

ALASKA LEGISLATURE COMMITTEE FILES 2001-2002 866/2

10353 HOUSE LABOR & COMMERCE

198

Department of Revenue

HB 512 - Unfair Cigarette Sales Act - Bill Analysis (April 25, 2002)

Page 3 of 3

Line-by-Line Analysis:

Page 1, Lines 9-12: The intent of this Act is not achieved with the language of the bill because only cigarette sellers with wholesaler-distributor licenses are affected by this bill. The majority of Alaska's cigarette sellers are not wholesaler-distributors.

Page 2, Sec. 45.53.200: This section should include all license types found in AS 43.50, not just wholesaler-distributors and retailers.

Page 2, Line 13: Subsection (b) only applies to direct-buying retailers. This subsection should include all retailers. Direct-buying retailers only includes those retailers that purchase their cigarettes from out of state. Cigarette retailers that purchase their cigarettes within the state would not be affected by this subsection.

Entire bill: All references to wholesaler-distributors should be expanded to include all license types under AS 43.50.

Page 4, Line 4: This reference to retailer only includes those retailers licensed by the Department of Community and Economic Development and may or may not include retailers licensed under AS 43.50.010. Language should be expanded to include all retailers.

Page 4, Line 15: Trading area is not defined in the bill.

Page 4, Sec. 45.53.260: The cost survey required under this bill would be difficult and expensive to conduct. Neither the Department of Revenue nor the Department of Community and Economic Development currently receives adequate information to perform a cost survey of the magnitude required under the bill. There are approximately 1,700 cigarette retailers in the state. Fewer than 20 of these retailers report to the Department of Revenue with cost information. All 1,700 retailers in the state would have to be surveyed in order to complete a cost survey under this bill. Alaska's cigarette excise tax is levied on the number of cigarettes imported into the state, not the value or cost of the cigarettes. Calculation of a statewide distributor cost could be simplified by using the average cost of cigarettes charged by the major manufacturers (data that we currently receive) plus some percentage cost of doing business, e.g., 4 or 5 percent. Calculation of a statewide retail cost could also be simplified to be the state distributor cost calculated above plus an additional percentage cost of doing business, e.g., 6 to 10 percent.

Page 5, Sec. 45.53.280: The Department of Revenue should not be tasked with taking action against persons who violate the Unfair Cigarette Sales Act because there is no connection to cigarette revenues. And if the Department of Revenue is responsible to prevent, restrain or enjoin persons from violating the Act, those persons should be allowed to avail themselves of the appeal process under Title 43 which is currently provided taxpayers.

Page 6, Line 1: There are no cigarette licenses of any type issued under AS 45.53. Licenses to import cigarettes are issued by the Department of Revenue under AS 43.50. Licenses to sell cigarettes are issued by the Department of Community and Economic Development under AS 43.70. The language of the bill should be changed to reflect the proper licensing statutes.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 512
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Law
 Title "An Act relating to cigarette sales; . . ." BRU Civil Division
 Component Commercial Section
 Sponsor House Finance Committee Fair Business Practices
 Requester House Labor and Commerce Committee Component No. 2211; 2206

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	104.8	104.8	104.8	104.8	104.8	104.8
Travel	0.2	0.2	0.2	0.2	0.2	0.2
Contractual	20.1	20.1	20.1	20.1	20.1	20.1
Supplies	1.8	1.8	1.8	1.8	1.8	1.8
Equipment	13.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	139.9	126.9	126.9	126.9	126.9	126.9

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	139.9	126.9	126.9	126.9	126.9	126.9
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	139.9	126.9	126.9	126.9	126.9	126.9

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time	2	2	2	2	2	2
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 512 creates the "Unfair Cigarette Sales Act," and prohibits a wholesaler-distributor or retailer from certain unfair sales and advertising practices relating to the sale of cigarettes if the intent is to injure, destroy, or substantially lessen competition. The Department of Revenue is charged with enforcing the act.

The Department of Law will represent the state in antitrust and licensing enforcement actions. Assuming not more than ten investigations are undertaken per year, based on prior experience in conducting predatory pricing investigations, we estimate the services of one-half a FTE attorney and one-half of a FTE paraprofessional will be required. These positions would be located in the Fair Business Practices section.

Because only 18 retailers would be covered by the license revocation provisions of this bill, we expect no more than one potential revocation case per year. Again based on prior experience, we estimate a case would require approximately 75 hours of attorney time, and 40 hours of paraprofessional time. These cases would be undertaken by the Commercial section.

Prepared by: Joan M. Kasson Phone (907) 465-5370
 Division Attorney General's Office Date/Time 4/26/02 11:36 AM
 Approved by: Kathryn Daughettee for Bruce M. Botelho, Attorney General Date 4/26/2002
 Agency Department of Law

HB 512
314
512

MADAM CHAIRMAN & REPRESENTATIVES OF THE COMMITTEE

April 26, 2002

HB 512 Unfair Cigarette Sales Act

There are 25 states in the union plus the District of Columbia that have specific legislation dealing with Unfair Cigarette Sales practices. HB 512 would end unfair cigarette practices in Alaska. The intent of the legislation is to :

1. End predatory pricing practices with regard to selling cigarettes at or below cost
2. Create a level playing field for competition FOR ALASKA ^{Small} BUSINESS IN ALASKA
3. Reduce youth access to cigarettes by ending below cost sales of cigarettes.

The climate in cigarette sales has changed dramatically over the years. Due to efforts of the health service community, the American Cancer Society and, bolstered by the Master Settlement Agreement, government, business and the public as a whole have come to recognize that cigarettes are a commodity with which are associated certain health risks and, as such, must be marketed and sold in a manner different from the common "free enterprise" products. These changes reflect a philosophical change toward more control of how commerce in cigarette sales is conducted and how to prevent youth access, together with the philosophy of assisting the legitimate business interest in complying with ~~the~~ tobacco laws without losing the ability to sell these products.

In Alaska the manufacturer's list price on a carton of cigarettes is the same for every wholesale distributor regardless of the volume purchased. The current manufacturer's list price for a carton of full revenue cigarettes is \$27.64. The state of Alaska collects \$10.00 in excise tax for every carton, bringing the basic

wholesale cost on a carton of cigarettes to \$37.64. The Department of Revenue receives a copy of every manufacturers invoice for each carton of cigarettes imported into the state. These invoice copies assure the state that the licensed wholesalers are remitting the appropriate amount of excise tax to the state. ^{BASED ON THESE INVS.} The department can verify that the invoice cost on cigarettes is the same for all wholesalers.

The actual retail ^{price} on a carton of cigarettes can range anywhere from the mid thirty dollar range to the high forties. Today in Ketchikan you can buy a carton of Marlboro's from a large national chain store for \$35.15. Large Multi-state chain stores are employing predatory pricing practices by using price promotions on cigarettes to attract store traffic. The result of these pricing practices is to keep the cost on a carton of cigarettes artificially low.

Large national chain stores can absorb the cost of selling cigarettes at ~~an~~ artificially low prices ^{or below cost} because they are going to make up any short-fall on the sale of cigarettes by selling a TV or VCR to a consumer who comes to their store in part because of the cheap cigarette prices. Tobacco wholesalers do not have the luxury of making up for low margin sales by selling high end consumer goods. And these predatory pricing practices by the large multi-state operators are injuring fair competition in the wholesale distribution community. In addition one unintended consequence of keeping the cost of cigarettes artificially low is that it provides greater access to these products by underage consumers.

The question you have to ask yourself is "are cigarettes the type of commodity that should be marketed and promoted on the basis of price?" Based on the fact that Alaska is among one of the few states charging the highest cigarette excise taxes in the nation, I suspect that the answer is that Alaska does not advocate the marketing of cigarettes based on reduced pricing.

The passage of HB 512 will create a new law that will mandate minimum price requirements for cigarettes at wholesale and retail. This law will minimize the potential for wholesalers and retailers to reduce the price of these products as a means of marketing cigarettes to minors. And it creates a level playing field for Alaska based wholesale distributors by ending predatory pricing practices of large multi-state operators.

The department of revenue had some initial reservations regarding this legislation however, we have worked closely with representatives from the Department and I believe that this legislation in its current form addresses all of their concerns.

I urge your support of HB 512 and ask for a favorable recommendation from this committee.



Alaska State Legislature

Please enter into the record my testimony to the LABOR & COMMERCE committee name

committee on HB 512, dated _____, bill/subject

Thank you for the time today. We ARE IN FAVOR OF HB 512 FOR A couple OF REASONS. (1) this would bring the price of smokes up a little more since the huge tax passed a few years ago. So for the same reason that the tax was accepted would also apply to this bill. curbing youth smoking According to our Gov, he says that since he got this tax applied youth smoking has declined. This is our 1st & most important reason for HB 512.

(2) It would level the playing field of ~~business~~ those involved with selling smokes. It would keep people from selling below cost or at cost to drive others out of business.

So I would ask that this committee pass this bill out to the next for helping to keep our youth from smoking.

Thank you
[Signature]
Bobby Scott

Signed: *[Signature]*

Testifier

JANIS DIST.

Representing (Optional)

1807 W. 47th Ave Anchorage, AK, 99517

Address

243-5267

Phone No.

HB

520

ALASKA STATE LEGISLATURE

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HOUSE LABOR AND COMMERCE COMMITTEE

Sponsor Statement

HB 520

Business License Fees/Business Development Fund

House Bill 520 doubles the business licensing fees from \$25 to \$50 per year and creates a new Trade and Business Development fund from which the legislature can appropriate money to fund the administrative expenses of the business licensing program and operate the department's international trade and business development activities.

House Bill 520 also repeals the International Trade and Business Endowment Fund and essentially replaces it with the Trade and Business Development fund into which all business licensing fees receipts will be deposited. Repealing the International Trade and Business Endowment fund will free up approximately \$5 million in general funds and make it immediately available for appropriation.

Business licensing fees have remained unchanged since 1949. Currently, there are approximately 76,000 two-year licensees resulting in approximately \$1.9 million each year. Doubling the business licensing fees, even with an anticipated reduction in licensees, will generate approximately \$3.6 million in revenue each year ensuring a steady funding source for economic development in the state, funded by those benefiting from the service.

HB 520

Statutorily Creating new Trade and Business Development Fund (Non-GF). Repealing International Trade and Business Endowment, and Doubling Business Licensing Fees

Business licensing currently brings in approximately \$1.9 million in fees each year (76,000 2-year licensees; 33,000 biennial renewals/year at \$50 = \$1.9 million). Administrative costs for the program are approximately \$550,000 per year. The business license fee, \$25 per year, has remained unchanged since 1949.

If fees were doubled, a small reduction in total licensees is anticipated: 36,000 renewals/year at \$100 = \$3.6 million in revenues.

HB 520:

- Amends AS 43.70.030 to raise the business licensing fee from \$25 per year to \$50 per year. We would continue to issue biennial (2-year) licenses, for \$100 each.
- Amends AS 43.70.080 to create a new Trade and Business Development fund into which all business license fee receipts are deposited, and from which the legislature can appropriate money to fund (1) the administrative expenses for running the business licensing program, and (2) expenses to operate the department's international trade and business development activities.
- Amends AS 37.05.146(b)(4) to add a new subparagraph (AAA) providing that appropriations from the new Trade and Business Development fund are not made from the general fund.
- Repeals the International Trade and Business Endowment Fund (AS 37.17.440), since funding for these programs would now come from the new fund. The balance of the endowment, approximately \$5 million is deposited into the general fund on the effective date of the act (July 1, 2002), and is thus available for appropriation.

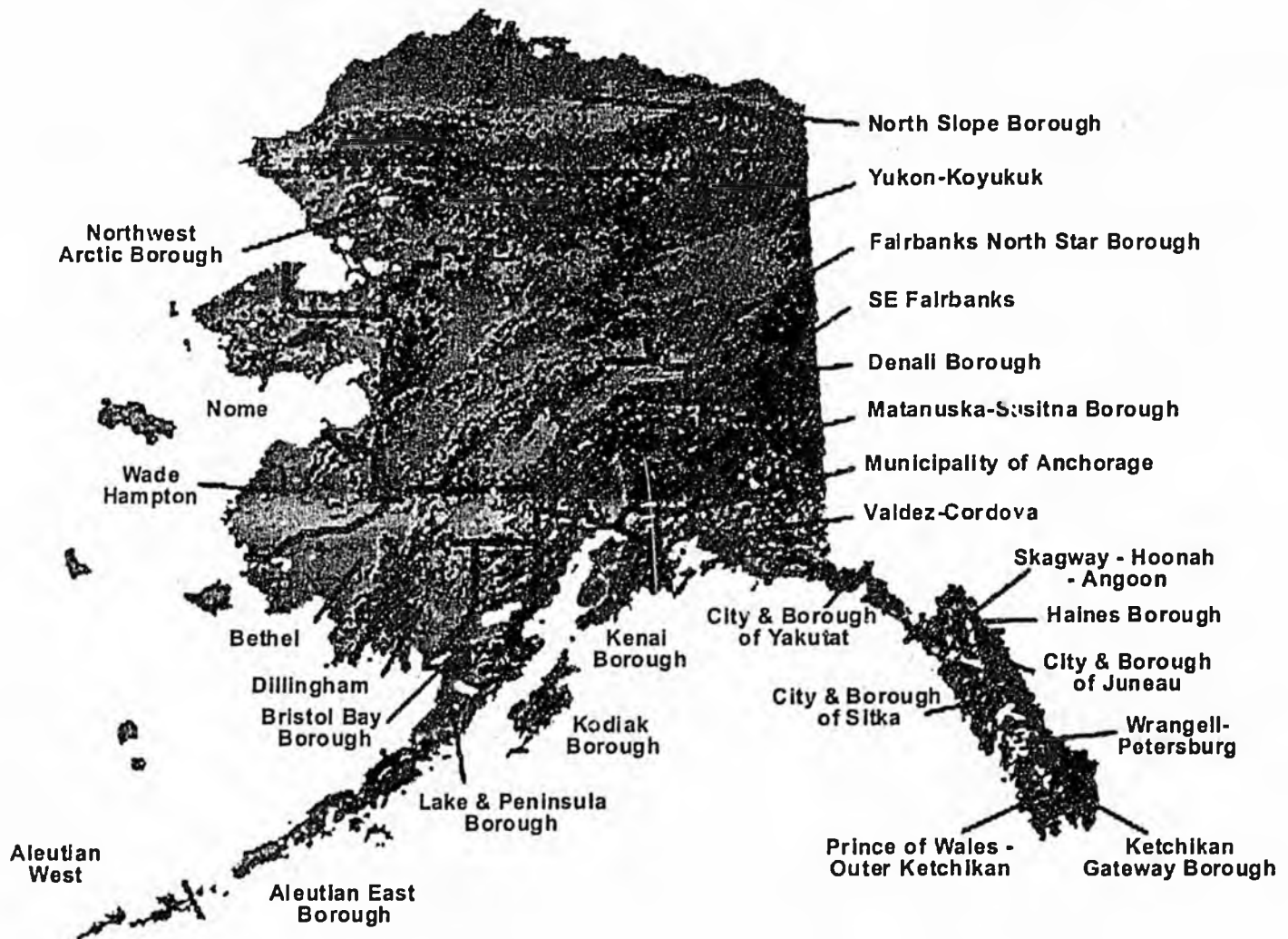
Through fiscal notes, the balance in the new fund would be appropriated to pay for (1) the business licensing administrative costs (\$554,700), (2) the international trade program (\$1.5 million), and (3) the business development activities, including the proposed funding for the Alaska Economic Information System (AEIS) (\$1.55 million). The fiscal notes would show a funding source change and a GF reduction from those programs as follows:

1. Administrative costs for business licensing program (\$554,700);
2. For international trade activities, excluding specific designated grants (Northern Forum, World Trade Center, Export Assistance Program) (\$1.2 million); and
3. For the economic development activities of the Division of Community and Business Development, including tourism development (\$1.275 million).

This will also additionally fund the following through non-GF funds:

1. The AEIS increment (\$270,300); and
2. Replacement of funding from the repealed endowment (\$300,000).

Alaska Census Areas



Interactive Map Based Economic Information System

ALASKA ECONOMIC INFORMATION SYSTEM – the *AEIS*

Growing the Base Economy of Alaska

The AEIS is a tool to help grow Alaska's base economy. It is a content-rich, web-based economic database that describes and analyzes the Alaska economy by industry sector and census area. It is based on the belief that good information is the foundation for investment, development and opportunity.

Features: The AEIS will:

- Provide timely, current, **Alaska-Specific** information
- Tell prospective investors about our resources and opportunities
- Create a baseline for evaluating industry activity
- Offer a user-friendly, easy-to-navigate format
- House the most comprehensive economic development site on Alaska

Contents: Good information is the staple of sound decision making. The AEIS provides and collates a vast amount of economic and supporting information through:

- **Economic Development Narratives.** Each census area contains a regional economic overview and economic narratives on oil and gas, tourism, mining, fisheries, agriculture, timber, transportation, utilities, energy and subsistence.
- **Portal to Relevant Material.** The AEIS will link directly to many supporting websites, as well as to specific plans, studies, reports and other related documents.
- **Source Material Availability.** The website is graphics-rich and supported throughout with source material. The user can "drill down" from the narratives and graphics and find the charts, figures, tables and databases that support the text.

Users: Information about Alaska and its regional economies will be available globally. We anticipate users will include:

- | | | |
|------------------------|-------------------------|----------------------|
| • Investors | • Local Residents | • Entrepreneurs |
| • College Students | • Corporations | • Industry Staff |
| • Local Governments | • Researchers | • Rural Campuses |
| • State Agencies | • Federal Agencies | • Small Business |
| • Regional Non-Profits | • Tribes | • Rural Schools |
| • ED Organizations | • Community Non-Profits | • Trade Associations |

The Alaska Economic Information System puts the state's economy, industries and regions at the fingertips of the world. It combines economic information and electronic access in a dynamic format meant to serve Alaskans by promoting opportunities for economic development.

For further information contact: Peter Freer, 465-4815

*Alaska Department of Community and Economic Development
Division of Community and Business Development*

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 520
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title Trade and Business Dev Fund BRU Occupational Licensing
Component Occupational Licensing
Sponsor _____ Component No. 2360
Requester _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	(550.0)	(550.0)	(550.0)	(550.0)	(550.0)	(550.0)
1037 GF/Mental Health						
Other Trade & Business Dev Fund	550.0	550.0	550.0	550.0	550.0	550.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal: x

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Business Licensing currently brings in approximately \$1.9 million in fees each year. The business license fee of \$25 per year has remained unchanged since 1949. If fees were doubled, we anticipate a small reduction in total licensees but would predict bringing in \$3.6 million per year.

In creating the new Trade and Business Development fund into which all business license fees are deposited, we would ask for appropriations from the fund for:

1. administrative expenses for running the business license program (\$550.0)
2. operating the department's business development and international trade activities (\$3,050.0)

This fiscal note shows the fund source change from GF/PR to the new Trade and Business Development Fund. There are also fiscal notes for the Division of Community and Business Development and the Division of International Trade and Market Development.

Prepared by: Lena Simmons, Budget Analyst Phone _____
Division Administrative Services Date/Time 4/17/02 9:29 AM
Approved by: Deborah Sedwick, Commissioner Date 4/17/2002
Agency Community and Economic Development

DRAFT

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 520
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title Trade and Business Dev Fund BRU Community Assistance & Econ Dev
Component International Trade & Market Dev
Sponsor _____
Requester _____ Component No. 2551

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	(196.4)	(196.4)	(196.4)	(196.4)	(196.4)	(196.4)
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	(196.4)	(196.4)	(196.4)	(196.4)	(196.4)	(196.4)

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1115 International Trade & Business End)	(5,000.0)	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	(1,200.0)	(1,200.0)	(1,200.0)	(1,200.0)	(1,200.0)	(1,200.0)
1005 GF/Program Receipts						
1115 International Trade & Business End	(5,000.0)	(496.4)	(496.4)	(496.4)	(496.4)	(496.4)
Other Trade & Business Dev Fund	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0
TOTAL	(4,700.0)	(196.4)	(196.4)	(196.4)	(196.4)	(196.4)

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal: **x**

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Business Licensing currently brings in approximately \$1.9 million in fees each year. The business license fee of \$25 per year has remained unchanged since 1949. If fees were doubled, we anticipate a small reduction in total licensees but would predict bringing in \$3.6 million per year.

In creating the new Trade and Business Development fund into which all business license fees are deposited, we would ask for appropriations from the fund for:

1. administrative expenses for running the business license program (\$550.0)
2. operating the department's business development and international trade activities (\$3,050.0)

This fiscal note shows the fund source change in the Division of International Trade and Market Development, which would be used to fund international trade activities in the division. This fiscal note also shows the elimination in FY 03 of the International Trade and Business Endowment (approximately \$5,000.0) There are also fiscal notes for the Division of Occupational Licensing and the Division of Community and Business Development.

Prepared by: Lena Simmons, Budget Analyst Phone _____
Division: Administrative Services Date/Time 4/17/02 9:29 AM
Approved by: Deborah Sedwick, Commissioner Date 4/17/2002
Agency: Community and Economic Development

DRAFT

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 520
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title Trade and Business Dev Fund BRU Community Assistance & Econ Dev
Component Community & Business Dev
Sponsor _____
Requester _____ Component No. 2486

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	275.0	275.0	275.0	275.0	275.0	275.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	275.0	275.0	275.0	275.0	275.0	275.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (Trade & Business)	275.0	275.0	275.0	275.0	275.0	275.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	(1,275.0)	(1,275.0)	(1,275.0)	(1,275.0)	(1,275.0)	(1,275.0)
1005 Gov't Program Receipts						
1037 GF/Mental Health						
Other Trade & Business Dev Fund	1,550.0	1,550.0	1,550.0	1,550.0	1,550.0	1,550.0
TOTAL	275.0	275.0	275.0	275.0	275.0	275.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Business Licensing currently brings in approximately \$1.9 million in fees each year. The business license fee of \$25 per year has remained unchanged since 1949. If fees were doubled, we anticipate a small reduction in total licensees but would predict bringing in \$3.6 million per year.

In creating the new Trade and Business Development fund into which all business license fees are deposited, we would ask for appropriations from the fund for:

1. administrative expenses for running the business license program (\$550.0)
2. operating the department's business development and international trade activities (\$3,050.0)

This fiscal note shows the appropriation of funding to the Division of Community and Business Development, which would be used to fund economic development activities in the division. There are also fiscal notes for the Division of Occupational Licensing and the Division of International Trade and Market Development.

Prepared by: Lena Simmons, Budget Analyst
Division: Administrative Services
Approved by: Deborah Sedwick, Commissioner
Agency: Community and Economic Development

Phone: _____
Date/Time: 4/17/02 9:29 AM
Date: 4/17/2002

DRAFT

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 520
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Business License Fees/Business BRU Community Assist & Econ. Dev. (405)
Development Fund Component Community & Business
 Sponsor House Labor & Commerce Development
 Requester House Labor & Commerce Component No. 2486

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	270.3	270.3	270.3	270.3	270.3	270.3
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	270.3	270.3	270.3	270.3	270.3	270.3

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	(1,275.0)	(1,275.0)	(1,275.0)	(1,275.0)	(1,275.0)	(1,275.0)
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF						
Trade & Business Development Fund	1,545.3	1,545.3	1,545.3	1,545.3	1,545.3	1,545.3
TOTAL	270.3	270.3	270.3	270.3	270.3	270.3

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal: X

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 Please see second page.

Prepared by: Lena Simmons, Budget Analyst Phone 907-465-2587
 Division: Administrative Services Date/Time 4/19/02 3:10 PM
 Approved by: Deborah B. Sedwick, Commissioner Date 4/19/2002
 Agency: Department of Community & Economic Development

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. HB 520

ANALYSIS CONTINUATION

There are approximately 76,000 active business licenses. The business license fee is \$50.00 for a two year license. Approximately half of the licenses are up for renewal each year, so \$1.9 million in fees are generated annually. The business license fee of \$25 per year has remained unchanged since 1949. With the doubling of the fee a small reduction in total licensees is anticipated, but \$3.6 million in revenue per year is estimated.

In creating the new Trade and Business Development fund into which all business license fees are deposited, we would ask for appropriations from the fund for: 1.) administrative expenses for running the business license program (\$554.7) and 2.) operating the department's business development and international trade activities (\$3,045.3).

This fiscal note shows the fund source change from the General Fund (GF) to the new Trade & Business Development Fund in the Division of Community and Business Development, which would be used to fund economic development activities in the division. The increased authorization would fund continuation of the Alaska Economic Information System (AEIS), a digital information system that brings together a vast array of state, federal and private data about the state's economy, resources and communities. This system is accessible by both the private and public sector for business development and community planning. There are also fiscal notes for the Division of Occupational Licensing and the Division of International Trade and Market Development.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 520
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Business License Fees/Business BRU Community Assist & Econ. Dev. (405)
Development Fund Component International Trade & Market
 Sponsor House Labor & Commerce Development
 Requester House Labor & Commerce Component No. 2551

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	(196.4)	(196.4)	(196.4)	(196.4)	(196.4)	(196.4)
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	(196.4)	(196.4)	(196.4)	(196.4)	(196.4)	(196.4)

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

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
-------------------------------	------------	------------	------------	------------	------------	------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	(1,200.0)	(1,200.0)	(1,200.0)	(1,200.0)	(1,200.0)	(1,200.0)
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1115 International Trade & Business Endowment	(496.4)	(496.4)	(496.4)	(496.4)	(496.4)	(496.4)
Trade & Business Development Fund	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0
TOTAL	(196.4)	(196.4)	(196.4)	(196.4)	(196.4)	(196.4)

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal: X

POSITIONS

Full-time	0.0	0.0	0.0	0.0	0.0	0.0
Part-time	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: (Attach a separate page if necessary)

Please see second page.

Prepared by: Lena Simmons, Budget Analyst Phone 907-465-2587
 Division: Administrative Services Date/Time 4/19/02 3:07 PM
 Approved by: Deborah B. Sedwick, Commissioner Date 4/19/2002
 Agency: Department of Community & Economic Development

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. HB 520

ANALYSIS CONTINUATION

There are approximately 76,000 active business licenses. The business license fee is \$50.00 for a two year license. Approximately half of the licenses are up for renewal each year, so \$1.9 million in fees are generated annually. The business license fee of \$25 per year has remained unchanged since 1949. With the doubling of the fee a small reduction in total licensees is anticipated, but \$3.6 million in revenue per year is estimated.

In creating the new Trade and Business Development fund into which all business license fees are deposited, we would ask for appropriations from the fund for: 1.) administrative expenses for running the business license program (\$554.7) and 2.) operating the department's business development and international trade activities (\$3,045.3). This fiscal note shows the fund source changes in the Division of International Trade and Market Development, which would be used to fund international trade activities in the division. Since International Trade & Business Endowment earnings are not anticipated to be sufficient to fully fund the current authorization, we are replacing only \$300.0 of the International Trade & Business Endowment authorization with the Trade & Business Development fund.

This bill also eliminates the International Trade and Business Endowment and deposits the balance into the general fund (\$4,962.5 as of 3/30/02). There are also fiscal notes for the Division of Occupational Licensing and the Division of Community and Business Development.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 520
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Business License Fees/ Business BRU Occupational Licensing (117)
Development Fund Component Occupational Licensing
 Sponsor House Labor & Commerce
 Requester House Labor & Commerce Component No. 2360

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUES ()	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0
-------------------------------	----------------	----------------	----------------	----------------	----------------	----------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	(554.7)	(554.7)	(554.7)	(554.7)	(554.7)	(554.7)
1037 GF						
Trade & Business Development Fund	554.7	554.7	554.7	554.7	554.7	554.7
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Please see second page.

Prepared by: Lena Simmons, Budget Analyst Phone 907-465-2587
 Division Administrative Services Date/Time 4/19/02 3:07 PM
 Approved by: Deborah B. Sedwick, Commissioner Date 4/19/2002
 Agency Department of Community & Economic Development

FISCAL NOTE

**STATE OF ALASKA
2002 LEGISLATIVE SESSION**

BILL NO. HB 520

ANALYSIS CONTINUATION

There are approximately 76,000 active business licenses. The business license fee is \$50.00 for a two year license. Approximately half of the licenses are up for renewal each year, so \$1.9 million in fees are generated annually. The business license fee of \$25 per year has remained unchanged since 1949. With the doubling of the fee a small reduction in total licensees is anticipated, but \$3.6 million in revenue per year is estimated. The change in revenues shows the anticipated increased fees to be generated in each year of biennial renewal.

In creating the new Trade and Business Development fund into which all business license fees are deposited, we would ask for appropriations from the fund for: 1.) administrative expenses for running the business license program (\$554.7) and 2.) operating the department's business development and international trade activities (\$3,045.3). This fiscal note shows the fund source change from GF/PR to the new Trade and Business Development Fund. There are also fiscal notes for the Division of Community and Business Development and the Division of International Trade and Market Development.

HCR

1

Alaska State Legislature
House of Representatives
Minority Leader



Alaska State Capitol
Juneau, Alaska 99801-1182
1-907-465-4919 (phone)
1-888-465-4919 (toll free)
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Interim Address
716 West Fourth Avenue
Anchorage, Alaska 99501-2133
(phone) 1-907-269-0130
(fax) 1-907-269-0132

Representative Ethan Berkowitz
District 13

Date: February 21, 2001

To: Representative Lisa Murkowski, House Labor & Commerce Committee Chair

From: Ethan Berkowitz *EB*

Re: CS for HCR 1 (CRA) hearing

CS for House Concurrent Resolution 1 (short title "Statewide Comprehensive Energy Plan Task Force") has a referral to the House Labor & Commerce Committee. Copies of the sponsor statement, the bill, two articles about energy policy, a letter of support, a zero fiscal note, a bibliography of recent Statewide Energy Plans, and the executive summary of the Denali Commission's draft Rural Energy Plan are attached. Please schedule the bill for a hearing. I suggest teleconferencing the hearing to encourage public input.

HCR 1 seeks to establish a Task Force that will examine the condition of Alaska's energy resources, identify areas of necessary improvement, and recommend actions to achieve short- and long-term goals. Beyond that, the responsibilities of the Task Force are very general. This is intentional as I look forward to input during the committee process ensuring that the final product reflects a consensus-building process.

Members of conservation and consumer protection organizations have contacted my office to express their interest in participating as members of the Task Force. I would appreciate the committee considering those requests and, should they grant them, consider removing current members to avoid an overly cumbersome number of members.

I look forward to working with you and your staff on HCR 1. Please contact my aide, Patrick Flynn, or me if you have questions. Thank you in advance for your consideration.

Alaska State Legislature
House of Representatives
Minority Leader



Alaska State Capitol
Juneau, Alaska 99801-1182
1-907-465-4919 (pt.one)
1-888-465-4919 (toll free)
1-907-465-2137 (fax)

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(phone) 1-907-269-0130
(fax) 1-907-269-0132

Representative Ethan Berkowitz
District 13

Committee Substitute for House Concurrent Resolution 1 (CRA)

**“Relating to establishing a Task Force on a
Statewide Comprehensive Energy Plan.”**

Sponsor Statement

Throughout Alaska we depend on a variety of energy resources - diesel, wind, natural gas, coal, and hydro to name a few - to provide the power Alaskans need. Ensuring that we have sufficient power to fuel economic development and maintain health and safety is critical to Alaska's future.

House Concurrent Resolution 1 seeks to establish a Task Force that will examine the condition of Alaska's energy resources, identify areas of necessary improvement, and recommend actions to achieve short- and long-term goals.

Task Force members include:

- two members of the Senate appointed by the Senate President
- two members of the House of Representatives appointed by the Speaker
- one member appointed by the Alaska Municipal League
- one member appointed by the Alaska Federation of Natives
- one member appointed by the Alaska Rural Electric Cooperative Association
- one member appointed by the Alaska Oil & Gas Association
- one member appointed by the executive director of the Alaska Science & Technology Foundation
- one member appointed by the president of the University of Alaska
- one member appointed by the Alaska Trucking Association
- one member appointed by the Alaska State AFL-CIO
- one member appointed by the chair of the Regulatory Commission of Alaska
- one member appointed by the executive director of the Denali Commission
- one member appointed by the executive director of the Alaska Industrial Development & Export Authority

In order to move forward and achieve the prosperity and quality of life that is part of Alaska's promise, we must secure reliable, affordable energy. I would appreciate your support.

E-mail: Representative_Ethan_Berkowitz@legis.state.ak.us

AMENDMENT #1

OFFERED BY: Representative Kevin Meyer

Page 2, lines 23-24:

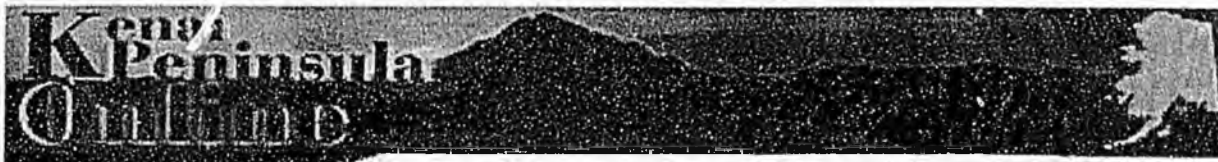
DELETE: one member appointed by the executive director of the Denali Commission

INSERT: one member of the Denali Commission appointed by agreement of the co-chairs of the Denali Commission

Page 2, lines 25-26:

DELETE: one member appointed by the executive director of the Alaska Industrial Development and Export Authority

INSERT: one member of the Alaska Industrial Development and Export Authority appointed by the chair of the authority



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Energy task force measure clears committee

JUNEAU (AP) -- A measure aimed at creating a statewide energy plan cleared its first committee Tuesday.

House Concurrent Resolution 1 would set up a 15-member task force to prepare a comprehensive plan to address the state's short-term and long-term energy needs.

The bill's sponsor, Minority Leader Ethan Berkowitz, said the state needs an inventory of its needs and its resources in order to use them efficiently, take advantage of available federal funding and avoid the energy problems California is experiencing.

"We spend a lot of time talking about energy from Alaska, but we also need to focus on energy for Alaska," said Berkowitz, D-Anchorage. "This is a pressing issue the state's never dealt with."

Other groups have looked at parts of the picture, such as energy needs in rural Alaska, but no statewide strategy has been developed, Berkowitz told the House Community and Regional Affairs Committee.

The task force's duties would include looking at Alaska's resources and the roles of the federal, state, municipal and tribal governments in providing affordable energy. It would recommend legislation needed to accomplish any needed changes and would identify possible funding sources.

Among its members would be legislators and representatives of the Alaska Municipal League, the Alaska Federation of Natives, the Alaska Rural Electric Cooperative Association, the Alaska Oil and Gas Association and the Alaska Science and Technology Association. The resolution provides no pay or travel money for the task force members.

Committee Co-Chairman Kevin Meyer, R-Anchorage, expressed skepticism that the group would need no money, but allowed the bill to move from the committee. It next goes to the House Labor and Commerce Committee.

Discuss this story in our [Discussion Forum](#)



adn.com

Anchorage Daily News

Alaska needs an energy policy

Compass: Points of view from the community*(Published February 12, 2001)*

We depend on energy in many forms, at prices equitable to business, industrial and domestic users. Both major presidential candidates emphasized the need for a national energy policy during the recent campaign. Since taking office, President Bush has reconfirmed his commitment to a national energy policy.

The importance of energy to Alaskans' economy and lifestyles is much greater than in other states. This is because of our energy reserves, both developed and undeveloped; the employment of many Alaskans in the energy industry; the importance of oil revenues to state and local governments; and the need for and difficulty of providing energy at reasonable cost to both urban and rural communities.

Alaska's per-capita consumption of energy is extremely high. Our major industries, including commercial fishing, tourism, transportation, mining and logging, are all heavy energy consumers. High energy costs in Alaska -- whether for home heating, auto fuel, electricity, or industry -- affect our lifestyles, our pocketbooks and our economy.

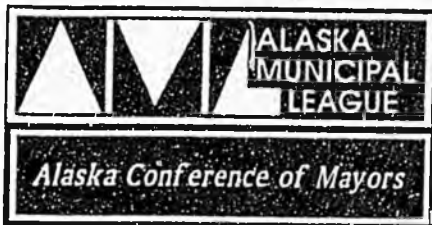
Just as the nation needs to develop an energy policy to guide and balance its energy dependence, Alaska should develop an energy policy to prepare for the future. Alaska is fortunate to have vast energy reserves and is the major energy exporting state, but because of our large size and remoteness from national and world markets, Alaska is unique among the 50 states in the urgency of its need to develop a state energy policy.

No one source of energy will meet our needs. Alaska and the rest of the United States need to develop several sources to address the local and regional diversity in availability and demand for energy.

Alaska will continue to play a major role in supplying oil, and perhaps natural gas, to the rest of the United States. Our huge North Slope gas reserves, once they become available to Alaska's major population centers and the Lower 48, will contribute substantially to improved air quality and reduced emission of greenhouse gases.

Advances in fuel cell technology are making it possible to convert fossil fuels to available energy with far greater efficiency and much less pollution than through conventional combustion. Natural gas is the fuel of choice for fuel cells. The Postal Service in Anchorage is the first in the nation to install a fuel cell using natural gas to assure uninterrupted electric power for its electronic equipment. Any surplus electricity that is generated enters the Anchorage, Kenai and Railbelt intertie system.

Alaska might develop and use energy from a variety of sources in addition to fossil fuels. Hydropower, for instance, has potential in Southeast Alaska and other Gulf of Alaska coastal communities.



217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907)586-1325, Fax (907)-463-548

February 16, 2001

Representative Ethan Berkowitz
State Capitol, Room 404
Juneau, AK 99811

Dear Representative Berkowitz:

We are writing in support of HCR 1 Relating to a Task Force on a Statewide Comprehensive Energy Plan. As stated in the *2001 Alaska Municipal League Policy Statement*, approved November 2000, supports the development of a comprehensive statewide energy plan.

Part IV. Economic Development & Resource Management:

8. Alaska Energy Plan: The League supports the expeditious development of the first statewide Alaska Energy Plan by the State Division of Energy and the federal government coordinated by the Denali Commission, and urges that the process broadly involve all interested citizens in all communities.

The Alaska Municipal League is also working as a member of the Denali Commission, together with the State, to develop a statewide energy plan. It appears that this Task Force could be of benefit in steering the process and ensuring that there is broad public participation.

If you have any questions on this or any other municipal issues, please call me at 586-1325.

Sincerely,

Kevin Ritchie
Executive Director

cc: AML Land Use, Economic Development & Resources Subcommittee



AKPIRG

Alaska Public Interest Research Group

P.O. Box 101093
Anchorage, AK 99510

507 E Street, Suite 213
Anchorage, AK 99501

p: 907.278.3661
f: 907.278.9300

State Representative Ethan Berkowitz
State Capitol
Room 404
Juneau, Alaska 99801
Fax-907-4652137
February 25, 2001

Dear Representative Berkowitz:

This is a request that AkPIRG serve as representative of consumer interests on your proposed Statewide Comprehensive Energy Plan Task Force.

Alaska Public Interest Research Group has a consistent 26 year record of consumer representation in matters of energy and power generation alternatives. We are unique among Alaska grassroots organizations in monitoring and representing consumer interests when such matters emerge either

in the legislature or in the state regulatory agency (the APUC and now the RCA).

For example, we participated during the proceedings of the Joint Legislative Committee on Electric Utility Restructuring and its efforts to develop a consumer's bill of rights. At the RCA we have monitored utility requests for rate hikes and presentations on new sources of power generation from fuel cells like the Post Office Experiment. In the gas pipeline debates, we monitor the outcome as it may influence supply of natural gas to Fairbanks and South Central Alaska.

Our ability to follow these matters and to contribute productively (as well as to educate the public) is based on our staff's regular attendance at national meetings on utility issues, often with other Alaskans such as representatives of rural utilities. Our concerns have focused on the needs of both rural and urban consumers for cost effective and reliable sources of energy with special attention to impacts on the environment and on secondary impacts like rural water and sewer initiatives or rural access to the information super highway. Recent research by AkPIRG suggested exploration of fuel cell and stand-alone power generation to interties with the emergence of these commercially viable alternatives.

Our bipartisan approach has generated invitations to contribute from law makers and public

officials who seek to incorporate the special concerns of consumers into their deliberations and have their own work shared with a larger public, using AkPIRG's media exposure.

In the matter of the gas pipeline debate, our representatives have attended Backbone meetings both to contribute and to acquire information from the business community and invitees from the oil and gas industry. We are humble enough (and lucky enough) to be able to draw on state and national expertise and to incorporate that same expertise into local discussions with public policy ramifications. In a meeting last week of the Regulatory Commission of Alaska, I told the Commissioners that we would welcome a partnership with its staff in articulating the consumer's needs during the work of your task force.

If you and your legislative colleagues see fit, AkPIRG would be pleased to represent consumers' variegated interests on the task force and to channel concerns of other non-governmental constituencies.

Good luck on this important project.
Sincerely,

Steve Conn, Executive Director

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: _____
(H) Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: _____
Title: HCR 1 Statewide Comprehensive Energy BRU: _____
Plan Task Force Component: _____
Sponsor: Rep. Berkowitz
Requester: HC&RA Component Number: _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Lorali Meier, Committee Aide HC&RA Phone 465-6588

Representative:  Date 2/16/01
Committee Chair

Legislative Research Services

Alaska State Legislature
Legislative Affairs Agency
Division of Legal and Research Services

State Capitol
Juneau, AK 99801
Phone: 907-465-3991
Fax: 907-465-3908

January 10, 2001

JAN 10 2001

Memorandum

TO: Representative Ethan Berkowitz

FROM: Cherie Nienhuis *DN*
Legislative Analyst

RE: Bibliography of Statewide Energy Studies, 1990 to Present
Research Request 01.045

You asked for a bibliography of all statewide energy studies that have been done for the state of Alaska from 1990 to present. We contacted the Alaska State Library, the Alaska Industrial Development and Export Authority and the Alaska Energy Authority within that agency, the University of Alaska Anchorage Institute of Social and Economic Research, and the Alaska Housing Finance Corporation.¹ We also conducted a search of our own Legislative Research library database.

The results of our inquiries are shown below. If you desire a copy of any of the studies listed, please do not hesitate to contact us.

Available from the Alaska State Library

- "Power Cost Equalization Program Manual," by the Alaska Public Utilities Commission, Alaska Energy Authority, 1990.
- "Power Cost Equalization Program: Cost Reduction Options to the Legislature," by the Alaska Public Utilities Commission, Alaska Energy Authority, 1992.
- "Alaska Energy Authority Strategic Plan," by R.W. Beck & Associates, 1993.
- "Alaska Energy Strategy," by the Alaska Dept. of Community & Regional Affairs, Division of Energy, 1994.
- "Alaska Rural Energy Initiative," by the Alaska Dept. of Community & Regional Affairs, Division of Energy, 1995.
- "Division of Energy Mission and Programs," by the Alaska Dept. of Community & Regional Affairs, Division of Energy, 1997.
- "Energy Update," by the Alaska Dept. of Community & Regional Affairs, Division of Energy, 1997 and 1998.

Available from the Legislative Research Library

- "Alaska State Energy Corporation (An Overview of the Restructuring Plan for the Alaska Energy Authority), by the Office of the Governor, 1992.
- "Alaska Energy Plan - Rural (Draft)", by the Alaska Industrial Development and Export Authority, Denali Commission, and U.S. Dept. of Agriculture, 1999.

Available from the Institute of Social and Economic Research

- "The Economic Significance of the Power Cost Equalization Program," by the Institute of Social and Economic Research, 1998.
- "Rural Energy Plan," by the Alaska Dept. of Community & Regional Affairs, Division of Energy, 1999.
- "Reports and Recommendations of the Governor's Blue Ribbon Panel," by the Alaska Dept. of Community & Regional Affairs, Division of Energy, 1999.

¹ At our request, the Alaska State Library conducted a search of their library holdings, and a search of the "WorldCat" database, which accesses library holdings nationwide. We spoke with Richard Emerman at AIDEA and Steve Colt at ISER, both of whom have a long history of working with Alaska energy issues. We found that there were many energy reports produced in the 1970s and 1980s, but that this activity dropped off significantly in the 1990s.

SCREENING REPORT FOR ALASKA RURAL ENERGY PLAN

DRAFT

Prepared for the

**Alaska Industrial Development
and Export Authority**

November 2000

Prepared by

In association with
**Electric Power Systems, Inc.
The Financial Engineering Company
HDR Alaska, Inc.
Precision Power, LLC
URS/Dames & Moore**

**NORTHERN
ECONOMICS** 

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www.northerneconomics.com

Executive Summary

This report has been prepared for the Alaska Industrial Development and Export Authority (AIDEA), U.S. Department of Agriculture Rural Development, and the Denali Commission, and is one component of Phase 2 of the Alaska Rural Energy Plan. The report presents a screening analysis conducted to develop a short list of strategies and technologies that hold the most promise for reducing the cost or improving the reliability in rural Alaska. The selected strategies and technologies will be evaluated in more detail as Phase 2 progresses.

Strategies and technologies considered in this screening analysis are divided into six categories:

- Diesel efficiencies
- End-use conservation
- Space and water heating
- Fuel price strategies
- Alternative technologies
- Bulk fuel storage

Specific strategies within each of these topic areas were identified in Phase 1 of the Rural Energy Plan, which was prepared in 1999, or by the consultant team for this screening analysis. Strategies and technologies related to diesel efficiencies, fuel price strategies, end-use conservation, and alternative technologies were evaluated for their potential to significantly reduce the cost of electricity. Strategies related to space and water heating, including waste heat recovery systems and biomass systems, were evaluated for their potential to reduce the cost of heating. Strategies related to construction and financing of bulk fuel storage facilities were evaluated for their potential to reduce the cost of such facilities or to reduce reliance on public funding for such facilities.

Table ES-1 shows the strategies and technologies selected for further study.

Table ES-1. Short List of Strategies and Technologies Recommended for Further Study

Topic Area	Category	Strategy or Technology
High Cost of Electricity	Diesel Efficiencies	Switchgear Improvements
		Microprocessor-Based Engine Controls
	End-Use Conservation	Lighting
		Appliance Upgrades
Alternative Technologies	Wind Power	
Reliability		Microprocessor-Based Protective Relays
Space and Water Heating		Insulation and Weatherization
		Heater Upgrades
		Waste Heat Recovery Systems
		Conversion of Electric Water Heaters
		Water Conservation Devices
Bulk Fuel Storage		Local Contributions to Tank Farm Financing ^a

^a Several other strategies related to the construction of bulk fuel storage facilities are recommended for field testing, but not for further study to assess their potential.

The only alternatives included on the short list are those projected to result in significant benefit to a significant number of people and communities in the near term, assuming that the approach is implemented aggressively. For alternatives intended to address the high cost of electricity, benefits must be projected in the absence of government grants or low interest loans, since virtually any alternative can provide benefits to consumers if a large enough subsidy is provided.

To help identify strategies or technologies that should be considered for further study, AIDEA suggested as a general guideline that, to warrant inclusion on the short list (Table ES-1), any measure to reduce the cost of electricity should be able to lower rates by at least \$0.01 per kilowatt-hour in at least 5 communities within a 5-year period. It is not the intent of AIDEA or the consultant team to rule out alternatives that do not meet these criteria from further consideration or support. The intent is to focus on those alternatives that meet these criteria and to give them priority consideration.

End-use conservation is the only category in which a majority of considered strategies are recommended for further study. Most of the diesel efficiency strategies considered did not meet the criteria for further study. In alternative technologies, only one strategy (wind) of the 12 considered met the criteria. However, more study is recommended for specific issues related to interties.¹ In fuel price strategies, no strategies met the criteria for further study. (While these strategies would be useful and should be considered by all utilities in the course of regular business practices, none appears to have the potential to reduce the cost of electricity by \$0.01 per kilowatt-hour (kWh) for a large number of communities.)

Strategies and technologies considered in the reliability and space and water heating categories were recommended for further study if they were economically viable and would produce obvious benefits in the near future. Six strategies met these criteria. For example, the strategy recommended for further research to improve reliability of electricity in rural Alaska (installation of microprocessor-based relays) was found to be economically justifiable based solely on savings associated with lower costs for distribution system equipment and maintenance. The benefits from improved system reliability associated with these relays could be significant and could be enjoyed by residents of rural Alaska at little or no cost (the cost is offset by other savings).

Because limited funds were available for this analysis, each alternative was examined only to the point that a conclusion could be reached about its potential to meet the screening criteria. As soon as it became unlikely that an alternative would pass the test, the analysis of that alternative was discontinued. For many alternatives, therefore, the analysis is very brief.

Analyses were based on data from the State of Alaska Power Cost Equalization Program, existing literature on energy systems in Alaska, public programs and agencies such as the Rebuild America Program and Alaska Community Development Corporation, the Alaska Energy Authority Circuit Rider Program, equipment manufacturers. The analyses also incorporate information from interviews with specialists and utility personnel throughout the state.

¹ Limited additional research is recommended to determine whether the costs and benefits of single wire ground return transmission lines and direct current cables might make interties viable in more locations.



UNIVERSITY OF ALASKA FAIRBANKS

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FEB 21 2001

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FAX: (907) 474-6967

Representative Kevin Meier
Cochair, House Community and Regional Affairs Committee
State Capitol
Juneau, AK 99801

February 16, 2001

Dear Representative Meier,

I wish to provide comments on House Concurrent Resolution 1 re a Task Force on a Statewide Comprehensive Energy Plan. I understand that you have copies of the op-ed articles on an energy policy for Alaska that I wrote and were published in the Anchorage Daily News and Fairbanks News-Miner. In addition to the comment within these articles, I have the following comments:

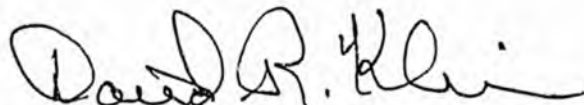
I strongly support the concept of a task force to consider and develop a comprehensive energy plan and associated policies. Task force efforts should have a broad focus.

- 1) Emphases should include state reserves of conventional energy resources, their current and potential development, distribution and uses, but also alternative and renewable energy reserves and potentials.
- 2) Efficiency in use of all types of energy is equally important in Alaska as elsewhere and must be a major consideration by the task force, including new technologies rapidly developing in response to the current high fuel costs. These include fuel cells, building design and utilities for efficiency in heating, cooling and electrification.
- 3) New technology for cleaner uses of conventional fuels is important. This should include the possible justification for further investment in completion of the upgrading of the Healy Clean Coal Plant so that it can meet the planned design standards for air quality and cost efficiency. Diesel fuel, so important in our transport industry (trucking, the Alaska Railroad, the Marine Highway System, the Trans Alaska Pipeline), commercial fishing, logging, and mining is a dirty fuel that is a major atmospheric pollutant that medical authorities blame for contributing to increasing cancer rates in urban centers throughout the country. Technology is now available to allow our refineries to greatly reduce the sulfur content of diesel and improve its energy conversion efficiency.

- 4) Alternative energy development is advancing rapidly throughout the world and Alaska should be in the forefront of this development. We should invest a significant portion of the revenues we receive from extraction of our nonrenewable energy resources in alternative and renewable energy development. This should be considered as a payback to our children and all future generations for our use and, therefore, draw down of the nonrenewable energy resources of the state. Our coastal frontage on the sea, greater than that of the rest of the United States, offers us the potential for meeting a major share of our future energy needs via the energy of the tides, the waves, and oceanic winds. Electric power generation from wave action, which has been under development in Norway and Scotland for several years, is now finding increasing uses to meet small-scale needs, such as for navigational lighting. The island of Islay off the west coast of Scotland is now provided with electricity from a wave-energized power plant. Hydrogen, the clean burning fuel of the future for automobiles and fuel cells, is now being used in buses in Chicago and Vancouver, B.C. and its market value is increasing exponentially. The tremendous capacity for wind generation in the Aleutians and other coastal areas offers the potential for large-scale production of hydrogen, and its liquefaction and shipment to future markets throughout the Pacific Rim.
- 5) Any energy plan for Alaska must be approached from the perspective of our relationship to the rest of the United States, both as an energy consumer, as well as an energy exporter, but also as an energy partner with adjacent Canada and as part of the world community. In this regard, it is noteworthy that there will be a very energy-relevant conference in Whitehorse during March 18-21, 2001 titled, "Climate Change in the Circumpolar North". For details see the conference web page www.taiga.net/nce.
- 6) A state energy plan and policy must be guided by the state's responsibility to support long-term national and international goals of reduction in production of "greenhouse gases" that are contributing to global climate change. The associated detrimental consequences are already being felt in Alaska, such as thawing of permafrost on the North Slope, accelerated beach erosion at arctic coastal communities, decrease in thickness and duration of sea ice in the Bering Sea and Arctic Ocean which limits its use as a platform for subsistence hunting of marine mammals by residents of coastal communities.
- 7) A major benefit from a statewide energy plan should be substantial savings in cost to the state government through increased efficiency of energy transportation and availability to all parts of the state, rural as well as urban. Cost savings in provision of energy to rural communities for electric power generation would lessen the need for current state subsidization, and should be a major goal of a state energy plan.
- 8) The environmental and human health costs of current and proposed production and use of energy within the state should be assessed, whether from renewable or nonrenewable sources, and minimization of these costs should be a guiding principle in the development of a state energy plan and subsequent energy policy.

Thank you for the opportunity to comment on this important legislative proposal.

Sincerely,

A handwritten signature in black ink that reads "David R. Klein". The signature is written in a cursive style with a large initial "D" and a long horizontal stroke at the end.

David R. Klein
Professor Emeritus
Institute of Arctic Biology
University of Alaska Fairbanks

CC: Representative Ethan Berkowitz

HCR

9

Alaska State Legislature

House of Representatives

RULES COMMITTEE, CHAIR
COMMITTEE ON COMMITTEES
LABOR & COMMERCE COMMITTEE
MILITARY & VETERANS AFFAIRS
LEGISLATIVE COUNCIL



INTERIM:
10928 EAGLE RIVER RD., SUITE 141
EAGLE RIVER, AK 99577

SESSION:
ALASKA STATE CAPITOL
JUNEAU, AK 99801

Sponsor Statement

HCR 9

Electrical deregulation is a risky idea. It has worked in some states and it has not worked in other states. In those states where it has not worked, it has had disastrous consequences for consumers and the economies of those states.

During the 21st Alaska Legislature, the House of Representatives formed a special committee on Utility Restructuring. This committee considered the issue of whether the state should support deregulation in Alaska and concluded that deregulation would not work in Alaska. It reached this conclusion for several reasons. The principal one is that Alaska is unique because it is not connected to the electrical grid in the Lower 48 and thus has a unique structure for delivering electrical power to consumers in Alaska.

Recently the Matanuska Electrical Association announced plans to remove itself from regulation by the Regulatory Commission of Alaska. Subsequent to that announcement, the association stated that it was postponing those plans. At this point it is unclear whether the association at some point in the near future will move forward with its plans for deregulation.

No other major electrical utility has announced plans to attempt to remove itself from regulation by the Regulatory Commission of Alaska.

The Regulatory Commission of Alaska performs many tasks. One is to make sure that electric utilities properly manage and spend ratepayers' money. The commission recently ruled that the Matanuska Electrical Association did not properly spend more than a million dollars of ratepayer monies on such items as legal fees and advertising.

Another task the commission performs is to monitor electrical utilities to make sure that they are properly managed and that they are able to deliver a reliable source of electricity to consumers.

Representative Pete Kott

JUNEAU OFFICE (907) 465-3777 TOLL FREE 1-800-861-KOTT(5688) FAX (907) 465-2819
EAGLE RIVER OFFICE (907) 694-8944 FAX (907) 694-8945 E-MAIL: representative_pete_kott@legis.state.ak.us
<http://www.akrepublicans.org/Kott.htm>



Sponsor Statement (continued)

HCR 9

Because deregulation has not worked in other states, because Alaska is unique, because the Matanuska Electrical Association has run afoul of the Regulatory Commission of Alaska, because the 21st Alaska Legislature did not support electrical deregulation, and because no other major electrical utility has attempted to remove itself from regulation by the Regulatory Commission of the Alaska, it is important that the Legislature go on record discouraging the Matanuska Electrical Association from removing itself from regulation by the Regulatory Commission of Alaska.

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: _____
 (H) Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: _____
 Title: HCR 9 "Matanuska Electric Assn Deregulation" BRU: _____
 Sponsor: Rep. Kott Component: _____
 Requester: HL&C Component Number: _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

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

Prepared by: Amy Erickson, Committee Aide HL&C Phone 465-4954

Representative Murkowski Date 5/4/01
Committee Chair



Alaska State Legislature

Please enter into the record my testimony to the Labour & Commerce
 committee name
 committee on HB # 9, dated 5-5-01
 bill/subject

I urge you to put this issue on the back burner and stop MATANUSKA Electric Assoc from pursuing deregulation. The Regulatory Commission gives me as a private citizen a third party to protect me and ensure power for tomorrow.

If the deregulation that took place in California is any thing to go by we don't need that in this state you have to ask yourself why a utility that is only distribution not generation wants so badly to deregulate. It does not appear to be my interest they are persuing. Please pass this Resolution!

Signed: Talley M. Shonlow
 Testifier

myself & my family over 40 year alaskan
 Representing (Optional)

PO Box 1444 Palmer AK 99645
 Address

907-746-0295
 Phone No.



Alaska State Legislature

Please enter into the record my testimony to the Housi Labor & Commerce
 committee name
 committee on HCR 9, dated 5/5/01.
 bill/subject

The MET Board & MET ^{WVNDGEMET} has - and perhaps, has - plans to remove itself from regulation by the Alaska Regulatory Commission - but not the membership. The action of the Legislature is most welcome - particularly since you, Mr. Katt, live in the MCA service area. Also, impressed by your sponsor statement. Thank you.

Signed: Ernest E. Loni
 Testifier
Self
 Representing (Optional)
2645 WHISP. WDS. DTRC
 Address
376-6709
 Phone No.

HCR

12

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: _____
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: _____
 Title Foreign Ships and U.S. Longshoremer BRU _____
 Component _____
 Sponsor Representative Moses Component No. _____
 Requester _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Amy Erickson, Committee Aide Phone 465-4954
 Division: HL&C Date/Time 1/17/02 1:37 PM
 Approved by:  Date 1/17/2002
 Agency: _____

ORAL TESTIMONY
L+C/1-23-02

TESTIMONY ON HCR 12

Madam chairman, and members of the Labor and Commerce Committee, thank you for the opportunity to testify on Resolution HCR 12. My name is Pete Hendrickson, and I have been a resident of Unalaska-Dutch Harbor for 24 years. I have been longshoring here since 1982, and became a registered member of the International Longshore and warehouse Union in 1988. At this time I am representing longshore workers throughout Alaska.

Over the last three years, a large number of foreign trampers visiting our waters to load seafood bound for Europe and Asia have been filing for the Reciprocity Exception to the Immigration and Nationality Act. They can then displace Alaskan longshore workers by using their own crewmembers to work cargo on the shipside of the loading operations. This is accomplished by representing to the INS that their flag of registry and majority ownership are from countries that currently qualify for this Exception. Most common registries do not qualify. In virtually all cases the vessels in question have changed their flag just prior to arrival, in order to file for this Exception. The result has been the loss of many thousands of hours of work for Alaskans, and has resulted in loss of cargo and profit for those American companies and foreign vessels that employ us, but cannot effectively compete against cheap foreign labor.

We believe the Reciprocity Exception no longer serves any useful purpose for the United States, since apparently no American seafarers do any loading elsewhere in the world anymore. And as we have seen here in Alaska, all this does is provide a mechanism by which certain parties can exploit this Exception in order to avoid Alaskan labor. Further, in the early 1990's, we were able to convince Congress to create what is known as the "Alaska Exception" to the Immigration and Nationality Act, which provides for the loading work to be done by foreign crew if Alaskan longshore workers are unavailable. This guarantees that the work will always get done, which is critical to the fishing industry. (Our Congressional Delegation was instrumental in accomplishing this, particularly Senator Stevens.) Therefore we don't think the Reciprocity Exception should apply to Alaska. The alternative, if we must live with this exception, is to amend it so that it's application is more true to the original intent, and it cannot be misused as it is today.

I have been working on this issue for some time now, including visits to the U.S. Dept. of State and our Congressional Delegation in D.C. to speak about this growing problem. Alaska Department of Labor Commissioner Flanagan has also been involved. We think your support of our efforts to either exempt Alaska or revise the law will be instrumental to our success as we continue to work toward a solution to what can only be called a scam.

Thank you again for the opportunity to testify today. I will be happy to answer any questions you may have.

Sincerely,
Pete Hendrickson

BOX 54
UNALASKA AK 99685
(907) 581-1804 - HM

Alaska State Legislature

Representative Carl E. Moses



Member
House Finance Committee



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SPONSOR STATEMENT

HCR 12 - Longshore Labor Reciprocity Agreements

This resolution addresses the need to correct loopholes in international shipping agreements, as managed by the U. S. State Department, whereby the labor used in loading and unloading of foreign cargo vessels is determined. The United States Immigration and Nationality Act, enforced by the State Department, authorizes the maintenance of reciprocity lists.

These loopholes now allow the practice of "reflagging" a foreign vessel, one which is not party to a reciprocity agreement, as it enters U. S. waters, in order to use cheaper, less-skilled crew members for cargo handling activities in our ports. This practice displaces legitimate Alaskan longshore labor, and is especially acute at the Port of Dutch Harbor.

The offending vessel of a nation not granted reciprocity simply changes its flag upon approaching U. S. waters, to the flag of a nation which has reciprocity. These reflagging agreements between foreign vessels are the loopholes which need to be addressed by Congress and the U. S. State Department.

HCR 12 describes the commercial environment in which these activities take place, and petitions Congress and the State Department for specific remedies to close the loopholes affecting Alaskan longshoremen.

HCR 12 / Rp. Carl E. Moses (staff: tim benintendi / 6591) 3-28-01

ADAK • AKUTAN • AMCHITKA • ATKA • ATTU • BELKOFSKI • CHERNOFSKI • CHIGNIK • CHIGNIK LAGOON • CHIGNIK LAKE • COLD BAY
DUTCH HARBOR • EGEGIK • FALSE PASS • IGIUGIG • ILIAMNA • IVANOF BAY • KING COVE • KING SALMON • KOKHANOK • KOKHANOK BAY • LEVELOCK
NAKNEK • NELSON LAGOON • NEWHALEN • NIKOLSKI • NONDALTON • PEDRO BAY • PERRYVILLE • PILOT POINT • PORT ALSWORTH • PORT HEIDEN
PORT MOLLER • SAND POINT • SHEMYA • SQUAW HARBOR • SOUTH NAKNEK • ST. GEORGE ISLAND • ST. PAUL ISLAND • UGASHIK • UNALASKA • UNGA

**INTERNATIONAL
LONGSHORE &
WAREHOUSE UNION**
AFL-CIO



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BRIAN McWILLIAMS
President

JAMES SPINOSA
Vice President

LEONARD HOSHIJO
Vice President

JOE IBARRA
Secretary-Treasurer

June 12, 2000

Dear Senator Stevens:

As you may know, the Immigration Act of 1990 (8 U.S.C. Sec. 1288) generally prohibits foreign crewmembers in the United States or its waters from performing longshore work (defined to include any activity relating to the loading and unloading of cargo, operating cargo-related equipment, whether or not on board the vessel, and handling of mooring lines). The statute provides for limited exceptions including (1) well-established prevailing practices of using alien crewmen to perform particular longshore activities in particular ports; and (2) for international reciprocity between the United States and countries that by law, regulation, or in practice do not prohibit crewmen from performing particular longshore activities aboard U.S. vessels in their respective ports.

More recently, an "Alaskan exception" was added to the statute. The exception was needed in Alaska to deal with remote locations where there is no longshore labor and fish products need to be loaded or unloaded from fish processing vessels to carriers. The exception mandates that the carriers must make a bona fide effort to employ a sufficient number of U.S. longshore workers. The exception allows the carriers to use alien crew to transfer fish products if the search for qualified U.S. workers is unsuccessful. Generally speaking, the Alaskan exception has proven to be a huge success. In the Port of Dutch Harbor, longshore hours for American workers have tripled as a result of the statute.

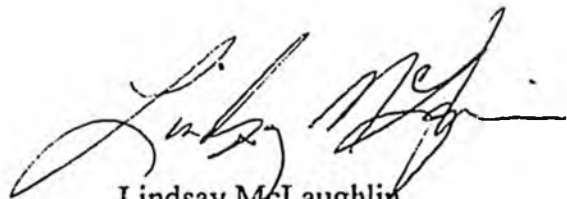
However, there are problems. The most significant problem is that some unscrupulous carriers have re-flagged their vessels to countries that are entitled to the "reciprocity exception" so they can avoid U.S. longshore labor. Secondly, the State Department is not living up to its statutory mandate to update the list of countries "ineligible" for reciprocity. We have tried to work with the State Department's Office of Maritime and Land Transport to add countries to the list that are particular problems such as Latvia but the State Department has gone out of its way to find reasons why these particular countries should receive reciprocity. See attached cable from the U.S. embassy in Latvia.

The "reciprocity exception" should be repealed particularly because the State Department is not devoting the time and resources to implement the statute correctly. Perhaps they have come to the conclusion that it is a complete waste of the State Department's time and resources. The "reciprocity exception" also takes job opportunities from American

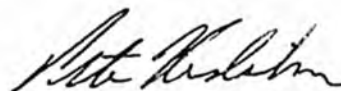
workers. Please find attached list of "reciprocity" vessels that have successfully avoided hard-working U.S. labor in the state of Alaska.

We understand that repealing the "reciprocity exception" may require years of work and coordination with our East Coast counterpart, the ILA. In the interim, a number of suggestions to mitigate the damaging effects of "reciprocity" are attached for your review. We would appreciate your continued support for longshore workers.

Sincerely,



Lindsay McLaughlin
Legislative Director



Pete Hendrickson
President
ILWU Local 200, Unit 223
(DUTCH HARBOR)

Ncmwu
Attachment

"RECIPROCITY EXCEPTION"

SUGGESTIONS FOR LEGISLATION AND/OR STATE DEPARTMENT ACTION

(1) Exempt Alaska from the "reciprocity exception". Alaskan longshore workers correctly point out that the "Alaskan exception" should apply to every carrier in Alaska. The "Alaskan exception" allows for the continuation of commerce whether or not American longshore workers are available. Congress recognized that Alaska is a unique state and required its own exception. We believe that Congress did not intend to provide a reciprocity loophole for vessel owners whose only purpose is to avoid U.S. labor. This approach is currently under review by the International officers in San Francisco.

(2) The State Department should refine its regulations to make the process of collecting information about countries easier for the Department and more advantageous for American workers. We believe the statute gives the Department the flexibility to alter the process of compiling a list of countries. First, the Department should establish a list of countries that are eligible for reciprocity rather than ineligible. The last list of countries compiled by the Department was published in 1996 (even though the statute requires an annual update). It included 108 countries with various caveats for each country. The list is simply too confusing to comprehend and too confusing for the INS to enforce.

(3) Secondly, the State Department should reverse the burden of proof. The Department should ask countries to demonstrate their right to reciprocal treatment by providing the law, regulation, or practice that allows U.S. seamen to perform longshore work in their country. In the past, the Department has asked American longshore unions to find the various statutes and specific practices in other countries. This burden on American workers is simply unfair.

(4) Third, the Department should only grant reciprocity to countries where U.S. seamen have recently performed longshore work. The Department's regulations currently consider the hypothetical question as to whether U.S. crewmen could possibly perform longshore work in those countries. We believe the Department has misinterpreted Congressional intent in providing reciprocity to countries that do not even have U.S. seamen calling at their ports – much less work at their ports.

(5) The Department should deny reciprocity for a vessel that has been chartered from a third party. American companies are currently "shopping" for vessels from countries such as Russia or Latvia simply to avoid U.S. labor. Again, we believe that Congress did not intend to stimulate a vessel-chartering trend when the "reciprocity exception" was passed.

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JAMES SPINOSA
President

ROBERT McELRATH
Vice President

LEONARD HOSHIJO
Vice President

JOE IBARRA
Secretary-Treasurer

October 5, 2000

The Honorable Madeleine Albright
Secretary of State
2201 C Street, N.W.
Washington, D.C. 20520

Re: Section 258(d)(2), Immigration Act of 1990
Longshore Activities Reciprocity Exception

Dear Secretary Albright:

The following comments are submitted on behalf of the International Longshore and Warehouse Union, AFL-CIO (ILWU). The ILWU wishes to assist the Department of State in updating the Department's "reciprocity list" required by the Immigration Act of 1990. As the statute provides, State is mandated to "compile and annually maintain" a list of countries where the performance of longshore activities "by crewmembers aboard United States vessels is prohibited by law, regulation, or in practice in the country." See 8 U.S.C. § 1288(e)(2). The Department last published a reciprocity list by Final Rule on June 13, 1996, Fed. Reg. 29941, et seq. Our comments are based on the Department's views as evidenced by that Final Rule.

1. The Department apparently maintains that countries for which sufficient information is not available to determine status will be left off the reciprocity list. This is the reason that Albania and Lebanon, for example, have been excluded from the 1996 list. The ILWU believes that a country must be included on the list unless it is conclusively established that application of the exception is warranted. This is consistent with the fact, as the Department otherwise recognizes, that reciprocity is intended to be a "limited" exception; all countries should, therefore, be placed on the list unless information obtained by the Department clearly requires a contrary result.

Accordingly, we urge that State revise its methodology, and advise each seaport country that it will be placed on the list unless it (the country) can conclusively demonstrate an entitlement to reciprocity. Countries which do not meet this burden, or who provide inconclusive information, or who simply fail to respond, must be placed on the list. Only then will the reciprocity "exception" be given its full, intended meaning and effect.

2. The Department's questionnaire (No. 1) suggests that State intends to leave off the reciprocity list those countries with restrictive laws, regulations or practices, but where no U.S. ships have called since January 1, 1996. However, as the GAO explained in its 1994 report (p. 5), "the restrictive practice nevertheless still exists that presumably could be enforced when a U.S.

ship does call at some future time." We also agree with the GAO's conclusion that "the express terms of the legislation do not give State the latitude to apply a [time period] criterion to U.S. ship calls as a basis for excluding a country from the list." For these reasons, we urge State to deny reciprocity to all countries with restrictive laws, regulations or practices, whether or not U.S. ships have called since January 1, 1996, and that Question No. 1 on the questionnaire simply be deleted.

3. The Department has excluded from the reciprocity list those countries whose vessels are currently prohibited from calling at U.S. ports, such as Cuba, Iran and North Korea. However, if such exclusions, in one or more cases, are lifted during the life of the Department's revised final list, certain countries will enjoy reciprocity even though such an entitlement is not warranted under the statute. It would seem preferable, therefore, for the Department to make a determination as to such countries, and to include them on the list where appropriate.

4. We agree with the Department's decision to include in its questionnaire (No. 9) a reference to International Labor Organization Convention 137 ("Convention Concerning the Social Repercussions of New Methods of Cargo Handling in Docks"). Convention 137 recognizes that modernization and mechanization on the docks has involved "considerable repercussions on the level of employment in ports and on the conditions of work and life of dockworkers; and that measures should be adopted to prevent or to reduce problems consequent thereon" For this reason, signatory countries have expressly agreed in Article 2, Section 1 as follows: "It shall be national policy to encourage all concerned to provide permanent or regular employment for dockworkers in so far as practicable." In other words, Convention 137 by its terms plainly requires signatory countries, as a national policy, to preserve and promote existing longshore work for local dockworkers, and, therefore, to prohibit or restrict foreign crewmembers from performing longshore activities in those countries. We submit, therefore, that the 22 countries presently signatory to Convention 137 must be included on the Department's reciprocity list.

5. In the 1996 Final Rule, Greece was denied reciprocity only as to the "operation of shore-based equipment to load/unload a vessel." The Department's treatment of Greece is particularly alarming to the ILWU because it implies that a blanket grant of reciprocity includes the right of alien crewmembers to perform longshore work on the docks. It has been the consistent position of the ILWU that reciprocity relates only to work on board vessels by foreign crewmembers. Indeed, the Department seems elsewhere to agree, as it states in explanatory comments to the Final Rule (p. 29942) that the reciprocity exception "allows the performance of activities constituting longshore work by alien crew aboard vessels . . ." (Emphasis added.) We urge the Department to clarify its approach and adopt the ILWU's position on this issue.

6. While Canada was ostensibly denied reciprocity in the 1996 Final Rule, the Department granted a list of exceptions based on asserted provisions in collective bargaining agreements and

certain area practices. We believe that Canada should have been denied all reciprocity because the diplomatic reports reveal the existence of a regulation generally requiring "employment validation" for all work by foreign crewmembers that is not related to the operation of the ship. The reports suggest that the requirement for such "employment validation" is not enforced as to U.S. mariners by virtue of the reciprocity exception provided in the U.S. immigration law. However, the fact that the regulation may not be enforced as long as Canada is not included on the Department's list, however, does not alter the fact that Canada has a restrictive regulation pertaining to longshore work by foreign crewmembers. As the GAO concluded (p.5), "neither the legislation nor the legislative history provides support for" State's view that a country's "nonenforcement" of a restrictive law or regulation entitles that country to reciprocity. As the GAO explained (p.5), the statute "refers only to the existence of any restrictive law, regulation or practice. Enforcement or nonenforcement of such a restriction is immaterial." Hence, Canada's restrictive regulation, alone, should have been sufficient to warrant a blanket denial as to Canada. The statute specifically requires that a country be listed if longshore activities are prohibited by law, regulation or in practice.

Moreover, the ILWU is especially troubled by State's decision to grant Canada reciprocity for the "operation of specialized self-loading/unloading log carriers on the Pacific Coast." Prior to enactment of the Immigration Act of 1990, the U.S. Court of Appeals for the Ninth Circuit had held that the immigration laws did not permit alien workers to perform this longshore activity in the United States. See ILWU v. Meese, 891 F.2d 1374 (1989). However, the Department's current reciprocity list permits that very same activity, in effect overruling the ILWU's hard-won victory in the Meese case. Hence, State's interpretation of the immigration statute that was intended to broaden the gains of Meese has resulted in the loss of work opportunities secured for American longshore workers in that case. This displacement of U.S. longshore workers should not be allowed to continue.

7. We note also that the Department apparently excluded from the prior rulemaking process and did not collect information about "areas with a population of less than 5,000 inhabitants." While we do not know the practical effect of this exclusion, there does not appear to be any support for it in the statute or the legislative history.

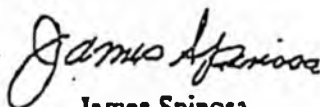
8. As the ILWU has previously reported to the Department, the Union is having particular problems in the State of Alaska with vessels flagged under the Latvian registry. Several Latvian-owned and Russian-owned vessels have been reflagging to Latvian registry just prior to arrival in U.S. waters, thereby taking unfair advantage of the reciprocity exception to avoid the requirement that U.S. longshore workers be employed to load and unload processed fish. In addition, Chinese-flagged vessels have been utilizing their foreign crewmembers to unlash containers in Los Angeles Harbor, work that should be reserved for U.S. longshore workers. The ILWU urges the Department to scrutinize carefully the reports from these countries to determine whether their addition to the reciprocity list is warranted.

The Honorable Madeline Albright

October 5, 2000

On behalf of the thousands of American longshore workers represented by the ILWU, we request that the issues outlined above be given careful consideration by the Department. The ILWU appreciates the opportunity to tender these comments, and will gladly make its representatives available to the Department for further discussion.

Sincerely,



James Spinoza
President

JSL/k
cwa39521

HJR

34

ALASKA STATE LEGISLATURE

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House of Representatives
House District 34

SPONSOR STATEMENT, HJR 34

January 23, 2002

Passage of the president's economic security package can only have positive benefits for Alaska, particularly considering the extent to which affects of the present economic slowdown are being felt.

The goal of HJR 34 is to express strong support for the president's efforts to bring this bipartisan legislation to a floor vote. The package has the votes to pass both houses of Congress, but is being blocked. Passing HJR 34 will add Alaska's voice to the call for passage of this measure.

ALASKA STATE LEGISLATURE

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House of Representatives
House District 34

HJR 34

BACKGROUND COMMENTS FROM PRESIDENT BUSH:

(text from Remarks to employees of Cecil I. Walker Machinery Company, Charleston, W.Va., Jan. 22, 2002)

" ... At its core, an economic security plan for every American has got to be the goal of our government. And it begins with a good education, and ends with secure retirement. And in between, much of one's life depends on being able to find work -- good, steady work. And that's how I approach decisions about our economy. I ask, are we creating an environment in which people can find work.

My economic plan is summed up in one word: jobs. And that's what all of us in Washington ought to be asking: how do we create jobs for people who want to work in America. ...

Every job begins with one decision, and that is the decision by somebody to say, I want to hire you. It comes as a surprise to some in Washington, though, when you think about that, that most of the hiring does not take place at the government level. Of course, we create jobs by hiring people at the government level. Most hiring takes place at small businesses. Most hiring takes place when an employer in the private sector says, I need you to work for me. And so the job of the government, if you think about it, is not to try to create wealth. That's not the job of the government. The job of the government is to create an environment in which more people are willing to hire more workers.

If jobs are the most important part of one of my jobs, then I'm going to insist that people ask the question, how do we encourage people to hire more people. That's what we ought to be asking. And that's the role of Washington, D.C. ...

As a matter of fact, I'm confident in our economy, confident in -- because I'm confident in the American way of life. You know, they hit us on 9/11, but Walker was running before 9/11 and it's running after 9/11. I mean, some certainly have gotten affected as a result of the attacks. But they didn't diminish the entrepreneurial spirit of America. They didn't diminish the drive by small business owners to expand and grow and to create jobs.

We've got -- the underpinnings of growth are with us. And our job in Washington, D.C., is to encourage that growth, and to always remember that jobs are the cornerstone of good economic policy.



Alaska State Legislature

Please enter into the record my testimony to the House Labor & Commerce
committee name

Committee on HJR 34, dated February 6, 2002
bill # / subject

Please do NOT support this resolution, as it encourages Congress to support yet ANOTHER irresponsible spending bill.

We must adopt a more fiscally responsible attitude in Alaska, and should therefore enthusiastically encourage Congress to do the same. This resolution refers to \$20,000,000,000 in Federal spending, but does not indicate the funding source. It will be taxpayers; ordinary people that can not deficit spend.

We do not want the Federal Government thinking Alaskans are oblivious to budget deficit problems. To the contrary, we are VERY aware of budget gaps. With strong leadership we can solve the problems in Alaska, and begin steering Congress in the same direction.

Throwing money at problems is NOT always the answer.

Thank you.

Signed: Mike McBride
Testifier

Self
Representing (optional)

PO Box 6 Kenai, Alaska 99611-0006
Address

(907) 776-5444
Phone number



Alaska State Legislature

Please enter into the record my testimony to the House Labor & Commerce
committee name

Committee on HJR 34, dated February 6, 2002
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Signed: Mike McBride
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Self
Representing (optional)

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HJR

38

House Committees

Labor & Commerce
Military & Veterans Affairs
State Affairs
Regulation Review

Alaska State Legislature
**Representative
Joe Hayes**

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Sponsor Statement

HJR 38

Like many industries, in the wake of the terrible tragedies of September 11th, the insurance industry has been in a state of turmoil. The main source of this growing problem is the fact that insurance companies have been forced to pay out billions of dollars.

The United States, and insurance companies specifically, have never had to face such a tremendous loss. The current estimates state that the losses due to September 11th are over \$35 billion dollars. Hurricane Andrew by comparison, only caused \$15.5 billion in losses. This incredible loss has made insurers wary of providing affordable property and casualty insurance. This fear of future attacks and future losses of this magnitude has made it very difficult to obtain insurance.

By supporting the passage of H.R. 3210, the Terrorism Risk Protection Act, the United States can feel more secure knowing that should tragedy strike again; insurance will be there to cover it. Buildings will be able to be re-built, jobs will continue to be developed, and families will be more financially secure. Without this safety net, the economy could face the full force of such devastating and tragic events as occurred on September 11th. This \$35 billion in losses could have a much more severe impact on our economic progress as a state and as a nation if we did not have insurance to help with the re-building and of our nation. I hope you can join with me to support this resolution.

District 30

representative_joe_hayes@legis.state.ak.us

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NAIC

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

December 14, 2001

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Senator Thomas A. Daschle
United State Senate
Washington, DC 20510

Senator Trent Lott
United States Senate
Washington, DC 20510

Dear Senators Daschle and Lott:

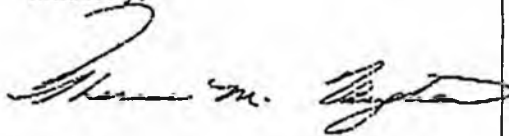
We are writing on behalf of the chief regulators of the nation's insurance industry to urge final action on terrorism insurance legislation before the Congress adjourns this year.

The terrorist attacks on our country have created enormous uncertainty in our nation's commercial property and casualty (P&C) insurance markets. We continue to believe the federal government can and should play a critical, limited role in helping this marketplace adjust to these new market realities. We are aware of the efforts the Senate and the House of Representatives are putting forward to advance this legislation. However, further delay will have a negative impact on insurers and insurance consumers who in this instance are predominantly the nation's business community.

Absent federal assistance, many businesses will be without coverage for future losses related to acts of terrorism. In the event insurance is still available, the costs may be unaffordable for many. Anticipating this possibility, many insurers have asked state regulators to grant terrorism exclusions against future losses. Some carriers are indicating that beginning January 1st they will not renew workers' compensation coverage, a business necessity if an employer is to retain employees. These steps will leave consumers without protection. State insurance regulators must act on these requests in the coming days, and we will be hard-pressed to deny many of these specific requests in the absence of a federal "backstop." Otherwise, we would be exposing the industry to potentially unmanageable financial risks that would have consequences industry-wide and among all insurance consumers.

For these reasons, we urge action on terrorism insurance legislation this year.

Sincerely,



Terri Vaughan
Insurance Commissioner, State of Iowa
President, NAIC

Alaska Department of Community and Economic Development

Division of Insurance

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Email: Insurance@dced.state.ak.us • Website: www.dced.state.ak.us/insurance/

November 16, 2001

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

Dear Senator Stevens:

On behalf of the Alaska Division of Insurance, I am writing to convey the urgent need for federal action to ensure the nation's insurance buying public has coverage against the risk of future terrorist acts. This matter, vital to Alaska, is before you as a member of the Committee on Commerce, Science and Transportation and may come to the floor for a vote.

I am greatly concerned that, barring quick federal action, recent developments could seriously disrupt our national insurance market for both insurers and consumers. As you are probably aware, reinsurance contract renewals are now being renegotiated for an effective date of January 1, 2002. Many of these reinsurance contracts will exclude coverage for terrorist actions, leaving the primary insurers unwilling to include coverage for terrorism in policies sold to Alaskan consumers. This has been well documented and publicized, and the insurance industry anticipates that federal intervention will in fact facilitate this renewal process and provide incentive for reinsurers to cover terrorism.

What has not been widely reported is that insurers are now issuing notices of non-renewal and filing across-the-board property/casualty exclusions for terrorist risk with our division as the state insurance regulator. In at least one instance, a workers' compensation carrier has notified the Division that they will issue non-renewal notices to their Alaskan insureds because by law the insurer could not exclude terrorism from the contract. The Alaska Division of Insurance is also currently reviewing terrorism exclusions being proposed for use in Alaska from four insurers and one rating organization. These policy exclusions hold real consequences for the insurance buying public in communities untouched by terrorist attacks and related losses. This is occurring nationally, as well as in Alaska, and state insurance regulators are considering ways to ensure consumers remain protected without requiring insurers to assume unmanageable risks. But we need the federal government to act soon to give certainty to this situation.

"Promoting a healthy economy and strong communities"

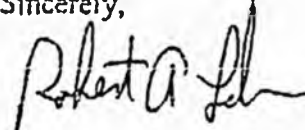
The Honorable Ted Stevens

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November 16, 2001

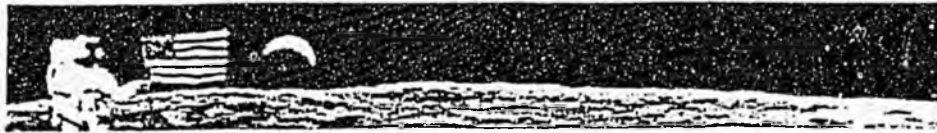
The Division has worked very closely with the Treasury Department and Congress on elements of this federal terrorism/insurance plan, and are grateful for the speed with which you and the Congress are addressing this issue. However, failure to act timely could cause greater market disruption, thus making the need for quick action imperative. Pending a final legislative resolution, we urge you to work with the Congressional leadership to assure our nation's insurers that legislation will be finalized before the Congress adjourns.

Sincerely,



Robert A. Lohr
Director

RAL/pas



Business Insurance

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Impact of attacks felt across all lines

By Christopher E. Mandel
October 15, 2001

Q: In the wake of the World Trade Center attack, there have been lots of opinions about risk-related concerns. Which ones are reliable, and what priorities should risk managers have at this time?

A: Like many, I've spent a lot of time these past few weeks trying to digest the large volume of commentary and opinion available from various sources. It's a daunting task, especially in a time of crisis, which invariably produces lots of new work. While I hold no crystal ball, here are my thoughts on a few of the more significant concerns risk managers should be thinking about.

First and foremost, let's acknowledge the personal tragedies of those directly affected by the attack, both among those we know and the many we don't. The emotional toll on the survivors will be great. As we get back to our routines, we need to recognize that returning to business as usual will not come easily or quickly. Our friends at Marsh and Aon, in particular, have a massive job ahead of them, attempting to rebuild parts of their practices severely affected by the crisis. They will need our patience and assistance in doing so. I am certain that the risk management community will rally around these essential business partners in supporting their recovery. And I am sure that many of you have already experienced what I have: the extraordinary efforts of many of those directly affected partners in working to make the impact of this event imperceptible to buyers attempting to complete renewals and conduct ongoing business. Some of these efforts have been nothing short of remarkable.

Next, we should acknowledge that there is a more subtle impact on our companies, their employees and our staff. For the most part, it is not all that apparent, but it is present. It will reduce morale and the ability to focus on day-to-day work. It will affect productivity. And it needs a thoughtful, sensitive response. That may include revisiting goals and objectives, being more flexible in regard to time off, taking some pressure off where possible and just letting people vent without taking it personally. It may not be business as usual for some time to come.

Now to the direct business impact. There are lots of opinions about the cost of this disaster. Most major stock analysts have published initial and updated opinions on the expected losses and disruption to the insurance industry. The loss estimates in these reports vary widely, but they seem to follow a similar pattern—lower early estimates and subsequent upward revisions. Estimates ranged from between \$15 billion and \$30 billion in the first few days to between \$30 billion and \$70 billion—and, in one case, as high as \$100 billion—during the ensuing weeks.

Having read most of these reports, I find the Morgan Stanley assessment, which is updated regularly, to be the most persuasive. On Sept. 27, Morgan Stanley said it expected insured losses to be \$35 billion to \$41 billion. One thing seems certain—early loss estimates will grow as more information is obtained, allowing better analysis. Even at \$41 billion, total losses would not threaten industry solvency, with total property/casualty capital estimated at \$300 billion, \$200 billion of which is on the commercial side. Standard & Poor's Corp. said that the "insurance system" would not be at risk unless total losses exceed \$50 billion—which they very well may. Market segments, of course, are threatened, and reinsurers are most at risk of selective insolvencies.

Where the losses fall

A consensus seems to have emerged about which lines will be hardest hit by this event. Direct property losses will likely be in the range of \$8 billion to \$12 billion, including claims for the World Trade Center itself (\$3.5 billion in real property values alone) and surrounding properties, including an untold number of personal autos. Liability, indirect property or business losses and contingent business interruption losses (\$4 to \$7 billion) will add to the total.

Contingent business interruption, which covers losses incurred because supplying companies upon which a policyholder depends cannot provide needed goods or services, is perhaps one of the most worrisome exposures to insurers, due to the wide variety of potential claim sources around the world. Liability claims against airports, airlines, construction companies and others are another difficult area to estimate, with figures ranging from as low as \$2 billion to as high as \$20 billion. Aviation hull and liability losses are estimated at \$3 billion to \$7.5 billion. Workers compensation loss estimates currently range from \$3 billion to \$6 billion, while life and travel-accident claims are estimated at between \$4 billion and \$6 billion. All other miscellaneous losses are estimated at \$1 billion to \$3 billion.

All told, these estimates range from a total of \$25 billion to \$61.5 billion, so there is clearly a great deal of guesswork involved, particularly on the high end. Regardless, the consensus is clear-this will be the largest insured loss event in history. By comparison, the largely uninsured 1995 earthquake in Kobe, Japan, produced economic losses estimated at around \$120 billion.

The line that faces the most trouble is aviation. In the aftermath of this heretofore-unpredictable risk, the probabilities and severities have now been cast in an entirely new light. That is not to say we have any better idea of likelihood or probable maximum loss, but it seems clear now that neither airlines nor their insurers are in any position to finance the risk, even within the bounds of reasonable probability. You should now look for underwriters to consider the outer bounds of the probability distribution for pricing exposures with catastrophic potential. One-in-1-million-year events may take on a new distribution curve.

It was not unreasonable to expect that some form of government mechanism would emerge, as Congress created recently, to buffer aviation risk as it relates to war and terrorism risks. The near-immediate withdrawal of war risk coverage in aviation forms following the attacks is ample evidence that what underwriters feared most when they drafted the standard terms for this coverage is not only possible but also more likely than ever before.

The property and workers compensation markets also face problems. The property markets are already contracting severely making near-term renewals a nightmare for many. Rethink your retention philosophy and get management to agree to higher, yet financially supportable, levels of risk assumption. Don't forget the emphasis you'll need to put on controls. Like any pure self-insurance program, higher retentions presume good loss controls. These controls, of course, take many forms, from pure safety-related prevention programs and processes to contractual transfers of risk to business partners able to absorb more of their share. At the extreme, it may mean getting out of certain occupancies, such as high-rise buildings, or certain high-risk zones, such as earthquake-prone properties in California.

What, you say, does California quake coverage have to do with this tragedy? Nothing and everything. Many of the same reinsurers are behind risks previously regarded as uncorrelated that, in the wake of Sept. 11, may no longer be uncorrelated. Let's face it, after the WTC attack, we can't this year afford a major natural catastrophe of the magnitude of Hurricane Andrew or the 1994 Northridge earthquake, due to the impact on reinsurance treaties now so much at risk.

As for our priorities at this time of crisis, they are many. At the top of the list is revisiting renewal and placement strategies for the lines hardest hit by this tragedy. Aviation reinstatements are already available with premium impacts of 10% to 15% on hull and 15% to 25% on liability. This will typically get you only to your expiration date, though. Near- to middle-term eventualities are those for which you'll need to develop new strategies. One consideration should be the elimination or reduction of the use of private jets in your operation. They may be a convenience you won't be able to afford for a while.

For similar reasons, you can't afford to assume your strategies on any line of risk won't need to be revisited. For example, directors and officers liability and other professional liability risks are not immune from the impact of this event. Many of the insurers up to their necks in property and liability losses from the WTC provide this type of coverage. You can expect lots of pressure to raise prices in seemingly unaffected lines, not to mention difficulty in securing capacity. Effective and early planning for these renewals will be critical to handling them with some success.

A clear opportunity that emerges out of this disaster is the ability to spread the risk management philosophy across the enterprise. Nearly everyone is considering risk-related concerns at this time, and that represents a unique chance for risk managers to broaden their reach into their companies and to get more people thinking about risk in a disciplined way. Your goal should be to get consistency applied to risk decision-making.

Don't overlook your crisis response and disaster recovery plans. Even if your company escaped any significant direct impact from the WTC attack, your insurers and management will be interested in these subjects now

more than ever before. Make sure your plans are up to date and address even the remotest of possibilities. Are you prepared for a long-term disruption to operations in one of your locations? Do you have backup facilities, or have you been putting this off because of the pressing needs of day-to-day business? Lots of important people will be asking these and other questions that will make the practice of our profession more challenging than ever. Forward-thinking risk managers will be prepared to answer and respond.

Ask A Risk Manager, Ask A Benefits Manager, Ask A Benefit Actuary and Ask A Casualty Actuary answer written questions from readers on risk and benefits management issues and actuarial problems.

This month's column on risk management issues was written by Christopher E. Mandel, assistant vp-enterprise risk management at USAA Group in San Antonio and first vp of the Risk & Insurance Management Society Inc.

Dennis J. Nirtaut, managing director of compensation and benefits for Arthur Andersen L.L.P. in Chicago, answers questions on employee benefit plans. William J. Miner, an actuary with Watson Wyatt Worldwide in Chicago, answers actuarial questions on benefits issues. And Richard E. Sherman, president of Richard E. Sherman & Associates Inc. in Ashland, Ore., answers actuarial questions in the casualty field.

Address your questions to ASK, Business Insurance, 360 N. Michigan Ave., Chicago, Ill. 60601. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.

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Anchorage Daily News

State air carriers feel insurance pinch

COSTS: Rates have risen at least 20 percent in the past year.

The Associated Press

(Published: February 27, 2002)

Anchorage -- Alaska air carriers are being squeezed by rising insurance premiums and a dwindling number of companies willing to write policies.

Now only a handful of companies offer policies in Alaska.

Air carriers and insurance officials blame high accident rates and repair costs, a slumping stock market and the cost of doing business after the Sept. 11 terrorist attacks.

The bottom line is that increased costs will likely be passed on to passengers.

Rates for Alaska air carriers have increased from 20 percent to more than triple in the past year, depending on the number of company claims, said Mike Salazar, a Ketchikan-based agent with Acordia Northwest, an insurance brokerage firm in Seattle.

"Most air carriers with a clean record had a 20 percent increase," said Salazar, adding that those who had claims are seeing rates go up as high as 200 percent or more.

Mike Vanard, vice president of Seattle-based U.S. Aviation Underwriters Inc., said insurance that his company offers has risen 18 to 30 percent in the last year.

"Insurance is cyclical, it has big, sweeping curves. Right now we're at the opposite (high) end of that curve," Vanard said.

Orin Seybert, president of Peninsula Airways Inc., has been in the commercial airline business since 1956. The longtime Alaska aviator agreed the rates are cyclical.

"I look at insurance like a pendulum, it goes in cycles, every four to six years it goes up," Seybert said. "It's been edging up there and it is absolutely the highest I've seen it."

Seybert said insurance accounts for about 10 percent of his company's overall costs.

Vanard's company is one of about five or six companies willing to offer insurance in Alaska. A few years ago that number was at least a dozen, according to air carriers and insurance officials.

Nationwide, there also has been a decrease in the number of companies willing to insure air carriers.

Aviation insurance companies, who write both general aviation and commercial policies, have paid out as much as \$1.25 for every dollar taken in, but the company would still make money in investments during a healthy economy, said Thomas Turner, an aviation author and former insurance broker based in Cleveland, Tenn.

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BI Daily News

Federal report cites need for terrorism cover

by [Mark A. Hofmann](#)
Posted on Feb. 26, 2002 2:49 PM CST

WASHINGTON—Policyholders would bear an increasing portion of the costs of any future terrorist attacks, according to a federal report.

Businesses already face difficulties in obtaining "a meaningful level of terrorism coverage at an economically viable price." and, "The potential for more severe economic impacts is increasing as the level of uninsured risk climbs."

The House Financial Services Committee released "Terrorism Insurance: Rising Uninsured Exposure to Attacks Heightens Potential Economic Vulnerabilities" Tuesday. The report, which was prepared by the General Accounting Office at the request of Committee Chairman Mike Oxley, R-Ohio, will be formally presented at a Wednesday hearing about the impact of federal inaction on terrorism insurance. The House passed a terrorism insurance bill drafted by Rep. Oxley last November, but the Senate has not acted on its own legislation yet.

According to the report, "the economic burden of another terrorist attack would fall increasingly on policyholders as the insurance industry sheds or limits its risks to such exposures, raising the potential for more devastating economic consequences should such an event occur."

The report also holds that if Congress decides not to create some sort of federal backstop to help cover insured losses from a future terrorist attack, its inaction "could have debilitating financial consequences for businesses, together with their employees, lenders, suppliers and customers."

The new, business-backed Coalition to Insure Against Terrorism issued a statement hailing the report as appearing "to indicate that the problem is growing day by day, resulting in more of the nation's businesses, facilities and infrastructure left uninsured or underinsured for the next terror attack."

David Mair, president of the Risk & Insurance Management Society Inc., is among the witnesses scheduled to appear Wednesday.

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FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HJR 38
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: _____
 Title Terrorism Risk Protection Act BRU _____
 Component _____
 Sponsor Representative Hayes Component No. _____
 Requester _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Amy Erickson, Committee Aide Phone 465-4954
 Division: HL&C Date/Time: 3/20/02 12:00 AM
 Approved by: Representative Murkowski Date: 3/21/2002
 Agency: _____