

February 14, 1983

HB
169STATE OF ALASKA
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: HB 169 (SB 7) Date on Bill: 1/16/83
 Title: An Act making an appropriation to DOIFF for local service roads and trails
 Sponsor: Ferguson, Kerttula, and Moss
 Requestor: _____

1. Estimated fiscal impacts on:

a. Expenditures:

		(Thousands of Dollars)			
		FY 83	FY 84	FY 85	FY 86
Capital		10,000.0			
Operating			209.0	218.0	
Total		10,000.0	209.0	218.0	

b. Revenues:

Revenue					

2. Source of funds to offset fiscal impact of bill:

Not identified by sponsors of bill.

3. Assumptions:

4. Disclaimer:

This statement has not been reviewed by the LMB in the Office of the Governor. It does not represent the policy of the Sheffield Administration or the final estimate of fiscal impact.

Prepared By: Wayne Weeks Phone: 465-4070
 Division: Planning and Programming Date: 2/10/83

Approved by Commissioner: [Signature] Date: 2/10/83
 Department: Transportation and Public Facilities

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2/8/83

February 14, 1983

No. 6

ADDRESS OF
 U.S. SENATOR FRANK H. MURKOWSKI
 TO THE ALASKA LEGISLATURE

FEBRUARY 14, 1983
 JUNEAU, ALASKA

February 14, 1983

President Kerttula, Speaker Hayes, & members of the 13th Alaska Legislature:

It's good to be home among friends and fellow Alaskans.

I am grateful for the opportunity to address you in this joint session and share with you the highlights of many of the Federal issues that currently affect Alaska.

First, let me congratulate you on your election to our Alaska Legislature.

There will be tremendous challenges facing Alaska in the coming months, and I look forward to working with you, Governor Sheffield and his new cabinet, in meeting those challenges.

I believe this year -- the 25th anniversary of congressional approval of Alaska's statehood -- is an especially appropriate time to reflect on our accomplishments and look to new opportunities for growth and improvement.

As you are already well aware, those of us in Washington have been faced in the past few years with an ever-growing misconception of our State.

A recent incident is one, hopefully extreme, example of that difficulty.

Late last year, Congress passed my amendment exempting Alaskan youths who had no income other than their permanent fund dividend from filing income tax forms. The next morning, my press secretary received a call from a major television network reporter.

The reporter was enraged. "What's this about tax exemptions for Alaskan miners?" she asked. "Coal miners in other states have to pay income taxes -- why should Alaskans be treated any differently?"

Such ignorance is at times laughable, but it shows we are being watched.

February 14, 1983

The Alaska Congressional Delegation in Washington is eager to work with you on those issues which will be key to the future of our State. These issues include hydropower, natural gas marketing, export of Alaskan resources to our Pacific Rim neighbors, visitor facilities, the Alaska railroad and the establishment of an Arctic Research Center in Alaska, as well as many more.

It is for these reasons I have revised my committee assignments and am now in a better position to add to the balance of our Congressional Delegation, to hold the ground we have gained since statehood and expand into the future.

It is no secret that our natural resource revenues are the envy of virtually every other state, and that is the reason I sought the Chairmanship of the Energy and Natural Resources Subcommittee on Energy Regulation. This subcommittee has jurisdiction over a wide variety of issues including the Federal Energy Regulatory Commission (FERC), which oversees oil pipeline rates, hydropower licensing, natural gas pricing and certain electric utility issues.

We are all aware of the tremendous implications of the TAPS tariff rate case currently before FERC. Last year in the Energy Committee, I successfully headed off a proposal which would have deregulated TAPS, resulting in a substantial increase in the TAPS tariff at the expense of the State.

For each dollar of increase in the TAPS tariff, the State would lose roughly \$150 million annually in revenues.

In a related issue, there may be a need to amend the windfall profits tax to continue an exemption for oil produced above the Arctic Circle. In October, a Wyoming district court judge found the present exemption to be unconstitutional and ruled the entire windfall profits tax illegal.

His decision has been appealed to the U.S. Supreme Court, and while we expect the District Court to be reversed, it is a possibility the Alaskan Arctic exemption may not survive.

The loss of the arctic exemption could substantially curtail future Alaskan oil exploration and production. With the loss of the exemption, the windfall profits tax on that oil would rise from a current rate of 0 to 25 percent. Some estimates are the State would lose more than one billion dollars in severance tax revenues and state royalties between now and 1991.

Another threat Alaska faces is the possibility that Congress could restrict our severance taxes on oil. Just a few days ago, Senator Dixon of Illinois re-introduced a bill which would limit State severance taxes to 1978 levels, and require that the revenues generated from those taxes be used only for programs relating to energy development. This legislation is based on the argument that since the taxes paid on our oil are used to fund the general treasury, people from the lower 48 are paying for Alaskan programs that have no relation to energy development. The proponents on this argument, who are largely from the financially troubled northeast, think Alaskans are freeloading on the price their energy consumers pay, and that we have set ourselves up as an elite class of U.S. citizens.

If Senator Dixon's bill should pass, Alaska would no longer be able to put oil tax money into the general treasury for use on State projects.

This could place a large enough drain on the State treasury to require the reinstatement of the State income tax.

I do not mean to be an alarmist. Obviously, we will be joined by senators from other energy producing states to fight it. However, you must be aware of the threat this bill presents.

In addition to serving as Chairman of the Energy Regulatory Subcommittee, I will continue to serve on the Senate Water and Power Subcommittee.

I join with most Alaskans in the conviction that hydropower is the crucial component to the State's energy future. It is renewable, clean, dependable, and in the long-term, inexpensive. Its development will allow us to move more of Alaska's

nonrenewable energy resources -- oil, gas and coal -- to world markets and use these revenues to pay for the hydro projects.

Over the past few years, we've seen progress on hydro-development in the State. We've also seen growing controversy surrounding the State's biggest hydro facility -- Susitna. Some are concerned about the cost of the project, others question if Alaska will truly need the amount of power it would generate.

My hope is that Alaskans won't get caught up in the short-term disadvantages of the system and lose sight of what is in the best long-term interests of the State.

Let me share with you an observation I made while at home in Fairbanks last month. During the several days I was there, the temperature stood steady at 49 degrees below zero. The ice fog was extremely bad, and as the community grows it may get worse. While there's no question automobiles contribute significantly to this problem, let's not overlook the amount of pollution from other sources.

What if Fairbanks were to be an all electric city whose energy source was hydropower?

I urge those who are critical of the Susitna project to consider how this source of energy could solve what's becoming a serious clean air problem in Fairbanks and other Alaskan communities. Even Juneau had an alert from wood smoke out in the valley this winter.

I recently witnessed another example of the need to consider long-term benefits of development alongside well intentioned environmental concerns. In January, I attended the opening ceremony for the new 80 mile pipeline constructed across Panama to carry Alaskan oil to gulf coast refineries.

This project was completed after the proposed Pac-Tex pipeline between long beach, California, and Texas was abandoned. That project was rejected because environmentalists in southern California opposed an increase in tanker traffic which would have

occurred in Long Beach Harbor as ships began unloading oil at that port.

Let's take a look at some of the long-term ramifications of that decision to build a new pipeline across Panama instead of sending the oil through a U.S. pipeline system -- much of which was already in place.

First, the pipeline now lies in a foreign nation and Alaskan oil, presently 800,000 barrels per day destined for domestic use, must travel through an area outside our jurisdiction and our borders.

Second, the Panamanian government received a 40 percent equity interest in the pipeline simply by letting it cross its land. So that nation, and neither the U.S. consumer nor the State of Alaska, will realize up to \$120 million a year from the pipeline project.

Third, the distance the oil must be moved by tanker is increased by more than 4400 miles. That means more tankers and more transportation costs, which will ultimately be passed on to the U.S. consumer.

But the ships traveling from Valdez to Panama now must go into the port of Long Beach to take on bunker fuel. (There is no facility in either Valdez or Panama for fueling the tankers.)

So the ironic conclusion to this example is that today there are just as many tankers fueling in Long Beach as there would have been had the pipeline been built there in the first place.

The beginning of the 98th Congress presents me with the challenge of promoting tremendous opportunities for Alaska's long-term economic growth. This is especially so in light of my new position as Chairman of the Subcommittee on Pacific & East Asian Affairs.

The State's abundant natural resources have been the subject of considerable interest by the Japan, Korea, Taiwan and China.

As Alaska's first Senator on the Foreign Relations Committee, I will make every effort to focus more attention upon the trading potential of the Pacific region. We've all heard too much rhetoric about commercial exchanges between Alaska and the far east. The opportunity to market our gas, coal, pulp and timber, fish and other Alaska products is now at hand.

One issue which has been in the news lately is a proposal to allow the export of Alaska North Slope oil to Japan. I find the proposal initially intriguing, but have not yet seen enough facts to totally convince me of its merits.

The swap proposal is currently generating more attention because of increasing surpluses of oil on the west coast and the availability of Mexican oil to our major gulf coast refineries.

Under the proposal, we would purchase Mexican oil and Japan would purchase a small portion of Alaska oil. We're all familiar with the biggest plus for the arrangement: The savings in transportation costs would increase the wellhead value of Alaskan oil and generate significantly higher revenues for the State Treasury.

It would also be advantageous for Alaska because it could give the State an alternative market for its crude oil. Under current production of State royalty oil, there are some 100,000 barrels per day which might be available for foreign export.

On the down side of this proposal is the effect it could have on the maritime industry. Substantial investments have been made in building up U.S. tanker fleets to transport Alaskan oil. If we were to permit Alaskan crude to be transported to Japan by foreign vessels, we would be allowing those domestic tankers and their crews to lay idle. American jobs are at stake.

I personally believe the oil is valuable enough to Japan to negotiate an agreement under which U.S. tankers could continue to

be used. As an aside, I might clarify that the value of the oil to Japan is not so much in its quantity, but in the signal it sends to Japan's OPEC suppliers that Japan has an alternate source of energy.

In fact, the value of oil to Japan may be such that it would be willing to relax some of its trade restrictions on American beef, citrus fruits and agricultural products. Such action would have the added advantage of generating congressional support for the swap.

The swap proposal will be addressed in the coming months by the U.S. - Japan Energy Study Group which was formed as a result of recent meetings between President Reagan and Japanese Prime Minister Nakasone. I have personally talked with Secretary of State Shultz about the study group and he has assured me that in my capacity as Chairman of the East Asian and Pacific Affairs Subcommittee, I will have access to the study group's deliberations.

This is important not only because of the oil export proposal, but because the group will be considering two other topics of interest to Alaska's future. They are:

- Japanese financing of the development of U.S. and Alaska energy export infrastructure, including Alaska coal, and
- The marketing of Alaska natural gas in the orient.

When I addressed the legislature last year, I had just received word that financing for the Alaska natural gas transportation system had encountered a roadblock because of falling world oil prices and other reasons.

One year later that financing is still in question.

Consequently, we have not seen construction of the Alaska leg of the pipeline, but the prebuilt sections from Canada to the midwest & western United States have been completed and are today transporting more than one billion (1,215,000,000) cubic feet of Canadian gas per day to those lower 48 markets. That could lead

to the conclusion that Canadian gas may be filling the markets originally designated for Alaskan gas for some time.

In the meantime, former Governors Hickel and Egan and the other members of the governor's study group have released their report on marketing Alaska's natural gas.

I am pleased the report is receiving critical examination by various interested parties including the U.S. Japan study group. If the producers who own the gas think the project provides them with a return that's sufficiently attractive, if the customers overseas find the prices competitive, and if the market is there, then the project indeed has merit.

I think it is important to point out, however, that while technically only an export permit is needed for an all Alaska project, it is naive to think Congress would not want to have a voice in this decision. Any long-term contract to export America's energy resources will surely require the blessings of Congress, an action in which I would be actively involved in my new subcommittee chairmanship.

Another issue I'm pleased to be involved with is Alaska's first major coal export project. In late December, the Korea Electric Power Company agreed to a contract with the Sun Eel Alaska Company to begin, 1984, shipments of coal to an Electric Power Generating Plant in Korea.

Last year I was in Korea and met with their president, the Minister of Energy and Resources, and the President of the Korea Electric Power Company, to discuss this and other Alaskan projects.

I remain in close contact with these individuals and have one staff member in my office explicitly responsible for Alaskan-Asian trade. In the near future, I will hold hearings on east Asian and U.S. trade in order to fully explore the scope of markets and the character of the demand for Alaskan and lower 48 goods.

I also intend to hold hearings on the advisability of promoting a Pacific Basin Community. The results of such a proceeding may help us decide whether or not Alaska should take the lead in helping establish an Asian common market modeled after the European common market.

Throughout these deliberations I intend to work closely with Governor Sheffield's Administration and with its export-minded Commissioner of Commerce, Richard Lyon.

While economic relations with our East Asian neighbors have very definite benefits, they are not trouble-free. One problem I have been working on is an increasingly important issue in Alaska's fisheries -- joint venture with foreign nations.

Although the amount of fish caught in Alaskan waters processed under joint venture, leaped from 3.3 million pounds in 1979 to 210 million pounds in 1981, only three Alaskan fishing vessels were involved in 34 joint ventures last year. The other vessels were from Washington state.

This inequity is unacceptable to me. I have spent some time recently talking to representatives of Korea and Japan, the two countries most involved in joint venture, to try to persuade them to work more with Alaskan fishermen.

I support the concept of joint venture, but believe we should watch them carefully, so our participants don't end up being "sharecroppers" for foreign processors.

Another of my priorities for this session of Congress is the Arctic Research bill. Although this bill passed the Senate last year, it was stalled in the House Science and Technology Committee. I have been working closely with Don Young and Rep. Don Fuqua, who heads up that committee. In fact, I'm counting on Don to take Rep. Fuqua on a trip up here this year. I believe the Arctic Research bill will go a long way toward helping us develop Alaska's resources in a responsible and thoughtful manner. It has been estimated that nearly a billion

dollars could have been saved on TAPS, if the U.S. would have had the research capability which would be established by this legislation.

Let us not forget the National Petroleum Council has predicted that 44 billion barrels of recoverable oil and oil equivalent gas exist in Alaska's Arctic.

Another issue I've been actively pursuing, along with Ted and Don, is our proposed hunting amendment to the Alaska Lands Act. There are currently 32 million acres of Federal Park Lands in Alaska, 25 million of which were opened to hunting prior to 1980, but are now closed. Under our legislation, approximately 12 million acres would be redesignated from park to park preserve status. Trapping and sport hunting would continue to be barred on the remaining 20 million acres, or 63 percent, of Federal Park Lands.

Under the amendment, the State would manage these lands, since the Federal government now has one wildlife biologist stationed in Alaska, and the State has 93 on its staff, it's evident which group could better manage the resource.

I recently questioned the Secretary of the Department of the Interior, James Watt, on this point. Watt agreed the State has a much better management capability.

I think it's time to say thanks to Secretary Watt for his service to Alaska. While he is frequently criticized nationally, the figures speak for themselves.

In the 25 years since statehood, Alaska has received 60 million acres of the 104 million acres promised us by the Federal government. Twenty-one million acres, or one-third of that total, have come to Alaska in the last two years of Watt's tenure as Secretary of the Interior.

He has also helped the State achieve its goal of transferring Federal lands to Alaska native regional corporations. In the past two years, these corporations have received eight million acres of land, compared to the 10

millionacres they had received in the 10 years prior to Watt's Administration.

It is also appropriate to recognize that Alaska alone among the 50 states, has provided for the descendants of its native peoples. Our attention to our aboriginal people will prove to be one of Alaska's greatest investments.

Although I am disappointed that Mt. Edgecumbe High School will be closing this year, my efforts to keep it open for an additional year gave both students and staff some needed transition time. I hope the State will somehow be able to fulfill the needs of those native students who will be without a boarding high school.

In closing, I would like to discuss briefly the national scene. In spite of our past problems, I agree with President Reagan when he says America is on the mend. Our economy is currently recovering from the recession; the signs are clear.

The prime rate is down from a high of 21 and a half percent in December of 1980, to eleven percent. The rate has come down in part because we finally have inflation under control.

In 1980, the inflation rate was 12.4 percent. Now the rate is under 4 percent and signs are good for the first six months of 1983.

The attention of Congress must now be focused on unemployment and the deficit. But I contend unemployment is being reduced. Workers are being called back to their jobs. Our current fiscal year budget will be about \$805 billion yet we will have a projected deficit of roughly \$200 billion. Consider for a moment that we already have an accumulated deficit of a trillion dollars with interest on that in excess of \$140 billion annually. This interest did not create one job in this country. One only has to remember the 5 cent a gallon gas tax recently passed by Congress to recognize the extreme ends we are going to maintain our interstate highway system and provide an accelerated job program. Recognize further that it took this country 207 years to accumulate its first trillion dollar deficit. With the

projected deficits this year of nearly \$200 billion one can recognize that unless we dramatically change direction we will have accumulated the second trillion dollar deficit in just five years. The realities are obvious. We have no other choice but to dramatically reduce the rate of Federal growth. This is not an easy subject as we deliberate the methods and the direction. I could support some type of value added tax if it were to be directed specifically to reduce the accumulated deficit. And I could support the President's stand-by tax program of one percent of the GNP on a temporary basis. But I do not believe this country can regain economic prosperity by simply increasing taxes from the private sector and sending those tax revenues undirected to Washington.

Although I agree with many proposals included in the President's budget, I firmly believe changes must be made in defense spending. The joint chiefs of staff should be given a percentage cut, as other Federal departments have been given, and should set their own cutting priorities.

Other changes will be necessary and the final product may not be totally satisfactory to everyone. However, if we are to overcome the threat our huge deficit poses on our monetary system and the American lifestyle, we must take the same bipartisan approach adopted so successfully by the President's Social Security Commission. When we have control of the deficits, we will have solved the major problem of unemployment.

I welcome your comments on all Federal issues of interest to the State. I hope you and our Governor will continue to call upon Senator Stevens, Rep. Young and myself to help you in your efforts, and we will continue to rely upon you for your advice, guidance and direction.

Thank you for extending to me the opportunity to address you today. I will be happy to answer any questions you may have.

HOUSE JOURNAL SUPPLEMENT

February 21, 1983

No. 13

TRANSCRIPT
OF
THE HONORABLE U. S. SENATOR MURKOWSKI'S
QUESTION AND ANSWER PORTION
OF THE JOINT SESSION
OF
FEBRUARY 14, 1983

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SENATOR FAHRENKAMP: Senator Murkowski, what effect to you see the State of Alaska having on the possibility that trade will _____ countries, if we are perceived to be in a leadership role or out front in the efforts to secure that.

SENATOR MURKOWSKI: Well, I think Alaska is a bit unique in its structure. We are separated as no other state is, by a foreign country. For all practical purposes we are the United States' only Asian state. Traditionally, our resource markets, with the exception of oil, have been marketed in the Pacific Rim. So I think that acceptability, because of our geographic location, is already established. And I think-with that goes a recognized perception that that's where Alaska's resources will be marketed simply because we are non-competitive for the most part, with the exception again of oil, for the West Coast markets which have resources and energy and so forth and so on, closer to population centers. So I think the pattern has been established.

REPRESENTATIVE UEHLING: Senator Murkowski, the question is in regard to -- you talked about the importance of economic growth in Alaska and how we have to excel in that area. What is your position on streamlining at the federal level something where we could improve the leasing as far as oil and gas development in the Outer Continental Shelf? And what is your perception about the _____ on that?

SENATOR MURKOWSKI: Well, that's a subject that, of course, has received a great deal of notoriety of late and it's a complex situation. My attitude, first of all, is that we've

made great advancements in technology with regard to off-shore development and the potentials associated with it. I think the industry is not going to jeopardize the confidence that it has built up in Alaska by doing anything that it doesn't think it can do. I think the industry has done an outstanding job in Cook Inlet, as displayed by the oil platforms that have withstood a couple of decades nearly of ice activity. As far as the ability to respond and relate to the people that are effected by the impact associated with OCS development, I think that the industry in the state is attempting to respond to those concerns as to specifically where they are, and that is difficult to tell because everybody has an individual interpretation. But oil is where you find it. And we all recall, not so many years ago, when we were concerned about the impact that was going to occur in Seward. And the impact that was going to occur in Yakutat. And the tremendous activity associated with the Gulf of Alaska sale. The only thing is, they didn't find any oil. What we are talking about in reality, in most of these offshore sales areas, is a time frame of five to seven years before there is any development, assuming there are commercial quantities of oil. And the quantities have to be substantial, otherwise you are not going to develop that oil. So I think we need a greater communication between all the interested parties so we can be more responsive to the people who have some very genuine concerns about what this impact will bring.

SENATOR VIC FISCHER: Senator Murkowski, last week Senator Ted Stevens gave a ringing endorsement to the Equal Rights Amendment and looked forward to action by the Congress. I

was wondering how you see the outlook and what's your personal view on the Amendment.

SENATOR MURKOWSKI: I have been a co-sponsor of that Amendment in the last session and I'm also co-sponsoring in the new session. I think it will proceed through the process as it did the last time, and my guess is as good as yours as to ultimately what will happen. But it's been the perception of the constituents for the most part that have reached me, that they want to have the opportunity to have that on the ballot and proceed through the customary constitutional procedure. And I'm in total support of that concept. But where it ultimately goes is going to be decided by a vote of the people and that's as provided under the Constitution.

REPRESENTATIVE BETTISWORTH: Senator, in reference to this working group that you spoke of between the United States and Japan having to do with resources. Since there's going to be a strong emphasis on the exportation of Alaska's royalty oil and coal and other resources, it might be prudent for the Legislature to have either a working member or observer on that group. Would you care to advise us on that, please?

SENATOR MURKOWSKI: Well, I might advise you that that group is really being coordinated by the head of the National Security Council, Judge Bill Clark. I have met, as I indicated, on one occasion with him and they have kept us advised of the formation of the group. Now, as to the appropriateness of the Legislature, I would certainly be happy to try and provide a liaison if you felt it appropriate or whatever other means. I think it is important

that they have the collective input of the Legislature and the Administration because they are talking about Alaska resources, let's not kid ourselves. And their interest is motivated by the fact that that's federal land. And they, obviously, do have a voice. But the terms and conditions under which we allow our resources to be developed, I think, is a policy matter that should be established by Alaskans in the Legislative Body. We have made some direct inquiries as to whether or not we can participate in their meetings. We have been advised that they will keep us informed. So that's the response that the Congressional Delegation has received, or I have personally received.

SENATOR PETTYJOHN: Senator Murkowski, with the _____ as you mentioned in your address _____ the trans-Canadian pipeline, is there any chance that the state will receive an additional price on its wellhead oil?

SENATOR MURKOWSKI: Well, that something that I kind of went down to Panama to make some inquiries about because I assumed, as we all do, that the wellhead price and the transportation costs have a direct relationship. If you reduce the transportation cost the wellhead ought to go up and Alaska ought to generate more revenues. Until I begin to look into that little arrangement and that particular pipeline is an 80-mile pipeline and was built at a cost of about \$380 million, based on a through-put of about two to three thousand barrels a day. It is presently flowing at eight hundred thousand barrels per day. The owner is a private corporation called Northville Industries which operates a pipeline of a length of Long Island, New York.

They got into that business many many decades ago when they went out of the coal business. But the point is that they had a 3-year through-put from ARCO, Sohio, and Exxon, which they took to the bank, obtained the financing on, and I assume figured that there would be three to four thousand barrels a day. The fact that there is eight hundred thousand barrels a day, I think is most significant to the State of Alaska. I am told that that savings is going to go strictly to increase the amortization schedule rather than have any reduction on transportation charges. There was one other Senator from New York who was there and myself. I would strongly suggest, with your permission, that the Legislature kind of follow where your oil goes.

REPRESENTATIVE GOLL: Senator Murkowski, I would like to take this opportunity, if I may, to thank you very much on behalf of constituents from my district and others for the work you did on the Mt. Edgecumbe school, it meant a great deal to us. And on the subject of the state's continuance of that school, I'm happy to say there are many people making an effort _____ Board of Regents and the University _____ to see what the secondary programs might be maintained or what would be included in the facility within the system.

The question, however, is on the subject of fishing. As you are I am sure aware, there's been quite a lot of instate comment regarding the bilateral treaty with the Canadians on salmon allocation. I think it is not irresponsible to say that we may very probably see _____ position in opposition to the treaty. Should that occur

and I must say that that does take into consideration the comments of the Senator last week regarding the idea that the treaty should not be just scrapped, but in fact at the negotiations [indiscernible] ...hopefully a more equitable arrangement developed. I was wondering if you would care to comment on that, sir?

SENATOR MURKOWSKI: Thank you. I would share your dissatisfaction with portions of the treaty, particularly as it applies to the chinook salmon runs, king salmon in Southeastern, because the inequities are obvious. The Canadians dropped from, I think, 1,100,000 to 854,000 fish and we are dropping from 255,000 by 40,000, so we will probably get 180,000. That's not proportionate. But we've not had any type of an agreement for several decades. The attempt of the treaty was to try and put together some kind of agreement so we could continue to agree and disagree, but at least get something done and set up some talks. Unfortunately, the Canadian attitudes toward fisheries seem to be -- their first concern was to insure that their fishermen were out fishing, and ours traditionally has been for the maintenance of the species by controlling the take. I think I would like to see, and my attitude is pretty much the direction that the legislature sets to the Congressional Delegation and, of course, the Administration. I would like to see [END OF SIDE ONE]

...made to try and keep the framework, at least the outside perimeters of the treaty, to see if we can go in and negotiate the specific points that we are dissatisfied with, and that is the main one. The other idea of throwing the whole thing out doesn't solve the problem. It means that probably our fishermen are not going to be any better

off. They may be temporarily, but we still haven't got an agreement. The agreement is so complex because right now you have Washington that's generally in agreement because of their not really being hurt too bad. But the Washington fishermen, theoretically, are taking Canadian Frazier River fish in a disproportionate share so the Canadians are looking to us for relief, and that's wrong. I think we're going to have to make a decision very shortly whether we can renegotiate a more equitable arrangement on the troll caught salmon, the chinooks, and if we can't, then I think we have got to stand up and be counted. And if we have to scrap it, we'll have to scrap it.

REPRESENTATIVE PESTINGER: Senator, I've always respected your background in banking and consider the trillion dollar deficit one of the most serious problems in our national economy. It seems like that places government in competition with private enterprise to borrow money from the bankers. And while we may have low interest today at 10.5 or whatever the rate is, the rate is still going to go up over the years and is going to fluctuate a lot as long as we carry that trillion dollar debt and as long as the government is in competition to borrow this money. Because I would think that the bankers will be good businessmen. You mentioned ideas on reducing that debt. Is there any merit to the idea of marketing certain non-pristine public lands to states and residents? Or what are your ideas, besides taxation, to reduce the significant national debt?

SENATOR MURKOWSKI: Well, one area that has been explored that has merit is something that you have touched on, and that is to get rid of excess federal property. Secretary Watt

came out with some statements and it was assumed by many people that he was going to sell the national parks. Well, he has assured me that that is not his intent, not just me, the entire committee. He has assured me that there is not going to be any drilling of any kind in our nation's national parks. But there is an awful lot of federal surplus property. You go to any of your major cities and you see port areas that are owned by the federal government, that are not used, they are not on the tax role. There is an effort underway, Senator Percy is attempting to get the federal government to do an inventory to find out what they have. And, of course, they don't know that, because government has a way of wanting to get bigger and you don't get bigger by selling off. I think that's the first thing we could do. It is estimated that there is nearly a trillion, two hundred and fifty billion dollars worth of excess federal property. And that doesn't include public lands. Public interest lands -- I think that would be an excellent place to start.

REPRESENTATIVE MCBRIDE: I like your positive approach to the Alaska fishermen being able to participate in our ground fishery. Had you thought of and do you have any ideas in increasing the participation of Alaskans into the observer program?

SENATOR MURKOWSKI: Well, yes. We have made an initial effort that has been funded a good deal by industry, I believe, and we're having some problems, I understand, finding people who want to go out there on those foreign boats and bounce around, which I can certainly appreciate. But we've got to do more of it because without it, why we are

going to have exceptions taken to other species. Incidental catch of halibut or various other things always occur when we don't have observers aboard there. And we are working as a delegation with the various agencies, National Marine Fisheries and others, to try and encourage more funding. And the industry has been most helpful. And I think we can do a better job on it.