions of navigable waters and overreaching interpretations of fuel containers, the Minerals Management Service has proposed a system which would require kids with lawn mowing jobs to secure \$150 million liability policies from an unwilling insurance industry," said Tom Hawkins of the Bristol Bay Native Corporation.

Hawkins said it appears that the proposal was crafted as a new mission for an agency that has lost its will to accomplish the orderly leasing of minerals in the OCS.

"The impact of the rules if promulgated as proposed will merely create a nation of scofflaws," Hawkins said. "School districts, electrical cooperatives and other bulk fuel tank owners will have to run the risk that there will never be enforcement," Hawkins added. "It seems like an extremely inept way to address a problem which had a clear mandate from the public."

In a news release issued earlier this month, MMS confirmed that state, federal, and municipal facilities, including schools, airports, boat harbors and utilities, as well as privately-owned fuel storage facilities or caches, could be subject to the financial responsibility requirements resulting from the rule-making effort. The agency claims the \$150 million liability requirement is a statutory demand and that it is outside the scope of the regulations to provide relief from the higher liability level.

"The \$150 million liability requirement, combined with the ludicrous definition of navigable waters, sets up a situation that is going to be impossible for most businesses in Alaska to comply with," warned Frank Dillon, Executive Director of the Alaska Trucking Association. "The regulations are so

outrageous they don't warrant any real serious consideration."

There are no trucking companies operating in Alaska that will be able to acquire the mandated coverage, Dillon said. "Literally hundreds of people and businesses in Alaska would be in jeopardy should the regulation move forward," Dillon warned.

The Alaska Rural Electric Cooperative Association (ARECA), a non-profit corporation whose members consist of the numerous electrical cooperatives located throughout Alaska, has also voiced strong opposition to OPA's financial responsibility requirements.

"As a practical matter, rural electric cooperatives cannot afford \$150 million worth of insurance even if it were available," said David Hutchens, Executive Director of ARECA. "I can only hope that the Minerals Management Service uses some common sense in promulgating these regulations," Hutchens said. "Requiring \$150 million in insurance for these facilities is ridiculous. I firmly believe that when OPA '90 was enacted, Congress was thinking of oil platforms when drafting the financial responsibility requirements."

Under OPA, Alaska's rural tank farms are in the "unique position of being both offshore facilities and on-shore facilities," Hutchens noted.

Electric cooperatives in rural Alaska for the most part rely upon diesel generation for power production. In turn, bulk fuel storage facilities are located in the villages to provide a ready supply of fuel for the diesel generators. These facilities in numerous instances are located on or near wetlands, and, in any event, most are supplied by a pipeline terminating on a lake, river or bay. Diesel fuel is delivered to these facilities by barge.

OPA '90 already has significantly

impacted these small electric cooperatives. Regulations promulgated by the Environmental Protection Agency and the U.S. Coast Guard require the cooperatives to prepare a response plan to deal with a worst-case scenario fuel spill. EPA regulations require such a plan if the fuel storage capacity is 42,000 gallons or greater and such facility is filled with fuel by a transfer over water. The Coast Guard regulations require a response plan if the storage capacity is 10,500 gallons. In addition, depending upon the volume of the facility, an Oil Discharge Prevention and Contingency Plan is required by the State Department of Environmental Conservation.

The most onerous of all requirements, however, will be MMS's financial responsibility regulations, Hutchens claims. He hopes MMS will bring reason to the process.

MMS initiated the process of developing the new regulations when it published an "Advance Notice of Proposed Rulemaking" in the Federal Register on August 25. The agency has since met with Alaska industry, native and community leaders to solicit information that will help regulators prepare "workable regulations."

"The law contains provisions aimed at strengthening oil spill prevention, response capability and cleanup efforts, as well as ensuring payment of damages resulting from oil spills should they occur," said MMS director Tom Fry. "Since MMS has the responsibility to implement and enforce this law, I want to make sure that those most affected have an opportunity to help us write rules that are as fair and equitable as possible under this statute."

RDC has requested that the MMS hold public meetings in Barrow, Nome, Fairbanks, Anchorage and Ketchikan on the proposed regulations. Comments should be mailed to the Department of the Interior, Minerals Management Service, Mail Stop 4700, 381 Elden Street, Herndon, Virginia 22070-4817; Attention: Chief, Engineering and Standards Branch. All comments must be received by December 24, 1993.

Call RDC at 276-0700 or the Minerals Management Service at 271-6070 for a packet outlining the rulemaking process.

OPA '90: Alaskans must respond

By Paul Fuhs 1/3/94
For the Journal of Commerce

If your business, school or home, boat dock, farm, etc. moves or stores oil, you are required to have a bond of \$150 million!

This strange quirk of federal law is getting a lot of attention as the public comment period on the Oil Pollution Act of 1990 (OPA '90) has just been extended. The Department of the Interior's Minerals Management Service has recently issued an "Advanced Notice of Proposed Rulemaking" through which it will write the law's implementation regulations.

OPA '90 was Congress's effort to meet the goal of ensuring that there would be the finances to clean up major oil spills, anytime and anywhere in U.S. waters. The March, 1989, transportation disaster of the Exxon Valdez was clear in the public mind. The feelings of outrage and impotence fanned the flames of national conscience. The battle cry of "do something!" reverberated through the halls of Congress.

What was a well-intentioned legal framework became the equivalent of a "drive-by shooting."

The intended target of large tanker spills may have been hit. The tragedy is that small business in America became the victim. The 91-page federal law, a reaction to the \$2 billion oil cleanup in Prince William Sound, imposed a \$150 million bond on all "offshore facilities."

The idea of "fair penalties" is ignored in Section 1016(c). It states:

"...each responsible party with respect to an offshore facility shall establish and maintain evidence of responsibility of \$150,000,000..."

The legislation has no flexibility and the punishment is totally out of proportion with the crime. If fully implemented and enforced, this law will require the same bonding at the Valdez oil terminal tank farm and the Unalakleet school heating oil storage tank.

The distortion of the legislative intent of this law lies in the interpretation of three key terms:

"Offshore facilities": This goes beyond offshore drilling and production rigs. There is no "minimum size" or potential risk. Inland pipelines, tanker trucks, neighborhood gas stations and marinas, and even residential storage tanks will all be required to have separate bonds, even on the same site and operated by the same owners.

"Navigable waters" is defined in the bill as "waters of the United States," which includes wetlands. The regulatory net has now gone from singular offshore platforms to anything on land which is "wet," or adjacent to wetlands. In Alaska, that means 70 percent of our real estate will be affected (the other 30 percent is statistically vertical or

glacial!).

"Responsible party" is no longer used in the context of Outer Continental Shelf leasing. OPA '90 defines this term as anyone who is involved in the transport of any quantity of oil products over land which is "wet."

To protect Alaska's small businesses from these inappropriate regulations, this section of the law must be changed. We do not have the fleet of small, independent oil producers, on or offshore, that other states have. However, Alaska does have "facilities" in every community, rural hospital, village school, remote airstrip, tourist lodge, cold storage facility, dock, mining camp, and scientific research station.

"Certificates of financial responsibility," as the bonds are known, are cost-prohibitive, if they are available at all, at any price. Small businesses that include their own power generation capacity are about to become the victims of good intentions gone astray. While aiming at the prevention of another Exxon Valdez, the Congress has used the wrong artillery and will certainly "take out" small business across the nation, not just Alaska.

No one will argue with the goal. However, the Department of the Interior and the Congress must be the responsible for the impacts of their stray bullets. The penalty must be proportional to the risk. This law requires that the end user of the petroleum products absorb the costs or do without. In Alaska, "doing without" can be the difference between life and death. It will have a pervasive economic cost, with a good chance of environmental costs as well.

Alaskans must speak with one voice on this subject. The Minerals Management Service will hold a public hearing in Anchorage in February. You can participate in person, or write, by contacting:

Offshore Operations and Safety Management
Minerals Management Service
Mail Stop 4700
381 Elden Street
Herndon, VA 22070-1575
Or, fax 703-787-1675

Send this section of OPA '90 back to Congress to change and refocus on the appropriate goal. The bonding requirements must be tailored to the safety record and the worst-case scenario of a site-specific spill. "Offshore" should not get in the definitional trap of "wetlands."

The governor, the Department of Commerce and Economic Development and other executive branches are working to bring sanity to this discussion.

Paul Fuhs is Commissioner of the State Department of Commerce and Economic Development.

(COMM. P. FUHS)

1/3/94 ARTICLE: JOURNAL OF COMMERCE

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. Proposed CS HJR 49

Revision Date: _____
Title: Federal Regulations Under OPA of 1990
Sponsor: Representative Sanders
Requestor: House Oil & Gas

Department Affected: Environmental Conservation
BRU: Spill Prevention and Response
Component: Industry Preparedness Program

COMPONENT SERIAL NO. 1922

Expenditures/Revenues:	(Thousands of Dollars)					
	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
OPERATING EXPENDITURES						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY94) cost: \$ _____

POSITIONS:	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Robert Poe, Director
Division: Information and Administrative Services
Approved by Commissioner: Robert Poe, Dir. 245
Agency: Department of Environmental Conservation

Phone: 465-5010
Date: 1/25/94
Date: 1/25/94

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