

ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 0072

9772 SENATE TRANSPORTATION

But times were changing, and in 1978, NANA made its most economically significant land selection, when it claimed the 120 square mile block of land underlying the Red Dog zinc/lead ore body.

By the following year, results of another poll revealed that most NANA shareholders now felt the mine could be developed in a way which could protect traditional activities. A U.S. Bureau of Mines article, published in 1991, explains this change of heart. It stated:

*“To resolve the mining question, NANA officials conducted meetings in villages throughout the region, seeking consensus on whether to allow mineral development in the heart of a wilderness whose wildlife had sustained the native Inupiat for several millennia.*

*But the Inupiat, motivated by the demands of a modern cash economy, were purchasing snow machines, rifles, boats and clothing to improve their subsistence lifestyle. Paychecks were proving to be as important as hunting game. For them, the mineralization along barren Red Dog Creek had gained a new significance.*

It was only after this approval by shareholders that NANA proceeded to discuss mine development possibilities.

**e. NANA leases land to Cominco**

In 1982 NANA signed an agreement to lease the area of the Red Dog deposit to Cominco Alaska.

Cominco Alaska is a wholly-owned subsidiary of Cominco Ltd., an integrated natural resource company with principle activities in mineral exploration, mining, refining, and fertilizer production. Incorporated in 1906, Cominco Ltd. is one of the world's largest producers of zinc and lead, accounting for about 10

percent of production in the western world. The company also produces copper concentrate, silver and gold. Cominco has operations and interests worldwide.

Cominco financed, constructed and now manages the mine and mill and markets the concentrates produced at the mine. Under the agreement, Cominco also took responsibility for employing and training NANA shareholders to staff the operations.

The mine's transportation system (access road and seaport) was financed and constructed by the state of Alaska's Industrial Development Authority. The state's \$160 million investment in the facility is being repaid with interest from Cominco's user and export fees, over the life of the mine. The publication *Mining Engineering*, as far back as 1992, reported that:

*"State officials continually point to Red Dog as the example of cooperation between government, Alaskan natives and industry in development of natural resources in a responsible manner, building a strong economic base and providing jobs with high wages."*

This three way partnership is testimony to what can be accomplished when the State, private sector and local communities work together. All partners benefit from this relationship.

Since the partnership with Cominco Alaska began, Red Dog Mine was the primary focus of NANA's resource development efforts. However, NANA's interest in this enormous resource has focused on more than the corporate revenues and shareholders' dividends. Of equal importance to NANA is the understanding that for 50 years, the mine, mill and port will provide employment, training, and income for the aboriginal American people of the region. The mine provides the people of the region with unique employment flexibility, allowing them to participate in traditional and subsistence activities while retaining employment and training opportunities.

Since NANA members selected the land underlying the Red Dog Mine, consensus decision making has been a key factor in the development and ongoing management of the mine. All decisions concerning matters that could affect the lands and resources surrounding the mine, and the hiring, training and advancement of the operation's tribal members are subject to the 1982 agreement between NANA and Cominco Alaska. These matters are of continuing interest and great importance to Cominco's management, NANA's board of directors and management, as well as the mine's subsistence, employment and operations committees. In accordance with the 1982 operating agreement, these committees are jointly staffed by Cominco and NANA representatives, along with tribal members representing the villages near the mine.

## **Section 2. THE NANA/COMINCO AGREEMENT**

### **a. Revenues and Royalties**

The agreement signed in 1982 between NANA and Cominco Ltd. contained significant provisions and commitments to run during development and the life of the mine. Specifically, the agreement provides for a schedule of royalty payments and profit sharing, the establishment of joint management and advisory committees, the development of tribal member training and employment programs, and for the protection of the environment. Important aspects of the agreement are outlined below:

The agreement contained an annual schedule of revenues NANA would receive. Upon signing the agreement, NANA received a lump sum royalty payment of \$1.5 million. Every year thereafter, until the mine went into production, in 1989, NANA received an additional \$1.0 million. Once production began, the annual royalty payment came to 4.5 percent of the net smelter return. After Cominco recovers its capital investment, NANA will share in the net proceeds beginning at 25 percent and increasing by 5 percent every five years until NANA and Cominco share equally in the profits.

The Living Agreement is the evolution of the agreement between Cominco and NANA to a partnership. In 1996, the Cominco management team reviewed the original agreement and recommitted itself to fulfilling both the terms and spirit of the document which brought Red Dog into existence.

### **b. Management**

Upon the effective date and terms of the agreement, NANA and Cominco established a management committee for Red Dog, consisting of 12 members — six representing NANA and six representing Cominco. The chairperson is designated by Cominco from one of its members.

The management committee is charged to "generally oversee any and all exploration and mineral development and production activities occurring

pursuant to this agreement and shall be responsible for safeguarding the physical, cultural, economic and social needs and the subsistence needs of the Natives of the NANA region, consistent with the provisions of this Agreement."

The committee meets four times annually. At each meeting, operating, financial, employment and subsistence or environmental reports are received and reviewed. Items that require committee decisions are considered and appropriate actions taken.

When the initial agreement was signed, two-important advisory committees were formed. One is the Subsistence Advisory Committee, and the other is Employment Advisory Committee.

These advisory committees generally consider the effect of development and operations activities on the subsistence needs, and the physical, cultural, social and economic needs of the indigenous people of the NANA region. The committees identify problems with respect to the operation's activities, keep the management committee informed concerning needs and problems, and assist the management committee in resolving problems.

**c. Employment (Human Resources)**

Employment and Training

The initial agreement laid out very specific terms which became goals and human resource practices at Red Dog. These goals and practices provide a sustaining foundation upon which future generations of aboriginal groups can educate and train their people in partnership with resource companies while responsibly developing natural resources.

One of the goal's is that, to the extent feasible, NANA shareholders shall comprise 100 percent of the employees at Red Dog by the year 2001, 12 years after the commencement of production in 1989. To accomplish this, the agreement provides for hiring preferences. Meaning, employment must be

offered first to available shareholders of the NANA region who are qualified for the job, or who have the ability and fitness to be trained on the job in a reasonable time.

The Employment Advisory Committee was set up with members drawn equally from senior management and human resources personnel of both NANA and Cominco.

The Employment Committee developed an employment plan which was subsequently approved by the Management Committee. The plan includes provisions for appointing a personnel officer, who is a NANA shareholder, and providing lists of qualified tribal members in the region, establishing a training and development plan and a plan for providing scholarships to aboriginal students who are continuing in the mining, geological, business and engineering fields. The plan is a "living document" that can be updated to meet the changing needs of the operation, while maintaining the values of both NANA and Cominco.

The Human Resources Philosophy, which evolved from the Employment Plan and has become part of the Red Dog Employees' Handbook, states:

"People are the key to our success and it is Cominco Alaska's responsibility to provide a safe environment that is conducive to personal growth and development -- an environment that stimulates a spirit of pride at all levels of the Red Dog organization.

In striving for this standard of excellence, we will manage our business by goals and objectives. Although some controls and directives will be needed (as they are in any business), these will be kept to a minimum."

And further:

“It is our belief that every employee has a contribution to make and this can only be maximized if we:

- Provide a safe work environment;
- Insist on achieving and maintaining a high standard of performance by establishing goals that are in tune with the needs of the Red Dog Operation and our employees;
- Provide service to our employees in the form of training programs, proper communication and opportunity for employee suggestions to be heard;
- Provide counsel to the individual on the job objectives, job standards, and job performance;
- Provide recognition for achievement and deal with substandard performance.

We pride ourselves in being able to deal directly with each employee and having each employee able to deal directly with us. We enthusiastically accept our responsibility to provide good working conditions, good wages, fair treatment, and the personal respect for the individual.”

Training was also outlined in the Employment Plan. The main areas of job training at Red Dog were set up as, and basically continue to be:

- Mill Operations
- Mill Maintenance
- Mine Operations

- Mine Maintenance
- Assay and Metallurgical Lab Work
- Clerical and Administrative Work
- Purchasing and Warehousing

Training, based on a progressive level system, is tied into wage rates. Mine and mill operator and maintenance trade training were initially assisted in their funding by the U.S. Department of Education. Pre-employment training, particularly for the trades, was set up with the Alaska Vocational/Technical Center in Seward, as well, to prepare aboriginal employees for entry into these training programs.

#### Employment Selection Process

To meet the operation's needs, a massive selection process took place. A cross section of skilled and unskilled employees was needed. The personnel officer, who is a NANA shareholder, played a key role in this selection process. A major focus of these responsibilities was the selection of regional shareholders for the training programs.

The Employment Committee oversaw this process and gave direction through the Employment Plan and regular meetings on the recruitment and selection process, remote site rotation policy. Employees work on a schedule of four weeks on, two weeks off, accommodation and living arrangements and, in general, most personnel policies and procedures. A scholarship process was also put in place to encourage high school students and others from the NANA region to pursue mining-related college degrees.

Today, the Employment Committee serves as a review function to ensure that regional hire goals are maintained and work is being done to increase the

number of shareholders; the quality, standards and progress of indigenous employees in the training programs are maintained. The committee serves as a forum for the discussion of and resolution of employment problems and issues.

**d. Environmental Protection**

Many the NANA regional shareholders depend directly on fish, wildlife and other subsistence resources for their livelihoods. Not only do they derive their basic economic livelihood from these resources, these activities form the core of their cultural heritage.

NANA was particularly concerned that any development did not adversely affect subsistence resources or activities. NANA worked extensively with local people, particularly the people from the two closest villages to the mine site, Noatak and Kivalina, and with Cominco to reduce possible conflicts with subsistence resources and users.

To further this purpose, the agreement required the establishment of a Subsistence Advisory Committee. This committee usually meets on a quarterly basis, or as required and is made up of elders from the villages of Kivalina and Noatak.

The prime purpose of the Subsistence Advisory Committee is to ensure that all exploration, development and mining activity at the mine site is consistent with sound stewardship principles and will not harm or threaten the subsistence needs and the physical, cultural, social and economic needs of the indigenous people of the NANA region. The committee reviews many reports from extensive environmental monitoring required by Cominco and by the government permits. The quality of water, air and earth is continually tested. Any possible effects on the two nearby villages are openly discussed. Activity on the 52 mile concentrate haul road from the mine site to the port site is monitored, and potential effects on subsistence hunting are reviewed by the committee.

During the caribou migration season, the Subsistence Advisory Committee can shut down traffic on the road, especially if the caribou are crossing in large numbers. In addition to stringent regulatory and policy requirements, the local people who live in the area have authority to close the road if they legitimately feel the impact is detrimental to their subsistence.

#### Environmental Policy

Through Cominco Ltd., the subsistence and management committees adopted an environmental policy for Red Dog and its employees. This policy forms a part of the employee's handbook.

The Red Dog Mine employees' handbook states in more detail the environmental accountability of people at Red Dog:

### 'Your Personal Responsibility'

As an employee of Cominco Alaska, you are expected to follow the procedures set out in the manuals for waste management, management practices, oil spills, chemical spills and all other manuals and policies concerning the environment. Operate under terms and conditions of all state and federal permits. Report unauthorized dumping or spills of any size to your supervisor in a timely manner.

If at any time you do not understand a procedure, a document, or have concerns, stop what you are doing and ask your supervisor.

Employees who do not live up to this responsibility will be subject to discipline up to and including termination.

### 'Cominco Alaska's Responsibility'

To provide you with adequate training and direction in order to make you fully aware of laws, regulations, policies, and your responsibility to adhere to them.



### **Section 3. THE IMPACTS OF THE RED DOG PROJECT: ACHIEVEMENTS & CHALLENGES**

The Development and Operating Agreement between NANA and Cominco, signed in 1982, provided the direction and framework for development of the Red Dog Mine. Thirteen years later, in 1995, the management team reviewed the document and recommitted itself to fulfilling into the 21st century the terms and the spirit of the agreement which brought Red Dog into existence. We see the Red Dog Mine as a catalyst for a unique opportunity to allow the indigenous people of the NANA region to live in the traditional world and the industrial world, while reaping the benefits of both. This is truly a dream come true for many shareholders. The committees and plans developed from the agreement are the living and dynamic elements that provide the flexibility to endure with new conditions and circumstances.

During its quarterly meetings, the management committee reviews results and compares them with the various employment and management plans. Issues are discussed, feedback is given to and from both organizations, and problems are resolved. There has never been an instance where a third party has been necessary to solve a conflict or problem. Shared goals are a return on Cominco's investment and a growing economy for Northwest Alaska.

#### **a. Employment and Training**

Cominco Alaska is looking to education, work schedules, on the job training and mentors to make these dreams a reality. In doing so Cominco will meet its commitment to make Red Dog operations the model base metal mine for the world to follow. It is their mission to simply be the best at what they do.

Employment and the percentage of NANA shareholders at the mine has grown over the last four years, particularly with new goals for the production rate increase and contracts related to that increase, exploration and operation.

Employers on site include Cominco Alaska, NANA Regional Corporation and eight other NANA joint ventures. These include:

- NANA Marriott, for housekeeping, accommodations and food services for all employees on site;
- NANA Dynatec, for exploration drilling to operations;
- NANA Corporate Services, for staff to production rate increase engineering;
- NANA Oilfield Services Inc. (NOSI) for lubricants for operation;
- NANA Atlas, for explosives for operation;
- NANA Lynden, for transportation of materials between Seattle and Anchorage;
- NANA Dowl, for engineering and materials testing for the production rate increase; and
- NANA Veco, for mechanical and electrical services for the production rate increase.

A contractor, Arrow Transportation is responsible for transporting the concentrate to the port site for storage and subsequent shipment. Arrow Transportation uses the same hiring practices as Cominco Alaska.

NANA and Cominco have concluded, after 16 years, that the future lies in better educating local shareholders so that they can fill positions at all levels at Red Dog. While NANA strives to raise educational standards in the region, Cominco has concentrated on providing training and scholarships to a small number of students interested in careers in the mining industry.

It may be that, as our governments pull back from their social commitments in an effort to control costs, that communities expect more from their industrial partners. Our view is that developing natural resources with an eye to long term viability, involves careful investment not only in infrastructure and equipment, but in employees and future employees.

A significant increase in employment has been achieved since the cumulative impact of the Red Dog Project was assessed nearly four years ago. The number of Cominco Alaska employees stood at 346 in October 1997, up 16.5 percent from December 1993. The number of NANA Marriott employees rose from 41 to 82 for the same period, up 200 percent. At present 55 percent of the workers employed by Cominco Alaska and contractors are NANA shareholders, compared with 51 percent in December 1993.

**b. Training Management Plan**

NANA and Cominco have approached education and training through a partnership or Piqatigiich. Simply stated, we try to encourage and assist young people to go for their dream.

Cominco developed a training management plan geared to ensuring extensive training for all employees in each area of operation. Employees are expected to use this training on the job and share acquired skills by teaching others whom they work with, as the company moves toward a diversified, multi-skilled work force. As programs are developed, including technical programs for the assay and metallurgical laboratories, they are incorporated into the training plan.

New additions to the Training Management Plan

In January 1997, Cominco made several significant changes in its on-site training programs and added three new off-site education programs to help meet their commitment of 100 percent shareholder hire by the year 2003.

Cominco also has added a Cooperative Education Job Share Program for employees, Engineering Scholarship Education Program and a School-To-Work partnership with the Northwest Arctic Borough School District, to provide a job shadow educational experience for high school students.

Job Shadow Educational Programs

The job shadow program helps connect secondary school studies to future jobs, making school relevant, and forming partnerships between business and school. The program aims to develop mentor relationships, concentrate exposure on specific job areas and spark an interest in post-secondary studies. Participating students must have a genuine interest in a mining related career and demonstrate background knowledge of a specific job field.

#### Environmental Education Module

An environmental education module introduced in the fall of 1997 gives high school students in one village experience in collecting and analyzing data related to aquatic systems in villages. Environmental coordinators employed by Cominco help to educate students on what the analysis means and how to research the data.

#### School Outreach & Career Days

Each fall and spring, NANA and Cominco visit the 11 schools in the NANA region to tell students about the social atmosphere, educational requirements, and employment opportunities at Red Dog.

The company also sponsors a high school career day to inform students of career opportunities and educational requirements for specific positions. Two students from each regional high school are selected through an essay contest to visit the mine site for a tour of facilities and insight into the Red Dog lifestyle.

#### Semester on/ semester off Job Share-education Program

Cominco also has developed an educational program that offers employees a semester on/ semester off job share-education program schedule. Students who receive financial aid sign an agreement stating that once their schooling is completed they will resume full time employment for a period equal to the amount of time they spent at school. Employees maintain full time active status as regular employees while pursuing their studies.

#### Tuition Aid & Apprenticeship Programs

All regular employees are eligible to participate in the tuition aid program once they have completed six months of continuous service.

Cominco now offers three full scholarships to NANA shareholders accepted to accredited colleges to study mineral processing engineering, mining engineering, geological engineering or chemical engineering. In exchange, students must agree to work for Cominco Alaska for a period equal to the number of years they attend school.

Apprenticeship programs are offered in trades like heavy duty mechanic, electrical, millwright, power generation. Also offered are technical training in the assaying, geological, metallurgical and environmental fields, occupational training in mill operations, port operations and mobile equipment.

For these education and training programs, there are no set rules. The key is flexibility, with an eye to meeting the needs of the partners and communities involved, and the restraints of the budget. By understanding the commitment of all parties involved, dreams can come true.

### **c. Environment**

The Subsistence Committee plays an important role in the environmental life of the mine. One of its first tasks was to select the route for the 52 mile road from the mine site to the port, a pathway which generally avoids important caribou migration paths, fish spawning areas and water fowl nesting sites.

The Subsistence Committee directs an extensive caribou monitoring program for the area that provides information on environmental aspects and subsistence hunting. At times during caribou migration, the road is closed to reduce potential risks to the herd.

The early involvement of the Subsistence Committee was a credit to the successful resolution of water quality problems in Red Dog Creek. Because Red Dog Creek flowed over the rich zinc deposit, it contained naturally high

concentrations of heavy metals. An \$11 million diversion ditch system was developed to protect the creek from heavy metal contamination, which was increasing the level of metals found in the stream. Dirty water containing heavy metals is collected in a separate ditch and pumped to the tailings pond where it is treated before discharge.

Under an agreement reached between Cominco and the federal government in July 1997, Cominco also instituted a groundwater monitoring system, construction of a fish protection barrier in Red Dog Creek and an aquatic study. Cominco's efforts to improve the quality of the effluent discharged, has resulted in the water quality in Lower Red Dog Creek improving sufficiently to allow fish populations in regions of the creek that were previously uninhabitable.

Another environmental challenge is scheduling shipping periods which minimize the impact on traditional whale hunts carried out by the neighboring village of Kivalina. Discussions are held annually with the people of Kivalina, with schedules subsequently based on each others' needs and restrictions.

The company also makes donations to a summer camp for youth interested in learning the traditional ways of the Inupiat, supports local sporting events from basketball to sled dog racing, and makes a donation of fuel annually to Kivalina whaling crews.

**d. Economic**

The single largest economic impact to NANA shareholders, the region and the state is employment. As the production rate increases and zinc prices rise, shareholders, the region and the state benefit. By the year 2000 Cominco projects moving 1.1 million metric tons of lead and zinc concentrate, which will mean more direct and indirect employment benefits for the people of the Region.

Exploration drilling continues, with new mineralized zones identified in 1997 for an estimated possible resource of seven million tones of zinc. Drilling in 1997 was successful and is expected to double the resource.

The Red Dog Mining operations statewide payroll, exclusive of related construction, is about \$27 million. Slightly over half of the operations payroll goes to Northwest Alaskans who are NANA shareholders. The total Northwest Alaska payroll stemming from mine activities is about \$75 million, not including royalties paid to NANA or profits and employment from related ventures. NANA has historically paid about 80 percent of its profits back in dividends to shareholders.

Royalty payments are dependent on prices for concentrate, which rose dramatically from an average of 47 cents a pound in 1996 to an average of 68-75 cents per pound in mid-1997, then moving back into the 60 cent range in late August.

Under the 1971 Alaska Native Claims Settlement Act, natural resources profits to one regional Native corporation benefits the others. ANCSA contained the "7(i)" provision, which requires regional corporations to share 70 percent of all resource development profits with other regions. While this reduces the profit margin for undertaking development, it also creates an interest and stake by all the corporations in each other's potential development.

In lieu of taxes, Cominco provides several million dollars annually in payments to the Northwest Arctic Borough. This unusual agreement recognizes the support of the company for the borough government, while relieving the borough of enormous administrative costs of audits and taxing residents on their homes. The payment, based on the borough's review of Red Dog's assets and the overall viability of the operation, is presently \$4 million. The funds flow back to area residents in the form of improved education and economic development opportunities.

Many services for the mine operation are obtained locally. Red Dog's local air charter payment to the region in 1997 was approximately \$840,000. This put the charter service in a financial position to continue to offer scheduled air runs into villages within the region. For 1997, Arrow Transportation, with 65 percent shareholder hire, had contracts totaling \$7.2 million and NANA Marriott, with 77 percent shareholder hire, had contracts totaling \$5.2 million.

Several other NANA joint ventures were expected to generate revenues in 1997-1998: NANA Dynatec, for exploration drilling; NANA Corporate Services, for staffing production rate increase engineering; NANA Oilfield Services, for lubricants; NANA Atlas, for explosives; NANA Lynden, for freight transport; NANA Dowl, for engineering and materials testing for the production rate increase; NANA Veco for mechanical and electrical work for the production rate increase, and NANA Regional Corp., for increased gravel sales for port and mine related work. Other agreements are in process.

**e. Social Impact**

In general, Inupiat employees who live in the region carry on with their subsistence lifestyle, their jobs at Red Dog allowing subsistence to flourish. They use a portion of their salaries for everything from better snow machines, boats and nets to Global Positioning Systems, to better provide for safety and comfort while hunting and fishing.

The rotation schedule of 28 days at work and 14 days off, or the variation of 14 days at work, then 7 days off, plus annual leave and a fairly liberal leave policy, has enhanced rather than interfered with the subsistence lifestyle. It also has allowed Inupiat employees to experience new adventures, from vacation travel throughout the United States and abroad to alpine skiing in Alaska and beyond.

The decision to maintain a fly-in camp and accommodations complex has prevented a major influx of new settlement in the region. This has preserved the Inupiat homogeneous nature and traditional relationship with the region and the land.

Red Dog's policy of a drug and alcohol-free work place has done much to support the NANA objectives of dealing with this problem in the region. Random drug screens are conducted for safety and quality of remote work site life.

There has been some migration out of the region, mainly to Anchorage, because of lack of housing and quality of local schools. While the Red Dog mine itself is not causing the migration, steady employment at the mine does give workers the financial means to relocate. Some workers wish to spend their money on housing, education, recreation and other pursuits unavailable in the region. This does concern NANA and the corporation's leaders are focusing more attention on improving village infrastructure and quality of life, including education within the region.

### III. CONCLUSIONS

Cominco and NANA believe that when considering the feasibility of a project, companies should look at reserves, power, distance from the market, port facilities and people. Sometimes an incredibly rich deposit lies next door to a deep water port and sometimes a highly skilled work force, but many times these resources have to be developed.

The key to local support and long term success is a plan that, from its inception, allows the local population to gain maximum benefits, through an economically viable project. Both sides must understand the economic impact and agree to the worthiness of an operation.

Red Dog stands as a model for responsible development of mineral resources through the consensus, cooperation and mutual respect between a mining company and indigenous people. A business agreement and relationship was formed which has benefited both organizations and their members. The NANA maxim: "I walk in two worlds with one spirit" can be said of Red Dog. The Inupiat employees are getting the best technical training, plus economic benefits, while maintaining their traditional subsistence lifestyle with the best gear available, particularly for communications. Through committees and mechanisms set up in the agreement, environmental effects of mining have been minimized.

Cominco is fulfilling its objective to produce and market concentrate from the Red Dog deposit in an environmentally and socially responsible way.

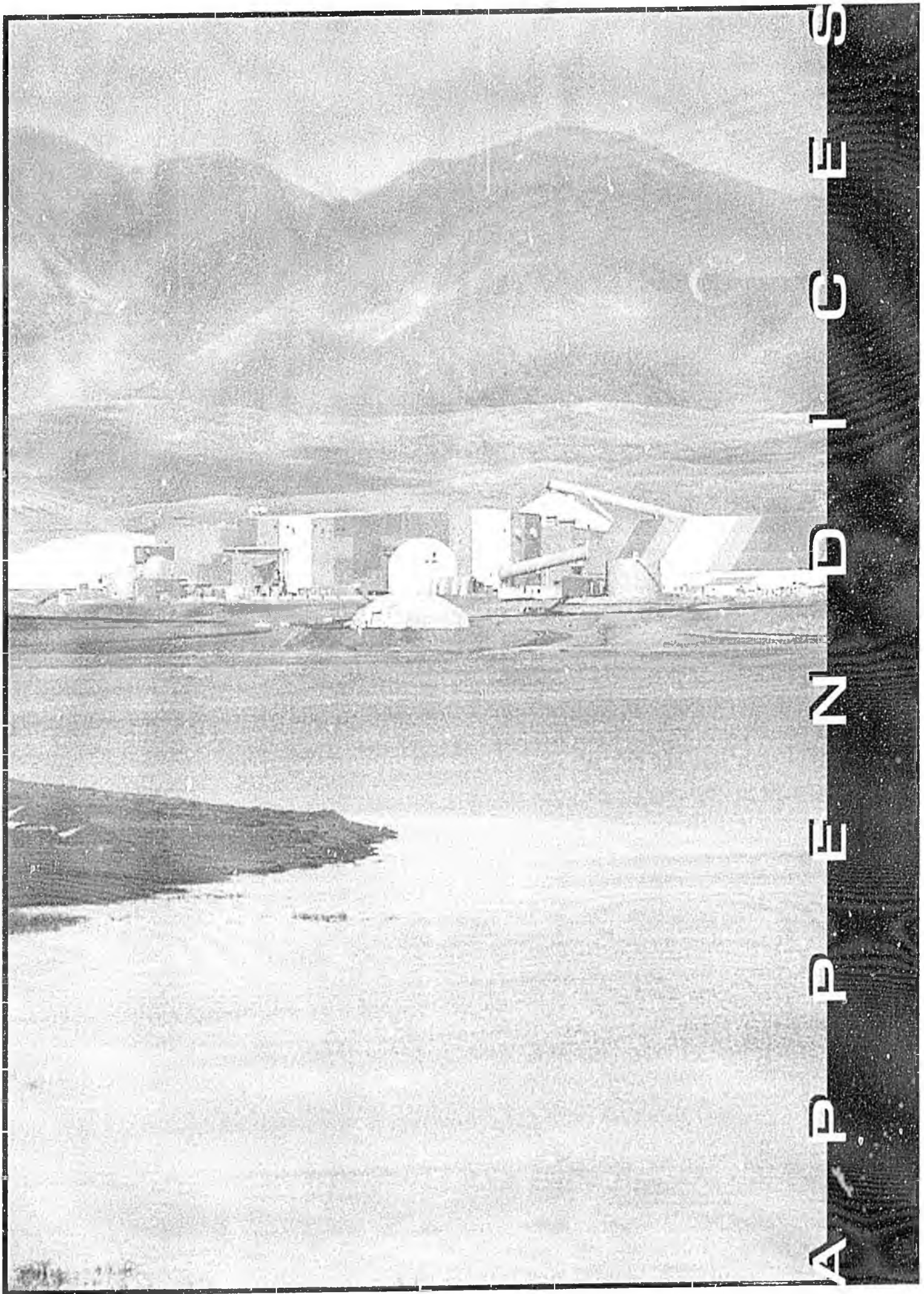
NANA is accomplishing its goal of protecting the land, as its shareholders pursue their traditional ways, aided by the modern technology afforded through jobs at the mine. The cash flow and work opportunities have created a solid base for growth in the future. Red Dog is building a skill base and proving that indigenous people from Northwest Alaska can do things they never thought they could do before.

The Inupiat Eskimos of Northwest Alaska have a proud tradition as whaling captains, dog mushers, commercial pilots, artists, carvers, member of the Alaska Legislature and active participants in the Alaska National Guard. Add to that list today mill operators, geologists, pipeline engineers, supervisors and trainers in the mining industry, and corporate executive posts.

More energy needs to be expended in developing a base of local contractors for smaller technical and craft jobs at the mine site. And beyond local hire, a very strong Alaska hire program would further help to develop the state's work force.

In the new millennium, a leadership tier will develop out of young NANA shareholders employed at Red Dog. Their ideas and skills will be a source of economic strength and leadership to NANA, the Region and the state. Red Dog has captured the right spirit, progress with a commitment of respect for the environment, while producing a versatile work force.

**Mining and aboriginal people are working together for the benefit of all.**



A P P E N D I C E S

**Note: All financial references are in US funds.**

**Appendix A  
RED DOG 2000**

**Appendix B  
RED DOG OPERATIONS LEADERSHIP  
GROUP MISSION STATEMENT**

**Appendix C  
INUPIAT ILITQUSIAT**

**Appendix D  
COMINCO ALASKA INCORPORATED  
ENVIRONMENTAL POLICY**

**Appendix A**  
**RED DOG 2000**

**BUSINESS GROWTH:**

- Maximize returns from Red Dog Zinc
- Produce two products which are preferred by the world refining market
- Develop the Aqqaluk and find an additional 10 years reserve by 2005

**TARGETED AT:**

- Further developing and bringing efficiency to this high quality asset
- Continually reducing costs
- Technical innovation
- Improving salability of product
- Minimizing the negative effects of the Arctic

**VALUES:**

- Developing, utilizing and recognizing employees skills and knowledge
- Respect for people
- Respect for the environment
- Respect and dedication to commitments made

**RESULTING IN:**

- Red Dog being in a class by itself as an industry leader
- Red Dog being the lowest cost zinc producer in the world
- Red Dog being the birthplace of mining and milling technological innovations
- Red Dog being an environmental model for the mining industry
- Red Dog and NANA fulfilling their commitments to the people and the land

Appendix B

**RED DOG OPERATIONS LEADERSHIP GROUP**  
**MISSION STATEMENT**

WE ARE COMMITTED TO COMINCO AND THE RED DOG VISION OF BEING  
THE WORLD CLASS BASE METAL OPERATION

WE ARE COMMITTED TO FAIRNESS, INTEGRITY AND VALUE BASED  
MANAGEMENT, PROVIDING A SYSTEM WHICH RESPECTS ALL  
INDIVIDUALS AND CULTURES, AND PROVIDES THE RESOURCES TO  
ALLOW ALL RED DOG EMPLOYEES TO FULFILL THEIR POTENTIAL

WE ARE COMMITTED TO PUTTING FIRST THINGS FIRST, WITH BOLDNESS  
AND COURAGE TO BE THE BEST AT PRIME ACTIVITIES, LEADING BY  
EXAMPLE AND REMOVING OBSTACLES THAT THREATEN RED DOG'S OR  
IT'S EMPLOYEES' SUCCESS

WE ARE COMMITTED TO TEAMWORK, ONE ANOTHERS'S SUCCESS AND  
EXCELLENCE IN:

OPERATIONS MANAGEMENT  
ENVIRONMENTAL MANAGEMENT  
EMPLOYEE RELATIONS  
FINANCIAL MANAGEMENT  
EMPLOYEE TRAINING AND ADVANCEMENT  
KEEPING COMMITMENTS

WE ARE COMMITTED TO BEING SIVULLIQSI

**Appendix C**

**INUPIAT**

**ILITQUSIAT**

Every Unupiaq is responsible to all other Inupiat for the survival of our cultural spirit, and the values and traditions through which it survives. Through our extended family, we retain, teach, and live our Inupiaq way.

WITH GUIDANCE AND SUPPORT FROM ELDERS, WE MUST TEACH OUR CHILDREN INUPIAQ VALUES:

KNOWLEDGE OF LANGUAGE

SHARING

RESPECT FOR OTHERS

COOPERATION

RESPECT FOR ELDERS

LOVE FOR CHILDREN

HARD WORK

KNOWLEDGE OF FAMILY TREE

AVOIDANCE OF CONFLICT

RESPECT FOR NATURE

SPIRITUALITY

HUMOR

FAMILY ROLES

HUNTER SUCCESS

DOMESTIC SKILLS

HUMILITY

RESPONSIBILITY TO TRIBE

Our understanding of our universe and our place in it is a belief in God and a respect for all his creations

## Appendix D

### COMINCO ALASKA INCORPORATED ENVIRONMENTAL POLICY

Cominco Alaska recognizes that maintaining a healthy environment goes hand-in-hand with a strong economy. We understand that in order to prosper over the long-term we must incorporate environmental considerations into all aspects of our business dealings. This policy is adopted to guide all Cominco Alaska employees in the daily performance of their jobs.

1. Cominco Alaska will explore, develop and process resources and market products in an environmentally sound manner.
2. Cominco Alaska will provide information to counsel customers, transporters and others in the safe and proper handling of our products.
3. Appropriate environmental care will be exercised in the planning , development, operating and closure phases of Cominco Alaska operations in all jurisdictions. Environmental protection measures appropriate to site specific conditions will be applied in the absence of regulations.
4. Cominco Alaska will promote the development of open and constructive partnerships with the public to address environmental concerns and advance the necessary protection measures.
5. Cominco Alaska will promote the advancement of scientific knowledge to be applied to the identification and effective resolution of real environmental problems.
6. Cominco Alaska will encourage pollution prevention , waste minimization and recycling efforts throughout it's operations.

7. Observance of environmental legislation will be priority in all company activities.
8. Cominco Alaska will conduct audits of operations to ensure adherence to this policy



10  
9  
8  
7  
6  
5  
4  
3  
2  
1  
NANA

RED DOG MINE  
P.O. BOX 1230 • KOTZEBUE, AK 99752  
PHONE (907)426-9141 • FAX (907)426-2177





b

CSHB 386(FIN), section 15, pg. 9, lines 28-31 makes stylistic changes to AS 44.88.535(c)(2)(B) by merging into that subsection the definition "post-shipment loan guarantee" found in SB 279, section 19, pg. 11, lines 5-8.

CSHB 386(FIN), section 15, pg. 9, line 21 deletes the words "as follows" from the opening clause of AS 44.88.535(c). The language is unnecessary.

CSHB 386(FIN), section 15, pg. 10, lines 2-6 makes stylistic changes to AS 44.88.535(c)(2)(C) by merging into that subsection the definition of "pre-shipment loan guarantee" found in SB 279, section 19, pg.11, lines 8-10.

CSHB 386(FIN), section 19, pg. 11, lines 9-12 modifies section 19 of SB 279 by eliminating the definitions of "current asset," "post-shipment loan guarantee," and "pre-shipment loan guarantee" which were merged into other sections of the bill (see above), and by renumbering the definition of "export transaction."

CSHB 386(FIN) section 24, pg 12, line 3 renumbers SB 279, section 23 and gives a special effective date of June 30, 1998, to only section 21 of the bill (excludes section 3, which also has that effective date in section 23 of SB 279). No special effective date for section 3 is actually required.

CSHB 386(FIN), section 25, pg. 12, line 4 renumbers SB 279, section 24 and changes the reference to the renumbered section 24 in CSHB 386 (FIN).

CS HB 386(FIN)  
AIDEA LEGISLATION  
SECTIONAL ANALYSIS

Sections 1 and 2 - Technical Change Related to Integration of Export and Business Assistance Programs

Sections 1 and 2 eliminate references to AIDEA's existing Export Finance program in the general bonding provisions of AIDEA's statutes. These technical changes are needed as part of the integration of AIDEA's Export Assistance and Business Assistance programs.

**Background.** AIDEA's 10-year old Export Assistance Loan Guarantee program has never been utilized. While AIDEA has been able to finance export activities through its Loan Participation, Development Finance, and to a limited extent, its Business Assistance program, for a variety of reasons, the Export Assistance program does not meet the needs of the businesses it was intended to serve.

In 1997, AIDEA commissioned a report examining AIDEA's role in Alaska's export activities. The report noted that while AIDEA's other programs support Alaska exporting, the Export Finance program is ineffective for the type of exporting transactions prevalent in Alaska today. The existing program is modeled on those from other states with strong manufacturing bases. The program does not deal effectively with Alaska's dominant export activities, including air cargo and the transshipment of goods and services produced elsewhere and shipped to Asia and Russia through Anchorage and Fairbanks.

While AIDEA's Business Assistance Loan Guarantee program has been able to support export transactions, from time to time, it was not designed for these transactions and is not useful for a wide variety of exporting activities.

In order to address the needs of the Alaska business and financial communities this bill integrates the existing Export Assistance program with the Business Assistance program and modifies the programs to create a new Business and Export Assistance program that can effectively support Alaskan businesses that export goods and services. Bill sections 1, 2, 4, 5, 7, and 9-22 accomplishes this integration and modification of AIDEA's Export and Business Assistance programs.

Section 3 – AIDEA Bonding Authority

Section 3 of the bill extends AIDEA's general bonding authority which sunsets on July 1, 1998. The bill extends the current sunset until July 1, 2003. Bonds for development finance projects in excess of \$10,000,000 will continue to require legislative authorization.

**Background.** Effective July 1, 1998, AIDEA's ability to issue bonds other than refunding bonds will sunset. The sunset would prevent AIDEA from issuing any new bonds (other than refunding bonds) without legislative approval and severely curtail AIDEA's ability to fulfill its statutory mission.

The sunset would prevent AIDEA from issuing bonds to assist key development projects and also conduit revenue financing transactions that do not involve the credit of AIDEA or the state. In 1997 alone, AIDEA issued tax-exempt conduit revenue bonds to help finance the Fort Knox gold mine (\$71 million) and the Goat Lake Hydroelectric project (\$23 million). These bonds helped lower the cost of financing for these projects without any financial risk to AIDEA or the state. The bill would extend the current sunset until July 1, 2003.

Sections 4 and 5 - Technical Change Related to Integration of Export and Business Assistance Programs

Sections 4 and 5 eliminate references to AIDEA's existing Export Finance program in general bonding provisions of AIDEA's statutes. These technical changes are needed as part of the integration of AIDEA's Export Assistance and Business Assistance programs.

Section 6 – Technical Changes to AIDEA's Loan Participation Program

Section 6 makes technical changes clarifying certain requirements of AIDEA's Loan Participation program. The bill clarifies that the Authority may not purchase loan participations if the loan exceeds 75% of the appraised value of the collateral securing the loan (AS 44.88.155(d)(3)). In addition, the bill provides that loans, under the program, may not exceed the amount necessary for new construction, expansion, acquisition and the amount necessary to refinance existing debt (AS 44.88.155(d)(3)). The bill also clarifies that the term of the Authority's participation may not exceed 75% of the useful life of the collateral provided as security for the loan (AS 44.88.155(d)(4)). Finally, the bill makes a technical change to AS 44.88.155(d)(1) to clarify that the collateral pledged by the borrower is to secure timely repayment of the obligations of the borrower under the loan documents.

**Background** Questions have arisen as to how AIDEA's loan participation requirements apply when the proceeds of the loan are to be used for multiple purposes or if the loan is to be secured by several pieces of collateral. The bill clarifies AIDEA's statutes to specify that loans may not exceed 75% of the appraised value of all the collateral pledged and that the term may not exceed 75% of the useful life of the collateral pledged. Finally the bill clarifies that loans may not exceed the amount necessary for acquisition, construction, and debt refinancing for the project.

**Sections 7 - Technical Change Related to Integration of Export and Business Assistance Programs**

Section 7 eliminates a reference to AIDEA's existing Export Finance program in general provisions of AIDEA's statutes. This technical change is needed as part of the integration of AIDEA's Export Assistance and Business Assistance programs.

**Section 8 - Confidentiality of Information**

Section 8 adds a new confidentiality of information section in AIDEA's statutes that replaces the existing confidentiality provision that applies to AIDEA's Export Finance program. The new provision would apply to all of AIDEA's financial programs. The provision sets forth those categories of information that are to be kept confidential. Among the categories of confidential information specified in the bill are income tax returns, financial business plans, marketing strategy information, and information required by federal or state law to be kept confidential. Information compiled by the Authority from confidential information is also confidential. Information may only be kept confidential, however, if the person supplying the information or the project, bond, loan or guarantee applicant or borrower requests confidentiality. In addition, to be covered under this section the information could not have been a matter of public record before the information was submitted to AIDEA. Information that is determined to be confidential under the statutory requirements is not a public record.

**Background** Participants in AIDEA's programs are often required to submit to the Authority proprietary and financial information regarding their projects, as well as their personal financial information. Applicants are often surprised to learn that this information may be subject to disclosure under the public records act. This is particularly true of banks that submit information on borrowers under the Authority's Loan Participation and Business Assistance programs. Banks are generally prohibited under state law from releasing any information regarding their borrowers.

b

AIDEA often receives public records requests seeking proprietary and financial information regarding applicants and borrowers. Under existing law, AIDEA is required to release the information unless the Authority determines that the privacy interest of the applicant or borrower outweighs the public interest in releasing the information. These are difficult standards to administer and provide little guidance for banks, borrowers, applicants, and those seeking release of the information. Under the public records act, the Authority is not permitted to inquire into the motivations of those seeking the information. Therefore, it is possible for a borrower's competitors to request proprietary information for the sole purpose of obtaining a competitive advantage.

While it is important to protect the proprietary and financial information of businesses that submit information to the Authority, it is also important that the public have full access to information necessary to understand AIDEA's activities and the transactions it undertakes. The bill modifies AIDEA's existing confidentiality statute and furthers both of these important interests.

The bill establishes categories of information that are to be kept confidential. For the confidentiality provision to be invoked, the person supplying the information or the applicant or borrower must request that the information be held in confidence. Information not within the statutory categories will continue to be public records. The statutory provision will allow those who participate in AIDEA's programs, as well as those who may seek information from the Authority, to clearly understand what information is and is not public.

#### *Section 9 – Change Related to Integration of Export and Business Assistance Programs*

Section 9 repeals and reenacts AS 44 88 500 to effect the integration of the Export Assistance program into the newly modified Business and Export Assistance Program. The section makes clear that, under the program, the Authority may guarantee both new and refinancing business and export assistance loans. The numbering of the subsections has also been changed.

#### *Section 10 – Changes Related to Integration of Export and Business Assistance Programs*

Section 10 creates a new section in AIDEA's statutes modifying AIDEA's existing Business Assistance program to create a new Business and Export Assistance program that can effectively support Alaskan businesses that export goods and services.

AS 44.88.502(a) and (b) incorporate and modify language from existing AS 44.88.370 and 44.88.360(a), respectively, which are repealed under section 20 of the bill. AS 44.88.502(a) provides that a guarantee issued under the program does not create a debt or liability of the state. AS 44.88.502(b) provides that guarantees under the program held by a financial institution are presumed valid and may not be terminated except as provided in the guarantee itself.

AS 44.88.502(c) incorporates and modifies provisions from the Authority's existing Export Assistance program into the newly integrated Business and Export Assistance program. AS 44.88.502(c) provides that guarantees issued under the program to support export transactions may guarantee against commercial and political losses. This provision is in existing AS 44.88.360(a) which is repealed under section 20 of the bill. AS 44.88.502(c) also allows the Authority to require insurance to cover some or all of the loss guaranteed under the program. "Political loss" is defined to mean losses that would be insurable under an export credit insurance policy issued by the Export-Import Bank or a risk that is actually insured under a policy the buyer obtains.

**Background** AS 44.88.502(c) makes changes to AIDEA's existing Business Assistance program to create an effective Business and Export Assistance program. Under the Authority's existing Export Assistance program (AS 44.88.360) export credit insurance was always required. This requirement adds additional cost, time, and complexity to export transactions. Under the bill (AS 44.88.502(c)) AIDEA may exercise its discretion to determine if such insurance should be required for a particular export transaction. This discretion allows AIDEA to realistically assess the risks of a particular transaction to determine if export credit insurance is necessary.

AIDEA's existing Export Assistance program provided that the only political losses that could be guaranteed were those losses actually insured under an export credit insurance policy issued by the Export-Import Bank or other similar institution. This requirement severely detracted from the attractiveness of the program. AS 44.88.502(c) utilizes the Export-Import Bank's export credit insurance policy to describe the types of losses that may be guaranteed under the Authority's program but does not require that such insurance be obtained for guarantees to be effective. Instead, the decision to require insurance and the type and amount is left to the discretion of the Authority.

#### **Section 11 and 12 – Technical Changes Related to Integration of Export and Business Assistance Programs**

These sections make minor technical changes related to the integration of the Export Assistance program and Business Assistance program. These sections change the numbering of the statutory cross reference to AS 44.88.500 to reflect

the renumbering of the subsections in that provision as a result of section 9 of the bill.

*Sections 13 through 15 – Modifications to Effect Integration of Export and Business Assistance Programs*

These sections modify AIDEA's existing Business Assistance program to create a new Business and Export Assistance program that can effectively support Alaskan businesses that export goods and services.

Section 13 eliminates a condition on debt refinancing guarantees that limits the refinancing to interim construction related debt.

Section 14 modifies the existing program to recognize that payment of guaranteed debt may come from the sale of the assets that are the collateral for the loan.

Section 15 modifies the existing program to allow the Authority to guarantee up to 180 days interest on post-shipment guarantees and up to 270 days on pre-shipment loan guarantees supporting export transactions.

Background. The changes made in these sections are intended to make the new Business and Export Assistance program effective for Alaska export transactions. The changes in sections 14 and 15 reflect the fact that many export transactions require payment upon the sale of the exported goods that are the security for the transaction. Typical export finance transactions do not require multiple payments but rather one payment (paying off the entire loan) upon the sale of the exported goods. Section 14 allows the Authority to recognize the sale of the goods as the source of payment in these transactions. Section 15 allows the Authority the limited ability to guarantee interest on these transactions pending receipt of the proceeds of the sale.

*Sections 16 through 18 – Technical Changes to Business and Export Assistance Program*

These sections make minor technical clarifications to AIDEA's statutes.

Section 16 clarifies that the total amount of outstanding AIDEA guaranteed indebtedness for an individual borrower may not exceed \$1 million.

Section 17 clarifies that amounts received toward a defaulted AIDEA guaranteed loan are to be allocated between the bank and AIDEA in accord with the percentage AIDEA guaranteed, until such time as all principal and accrued interest has been paid.

Section 18 makes a technical change allowing AIDEA to establish, by regulation, reasonable fees for the program. Under current statute AIDEA is to charge one percent of the amount guaranteed plus any other reasonable fee established in regulation. The bill will allow AIDEA to establish all fees for the program by regulation.

#### Section 19 – New Definitions for Business and Export Assistance Program

Section 19 creates a new definition for “export transaction” This term is used elsewhere in the statutory provisions for the Business and Export Assistance program.

#### Section 20 – Repealers

This section repeals AS 44.88.085(h), AS 44.88.300, 44.88.310, 44.88.320, 44.88.330, 44.88.350, 44.88.360, 44.88.370, and 44.88.390 to effect the repeal of the existing Export Assistance program that is being integrated with the Business and Export Assistance program in other provisions of the bill. This section also repeals AS 44.88.340, the Authority’s existing confidentiality provision, that is being modified and relocated under section 8 of the bill.

#### Section 21 – Repeal of Business Assistance Program Sunset

This section repeals the existing July 1, 1998, sunset to the Authority’s existing Business Assistance program.

**Background.** Under current law, the Authority’s Business Assistance program will sunset on July 1, 1998. The sunset must be repealed to assure the continued operation of the program and to effect the integration of the Export Assistance program into an effective Business and Export Assistance program.

#### Section 22 – Transition Provision

Section 22 is a transition provision related to the elimination of the existing Export Assistance program and the integration of the program into the Business and Export Assistance program. The provision provides that any assets in the export insurance account are to be transferred into the Authority’s revolving fund.

#### Section 23 – Specific Project Authorization to Issue Bonds

As noted above, section 3 of the bill requires legislation for AIDEA to issue bonds in an amount greater than \$10 million if the proceeds of the bonds are to be used for an AIDEA Development Finance project. The bill provides legislative authorization for two projects. The first project is for proposed expansion, improvements, and modifications to AIDEA’s Delong Mountain Transportation

System (DMTS) serving the Red Dog Mine. The second project is a proposed expansion and modification to the existing port facilities in the City of Nome.

Section 23(a) - Red Dog Direct Load Out Facilities- The bill authorizes AIDEA to issue up to \$80 million in bonds to finance the expansion, improvement and modification of the Authority's existing DMTS port facilities. The proposed project would extend the existing dock by approximately 2,500 feet and a 50-foot shipping channel would be excavated, allowing the direct loading of concentrates into ocean going vessels. In addition, part of the existing concentrate conveyor system would be improved and replaced.

Background The DeLong Mountain Transportation System (DMTS), serving Cominco's Red Dog Mine, was AIDEA's first development finance project and has been a resounding success. The Red Dog Mine operations provide more than 450 jobs in an area of the state with high unemployment. In addition, the project provides \$2.75 million annually in taxes to the Northwest Arctic Borough. Expansion of the port facilities to increase capacity and throughput was authorized by the Legislature in 1996 and is now nearing completion.

Among the operational benefits of the proposed project are: 1) allows the shipping season to be extended to December, 2) eliminates handling of concentrates twice by eliminating barge relay, 3) lowers vessel lading time in half, and 4) reduces down time caused by poor weather conditions. In economic terms, the project will extend most seasonal jobs at the port and will lower the cost of shipping concentrates. Additionally, the regional port at Red Dog would no longer be used at 100% capacity, opening up shipping opportunities for other potential users.

AIDEA has not yet performed its due diligence with respect to the proposed project. The timing of the project, however, requires that legislative authorization for the project be obtained during the current legislative session. Until AIDEA's due diligence is complete, it is unclear if AIDEA will participate in the project and if so, what form AIDEA's participation might take. AIDEA has particular concerns regarding investing substantial additional assets in the DMTS in light of AIDEA's current investment in the project of \$229 million. With an additional investment of \$80 million, a major portion of AIDEA's total asset base of \$1.3 billion would be invested in one project. It is possible that the project could be structured as a revenue bond issuance that would not affect or rely on AIDEA's assets or credit. Before AIDEA could participate in the project under AIDEA's Development Finance program, all of the statutory requirements for such projects would need to be satisfied and the Authority's board would need to be required to approve such participation.

**Section 23(b) – City of Nome Port Authorization-** The bill authorizes AIDEA to issue up to \$30 million in bonds for the improvement and expansion of the existing port facilities in the City of Nome. The proposed project will create a new channel to the inner port in Nome. It includes a new 28-foot breakwater parallel to the existing causeway. The new entrance channel will improve navigational safety and reliability and the breakwater will create a protected turning basin. Part of the existing channel will be filled to provide a new access road to the sand spit which will be protected by a rip rap seawall connecting to the existing seawall in front of town. Additional port improvements are also anticipated.

**Background.** Nome's port has the second largest volume of incoming cargo in the state. At present, limited access, safety and situation problems significantly burden the port. Port improvements will increase economic activity and employment in fisheries and fuel and cargo that is distributed throughout the region on smaller vessels. It is anticipated that the U.S. Corp of Engineers will reimburse a significant portion of the costs following construction.

AIDEA has not yet performed its due diligence with respect to the proposed project. The timing of the project, however, requires that legislative authorization for the project be obtained during the current legislative session. Until AIDEA's due diligence is complete, it is unclear if AIDEA will participate in the project and if so, what form AIDEA's participation might take. It is possible that the project could be structured as a conduit bond issuance that would not affect or rely on AIDEA's assets or credit. Before AIDEA could participate in the project under AIDEA's Development Finance program, all of the statutory requirements for such projects would need to be satisfied and the Authority's board would need be required to approve such participation.

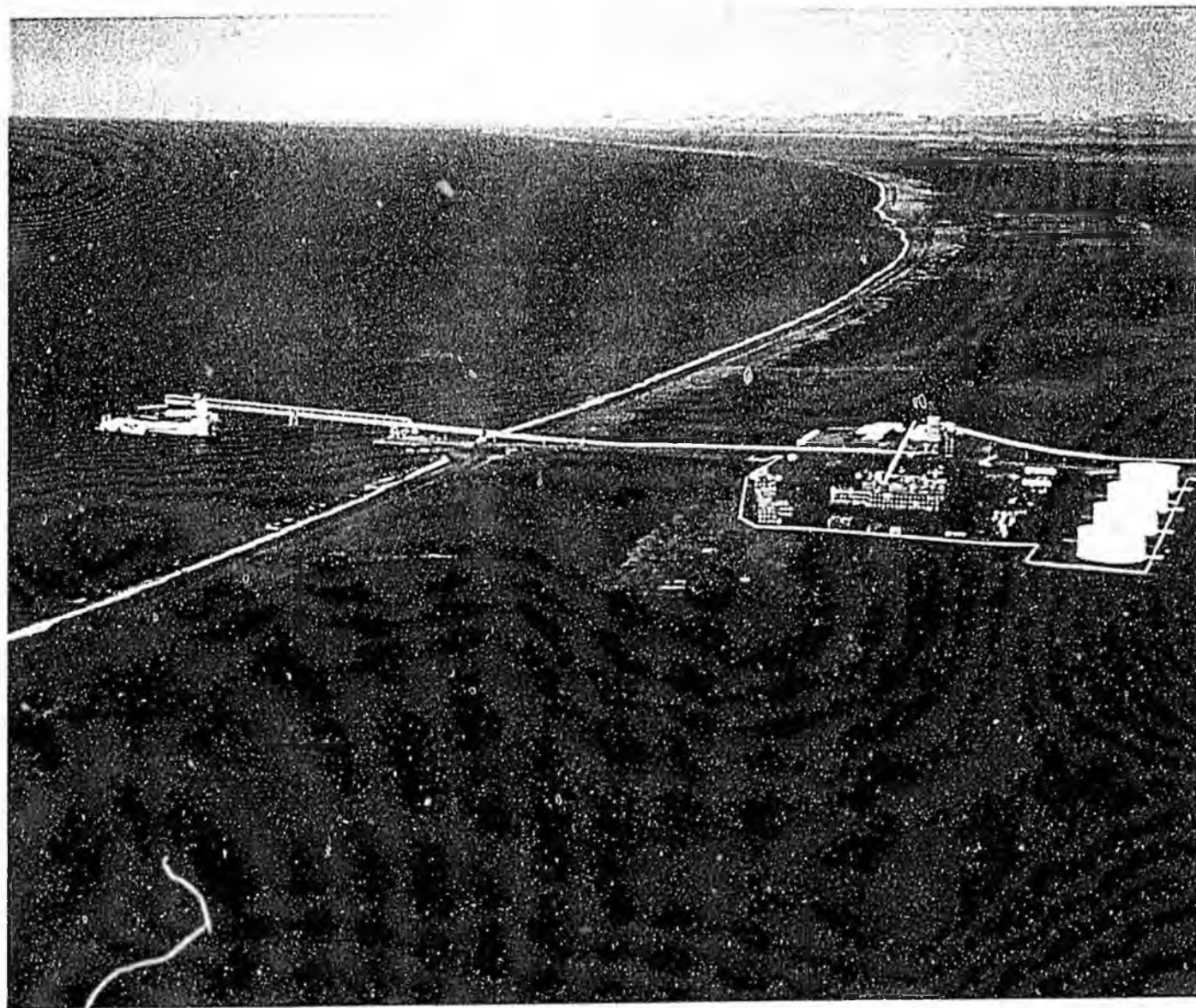
#### **Section 24 – Effective Date**

This section provides that section 21 (repeal of the Business Assistance program sunset) becomes effective June 30, 1998. The special effective dates are required to ensure that the sunset does not take effect creating confusion and possibly requiring the re-enactment of certain provisions.

#### **Section 25 – Effective Date**

This provision provides that (except for section 21) the bill becomes effective July 1, 1998. This allows the bills changes to become effective at the beginning of the fiscal year allowing a smooth transition into the new Business and Export Assistance program and ensuring continuity in AIDEA's bonding authority.

# Red Dog Port

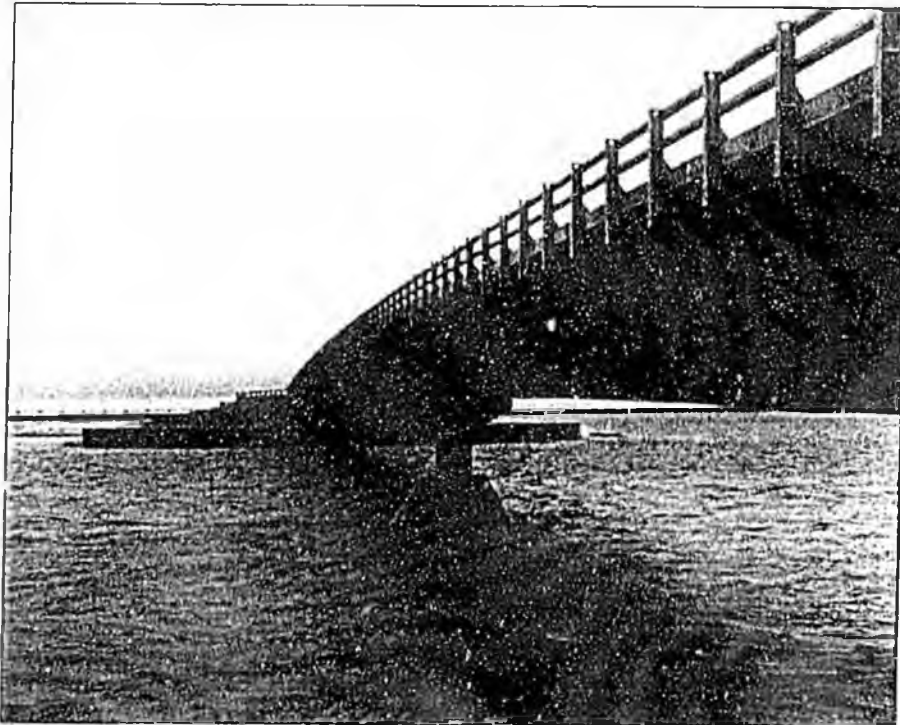


Direct Loading Facility





## Example of Trestle Structure in Arctic Waters

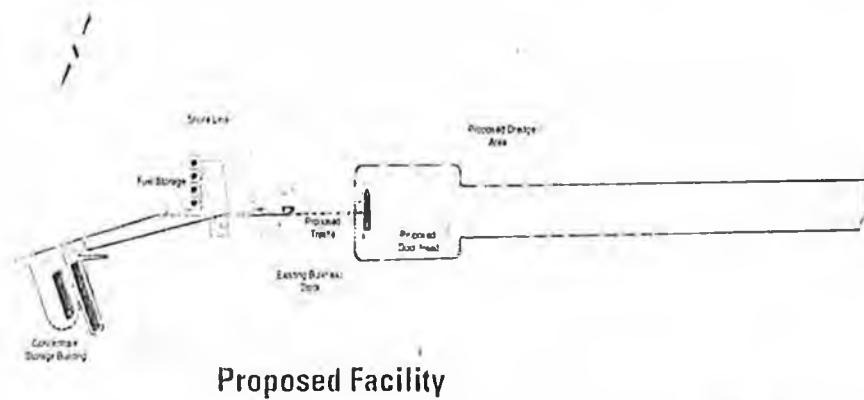


### Endicott - North Slope

Example of trestle structure in  
multi-direction flow (ocean)



# RED DOG PORT DIRECT LOADING FACILITY



**Proposed Facility**



**Existing Facility**

Cominco Alaska operates the Red Dog Mine in Northwest Alaska, the world's largest zinc mine. The mine is located on land owned by the NANA Regional Corporation. To transport the concentrate from the mine to world markets, a dock facility was built, which currently is served by barges, that transport the zinc concentrate to waiting ships anchored several miles offshore.

Cominco Alaska is reviewing the potential for extending the dock, excavating a shipping canal to the new dock facility, thus allowing the ships to directly load the concentrate. This proposal would eliminate barge traffic, and would also eliminate one transfer process for the concentrate.

With its partners and neighbors, Cominco Alaska is reviewing the advantages and disadvantages of the direct loading facility proposal.

## **PROPOSAL FACTS/DIRECT LOADING FACILITY**

- Would require excavation of a 50-foot shipping channel
- The dock would be extended approximately 2,500 feet
- The new dock would provide close shore berthing and docking facilities for full-sized cargo ships

## **POTENTIAL OPERATIONAL BENEFITS**

- Allows shipping season to be extended to December
- Eliminates handling of concentrates twice by eliminating barge relay
- Lowers vessel loading time in half
- Reduces down time during storms; ships can continue to load in most weather conditions
- Reduces onshore storage capacity requirements
- Provides an opportunity for supplies and oil to be transported by ship rather than barge

## **ENVIRONMENTAL ADVANTAGES**

- Lower potential for spills due to the reduction in handling of concentrates
- Lower potential for spills due to direct loading concentrate into a more stable ship at the dock
- Less disturbance and traffic in the area due to the reduction in shipping traffic ( - 200 barge trips)
- Less disturbance due to the presence of slower moving ships as opposed to steady barge traffic

## **EMPLOYMENT IMPACTS**

- Extends most seasonal jobs at the port
- Will result in the loss of some non-local summer jobs (tug and barge-related)

## **FINANCIAL IMPACTS**

- Lowers cost of shipping concentrates
- Allows better use of the concentrate market, which maximizes profits
- Will require high capital cost for construction

## **POTENTIAL ADDITIONAL ADVANTAGES**

- The regional port at Red Dog would no longer be used at 100% capacity, opening up that port for other potential users

**Studies are being proposed to accompany the Direct Loading Facility proposal and planning process. These studies include:**

- Biological and side-scan sonar surveys to determine if dredging will result in impact on or loss of any unique benthic habitat
- Current and tide data collection
- Sediment sampling
- Bathymetry surveys on the Nome dredge sites to study dynamics of sediment transport and how it relates to the Red Dog Port

As this project develops, Cominco Alaska wants to keep all residents informed and to hear your input. For more information on the project or for updates, please contact:

**John Key, Mine Manager**  
Cominco Alaska 426-9121

**Charlotte MacCay**  
Cominco Alaska 272-2117

**HB**

**386**

# Alaska State Legislature

## Senate

**JERRY WARD**


State Capital  
Juneau, AK 99801-1182  
Phone (907) 465-4940  
Fax (907) 465-3766

716 W 4th Ave, Ste 450  
Anchorage, AK 99501-2133  
Phone (907) 258-8183  
Fax (907) 258-0820

145 Main Street Loop  
Kenai, AK 99611  
Phone (907) 283-7996  
Fax (907) 283-3075



### MEMORANDUM

DATE: April 30, 1998  
TO: Legislative Legal  
FROM: Lydia A. Jones   
Senate Transportation Committee  
RE: SCS for CSHB 386 (TRA)

---

Please prepare a Senate Transportation Committee Substitute for CSHB 386 (version K) in final form as follows:

On page 7, delete lines 1 and 2.

Renumber accordingly.

Add a new subsection to Section 23, Page 11, following line 31, and renumber

(c) The Alaska Industrial Development and Export Authority shall issue bonds to finance the construction and improvement of the Hatcher Pass Ski Resort phase I located in the Matanuska/Susitna Borough. The principal amount of the bonds and other financing provided by the authority shall be offered at an equivalent of the tax exempt rate at time of offering. The principal amount of the bonds and other financing provided by the authority may not exceed \$15,000,000.

# Alaska State Legislature

## Senate

### MEMORANDUM



**JERRY WARD**

State Capital  
Juneau, AK 99801-1182  
Phone (907) 465-4930  
Fax (907) 465-3766

210 W. 4th Ave., Ste. 450  
Anchorage, AK 99501-2133  
Phone (907) 258-8183  
Fax (907) 258-0820

145 Main Street Loop  
Kenai, AK 99611  
Phone (907) 283-7990  
Fax (907) 283-3625

DATE: April 29, 1998

TO: Terry Bannister  
Legislative Legal

FROM: Lydia A. Jones *L.A.J.*  
Senate Transportation Committee

RE: Senate CS for CS for House Bill 386 (TRA)  
0-GH2023/F

---

Please amend as follows:

Page 14, line 2

Delete: "...through"

Insert: "comprised of"

Under Section 24 add:

"The Alaska Industrial Development and Export Authority may issue bonds to finance the expansion, improvement and modification of the existing port and small boat harbor facilities located at the City of Whittier, to be owned by the authority, or may finance the project by other means available to the authority. The principal amount of the bonds and other financing provided by the authority may not exceed \$10,000,000.

0-GH2023F  
Bannister  
4/28/98

SENATE CS FOR CS FOR HOUSE BILL NO. 386(TRA)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTIETH LEGISLATURE - SECOND SESSION

BY THE SENATE TRANSPORTATION COMMITTEE

Offered:  
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the financing authority, programs, operations, and projects  
2 of the Alaska Industrial Development and Export Authority; and providing for  
3 an effective date."

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

5 \* Section 1. AS 44.88.090(e) is amended to read:

6 (e) Before issuing bonds, the authority shall provide for consideration at least  
7 sufficient, in the judgment of the authority, to pay the principal of and interest on the  
8 bonds as they become due and to create and maintain the reserves for the payments  
9 that the authority considers necessary or desirable, and to meet all obligations in  
10 connection with the lease or agreement and all costs necessary to service the bonds,  
11 unless the lease or agreement provides that the obligations are to be met or costs are  
12 to be paid by a party other than the authority. If the bonds are being issued to finance  
13 a project or projects under AS 44.88.155 - 44.88.159, then the consideration shall be  
14 provided by lease or other agreement regarding the project or projects. If the bonds

1 are being issued to finance a development project or development projects under  
2 AS 44.88.172 - 44.88.177, then the consideration shall be provided by lease or other  
3 agreement regarding the development project or development projects. [IF THE  
4 BONDS ARE BEING ISSUED TO PROVIDE MONEY TO FINANCE,  
5 GUARANTEE, OR INSURE AN EXPORTING TRANSACTION UNDER  
6 AS 44.88.300 - 44.88.390, THEN THE CONSIDERATION SHALL BE PROVIDED  
7 BY AGREEMENT WITH THE EXPORTER.]

8 \* Sec. 2. AS 44.88.090(h) is amended to read:

9 (h) The authority may combine, for the purposes of a single offering, bonds  
10 financing more than one project or development project under AS 44.88.155 -  
11 44.88.159 or 44.88.172 - 44.88.177 [, AND BONDS ISSUED TO PROVIDE MONEY  
12 TO FINANCE, GUARANTEE, OR INSURE AN EXPORTING TRANSACTION  
13 UNDER AS 44.88.300 - 44.88.390].

14 \* Sec. 3. AS 44.88.095(g) is amended to read:

15 (g) Before July 1, 2000 [1998], the authority may issue bonds in an amount  
16 greater than \$10,000,000 to assist in the financing of a development project under  
17 AS 44.88.172 - 44.88.177 only with legislative approval. Beginning July 1, 2000  
18 [1998], and thereafter, without prior legislative approval, the authority may not issue  
19 bonds, except refunding bonds.

20 \* Sec. 4. AS 44.88.100 is amended to read:

21 **Sec. 44.88.100. Trust indentures and trust agreements.** In the discretion of  
22 the authority, an issue of bonds may be secured by a trust indenture or trust agreement  
23 between the authority and a corporate trustee (which may be a trust company, bank,  
24 or national banking association, with corporate trust powers, located inside or outside  
25 the state) or by a secured loan agreement or other instrument or under a resolution  
26 giving powers to a corporate trustee (hereinafter in this section referred to as "trust  
27 agreement") by means of which the authority may

28 (1) make and enter into any and all the covenants and agreements with  
29 the trustee or the holders of the bonds which the authority may determine to be  
30 necessary or desirable, including, without limitation, covenants, provisions, limitations,  
31 and agreements as to

- 1 (A) the application, investment, deposit, use, and disposition of  
2 the proceeds of bonds of the authority or of money or other property of the  
3 authority or in which it has an interest;
- 4 (B) the fixing and collection of rents or other consideration for  
5 [,] and the other terms to be incorporated in a lease or contract of sale of a  
6 project or development project financed under AS 44.88.155 - 44.88.159 or  
7 44.88.172 - 44.88.177 [, OR OF A FACILITY THAT IS PART OF AN  
8 EXPORTING TRANSACTION FINANCED, GUARANTEED, OR INSURED  
9 UNDER AS 44.88.300 - 44.88.390];
- 10 (C) the assignment by the authority of its rights in the lease or  
11 contract of sale of a project or development project financed under  
12 AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177 [, OR OF A FACILITY  
13 THAT IS PART OF AN EXPORTING TRANSACTION FINANCED,  
14 GUARANTEED, OR INSURED UNDER AS 44.88.300 - 44.88.390] or in a  
15 mortgage or other security interest created with respect to a project or  
16 development project financed under AS 44.88.155 - 44.88.159 or 44.88.172 -  
17 44.88.177 [, OR WITH RESPECT TO A FACILITY THAT IS PART OF AN  
18 EXPORTING TRANSACTION FINANCED, GUARANTEED, OR INSURED  
19 UNDER AS 44.88.300 - 44.88.390] to a trustee for the benefit of bondholders;
- 20 (D) the terms and conditions upon which additional bonds of  
21 the authority may be issued;
- 22 (E) the vesting in a trustee of rights, powers, duties, funds, or  
23 property in trust for the benefit of bondholders, including, without limitation,  
24 the right to enforce payment, performance, and all other rights of the authority  
25 or of the bondholders under a lease, contract of sale, mortgage, security  
26 agreement, or trust agreement with respect to a project or development project  
27 financed under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177 [, OR  
28 WITH RESPECT TO A FACILITY THAT IS A PART OF AN EXPORTING  
29 TRANSACTION FINANCED, GUARANTEED, OR INSURED UNDER  
30 AS 44.88.300 - 44.88.390] by mandamus or other proceeding or by taking  
31 possession of by agent or otherwise and operating a project or facility and

1 collecting rents or other consideration and applying the same in accordance  
2 with the trust agreement;

3 (2) pledge, mortgage, or assign money, leases, agreements, property,  
4 or other assets of the authority either presently in hand or to be received in the future,  
5 or both; and

6 (3) provide for any other matters of like or different character which  
7 in any way affect the security or protection of the bonds.

8 \* Sec. 5. AS 44.88.130 is amended to read:

9 **Sec. 44.88.130. Pledge of the state.** The state pledges to and agrees with the  
10 holders of bonds issued under this chapter and with the federal agency that lends or  
11 contributes funds in respect to a project or development project financed under  
12 AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177 [], OR IN RESPECT TO AN  
13 EXPORTING TRANSACTION FINANCED, GUARANTEED, OR INSURED  
14 UNDER AS 44.88.300 - 44.88.390] that the state will not limit or alter the rights and  
15 powers vested in the authority by this chapter to fulfill the terms of a contract made  
16 by the authority with the holders or federal agency and that the state will not in any  
17 way impair the rights and remedies of the holders until the bonds, together with the  
18 interest on them with interest on unpaid installments of interest, and all costs and  
19 expenses in connection with an action or proceeding by or on behalf of the holders are  
20 fully met and discharged. The authority is authorized to include this pledge and  
21 agreement of the state, insofar as it refers to holders of bonds of the authority, in a  
22 contract with the holders and, insofar as it relates to a federal agency, in a contract  
23 with the federal agency.

24 \* Sec. 6. AS 44.88.155(d) is amended to read:

25 (d) A loan participation purchased by the authority with assets of the enterprise  
26 development account or with proceeds of bonds secured by assets of the enterprise  
27 development account

28 (1) may not exceed \$10,000,000; however, in the case of a loan  
29 participation for a power transmission intertie, the loan participation may exceed  
30 \$10,000,000 with legislative approval;

31 (2) may not be purchased unless

1 (A) the project applicant is not, or, if the applicant is not a  
2 single proprietorship, all members of the business enterprise or enterprises  
3 constituting the project applicant are not, in default on another loan made by  
4 the state or by a public corporation of the state; and

5 (B) at least 20 percent of the principal amount of the loan is  
6 retained by the loan originator;

7 (3) may not be purchased if the loan to be purchased exceeds [THE  
8 COST OF THE PROJECT OR] 75 percent of the appraised value of the collateral  
9 offered as security for the loan [PROJECT, WHICHEVER IS LESS,] unless the  
10 amount of the loan in excess of this limit is federally insured or guaranteed or is  
11 insured by a qualified mortgage insurance company, except that in no event may the  
12 loan to be purchased under this paragraph exceed the total of loan proceeds used  
13 to refinance an existing debt plus the cost of new construction, expansion, or  
14 acquisition;

15 (4) may not be purchased if the participation in the loan to be  
16 purchased is for a term longer than the following, except that in no event may a loan  
17 under (A) or (C) of this subparagraph have a term longer than three-quarters of  
18 the authority's estimate of the life of the collateral offered as security for the loan:

19 (A) 40 years from the date the loan is made in the case of  
20 a loan participation for a project described in AS 44.88.900(9)(E);

21 (B) 50 years from the date the loan is made [PROJECT OR  
22 25 YEARS FROM THE DATE THE LOAN IS MADE, WHICHEVER IS  
23 EARLIER; HOWEVER,] in the case of a loan participation for a power  
24 transmission intertie;

25 (C) 25 years from the date the loan is made in the case of  
26 a loan participation for other projects [, THE TERM MAY NOT BE  
27 LONGER THAN 50 YEARS FROM THE DATE THE LOAN IS MADE];

28 (5) may be made only if the participation in the loan to be purchased  
29 contains amortization provisions; the amortization provisions

30 (A) must be complete and satisfactory to the authority and  
31 require periodic payments by the borrower;

1 (B) may allow the loan originator to amortize the portion of the  
2 loan retained by the loan originator using a shorter amortization schedule than  
3 the amortization schedule for the portion of the loan held by the authority if

4 (i) in the authority's opinion, the project financed can  
5 support the increased debt service; and

6 (ii) the accelerated amortization schedule is required to  
7 induce the originator to make the loan;

8 (6) may be made only if the participation in the loan to be purchased  
9 is in the form and contains the terms and provisions with respect to insurance, repairs,  
10 alterations, payment of taxes and assessments, default reserves, delinquency charges,  
11 default remedies, acceleration of maturity, secondary liens, and other matters the  
12 authority prescribes; and

13 (7) may be made only if the participation in the loan to be purchased  
14 is secured as to repayment by a mortgage or other security instrument in the manner  
15 the authority determines is feasible to assure timely repayment under the [A] loan  
16 documents [AGREEMENT] entered into with the borrower.

17 \* Sec. 7. AS 44.88.190(c) is amended to read:

18 (c) A loan participation purchased or financed by the authority is exempt from  
19 the provisions of AS 45.45.010. [A GUARANTEE EXTENDED UNDER  
20 AS 44.88.300 OR INSURANCE PROVIDED UNDER AS 44.88.390 DOES NOT  
21 CONSTITUTE INSURANCE FOR THE PURPOSES OF AS 21.03.010.]

22 \* Sec. 8. AS 44.88 is amended by adding a new section to read:

23 **Sec. 44.88.215. Confidentiality of information.** (a) In order to promote the  
24 purposes of AS 44.88, unless the records were a matter of public record before  
25 submittal to the authority, the following records, files, and information shall be kept  
26 confidential upon the request of the person supplying the information or upon the  
27 request of the project, bond, loan, or guarantee applicant or borrower:

28 (1) income tax returns;

29 (2) financial statements, profit-and-loss statements, and cash flow  
30 projections, except the information required by the authority to calculate debt service  
31 coverage on the loan;

- 1 (3) financial business plans;
- 2 (4) credit reports from consumer reporting agencies and other credit
- 3 information obtained from banks, creditors, or other credit reporting entities;
- 4 (5) trade secrets;
- 5 (6) appraisals, except the name of the appraiser, the date of the
- 6 appraisal, and the fair market value determined for the property appraised;
- 7 (7) market surveys and marketing strategy information; and
- 8 (8) any information required to be kept confidential by a federal law
- 9 or regulation or by state law.

10 (b) Information compiled by the authority from information described in (a)

11 of this section shall be kept confidential unless disclosure is authorized by the person

12 supplying the information and by the project, bond, loan, or guarantee applicant or

13 borrower.

14 (c) The information that is determined to be confidential under (a) or (b) of

15 this section is not a public record under AS 09.25.110 - 09.25.220.

16 \* Sec. 9. AS 44.88.500 is repealed and reenacted to read:

17 **Sec. 44.88.500. Business and export assistance guarantees.** Subject to the

18 requirements of AS 44.88.500 - 44.88.599, the authority may

- 19 (1) guarantee new business and export assistance loans; and
- 20 (2) guarantee new business and export assistance loans made to
- 21 refinance existing loans.

22 \* Sec. 10. AS 44.88 is amended by adding a new section to read:

23 **Sec. 44.88.502. Effect of guarantee.** (a) A guarantee under AS 44.88.500 -

24 44.88.599 does not create a debt or liability of the state.

25 (b) A guarantee under AS 44.88.500 may not be terminated, canceled, or

26 revoked except under its terms. A guarantee held by a participating financial

27 institution is presumed to be valid.

28 (c) A guarantee or portion of a guarantee under AS 44.88.500 that relates to

29 an export transaction must guarantee against commercial and political loss, in whole

30 or in part, of principal and interest. The authority may require the borrower to obtain

31 insurance against some or all of the loss guaranteed under AS 44.88.500. In this

1 subsection, "political loss" means a loss incurred as a result of

2 (1) a political risk that would be insurable under an export credit  
3 insurance policy issued by the Export-Import Bank of the United States; or

4 (2) any other political risk that is actually insured under insurance the  
5 authority requires the borrower to obtain.

6 \* Sec. 11. AS 44.88.505(a) is amended to read:

7 (a) A business enterprise may apply for a new loan guarantee under  
8 AS 44.88.500(1) [AS 44.88.500(a)(1)].

9 \* Sec. 12. AS 44.88.515 is amended to read:

10 **Sec. 44.88.515. Qualifications of applicant for debt refinancing guarantee.**

11 A business enterprise may apply under AS 44.88.500(2) [AS 44.88.500(a)(2)] to  
12 guarantee the refinancing of existing debt.

13 \* Sec. 13. AS 44.88.525 is amended to read:

14 **Sec. 44.88.525. Conditions of debt refinancing guarantee.** The authority  
15 may not guarantee refinanced debt

16 (1) unless the refinancing

17 (A) is necessary to extend substantial debt payments over a  
18 longer period of time, thereby improving the applicant's net cash flow and  
19 working capital position consistent with the useful life of the assets being  
20 refinanced;

21 (B) assists with short-term debt or cash expenditures when  
22 lenders will not extend reasonable longer terms to the applicant; and

23 (C) creates additional economic opportunity or improves the  
24 viability of the borrower rather than just reducing the liability of the lender; or

25 (2) unless the refinancing is necessary to place a permanent loan  
26 subsequent to an interim loan for financing [CONSTRUCTION] of the project.

27 \* Sec. 14. AS 44.88.535(a) is amended to read:

28 (a) The authority may guarantee a loan under AS 44.88.500 - 44.88.599 if the

29 (1) loan

30 (A) is commercially reasonable;

31 (B) contains payment [AMORTIZATION] provisions

1 satisfactory to the authority;

2 (C) is secured by adequate collateral; however, the authority  
3 may waive on a case-by-case basis the requirement of collateral for a loan  
4 guarantee of \$100,000 or less for which the proposed loan term  
5 [AMORTIZATION PERIOD] does not exceed five years, but the ability to  
6 waive the requirement of this subparagraph or the grant of a waiver does not  
7 prevent the financial institution that holds the loan guaranteed by the authority  
8 from requiring reasonable collateral for the loan;

9 (2) borrower demonstrates the ability to repay the loan from either  
10 or both of the following:

11 (A) net cash flow from the borrower [PROVIDES ADEQUATE  
12 COVERAGE FOR THE DEBT SERVICE ON THE LOAN]; and

13 (B) proceeds from the sale of current assets that are  
14 collateral for the loan if the sale, or receipt of proceeds from the sale, is an  
15 event that creates a payment obligation; in this subparagraph, "current  
16 asset" means property that will be or could be converted into cash in the  
17 normal operation of a business within one year;

18 (3) term of the loan does not exceed 20 years;

19 (4) loan is originated with and serviced by a state chartered or federally  
20 chartered financial institution;

21 (5) portion of the loan not guaranteed by the authority is held by the  
22 originating financial institution or another institution approved by the authority;

23 (6) loan is made to a business with a majority interest held by state  
24 residents; and

25 (7) loan guarantee provides a benefit to the borrower.

26 \* Sec. 15. AS 44.88.535(c) is amended to read:

27 (c) The authority may guarantee the payment of interest on the guaranteed  
28 portion of a loan

29 (1) in the manner established by the authority by regulation; and

30 (2) for a period of time not to exceed

31 (A) 90 days for loans or parts of loans not made to support

1           an export transaction;

2                   (B) 180 days for loans or parts of loans made for a post-  
3           shipment loan guarantee to support an export transaction; in this  
4           subparagraph, "post-shipment loan guarantee" means a guarantee, or  
5           portion of a guarantee, that becomes effective after the export contract  
6           date that shipment of the related goods or raw materials or provision of  
7           the related services begins; or

8                   (C) 270 days for loans or parts of loans made for a pre-  
9           shipment loan guarantee to support an export transaction; in this  
10           subparagraph, "pre-shipment loan guarantee" means a guarantee, or part  
11           of a guarantee, that becomes effective before the export contract date that  
12           shipment of the related goods or raw materials or provision of the related  
13           services begins.

14 \* Sec. 16. AS 44.88.545 is amended to read:

15           Sec. 44.88.545. Limitations of guarantees with respect to borrowers. The  
16           authority may not provide a guarantee

17                   (1) of more than \$1,000,000;

18                   (2) to an individual borrower that cumulatively, with the outstanding  
19           principal balance of other authority guaranteed indebtedness of that borrower,  
20           exceeds \$1,000,000 [OF GUARANTEED INDEBTEDNESS].

21 \* Sec. 17. AS 44.88.555(b) is amended to read:

22           (b) Amounts received toward satisfaction of a default on a loan guaranteed  
23           under AS 44.88.500 - 44.88.599 shall be allocated between the lender and the fund  
24           according to the guaranteed percentage of the loan until the principal balance and  
25           accrued interest have [HAS] been repaid.

26 \* Sec. 18. AS 44.88.560 is amended to read:

27           Sec. 44.88.560. Powers of the authority. The authority may

28                   (1) adopt regulations to implement AS 44.88.500 - 44.88.599;

29                   (2) establish terms and conditions for loan guarantees and refinancing  
30           agreements subject to the requirements of AS 44.88.500 - 44.88.599;

31                   (3) make and execute contracts and other instruments to impiement

1 AS 44.88.500 - 44.88.599;

2 (4) charge reasonable fees that the authority may establish by  
3 regulation

4 [(A) ONE PERCENT OF THE AMOUNT GUARANTEED] for  
5 the service it provides under AS 44.88.500 - 44.88.599; [AND

6 (B) ANY OTHER REASONABLE FEE THAT THE  
7 AUTHORITY MAY ESTABLISH BY REGULATION;]

8 (5) acquire real or personal property by purchase, transfer, or  
9 foreclosure when the acquisition is necessary to protect the authority's interest in a loan  
10 or a loan guarantee;

11 (6) exercise any other power necessary to implement AS 44.88.500 -  
12 44.88.599; and

13 (7) to the extent the authority considers it to be in its best interest to  
14 do so, use money to pay expenses relating to the liquidation of collateral securing  
15 loans guaranteed by the authority.

16 \* Sec. 19. AS 44.88.599 is amended by adding a new paragraph to read:

17 (3) "export transaction" means a contract for the sale of goods, services,  
18 or raw materials that includes a term that requires the goods, services, or raw  
19 materials, in whole or in part, to be shipped to or provided in a foreign country.

20 \* Sec. 20. AS 44.88.900(9) is amended to read:

21 (9) "project" means

22 (A) a plant or facility used or intended for use in connection  
23 with making, processing, preparing, transporting, or producing in any manner,  
24 goods, products, or substances of any kind or nature or in connection with  
25 developing or utilizing a natural resource, or extracting, smelting, transporting,  
26 converting, assembling, or producing in any manner, minerals, raw materials,  
27 chemicals, compounds, alloys, fibers, commodities and materials, products, or  
28 substances of any kind or nature;

29 (B) a plant or facility used or intended for use in connection  
30 with a business enterprise;

31 (C) commercial activity by a business enterprise;

1 (D) a plant or facility demonstrating technological advances of  
2 new methods and procedures and prototype commercial applications for the  
3 exploration, development, production, transportation, conversion, and use of  
4 energy resources;

5 (E) infrastructure for a new tourism destination facility or for  
6 the expansion of a tourism destination facility; in this subparagraph,  
7 "tourism destination facility" does not include a hotel or other overnight  
8 lodging facility;

9 (F) a plant or facility, other than a plant or facility described in  
10 (D) of this paragraph, for the generation, transmission, development,  
11 transportation, conversion, or use of energy resources;

12 \* Sec. 21. AS 44.88.085(h), 44.88.300, 44.88.310, 44.88.320, 44.88.330, 44.88.340,  
13 44.88.350, 44.88.360, 44.88.370, and 44.88.390 are repealed.

14 \* Sec. 22. Section 4, ch. 162, SLA 1988, as amended by sec. 4, ch. 25, SLA 1991, sec. 4,  
15 ch. 27, SLA 1993, and sec. 20, ch. 111, SLA 1996, is repealed.

16 \* Sec. 23. TRANSFER OF ASSETS. Assets of the export insurance account  
17 (AS 44.88.390(a)) are transferred to the Alaska Industrial Development and Export Authority  
18 revolving fund (AS 44.88.060) on July 1, 1998.

19 \* Sec. 24. LEGISLATIVE APPROVALS. (a) The Alaska Industrial Development and  
20 Export Authority may issue bonds to finance the expansion, improvement, and modification  
21 of the existing port facilities owned by the authority with respect to the DeLong Mountain  
22 transportation system and to finance the construction of new facilities to be owned by the  
23 authority related to the DeLong Mountain transportation system or may finance these projects  
24 by other means available to the authority. The principal amount of the bonds and other  
25 financing provided by the authority may not exceed \$80,000,000.

26 (b) The Alaska Industrial Development and Export Authority may issue bonds to  
27 finance the improvement and expansion of the existing port facilities located at the City of  
28 Nome, Alaska, to be owned by the authority, or may finance the project by other means  
29 available to the authority. The principal amount of the bonds and other financing provided  
30 by the authority may not exceed \$30,000,000.

1 (c) The Alaska Industrial Development and Export Authority may issue bonds to  
2 finance the expansion, improvement, and modification of existing facilities at the Anchorage  
3 International Airport and to finance construction of a new domestic terminal. The principal  
4 amount of the bonds and other financing provided by the authority may not exceed  
5 \$179,000,000.

6 (d) The Alaska Industrial Development and Export Authority may issue bonds to  
7 finance the design and construction of a port at Pt. MacKenzie to be owned and operated by  
8 the authority, or may finance the project by other means available to the authority. The  
9 principal amount of the bonds and other financing provided by the authority may not exceed  
10 \$70,000,000.

11 (e) The Alaska Industrial Development and Export Authority may issue bonds to  
12 finance the development of a railroad right-of-way within a railroad and utility corridor from  
13 near the village of Healy along the general alignment of the Stampede Trail to the eastern  
14 boundary of Denali National Park, or may finance this project by other means available to the  
15 authority. The principal amount of the bonds and other financing provided by the authority  
16 may not exceed \$70,000,000.

17 (f) The Alaska Industrial Development and Export Authority may issue bonds to  
18 finance the improvement and expansion of the existing port facilities located at the City of  
19 Seward, to be owned by the authority, or may finance the project by other means available  
20 to the authority. The principal amount of the bonds and other financing provided by the  
21 authority may not exceed \$20,000,000.

22 (g) The Alaska Industrial Development and Export Authority may issue bonds to  
23 finance the construction and improvement of the Hatcher Pass Ski Resort, phase 1, located in  
24 the Matanuska-Susitna Borough. The principal amount of the bonds and other financing  
25 provided by the authority may be offered at an interest rate that is equivalent to the tax  
26 exempt rate in effect at the time of offering. The principal amount of the bonds and other  
27 financing provided by the authority may not exceed \$15,000,000.

28 (h) Subsections (a) - (g) of this section constitute the legislative approvals as or if  
29 required by AS 44.88.095(g), as amended by sec. 3 of this Act.

30 \* Sec. 25. RIGHT-OF-WAY FOR RAILROAD AND UTILITY CORRIDOR. (a) The  
31 Department of Natural Resources shall grant to the Alaska Industrial Development and Export

1 Authority on the terms the department determines to be appropriate, and as may be more  
2 particularly described by the authority, a right-of-way through the land described under (b) of  
3 this section for the purpose of financing a project under AS 44.88 to enable Kantishna  
4 Holdings, Inc. and its successors and assigns in interest, or Kantishna Holdings, Inc. or its  
5 successors and assigns in interest, to develop a railroad and utility corridor through the land  
6 described under (b) of this section. The right-of-way grant to the authority may not impair  
7 current valid property rights within the land described under (b) of this section.

8 (b) The right-of-way grant to the authority under (a) of this section must run from  
9 near the village of Healy along the general alignment of the Stampede Trail to the eastern  
10 boundary of Denali National Park, and must proceed through the following cadastral units:

11 (1) Township 12 South, Range 7 West

12 Section 7;

13 (2) Township 12 South, Range 8 West

14 Sections 7, 11, 12, and 14 - 23;

15 (3) Township 12 South, Range 9 West

16 Sections 1 - 18, inclusive;

17 (4) Township 12 South, Range 10 West

18 Sections 1 - 18, inclusive;

19 (5) Township 12 South, Range 11 West

20 Sections 11, 15 - 22

21 Sections 27 - 30: N 1/2.

22 (c) The right-of-way developed for the project described under (a) of this section must  
23 be 300 feet in width plus any ancillary land necessary for the development.

24 (d) If the right-of-way developed for the project described under (a) of this section  
25 uses less than all of the land contained in the right-of-way granted to the authority under (a)  
26 of this section, the authority's right-of-way shall be modified to exclude the land not needed  
27 for the project.

28 (e) In this section, "authority" means the Alaska Industrial Development and Export  
29 Authority.

30 \* Sec. 26. Section 22 of this Act takes effect June 30, 1998.

31 \* Sec. 27. Except as provided in sec. 26 of this Act, this Act takes effect July 1, 1998.

Page 5, replace lines 15-20 with the following:

(4) may not be purchased if the participation in the loan to be purchased is for a term longer than:

(A) 40 years from the date the loan is made in the case of a loan participation for a project described in AS 44.88.900(9)(E):

(B) 50 years from the date the loan is made in the case of a loan participation for a power transmission intertie:

(C) 25 years from the date the loan is made in the case of a loan participation for other projects:

provided, however, that in no event may a loan under (A) or (C) of this subparagraph have a term longer than three-quarters of the authority's estimate of the life of the collateral offered as security for the loan.

[THREE -QUARTERS OF THE AUTHORITY'S ESTIMATE OF THE LIFE OF THE PROJECT OR 25 YEARS FROM THE DATE THE LOAN IS MADE WHICHEVER IS EARLIER; HOWEVER IN THE CASE OF A LOAN PARTICIPATION FOR A POWER TRANSMISSION INTERTIE, THE TERM MAY NOT BE LONGER THAN 50 YEARS FROM THE DATE THE LOAN IS MADE];

New section:

Sec " \_\_. AS 44.88.900(9)(E) is amended to read:

(E) infrastructure for a new tourism destination facility or for the expansion of a tourism destination facility; in this subparagraph "tourism destination facility" does not include a hotel or other overnight lodging facility:

CS HB 386(FIN)  
AIDEA LEGISLATION  
SECTIONAL ANALYSIS

Sections 1 and 2 - Technical Change Related to Integration of Export and Business Assistance Programs

Sections 1 and 2 eliminate references to AIDEA's existing Export Finance program in the general bonding provisions of AIDEA's statutes. These technical changes are needed as part of the integration of AIDEA's Export Assistance and Business Assistance programs.

Background. AIDEA's 10-year old Export Assistance Loan Guarantee program has never been utilized. While AIDEA has been able to finance export activities through its Loan Participation, Development Finance, and to a limited extent, its Business Assistance program, for a variety of reasons, the Export Assistance program does not meet the needs of the businesses it was intended to serve.

In 1997, AIDEA commissioned a report examining AIDEA's role in Alaska's export activities. The report noted that while AIDEA's other programs support Alaska exporting, the Export Finance program is ineffective for the type of exporting transactions prevalent in Alaska today. The existing program is modeled on those from other states with strong manufacturing bases. The program does not deal effectively with Alaska's dominant export activities, including air cargo and the transshipment of goods and services produced elsewhere and shipped to Asia and Russia through Anchorage and Fairbanks.

While AIDEA's Business Assistance Loan Guarantee program has been able to support export transactions, from time to time, it was not designed for these transactions and is not useful for a wide variety of exporting activities.

In order to address the needs of the Alaska business and financial communities this bill integrates the existing Export Assistance program with the Business Assistance program and modifies the programs to create a new Business and Export Assistance program that can effectively support Alaskan businesses that export goods and services. Bill sections 1, 2, 4, 5, 7, and 9-22 accomplishes this integration and modification of AIDEA's Export and Business Assistance programs.

### Section 3 – AIDEA Bonding Authority

Section 3 of the bill extends AIDEA's general bonding authority which sunsets on July 1, 1998. The bill extends the current sunset until July 1, 2003. Bonds for development finance projects in excess of \$10,000,000 will continue to require legislative authorization.

**Background.** Effective July 1, 1998, AIDEA's ability to issue bonds other than refunding bonds will sunset. The sunset would prevent AIDEA from issuing any new bonds (other than refunding bonds) without legislative approval and severely curtail AIDEA's ability to fulfill its statutory mission.

The sunset would prevent AIDEA from issuing bonds to assist key development projects and also conduit revenue financing transactions that do not involve the credit of AIDEA or the state. In 1997 alone, AIDEA issued tax-exempt conduit revenue bonds to help finance the Fort Knox gold mine (\$71 million) and the Goat Lake Hydroelectric project (\$23 million). These bonds helped lower the cost of financing for these projects without any financial risk to AIDEA or the state. The bill would extend the current sunset until July 1, 2003.

### Sections 4 and 5 - Technical Change Related to Integration of Export and Business Assistance Programs

Sections 4 and 5 eliminate references to AIDEA's existing Export Finance program in general bonding provisions of AIDEA's statutes. These technical changes are needed as part of the integration of AIDEA's Export Assistance and Business Assistance programs.

### Section 6 – Technical Changes to AIDEA's Loan Participation Program

Section 6 makes technical changes clarifying certain requirements of AIDEA's Loan Participation program. The bill clarifies that the Authority may not purchase loan participations if the loan exceeds 75% of the appraised value of the collateral securing the loan (AS 44.88.155(d)(3)). In addition, the bill provides that loans, under the program, may not exceed the amount necessary for new construction, expansion, acquisition and the amount necessary to refinance existing debt (AS 44.88.155(d)(3)). The bill also clarifies that the term of the Authority's participation may not exceed 75% of the useful life of the collateral provided as security for the loan (AS 44.88.155(d)(4)). Finally, the bill makes a technical change to AS 44.88.155(d)(7) to clarify that the collateral pledged by the borrower is to secure timely repayment of the obligations of the borrower under the loan documents.

**Background.** Questions have arisen as to how AIDEA's loan participation requirements apply when the proceeds of the loan are to be used for multiple purposes or if the loan is to be secured by several pieces of collateral. The bill clarifies AIDEA's statutes to specify that loans may not exceed 75% of the appraised value of all the collateral pledged and that the term may not exceed 75% of the useful life of the collateral pledged. Finally the bill clarifies that loans may not exceed the amount necessary for acquisition, construction, and debt refinancing for the project.

**Sections 7 - Technical Change Related to Integration of Export and Business Assistance Programs**

Section 7 eliminates a reference to AIDEA's existing Export Finance program in general provisions of AIDEA's statutes. This technical change is needed as part of the integration of AIDEA's Export Assistance and Business Assistance programs.

**Section 8 - Confidentiality of Information**

Section 8 adds a new confidentiality of information section in AIDEA's statutes that replaces the existing confidentiality provision that applies to AIDEA's Export Finance program. The new provision would apply to all of AIDEA's financial programs. The provision sets forth those categories of information that are to be kept confidential. Among the categories of confidential information specified in the bill are income tax returns, financial business plans, marketing strategy information, and information required by federal or state law to be kept confidential. Information compiled by the Authority from confidential information is also confidential. Information may only be kept confidential, however, if the person supplying the information or the project, bond, loan or guarantee applicant or borrower requests confidentiality. In addition, to be covered under this section the information could not have been a matter of public record before the information was submitted to AIDEA. Information that is determined to be confidential under the statutory requirements is not a public record.

**Background.** Participants in AIDEA's programs are often required to submit to the Authority proprietary and financial information regarding their projects, as well as their personal financial information. Applicants are often surprised to learn that this information may be subject to disclosure under the public records act. This is particularly true of banks that submit information on borrowers under the Authority's Loan Participation and Business Assistance programs. Banks are generally prohibited under state law from releasing any information regarding their borrowers.

c

AIDEA often receives public records requests seeking proprietary and financial information regarding applicants and borrowers. Under existing law, AIDEA is required to release the information unless the Authority determines that the privacy interest of the applicant or borrower outweighs the public interest in releasing the information. These are difficult standards to administer and provide little guidance for banks, borrowers, applicants, and those seeking release of the information. Under the public records act, the Authority is not permitted to inquire into the motivations of those seeking the information. Therefore, it is possible for a borrower's competitors to request proprietary information for the sole purpose of obtaining a competitive advantage.

While it is important to protect the proprietary and financial information of businesses that submit information to the Authority, it is also important that the public have full access to information necessary to understand AIDEA's activities and the transactions it undertakes. The bill modifies AIDEA's existing confidentiality statute and furthers both of these important interests.

The bill establishes categories of information that are to be kept confidential. For the confidentiality provision to be invoked, the person supplying the information or the applicant or borrower must request that the information be held in confidence. Information not within the statutory categories will continue to be public records. The statutory provision will allow those who participate in AIDEA's programs, as well as those who may seek information from the Authority, to clearly understand what information is and is not public.

*Section 9 – Change Related to Integration of Export and Business Assistance Programs*

Section 9 repeals and reenacts AS 44.88.500 to effect the integration of the Export Assistance program into the newly modified Business and Export Assistance Program. The section makes clear that, under the program, the Authority may guarantee both new and refinancing business and export assistance loans. The numbering of the subsections has also been changed.

*Section 10 – Changes Related to Integration of Export and Business Assistance Programs*

Section 10 creates a new section in AIDEA's statutes modifying AIDEA's existing Business Assistance program to create a new Business and Export Assistance program that can effectively support Alaskan businesses that export goods and services.

AS 44.88.502(a) and (b) incorporate and modify language from existing AS 44.88.370 and 44.88.360(a), respectively, which are repealed under section 20 of the bill. AS 44.88.502(a) provides that a guarantee issued under the program does not create a debt or liability of the state. AS 44.88.502(b) provides that guarantees under the program held by a financial institution are presumed valid and may not be terminated except as provided in the guarantee itself.

AS 44.88.502(c) incorporates and modifies provisions from the Authority's existing Export Assistance program into the newly integrated Business and Export Assistance program. AS 44.88.502(c) provides that guarantees issued under the program to support export transactions may guarantee against commercial and political losses. This provision is in existing AS 44.88.360(a) which is repealed under section 20 of the bill. AS 44.88.502(c) also allows the Authority to require insurance to cover some or all of the loss guaranteed under the program. "Political loss" is defined to mean losses that would be insurable under an export credit insurance policy issued by the Export-Import Bank or a risk that is actually insured under a policy the buyer obtains.

**Background.** AS 44.88.502(c) makes changes to AIDEA's existing Business Assistance program to create an effective Business and Export Assistance program. Under the Authority's existing Export Assistance program (AS 44.88.360) export credit insurance was always required. This requirement adds additional cost, time, and complexity to export transactions. Under the bill (AS 44.88.502(c)) AIDEA may exercise its discretion to determine if such insurance should be required for a particular export transaction. This discretion allows AIDEA to realistically assess the risks of a particular transaction to determine if export credit insurance is necessary.

AIDEA's existing Export Assistance program provided that the only political losses that could be guaranteed were those losses actually insured under an export credit insurance policy issued by the Export-Import Bank or other similar institution. This requirement severely detracted from the attractiveness of the program. AS 44.88.502(c) utilizes the Export-Import Bank's export credit insurance policy to describe the types of losses that may be guaranteed under the Authority's program but does not require that such insurance be obtained for guarantees to be effective. Instead, the decision to require insurance and the type and amount is left to the discretion of the Authority.

### **Section 11 and 12 – Technical Changes Related to Integration of Export and Business Assistance Programs**

These sections make minor technical changes related to the integration of the Export Assistance program and Business Assistance program. These sections change the numbering of the statutory cross reference to AS 44.88.500 to reflect

the renumbering of the subsections in that provision as a result of section 9 of the bill.

*Sections 13 through 15 – Modifications to Effect Integration of Export and Business Assistance Programs*

These sections modify AIDEA's existing Business Assistance program to create a new Business and Export Assistance program that can effectively support Alaskan businesses that export goods and services.

Section 13 eliminates a condition on debt refinancing guarantees that limits the refinancing to interim construction related debt.

Section 14 modifies the existing program to recognize that payment of guaranteed debt may come from the sale of the assets that are the collateral for the loan.

Section 15 modifies the existing program to allow the Authority to guarantee up to 180 days interest on post-shipment guarantees and up to 270 days on pre-shipment loan guarantees supporting export transactions.

Background. The changes made in these sections are intended to make the new Business and Export Assistance program effective for Alaska export transactions. The changes in sections 14 and 15 reflect the fact that many export transactions require payment upon the sale of the exported goods that are the security for the transaction. Typical export finance transactions do not require multiple payments but rather one payment (paying off the entire loan) upon the sale of the exported goods. Section 14 allows the Authority to recognize the sale of the goods as the source of payment in these transactions. Section 15 allows the Authority the limited ability to guarantee interest on these transactions pending receipt of the proceeds of the sale.

*Sections 16 through 18 – Technical Changes to Business and Export Assistance Program*

These sections make minor technical clarifications to AIDEA's statutes.

Section 16 clarifies that the total amount of outstanding AIDEA guaranteed indebtedness for an individual borrower may not exceed \$1 million.

Section 17 clarifies that amounts received toward a defaulted AIDEA guaranteed loan are to be allocated between the bank and AIDEA in accord with the percentage AIDEA guaranteed, until such time as all principal and accrued interest has been paid.

Section 18 makes a technical change allowing AIDEA to establish, by regulation, reasonable fees for the program. Under current statute AIDEA is to charge one percent of the amount guaranteed plus any other reasonable fee established in regulation. The bill will allow AIDEA to establish all fees for the program by regulation.

#### Section 19 – New Definitions for Business and Export Assistance Program

Section 19 creates a new definition for “export transaction.” This term is used elsewhere in the statutory provisions for the Business and Export Assistance program.

#### Section 20 – Repealers

This section repeals AS 44.88.085(h), AS 44.88.300, 44.88.310, 44.88.320, 44.88.330, 44.88.350, 44.88.360, 44.88.370, and 44.88.390 to effect the repeal of the existing Export Assistance program that is being integrated with the Business and Export Assistance program in other provisions of the bill. This section also repeals AS 44.88.340, the Authority’s existing confidentiality provision, that is being modified and relocated under section 8 of the bill.

#### Section 21 – Repeal of Business Assistance Program Sunset

This section repeals the existing July 1, 1998, sunset to the Authority’s existing Business Assistance program.

Background. Under current law, the Authority’s Business Assistance program will sunset on July 1, 1998. The sunset must be repealed to assure the continued operation of the program and to effect the integration of the Export Assistance program into an effective Business and Export Assistance program.

#### Section 22 – Transition Provision

Section 22 is a transition provision related to the elimination of the existing Export Assistance program and the integration of the program into the Business and Export Assistance program. The provision provides that any assets in the export insurance account are to be transferred into the Authority’s revolving fund.

#### Section 23 – Specific Project Authorization to Issue Bonds

As noted above, section 3 of the bill requires legislation for AIDEA to issue bonds in an amount greater than \$10 million if the proceeds of the bonds are to be used for an AIDEA Development Finance project. The bill provides legislative authorization for two projects. The first project is for proposed expansion, improvements, and modifications to AIDEA’s DeLong Mountain Transportation

System (DMTS) serving the Red Dog Mine. The second project is a proposed expansion and modification to the existing port facilities in the City of Nome.

**Section 23(a) – Red Dog Direct Load Out Facilities-** The bill authorizes AIDEA to issue up to \$80 million in bonds to finance the expansion, improvement and modification of the Authority's existing DMTS port facilities. The proposed project would extend the existing dock by approximately 2,500 feet and a 50-foot shipping channel would be excavated, allowing the direct loading of concentrates into ocean going vessels. In addition, part of the existing concentrate conveyor system would be improved and replaced.

**Background.** The DeLong Mountain Transportation System (DMTS), serving Cominco's Red Dog Mine, was AIDEA's first development finance project and has been a resounding success. The Red Dog Mine operation provide more than 450 jobs in an area of the state with high unemployment. In addition, the project provides \$2.75 million annually in taxes to the Northwest Arctic Borough. Expansion of the port facilities to increase capacity and throughput was authorized by the Legislature in 1996 and is now nearing completion.

Among the operational benefits of the proposed project are: 1) allows the shipping season to be extended to December, 2) eliminates handling of concentrates twice by eliminating barge relay, 3) lowers vessel loading time in half, and 4) reduces down time caused by poor weather conditions. In economic terms, the project will extend most seasonal jobs at the port and will lower the cost of shipping concentrates. Additionally, the regional port at Red Dog would no longer be used at 100% capacity, opening up shipping opportunities for other potential users.

AIDEA has not yet performed its due diligence with respect to the proposed project. The timing of the project, however, requires that legislative authorization for the project be obtained during the current legislative session. Until AIDEA's due diligence is complete, it is unclear if AIDEA will participate in the project and if so, what form AIDEA's participation might take. AIDEA has particular concerns regarding investing substantial additional assets in the DMTS in light of AIDEA's current investment in the project of \$229 million. With an additional investment of \$80 million, a major portion of AIDEA's total asset base of \$1.3 billion would be invested in one project. It is possible that the project could be structured as a revenue bond issuance that would not affect or rely on AIDEA's assets or credit. Before AIDEA could participate in the project under AIDEA's Development Finance program, all of the statutory requirements for such projects would need to be satisfied and the Authority's board would need be required to approve such participation.

c

**Section 23(b) – City of Nome Port Authorization-** The bill authorizes AIDEA to issue up to \$30 million in bonds for the improvement and expansion of the existing port facilities in the City of Nome. The proposed project will create a new channel to the inner port in Nome. It includes a new 28-foot breakwater parallel to the existing causeway. The new entrance channel will improve navigational safety and reliability and the breakwater will create a protected turning basin. Part of the existing channel will be filled to provide a new access road to the sand spit which will be protected by a rip rap seawall connecting to the existing seawall in front of town. Additional port improvements are also anticipated.

**Background.** Nome's port has the second largest volume of incoming cargo in the state. At present, limited access, safety and situation problems significantly burden the port. Port improvements will increase economic activity and employment in fisheries and fuel and cargo that is distributed throughout the region on smaller vessels. It is anticipated that the U.S. Corp of Engineers will reimburse a significant portion of the costs following construction.

AIDEA has not yet performed its due diligence with respect to the proposed project. The timing of the project, however, requires that legislative authorization for the project be obtained during the current legislative session. Until AIDEA's due diligence is complete, it is unclear if AIDEA will participate in the project and if so, what form AIDEA's participation might take. It is possible that the project could be structured as a conduit bond issuance that would not affect or rely on AIDEA's assets or credit. Before AIDEA could participate in the project under AIDEA's Development Finance program, all of the statutory requirements for such projects would need to be satisfied and the Authority's board would need be required to approve such participation.

#### **Section 24 – Effective Date**

This section provides that section 21 (repeal of the Business Assistance program sunset) becomes effective June 30, 1998. The special effective dates are required to ensure that the sunset does not take effect creating confusion and possibly requiring the re-enactment of certain provisions.

#### **Section 25 – Effective Date**

This provision provides that (except for section 21) the bill becomes effective July 1, 1998. This allows the bills changes to become effective at the beginning of the fiscal year allowing a smooth transition into the new Business and Export Assistance program and ensuring continuity in AIDEA's bonding authority.

# Alaska State Legislature

Mailing Address:  
P.O. Box 55094  
North Pole, Alaska 99705  
Ph: (907) 488-0862  
Fax: (907) 488-4271



MIKE MILLER  
President of the Senate

While in Juneau  
State Capitol  
Juneau, Alaska  
99801-1182  
Ph: (907) 465-4976  
Fax: (907) 465-3883

Senate District Q

## MEMORANDUM

TO: Senator Jerry Ward, Chairman  
Senate Transportation Committee

FROM: Senator Mike Miller  
President of the Senate

A handwritten signature in cursive script that reads "Mike Miller" with a long horizontal line extending to the right.

DATE: April 9, 1998

RE: Scheduling Request for HB386

Per our previous discussion, please schedule HB386 for a hearing at your earliest convenience. Thank you.

If you have questions regarding this request, please call me or Portia in my office at 4711.



Testimony Allowed  
5 min. time limit

Lydia Fax 465-~~2832~~  
3766

# LEGISLATIVE TELECONFERENCE NETWORK SIGN-IN SHEET

80673

SPONSOR: Senair Transportation

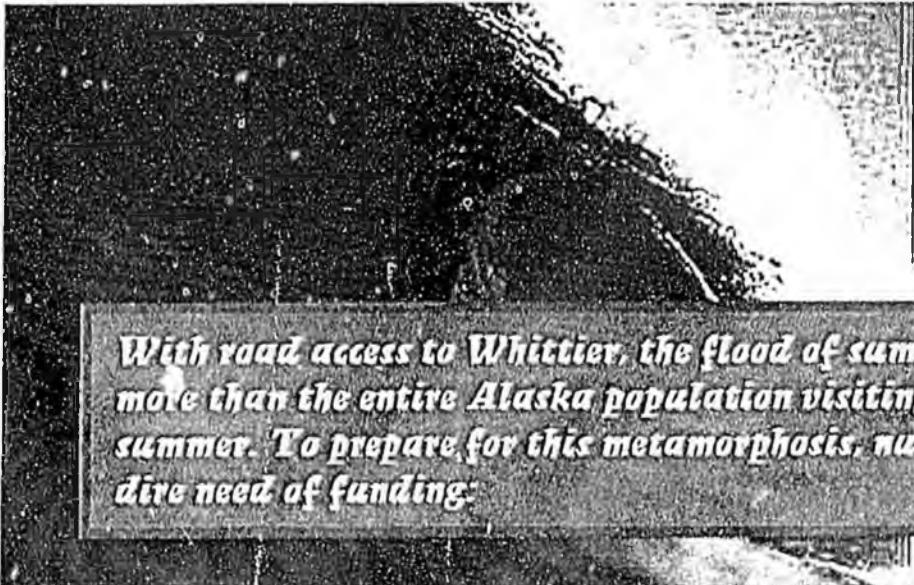
SUBJECT: HR 373 - HB 432

START/END TIME: 1:30 DATE: 4-16 HB 552

## PLEASE PRINT

	Name/Representing	Address	Zip	Phone No.	Testify	Observe	Bill No.
1.	✓ Donn Ketner	Anch Int'l Airport		266-2532		✓	432
2.	✓ JOHN UNGAR	"		266-2541		✓	432
3.	TRAV STARBUCK / RISE ALASKA	880 H STREET ANCHORAGE	99501	276-8094		✓	432
4.	✓ JIM DOKOZIAN / Bagalra Hall	1700 Shore Dr Anchorage	99515	227-1124 cell 249-5637	✓		432
5.	✓ BOB LANCE	PO. BOX 190756 ANCHORAGE AK	99519	248-2625	✓		432
6.	✓ JOHN STEINER	10350 AGO		269-5161		✓	432
7.							
8.							
9.							
10.							
11.							
12.							
13.							
14.							
15.							

266-2565



*With road access to Whittier, the flood of summer visitors will be akin to more than the entire Alaska population visiting the 600-acre townsite every summer. To prepare for this metamorphosis, numerous improvements are in dire need of funding:*

- **Planning Document Update**
- **Water/Sewer/Streets Upgrade**
- **Ferry Terminal Reconstruction**
- **Community Services Expansion**
- **Government Facility Improvements**
- **Small Boat Harbor Expansion**
- **Roadside Enhancements**
- **Environmental Stewardship**
- **Encouragement of Private Sector**



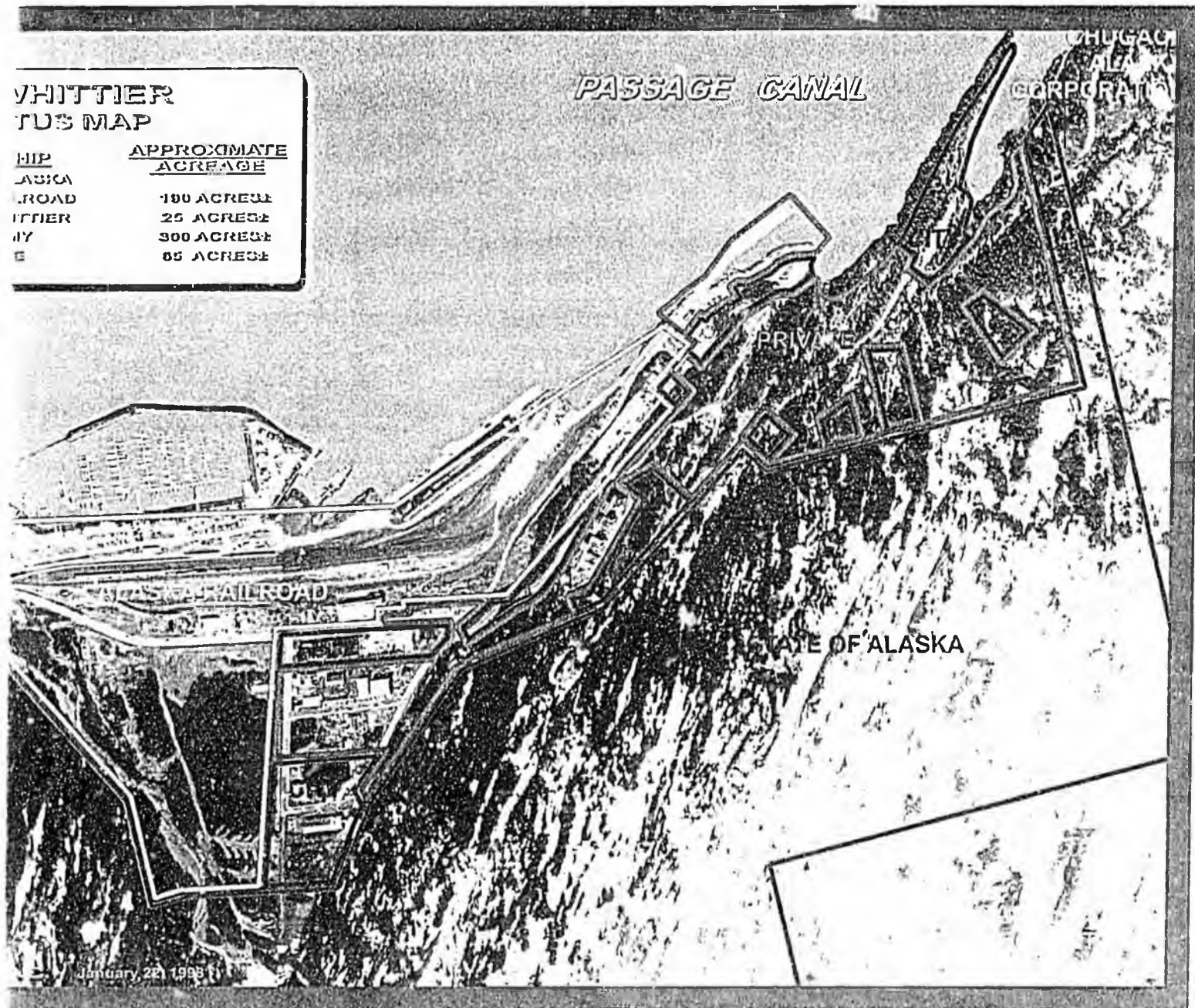
## **The City of Whittier**

*Detailed documents on individual projects available on request.  
For information contact:*

Carrie L. Williams, City Manager, City of Whittier  
P.O. Box 608, Whittier, Alaska 99693  
Tel.: (907) 472-2337 Fax: (907) 472-2404  
E-mail: [jqfv74a@prodigy.com](mailto:jqfv74a@prodigy.com)

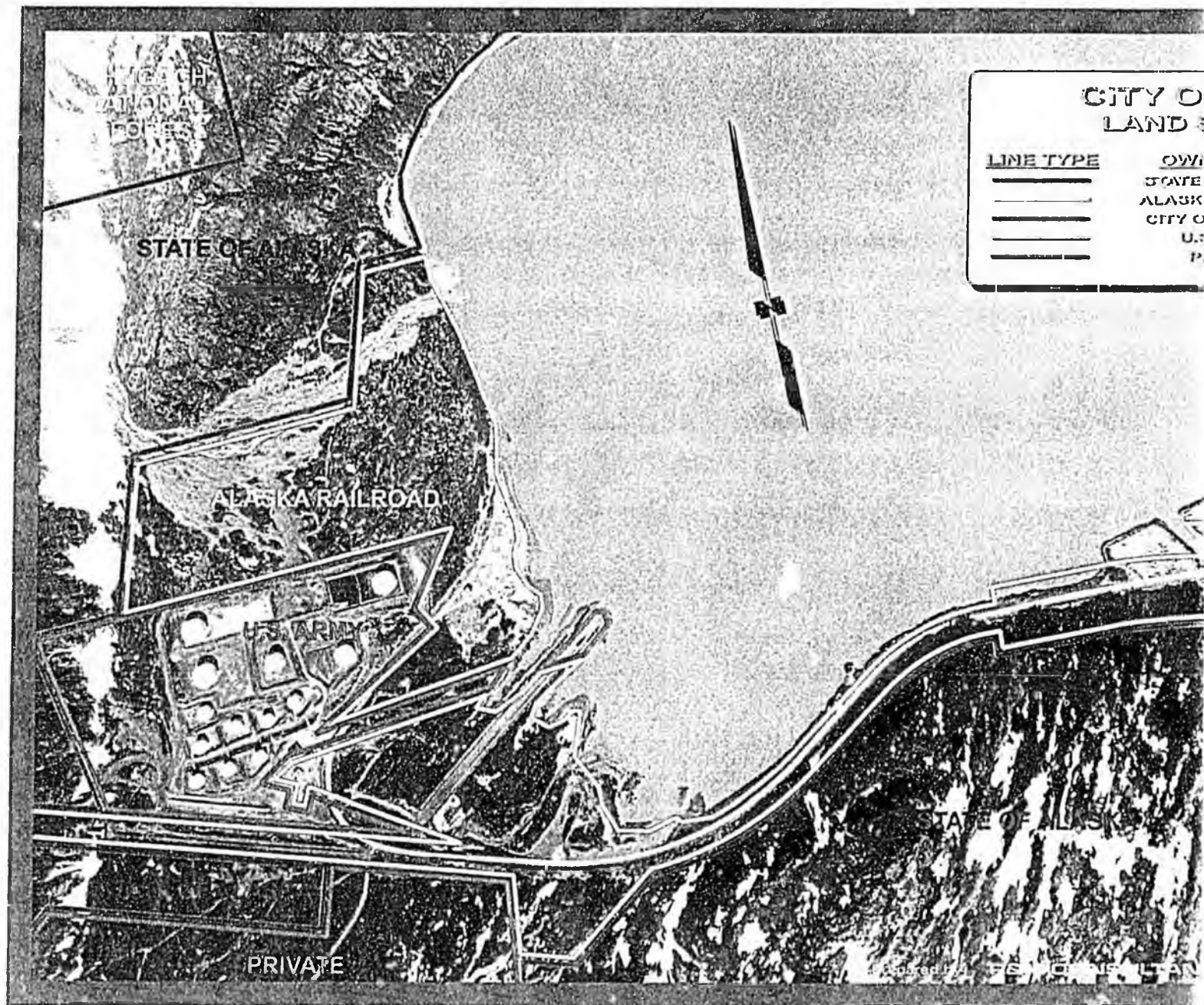
**WHITTIER  
TUS MAP**

<u>HP</u>	<u>APPROXIMATE ACREAGE</u>
ALASKA	180 ACRES
ROAD	25 ACRES
WHITTIER	300 ACRES
BY	65 ACRES



*planned for completion in 2000. The road was funded primarily to  
side the state. During the first year Whittier expects 897,000 visitors,  
ic Facilities estimates that the average daily traffic count will reach  
y needed infrastructure, services, and economic development.*

much more. The taxable land base and city sales tax proceeds are inadequate to fund the community services that will be needed. Annual City of Whittier revenue from all sources is approximately \$650,000. The core community area of about 600 acres includes only about 300 acres of private land. Available private properties in Whittier are steep, rocky lots on which construction is difficult and expensive. Railroad leasehold properties are taxable, but state and federal lands are not. Expected population increases with road access will not generate the taxes and other contributions needed to pay for police, fire, water, sewer, or emergency medical services.



***A ROAD CONNECTING WHITTIER WITH ALASKA HIGHWAYS***  
*open Prince William Sound to Southcentral Alaska and visitors from over  
 a 10-fold increase, and the Alaska Department of Transportation & Public  
 Safety, 5,342. State encouragement of road access must be supported with critical*

Whittier is on a delta on the south shore of Passage Canal in Prince William Sound. The town is bordered by mountain ridges, state and federal lands, and the Chugach National Forest. During the first year of road access, this community of 297 persons is expected to be inundated with 897,000 visitors, more than 10 times the average annual number of visitors received previously. Whittier will be unable to provide necessary services without major outside investment. Visitors will burden the already overloaded community with requirements for parking, rest areas, campsites, water, sewer, boat launches, trails, parks, lodging, transportation, boat dockage, public safety, health care, public information, food service, and

**How will tiny Whittier cope with HUNDREDS OF THOUSANDS of visitors?**

**MILLIONS OF DEVELOPMENT DOLLARS MUST BE INVESTED SOON.**

### ■ **Planning Document Update**

Update of the City of Whittier's 1995 comprehensive plan is crucial. Detailed outlines of goals and policies, public needs, anticipated growth, and necessary development are needed *now*.

**\$0.2M**

### ■ **Water/Sewer/Streets Upgrades**

Upgrade of water, sewer, and streets is urgent. Sewer and water services are in violation of EPA regulations. Easements for utility upgrades may be difficult to acquire: The Alaska Railroad Corporation (ARRC) has not granted easements for existing utility operations on its property. Whittier's 14 miles of main roads (10 miles paved) are ARRC-owned, and city employees must trespass to maintain them. Road erosion is reaching critical proportions, threatening to cut off the town from the railroad tunnel.

**\$4.7M**

### ■ **Ferry Terminal Reconstruction**

With road access, major reconstruction of the ferry terminal and dock will be needed. The city has requested regular service of the *MVs Bartlett* and *Kennicott* - if dock reconstruction can be completed.

**\$4.5M**

### ■ **Community Services Expansion**

Police protection, fire and rescue, health care, and recreation opportunities need to be expanded, and public parking and transportation should be instituted. There are 4 times as many calls for volunteer EMT assistance in summer than in winter, and volunteers cannot respond to all emergencies. Upon road completion, the Alaska Department of Transportation & Public Facilities will require the city to employ 2 EMT-3s and certified fire-fighting staff. A contract physician from Kenai is trying to provide service to the city clinic in Begich Towers 2 days a week.

**\$1.5M**

### ■ **Small Boat Harbor Expansion**

The Whittier Small Boat Harbor, with 332 berths and 100 parking spaces, operates beyond capacity and will need extensive improvements. More than 750 vessels are on the harbor wait list for permanent moorage, and the list is continuing to grow by about 21 vessels a month. Most wait list customers are Anchorage residents. The city will assume ownership of the harbor, and expansion will be needed to accommodate increased private, excursion, and charter traffic.

**\$15.5M**

### ■ **Government Facility Improvements**

New government facilities are needed to meet community requirements and comply with federal regulations. (*All city facilities contain asbestos and are non-ADA-compliant.*) City offices are in 4 apartments in Begich Towers, a residential building. Council chambers (in another building) with no telephone/teleconference capabilities also serve as courtroom, fire hall, and a meeting place for the planning commission, port and harbor commission, and emergency training. When the facility has been unusable because of roof leaks, lack of heat, or flooding, meetings have been held at a local bar.

**\$2.5M**

### ■ **Roadside Enhancements**

Day use is expected to increase from an annual average of 17,000 to 74,000 in the first year the road is open. Urgently needed enhancements include a third boat ramp and more and improved campsites. Bank fishing areas, bike paths, sidewalks, parking, picnic tables, waste facilities, and trash collection for visitors are necessary but *nonexistent*. Two existing boat ramps are over-utilized. Unimproved campsites behind Begich Towers accommodate only 12 medium-sized campers. There are no dumpstations or water/ electrical hookups for RVs. The state will complete 6 miles of hiking trails in Shotgun Cove in 1998, but more are needed. Areas that could be developed for enhancements are on state lands and would require site control.

**\$3.0M**

### ■ **Environmental Stewardship**

Environmental concerns are extensive and solutions will be costly. Increased human presence may complicate existing concerns, inhibiting private development and exacerbating regulatory compliance issues. Three FUDS (the harbor, the tank farm, and the former military power generation site) are designated for cleanup, and there are numerous potential cleanup sites.

**\$25.0M**

### ■ **Encouragement of Private Sector**

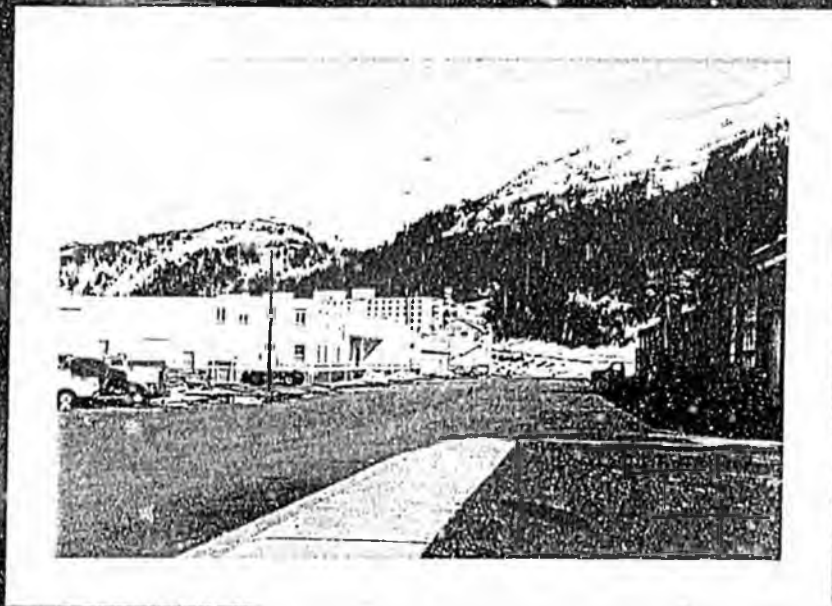
Programs such as marketing, promotion, grants, and loans would enable private businesses to undertake some of the development projects required in Whittier. Available lands are scant, and acquisition of state-owned land is crucial to allow leasing to support new enterprises. Development of food service, lodging, transportation, and community services will enhance the visitor's experience at Whittier.

**\$1.5M**

**Road access  
to Whittier will**

**DELUGE**

**this small community  
with needs for added  
infrastructure.**



TONY KNOWLES  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

HB 356  
P O Box 11000  
Juneau Alaska 99811-0000  
(907) 465-3500  
Fax (907) 465-3532

February 5, 1998

The Honorable Gail Phillips  
Speaker of the House  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear Speaker Phillips:

I am transmitting a bill to support economic development in Alaska and create jobs in the state by extending the bonding authority of the Alaska Industrial Development and Export Authority (AIDEA). The bill also merges AIDEA's export assistance program with its business assistance program to enable AIDEA to better serve Alaska businesses that export products and services. In addition, the bill clarifies provisions related to AIDEA's financing programs to make those programs more effective.

First, the bill extends AIDEA's general bonding authority which sunsets July 1, 1998. Bonding for development projects of \$10,000,000 or more would continue to require legislative approval. The ability of AIDEA to issue bonds is essential to fulfill the authority's statutory mission. Allowing AIDEA's bonding authority to expire would severely restrict its ability to assist in financing key development projects and also conduit revenue financing transactions that do not involve the credit of the AIDEA or the state. In 1997 alone, AIDEA issued tax-exempt conduit revenue bonds to help finance the Fort Knox gold mine (\$71 million) and the Goat Lake Hydroelectric project (\$23 million). These bonds helped lower the cost of financing for these projects without any financial risk to AIDEA or the state. The bill will ensure that AIDEA continues to have the ability to issue bonds that benefit Alaska businesses.

Second, the bill merges AIDEA's export assistance program with its business assistance program by repealing the export assistance program while modifying and continuing the business assistance program. AIDEA's 10-year old export assistance program does not meet the needs of the banks and businesses it was intended to serve and, in fact, has not been used by any Alaska business. While AIDEA has been able, in limited

The Honorable Gail Phillips  
February 5, 1998  
Page 2

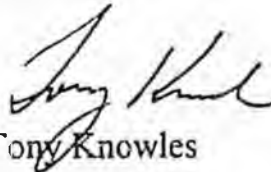
HN 386

circumstances, to support some export transactions through its business assistance program, the current structure is not effective for the types of Alaska export transactions prevalent today. This bill will create a business and export assistance program that can effectively support Alaska businesses that export goods and services.

The bill also clarifies other provisions of AIDEA's statutes, including strengthening AIDEA's ability to support economic development through its loan participation program and expanding the current limited confidentiality provision so it applies to all of AIDEA's financial programs.

It has been thirty years since our predecessors had the forethought to create AIDEA. Since that time, AIDEA has helped create thousands of jobs for Alaskans by forging public-private partnerships that strengthen the state's economic base. This bill will ensure that AIDEA has the tools to continue its vital mission to benefit Alaskans today and in future generations. I urge your prompt consideration and passage of this bill.

Sincerely,



Tony Knowles  
Governor