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JOINT SENATE AND HOUSE

No. 4

REMARKS BY SENATOR TED STEVENS
BEFORE THE ALASKA STATE LEGISLATURE

February 24, 1975

President Croft, Speaker Bradner, Fellow Legislators, Good Friends all, thank you for allowing me to appear before you.

This is my 125th trip back to our State since I went to Washington in December of 1968. On those trips I have flown almost a million miles to and from and within Alaska. Those trips and the Alaskan newspapers and periodicals, all of which I take and read, have enabled me to keep up with the developments here at home in spite of the great distance that separates the legislature in which I serve now and yours here in Juneau.

This is the 7th opportunity I've had to discuss with our legislature Federal actions affecting Alaska. The Alaska delegation is the only one in the country which participates in this type of dialogue. You have heard from Congressman Don Young and Senator Mike Gravel--and I shall, as I have on each occasion, make but a few comments and then attempt to respond to any questions or comments any of you desire to propound.

PRESIDENT'S ENERGY PLAN

You have heard the criticism directed at the President's economic proposals. It seems there are 101 solutions to our Nation's economic woes that are being offered in the U. S. Senate today. The much criticized action to raise import fees on foreign crude oil is just one part of a total program that includes a tax rebate and proposed reduced tax rates for individuals and corporations, the decontrol of crude oil prices, the deregulation of new natural gas in interstate commerce, and other recommendations. The price of petroleum products to the American consumer would be increased if this program is approved, but the counter balancing tax cuts would offset this increase for most Americans. The proposal would give the option of spending the tax rebate on the same amount of petroleum products consumed in past years or decreasing our consumption of petroleum products and spending or investing the extra money. Let me emphasize that the excise tax is money that will stay in America. I believe that the price of oil was destined to increase, in fact the OPEC countries announced they would raise their prices again. In the last three years the price of oil has been raised by OPEC almost \$10 a barrel, \$7 of it in the last year and our Canadian neighbors raised their export tax from 50 cents to \$6 in the same period. The President has occupied the next position in the price spectrum. This should make the Arabs think twice before they raise the price again. And, if the President's veto of the resolution suspending the tariff is not sustained, I predict both the Arab price and the Canadian tax will be increased almost immediately.

The oil tariff increases the value of domestic oil, particularly Alaska's. That will encourage more investment interest in domestic oil exploration and production.

Last year in excess of \$25,000,000,000 (\$25 billion) flowed out of the United States for foreign oil. This year, unless some decisive action is taken, this dollar drain will be even worse. The President's tariff will reduce that drain. I don't support all of the President's programs, but I do believe that tariff should be maintained until we are capable of producing enough energy to meet our needs.

FOREIGN INVESTMENT

A related problem which I feel will reach a critical level in the next few years is that of foreign investment in the United States. This issue, I feel, is of particular significance to Alaska. Petro-dollars are being invested now in the Big Board's bargain basement. The Department of Commerce reported that in 1973 overall direct foreign investment was nearly \$15 billion and the investment in portfolios was almost \$90 billion. This tremendous investment of funds by foreign nations in the United States in part demonstrates their desire to ensure a stockpile of strategic resources critical to their own manufacturing requirements and domestic defense needs through development of U. S. resources. But, foreign exports of U. S. raw materials may deprive us of critical components for our own future industrial base. Equity investment by foreign capital in strategic defense, transportation, natural resources, and other essential areas also raises serious questions of what that money means, not only in economic terms, but in terms of international political leverage.

The effect of foreign investment, for the most part Japanese investment, in Alaska should also be examined carefully. A breakdown of known Japanese investment in Alaska shows \$350 million in the seafood industry, \$141.8 million in the forest industry, and \$12.4 million in the mineral resource industry. So far the relationship between Alaska's resources and Japanese capital has been fairly harmonious. I do not advocate that our State unduly restrict foreign investment--Alaska needs it. In many instances the choice faced by Alaska's infant industries is one of foreign capital or no capital. The problem is that our knowledge of the extent and effect of foreign investment is scanty and only incidental. Our security requires that we learn the extent of foreign control of U. S. resources. Disclosure is the key; then Americans can evaluate and, if necessary, control the situation.

Not only are we unaware of the real targets of foreign investment in the United States, but also our foreign investment reporting methods are grossly insufficient. This alarming lack of information about foreign investment prompted the passage in 1974 of the Foreign Investment Study Act, a measure I strongly supported, which requires a comprehensive evaluation of foreign investment in the United States. An interim report by the Departments of Commerce and Treasury concerning foreign investment in the United States is expected in October. However, my feeling is that the report will be too late. We should anticipate a rapid surge of foreign investment into this Nation.

Therefore I will introduce legislation to require that all foreign investment, both portfolio and direct, be publicly disclosed and evaluated. The President would be given the prerogative to reject any foreign investment detrimental to the security of this Nation. The definition of security will be broad enough to include either the national defense or the economic viability of the Nation. The President would also have the authority to condemn existing foreign stock control where it threatens national security. The divestment would be similar to antitrust procedures where stock is sold off on the securities market.

I am deeply worried that Alaska, with its vast resource wealth, could become the target for surplus petrodollars. I suggest that you consider the option of a State disclosure law for foreign investment in Alaska. If our people have this knowledge, I am confident it would be used wisely to prevent any risk to our future.

OUTER CONTINENTAL SHELF

The final area I would like to talk about is the development of the Outer Continental Shelf. As a brief aside, I would like to ask you to consider a potential problem which deals with both OCS development and foreign investment. What if the Arabs took their bulging suitcases of petrodollars and invested them through dummy corporations in OCS leases. Foreign capital, gouged in the first place from American consumers, used to gain control over a substantial portion of our domestic reserves--control which could affect our ability to become self-sufficient. I hope you agree that we--together--should make sure that can't happen.

OCS oil and gas development is inevitable if America is to achieve independence of our energy resources by 1985. In this quest, Alaska is destined to play a major role.

However, there are several factors that we as legislators should insist upon.

First, the development must be done right. A checklist outlining the marine and on shore effects and potential problems must not only be completed, but also carefully analyzed. We must have baseline data and the environmental assessment must be complete or untold years of delay by environmental litigation will occur.

Secondly, this development must be spread evenly among OCS areas which have oil and gas potential. I see no reason to fail to develop resources close to the major energy consuming centers first.

Third, coastal states must be adequately compensated for the impact, both on and off shore, that OCS development causes. I am again pushing a bill I introduced which would assure the adjacent coastal state a fair share of the OCS royalty and bonus payments. I am glad to report that the Administration is turning around on this one. They may not end up supporting my bill specifically, but through the efforts of Don Young, myself, and others, I believe the Department of the Interior now agrees there is a need for some form of revenue sharing.

Incidentally, when the OCS bill passed the Senate last year there was no provision providing for revenue sharing. The only bone thrown to the states which must bear the impact was a grant program limited to \$200 million. This was far too little, in fact Louisiana Senators said they needed that much in their state alone. The grant approach allows no front end money to enable a state to prepare for the impact--that front end money can and should come from a percentage of the bonus bids.

I believe that OCS development off Alaska, except in the lower Cook Inlet, should be viewed as part of the long range solution to our energy problems. CEQ identified the Gulf of Alaska area as the most environmentally critical area for OCS leasing. Those problems can be met, but not through a crash program.

There are still many areas of Alaska on Federal, State and Native lands with high oil and gas potential which have never been leased. I have been informed by the USGS that as of February 13, 1974, a conservative estimate (they tend to be that way now since the Academy of Sciences Report) of the oil potential on shore is 20 - 40 billion barrels on State and Native lands and 5 - 10 billion barrels on Federal lands (not including Parks and Wildlife Refuges); while the gas estimates are 80 - 160 trillion cubic feet (TCF) for State and private lands and 25 - 50 TCF on Federal lands.

Many of these areas offer in my mind a better hope for helping to ease America's energy pains in the short term. These areas would also provide the State with royalty and tax monies provided all means of transporting these commodities are not foreclosed by action on the D-2 land proposals. I also will introduce legislation next Tuesday to insure that if Pet 4 is developed, Alaska will receive its fair share of the value of that production.

When I first outlined what I wanted to talk about today, I had many topics to address, issues such as the gas pipeline, the D-2 lands, gun control, the use of royalty gas and oil in Alaska, the possible development of Pet 4, agriculture, aquaculture, the BLM multi-modal proposal, the in-place oil tax, and many others. It would be better, I believe, to respond to issues you want to discuss. I hope you agree--and that we can all benefit from this exchange of views.

Thank you.

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April 15, 1975

STATE OF THE JUDICIARY MESSAGE

Chief Justice Jay A. Rabinowitz

April 15, 1975

Before a Joint Session of the Alaska State Legislature

INTRODUCTION

President of the Senate Croft, Mr. Speaker Bradner,
and members of the Ninth Legislature.

This marks the fourth occasion upon which a Chief Justice of the Alaska Court System has had the privilege to deliver a State of the Judiciary Message to a joint session of the Alaska Legislature. This meeting today was made possible through a concurrent resolution passed by this body in 1971. In accord with your mandate, it is my intent, in this State of Judiciary Message, to report to you concerning the problems, goals, and successes of Alaska's Judiciary.

SUPREME COURT OF ALASKA'S WORKLOAD

In 1974, 60 petitions for review from interlocutory orders, 22 original applications, and 208 appeals were filed. Of these 290 matters, 253 were terminated. Since I last addressed you, the Supreme Court of Alaska has handed down approximately 135 opinions involving a wide range of subjects.