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January 18, 1990

THURSDAY

No. 17

THE HONORABLE FRANK H. MURKOWSKI

U.S. SENATOR

Address to the Joint Session of the
Sixteenth Alaska State Legislature
Second Session

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No. 17

The following remarks were prepared by U.S. Senator Frank H. Murkowski for his address before the Alaska State Legislature at 11:00 a.m., Thursday, January 18.

The Senator departed from the original text when he delivered the address.

Following the address, Senator Murkowski responded to questions from Legislators.

U.S. Senator Frank Murkowski
Address to the Alaska State Legislature
January 18, 1990

Because it's the start of a new year -- and a new decade -- I'm inclined to forecast the issues coming up.

This morning, I'll share with you my status report on the Alaska issues, and a synopsis of where I believe we are headed -- as a state and as a member of the world community.

Let's look first at the historic world events of 1989.

We may have to pinch ourselves to believe it, but it certainly looks like the end of the 1980s, also signaled the end of the Cold War.

The dramatic events that unfolded in Central Europe were echoed around the globe: In places like: the Philippines, South Korea, Namibia, Panama, people stood up against oppression and cast their fate with the principles of Democracy.

1989, one could say, was the year that freedom and individual liberty crushed tyranny, in the battlefield of people's hearts and minds.

Even in China, where old men held onto power by massacring their grandchildren, we sense that their domination will be fleeting and shallow.

The students of Tiananmen Square just can't be denied, and the ideas that they cherish will never be killed.

What makes 1989 so significant, is that all the extraordinary changes were brought about by the people, themselves.

No one government, was directly behind the changes -- No one political leader can claim the credit.

We witnessed firsthand, the power of the human spirit -- The student in Beijing using his body to block the oncoming tank, the East German standing triumphantly atop the Berlin Wall.

Free people throughout the world, and specifically we in the United States, provide an example for others to follow.

Our belief -- in the ultimate strength of a free people -- is prevailing.

The contest appears to be ending between East and West -- and without a war. A historic achievement in which all Americans can take pride.

I'm personally convinced that it came about through our firm policy and commitment of "peace through strength."

In a review of 1989, we should also consider events that highlighted our nation's limitations.

We had natural disasters -- like Hurricane Hugo and the California Earthquake -- that served as shocking reminders of the frailty of man; And man-made disasters -- like the Exxon Valdez oil spill and the Rocky Flats nuclear waste cleanup -- that remind us of the frailty of our environment.

In 1989 we witnessed the shortcomings of some of those who serve in government; the savings and loan bailout, HUD scandal, and a number of Ethics investigations -- all of which drive home the message that more government can never serve as a substitute for good government.

Now, as to my forecast of Alaska issues coming up:

Among the hot ones are issues left over from last year: foreign driftnet fisheries, offshore trawler vs. shore-based processors, oil spill liability, Native Commission, Tongass reform....and over Christmas, Santa dropped a couple of new ones on us: wetlands and subsistence.

I think we're finally getting somewhere on the driftnet issue.

As you know, a UN resolution late last year, urges a ban on driftnet fishing to begin in 1992.

That's good, because it focuses world attention on a serious ecological problem.

Last year, we brought national and world attention on highseas salmon piracy, -- thanks to the good work of our Coast Guard, the National Marine Fisheries Services, and a couple of successful sting operations, strung out across the North Pacific to Taiwan.

As we complete work on the reauthorization of the Magnuson Act this year, I intend to push for a provision to ban all driftnet fishing in the North Pacific.

In the interim, our country will be renegotiating driftnet agreements with Taiwan, Korea and Japan.

This year, it's imperative that we stand firm and makes certain that all agreements are consistent on: U.S. boarding and inspection, requirement for vessel position transmitters, and adequate observer programs.

The controversy between onshore and offshore processing will be our major domestic fisheries issue.

We have to fight to retain the Alaska majority on the North Pacific Council, and we have to support our shore-based processors -- vital to many of our small communities.

Development of a national Wetlands policy is certainly another issue before Alaska.

Our concern was heightened late last year by a forthcoming MOA (memorandum of agreement) between the Environmental Protection Agency and the Corps of Engineers on the permitting process.

I've discussed Alaska's concerns at length with EPA Administrator Reilly, and just last Friday in Utah with Governor Sununu -- the President's Chief of Staff.

My objective, along with the rest of the Delegation, is to limit the MOA to a clarification of existing policy, and to ensure that it does not impose new requirements for receiving a wetlands permit.

A number of changes were made to the originally proposed MOA and implementation has been delayed twice now. --Which means we have until the end of the month to keep working on additional changes. Governor Sununu reassured me last week that we will ultimately reach a resolve that Alaskans will consider "workable."

Keep in mind that this MOA is not intended to be the President's "no net loss" policy. That overall wetlands policy is being developed by the President's appointed task force and will include many proposals and programs for the nation -- over and above the wetlands permit process. We will continue to work with that task force to ensure that the special circumstances of Alaska wetlands are adequately addressed.

Oil Spill Liability bills passed both houses of Congress last year, and we're scheduled to conference the two bills when the session resumes. Based in large part on the advice and leadership that Alaskans have shown on this issue, I am confident that we will enact strong oil spill liability legislation that does not preempt State law.

So much has been said about the Exxon Valdez oil spill that I'm sure no one here wants to hear more. But that incident, without doubt, was one of the lessons of 1989.

It was a mistake, and we learned from it.

As a result of the Exxon Valdez, Congress is in the process of reforming our nation's oil spill liability laws.

--Action that's been long overdue, but took the nation's worst oil spill to make happen.

A major cause of the spill was that industry and government, -- the people responsible for monitoring the Valdez operation,-- had grown complacent.

Recognizing this, I authored an amendment to the oil spill bill that will create Citizens' Advisory Councils at our two major crude oil terminals -- Prince William Sound and Cook Inlet.

The concept is to establish a partnership between industry and local citizens to ensure the environmentally safe operation of the terminals.

This is a solution that will work, because people whose way of life depends on the safe operation of the terminal will not become complacent.

Creation of these councils will go a long way toward rebuilding the confidence and trust between the oil industry and the people of Alaska.

This session of Congress, I expect final action on the Native Commission Bill. AFN showed strong leadership in assessing the difficult problems facing Alaska's Native community.

As a member of the Indian Affairs Committee, I worked closely with AFN in preparing, and passing in the Senate, legislation to create a Federal/State Commission to review policies and programs affecting Alaska Natives.

Senator Stevens got the necessary initial funding through his appropriations committee.

But we ran into difficulty when Congressman George Miller of California decided to hold the bill hostage in the House -- in an attempt to leverage the Alaska Delegation on his Tongass Wilderness legislation.

I'm confident that Ted, Don and I will overcome that hurdle this session.

As to the Tongass bill, itself, I was involved in some difficult and protracted negotiations last year that lasted up to the 11th hour.

However, we were unable to produce a final resolution.

Controversial and highly publicized concerns -- like the annual \$40 million timber supply fund, the 4.5 billion board feet timber harvest target, the administration of the pulp mill timber contracts, and 100-foot buffer zones along salmon streams; --all could have been resolved last session.

However, preservationist demands for large increases in Tongass wilderness obstructed meaningful Tongass reform.

I believe that permanent statutory withdrawals of land from multiple use management must be based on the needs of all SE Alaskans and sound resource information.

The input from the SE Conference was most helpful last session, and I will continue to look to the Conference as we move to final resolution of the Tongass issue this year.

At the same time, I will be encouraging my colleagues to consider the results of the TLMP --the land planning and public input process required by law, due out this year.

In developing the new TLMP plan, the Forest Service has held more than 30 hearings and spent more than \$5 million dollars. Congress should look to the plan before making decisions about permanent land classifications.

The more people understand the facts about Tongass, the better off we are. Basic facts, like: what we do in Alaska with our timber is in sharp contrast to the tropical forest conversion in certain Third World countries.

There, trees are slashed and burned and forever eliminated from the land, and large amounts of carbon dioxide are released into the atmosphere by the burning of the slash.

In the Tongass, we achieve multiple use management through balance.

One-third of the forest is in Wilderness in perpetuity.

Another third is managed exclusively for wildland recreation and wildlife habitat.

Only one-third of the forest is managed to produce 45 billion board feet of timber during the next 100 years.

These are among the facts that Alaska should continue to get out to the public.

Another issue for 1990 is Subsistence -- now that the State Supreme Court found our State subsistence law to be in violation of the State constitution. Last year the federal court questioned the future of the State subsistence law by finding that the State's definition of "rural" residents inadequate to protect the subsistence needs of Kenai Natives.

The result, some say, could be a federal takeover of fish and game management in Alaska -- This, in my view, is completely unacceptable.

The state must again face this difficult problem.

Our plan must: provide for the needs of those Alaskans critically dependent upon fish and game for their nutritional and cultural needs; maintain

continuity of state management on federal lands as well as state and private lands, and meet the demands of sport and commercial users. We can meet this challenge by working together with an abiding respect for the right of all citizens and deep concern for the welfare of current and future generations of fellow Alaskans.

This issue has the potential to carve ugly divisions among interest groups in our state.

And if we allow this to occur, all Alaskans will suffer.

Another issue on the horizon is hunting in park preserves.

This land classification is unique to Alaska. Park Preserves were created by Congress in 1980, under ANILCA, to allow for hunting on some of the land managed by the national park service.

Hunting is not permitted on lands managed by the park service outside Alaska.

Now, Animal Rights groups and others are claiming that hunting in Alaska preserves is inappropriate.

They say we should no more let people hunt in Alaska's park preserves than we let people hunt in Yellowstone or Yosemite.

This ignores the distinction between park preserves in Alaska and National Parks.

The Park Service is responding to the pressures, unfortunately, by recommending new wilderness in some park preserve areas to make access for hunting more difficult; and by attempting to gain more control over game management in park areas.

Maintaining the right for Alaskans to hunt in park preserve areas is something we will have to continually fight for in the future.

Finally, there's ANWR.

As you know, we had momentum last session, the bill passed our Senate Energy Committee and was ready to go to the Floor.

Then came the Valdez oil spill.

The public concern about the environmental record of the oil industry is still prominent, and the fact that this is an election year will make moving ANWR difficult this session.

On the other hand, our domestic energy security continues to erode. We now import more than 50% of our oil, and this winter people in the Northeast are feeling the shock of heating oil shortages and high oil prices.

Knowing how Congress responds to a crisis -- like working on oil spill liability legislation in response to the Exxon Valdez -- I'm confident that my colleagues will take up ANWR because more people are becoming concerned about where our oil will come from.

While it's hard to say "when" ANWR legislation will move, I'm convinced it's inevitable.

As you know, 84% of our state revenue now comes from oil.

Oil revenues from Prudhoe are declining about 10% a year. By the year 2010 only 500,000 barrels are expected to be moving through the pipeline -- That's one-fourth of what it is now.

Fortunately, we're not limited to oil from Prudhoe Bay. There are other ways to create jobs and sustain our State's economy. We have other resources that should be developed.

We need creative approaches in order to diversify our economy.

Next month, I plan to visit Wyoming to see one of the development projects that state is supporting. It's a coal project called "K-Fuels", -- a process that removes water from coal to make it more competitive on the world market.

The objective, from Wyoming's point of view, is to help promote their coal industry, create jobs for their residents, and establish a viable export industry.

Wyoming has provided a state incentive loan to the developers of the technology -- Over 11 million dollars were granted out of the state's mineral fund.

Of the 11 million, 3 million was used to buy bonds that will pay back the original principal in 20 years. The project sponsors are required to pay interest to the state on the original 11 million dollar grant during the 20-year period.

The idea is the state never loses its original principal and interest out of the mineral fund, but the private parties have the use of the capital to create a new industry in the state.

Since Alaska's coal is similar in moisture content to Wyoming's, we might want to consider supporting a similar demonstration project here.

On the subject of coal, we had some good news late last year when the Department of Energy selected Alaska to receive \$93 million dollars to build an advanced technology, clean-burning coal power plant at Usibelli in Healy.

The \$30 million that you reserved in the general fund, contingent on the DOE award, had a large role in DOE's decision to include the Healy Cogeneration Project as one of 13 in the nation receiving funding under the Clean Coal Technology program.

Your final appropriation to AIDA will pave the way for this exciting project.

I hope that as you consider the success of that effort, you would also think about other major coal proposals in Alaska that need state support -- like the Western Arctic, Wishbone Hill and Beluga coal fields.

We have the largest accumulations of high heat value low sulfur coal in the world in the Western Arctic near Point Lay.

It could be shipped to ports by railroad and loaded on ships for the Pacific Rim -- and we could market it economically today.

The Western Arctic Railroad may sound far-fetched, but the rail distance involved compares favorably with coal hauls in Canada and the Lower 48. That railroad could facilitate development of the Ambler District on the South flank of the Brooks Range.

--an area that contains high grade metal properties.

Farther to the northwest, the railroad could service the Noatak zinc belt, including the Red Dog Mine.

This area is destined to become the world's foremost zinc producing region and a supplier of major quantities of lead and silver. A resource artery linking Southcentral and Interior Alaska with the resource rich, but isolated Northwest, would have long lasting economic benefits. With a 5% coal royalty and the new 3% royalty on hard rock mineral production, arctic development could bring millions in revenues to the State and create a new long term economic base. I know that export markets exist for our coal in the Far East -- However, the projects need some help with infrastructure to get going.

A similar situation exists with our gasline project.

Ted, Don and I worked closely with the Administration to help eliminate the red tape and facilitate federal licenses for the project.

Federal Permits are now in hand, -- and my recent trip to Japan and Korea convinced me that the interest is there.

Now it's up to the State, the producers and the gasline promoters to make some hard decisions.

The gas project no longer faces political or regulatory roadblocks. Success will be determined by economics and teamwork.

--Can the gas be delivered in the Pacific Rim at a competitive price?

--Can the price received for the gas compensate for oil left in the ground as a result of early gas sales?

--Can the State help bring down the capital cost of the project through investments in infrastructure? (like State help with bonds at Red Dog and dock for Seward coal project.)

State incentive programs could go a long way to boosting our economy.

Property Tax abatement programs, negotiated oil royalties that encourage marginal field development, and investments in projects like water and sewer assistance at the Alyeska Resort Expansion are among the options that need to be seriously considered.

The worldwide developments of 1989 present Alaska with a challenge --and opportunity-- to be a leader in the developing world events.

If nothing else, our geographic location -- at the crossroads of the East and the West, puts us in a crucial position.

We already had a role in the easing of tension with the Soviet Union.

Alaska initiatives -- freedom flights, student exchanges, and a whole host of other meaningful communications -- helped pave the way for a new relationship between our two countries.

And it's only right that we took that lead role with our backdoor neighbor -- Just as we've taken a trade initiative with our neighbors along the Pacific Rim, and promoted tourism from over the North Pole with the European Continent.

Alaska's resources, our geographical location, our industrious and imaginative people, -- give us the opportunity to be a leader in the new decade.

Among the issues of the '90s, in which Alaska could -- and should -- have a leading role is "environmental protection."

Much of the quality of our life is determined by the quality of our environment.

Our obligation, as a world society, is to develop, use wisely, and conserve for those who follow us, the abundant resources available on our planet.

Our initiatives, like the Citizens Oversight Councils to monitor our oil terminals, can benefit other communities as well.

Alaska is showing the rest of the world how to wisely manage forests. --as we're doing in the Tongass.

And consider fisheries: We're taking a lead roll in calling world attention to the destructive effectiveness of driftnet fishing.

Our State is certainly poised to help other Arctic regions of the world develop their resources in the fragile Arctic ecology. Our Arctic Science Commission will lead the way in understanding difficult subjects such as global climate changes.

Technology pioneered on the North Slope permits a mere footprint in a vast wilderness to produce vast amounts of energy resources.

Endicott -- the 9th largest oil field in the United States -- produces 100,000 barrels per day. Yet it covers a mere 56 acres!

These are among the benefits and leadership that Alaska has to offer.

And we are calling for other changes in the way we live and the examples we set:

Nancy and I were very pleased with the success of the marijuana petition drive last fall. It will give individual Alaskans the opportunity to vote directly on reforming our drug laws.

I applaud the Legislature for the public position your leaders are taking to make sure that the initiative will be on the ballot.

Alaska's decisive action against drugs is but one more way in which we are demonstrating our influence in the new era.

There may not be easy answers to the complicated problems facing us today, like drug abuse, but that should not deter us from trying.

Getting people involved directly in addressing the problems confronting them is just using common sense.

Whether it be oil tanker operations, Native programs, or drug laws, I believe the collective wisdom of the people, themselves, will give us better solutions.

1989 truly was a remarkable year, and it launched what promises to be a remarkable decade.

As a nation, we can and should do everything we can to solidify the historic gains of 1989 and, in the process, overcome our own limitations.

We in this nation, and in this state, are uniquely situated to meet the challenges and this responsibility. I'm confident that our human spirit will have us do just that.