

State Affairs
HB 801,835,858,762,765
& HCR 88 Capitol 123-A 2:30 p.m., Mar. 15

HESS
HB 395,481 Capitol 112 3:00 p.m., Mar. 15
HB 733,645 7:00 p.m., Mar. 15

Judiciary
SSHJR 39 Capitol 124 7:00 p.m., Mar. 15

Commerce
HB 794 Court 628 8:00 a.m., Mar. 16
APUC bills 3:00 p.m., Mar. 16

C&RA
Package of village safe
water and sewer bills Capitol 123-A 9:00 a.m., Mar. 16

Labor & Management
HB 639, HCR 89 Court 647 3:00 p.m., Mar. 16

Joint Session to con-
sider Governor's veto
of SCS CSSS HB 64 House Chambers 11:00 a.m., Mar. 16

Televised proceedings of
House and Senate announced
for Tues. and Wed. has
been postponed one week.

ADJOURNMENT

Mr. Miller moved and asked unanimous consent that the House adjourn until 10:00 a.m., March 16, 1976. There being no objection, the House adjourned at 2:25 p.m.

Irene Cashen
Chief Clerk
March 1976

JOURNAL SUPPLEMENT

SENATE AND HOUSE - SUPPLEMENT NO. 5

March 15, 1976

REMARKS BY SENATOR TED STEVENS BEFORE THE ALASKA STATE LEGISLATURE

March 15, 1976

President Croft, Speaker Bradner, fellow legislators. Thank you again for your kindness in permitting me to appear here today. This is the eighth time I have spoken with the Alaska Legislature as an Alaskan Senator. These sessions are helpful to me and I hope you find them useful as well.

At the outset, I am saddened that Willard Bowman is not with us today. His service to our state and its citizens is a testament we all may admire.

Thomas Jefferson once remarked that "Our nation is too large to have all its affairs directed by a single government." I might add that our affairs are too large to be directed by a single government. We in Washington are not able to adequately attend to every matter of concern. And I assure you we appreciate the help that you provide. Congress and this Legislature have attempted to cope with many problems. Some are being resolved, others we dealt with in mid-stream, and still others are just beginning to loom on the horizon. I see my role today as trying to let you know what we have done in Washington, what we are doing, and what we plan to do so that together we can handle Alaska's affairs in the best possible fashion.

Paying for government is a concern we share. I remember struggling with the State budget when I was in this body and in my service on the Appropriations Committee I deal with the difficulties of making ends meet for the Federal Government.

This last year saw, perhaps, the greatest crisis the financing of our government has seen. The near default of New York City sent danger signals throughout our economy and brought increased caution by investment bankers, higher interest rates of municipal bond offerings, and a variety of other problems. We in Washington stepped in to help New York to prevent enormous damage to our economy. But the lesson of New York lingers. No government can provide unlimited services without unlimited resources. What the taxpayers will willingly pay must be the limit on what the government can spend.

Your Federal Government this year will have an estimated deficit of \$76 billion. Much of this will be necessary to revitalize our economy. But the danger exists that the deficit for next year will be as large or larger. Unless Congress shows more restraint than it has in the past, our Federal Government will again have to borrow, and the demand a deficit of this size places on the capital market is enormous. Continued spending at these levels without tax increases could result in the complete revision of our economic system. Capital is in short supply already and if we continue to demand what is not there, then some other system of paying will have to be found. I continue to study carefully each spending measure which comes before the Appropriations Committee to make sure we need the program, to be sure it will do the job, and most importantly, to be sure we can afford it.

We must also remember that government cannot and should not do all things for the people. Efforts to regulate and control everything can only cost taxpayers more for the bureaucracy and more for consumer products. The situation is aggravated in Alaska since we are at the end of the manufacturing and shipping process. A slight increase down the line is greatly multiplied by the time consumer goods reach Alaska. By keeping government interference to a minimum, we can take a first step to reduce this inflation spiral. Amendments I sponsored to the Surface Mining Bill would have helped keep costs down in Alaska's coal mines. Our efforts to reduce the impact of the EPA's regulation on Alaska's pulp mills would have the same effect.

But government interference could also take the form of artificial controls on prices and we must avoid that, too. Our private enterprise system responds only to the profit motive. A continuing supply of vital resources depends upon the ability of companies looking for those resources to get a fair return on enormous investments. Some may believe this will result in increased cost to consumers but I believe the cost of a shortage of natural gas or iron ore or any other resource will cost the consumers more. Recent efforts in Congress to deregulate natural gas failed, unfortunately, but the message is slowly getting across. To have more energy consumers must pay more now. In the long run the cost will be less because we will be dealing with our resources.

Paying for government was not the only problem we have had to cope with over the past year. Other matters of

particular concern to Alaska were dealt with by the Federal Government.

Alaska's future looks much brighter due to the recent passage in the Senate of the measure to establish the 200-mile fisheries conservation zone. As you know, the House passed a similar measure earlier, and so we are in the midst of Conference Committee to resolve the differences. I am one of the Senate Conferees and I am sure the bill will emerge a strong tool to help protect our fish, and the jobs and economics which depend on the fish. We have been assured the President will sign the bill as it passed the Senate. But it has been a long struggle since 1971 when I introduced the first 200-mile limit bill in the Senate, and I appreciate the support I received from the members of this group. I am confident that the result is something we can live with and will be proud of.

Energy affairs have also consumed much of the last year. With Alaska's enormous resource potential, much interest has been shown in our state. Of course, the gas pipeline is a subject we all are concerned about.

In Washington the Federal Power Commission is continuing its proceedings on the two applications. But the focus of attention has shifted to the Congress. Because of the importance and far reaching effects of this decision, Congress will make the final choice. This means, unfortunately, that the matter will be charged with politics. Arctic Gas is well into an extensive lobbying effort. OMAR has begun an effort but it is nowhere near the scale of Arctic's. I think such an effort is vital if we are to get the all-Alaskan line. As you may know, President Ford has submitted a proposal to expedite the decision. Senator Mondale has introduced a bill in the Senate mandating the Canadian route. That bill has the support of almost 1/3 of the Senate. Over 10 percent of the House has cosponsored a similar bill. Frankly, the momentum is in favor of the Arctic-Canadian line. We must make sure this momentum is reversed.

Congress will make the final decision, and if we want the all-Alaska line we must direct our attention to the Congress.

Our state can have an impact on the final decision. Through various methods we can apply pressure to get the line across Alaska. A commitment of the royalty gas tied to a binding obligation to build the line across Alaska is one way -- and I commend recent steps in this direction. Financial support to OMAR and their lobbying efforts is another. I believe Alaska must put its money where its mouth is.

We also must be very careful about our image. Alaska must maintain the reputation of a serious and responsible member of the United States. The recent Los Angeles Times articles were widely read in Washington and widely believed. Obviously we must have the image of a state that can handle our problems, not a state that cannot deal with the added pressures a gas line would bring. One of the best arguments we have against the Canadian line is that Canadian provinces could tax our line to death. Alaska must not provide others a similar argument. If members of Congress perceive Alaska as a state out to tax the oil industry for all it is worth, we could lose the gas line and the industry we need. The oil industry should pay its fair share, but Alaska should not hold it for ransom.

Other energy affairs include the problem of the lease sale in the Gulf of Alaska. The national administration is pushing hard on offshore leasing to obtain additional energy which our nation demands. I am disappointed that this lease sale has proceeded so rapidly. However, the Administration has told me it will require special reports to state and local governments on the onshore impacts. Added study is needed so we can accurately gauge the impact to be expected. We must insure the other important resources are not lost in a search for petroleum products. I have repeatedly urged Secretary Kleppe to require a delay after the exploration phase and before development so that the precise impacts can be studied and minimized. I am also working to make sure that local communities and the state get adequate funds to cover the costs of this development. The Senate and House have approved planning grants under amendments to the Coastal Zone Management Act. Under those grants Alaska will receive front-end money based on expected offshore production. My bill requiring OCS royalty payments is presently under consideration by the Interior Committee. I hope we will be able to convince the other members of Congress and the Administration of the value of this proposal.

Another vital energy matter is the energy bill signed late last year by the President. I was very disturbed by the final version of the measure. Perhaps of major interest is the section dealing with pricing by Prudhoe Bay crude.

Under the new law the President must report to Congress on April 15, 1977, regarding the price regulations' impact on Alaskan crude oil production. If the President determines, and the Congress then agrees that the price incentive factor is inadequate because of Alaska's higher costs, up to two million barrels a day of Alaskan crude could be exempted from the price regulations.

The critical factor here is that either house of Congress can reject the President's recommendation and in effect determine the price of our crude oil.

Alaska is impacted in one way or another by nearly all parts of the energy bill. Both Governor Hammond and I have informed IEA Administrator Frank Zarb of the problems Alaska may encounter in fully complying with the new law and have asked him to send several IEA people up here to discuss these problems.

Alaska's land is another major issue we have shared concern about this past year. ANCSA and the Statehood Act will combine to bring about the most striking revolution in land ownership patterns. From a territory 99 percent owned by the Federal Government, we are rapidly becoming a land rich state with large Native land holdings. What you decide about the state lands and how we in Congress deal with the D-2 land bill have the most profound impact on our state. We can choose unbridled development or unrestrained preservation. Both, I feel, are equally dangerous. A middle ground must be sought. The future of our state, its life-style and economy depend on intelligent use of our land. Congress has just begun considering the D-2 issue. I anticipate a lengthy process which will probably last beyond the 1978 deadline.

This past year in Congress has seen a refining of the terms of the Alaska Native Claims Settlement Act. Some of the provisions are controversial but the entire package was needed if we were to proceed with the settlement in a timely manner and to honor the original obligations. We tried to obtain some added provisions but this was the best we could do. I know some feel the ANCSA was too generous but I ask you to remember that, aside from the fact that the settlement was justifiable legally, without the settlement our state's economy would still be in the doldrums it was in in 1970 and '71. The infusion of new capital and pipeline construction have kept us out of the recession the rest of the nation suffered.

Housing our citizens has always been a concern. Recently I was informed that the Department of Housing and Urban Development plans to construct 465 units of Indian housing in Alaska this year. Secretary Hills has made Indian housing one of her priorities and that will be helpful to our state. HUD has also established a task force to study Alaska's housing problems. That task force has begun its work and will hopefully provide some answers to our problems. We also have gotten a commitment that the Assistant Secretary of HUD will tour the state this Spring. I am confident that these steps will help house our citizens.

The recent court decision affecting timber practices has had a serious impact on the timber industry. The decision has major impacts in Alaska and we are working in Washington to minimize its scope. I have introduced a bill which would provide temporary authority for timber sales in Alaska, allow clear-cutting, and would apply only to timber committed to long-term

sales or new sales where an EIS has been prepared.

Senator Humphrey has introduced a bill to provide permanent solution to the problem. I have cosponsored his efforts and think they deserve strong support. Senator Humphrey is an important and respected member of the Senate Agriculture Committee which will consider these bills. I am glad he has gotten involved in this matter and I am confident he will aid our cause. If his efforts fail, I think the temporary bill I have introduced must be enacted if our vital timber industry is to survive.

Let me also discuss the Devil Canyon-Upper Susitna hydroelectric project. This project could provide an enormous amount of needed energy to the railbelt area. Fairbanks and Anchorage both have already suffered electrical shortages. The dams in this project could provide an annual projection of over 6.1 billion kilowatt hours, the energy equivalent of about 10.7 million barrels of oil a year.

I feel that this project must go forward. And, it is essential that our state be actively involved.

The cost of this project will probably exceed \$1.5 billion. In a cost conscious Congress such a large bill may be very hard to swallow. In view of the vital need for this energy, I ask that you consider the possibility of joining the Federal Government in building this project. It would probably result in progress being made sooner, and in the long run could be a good investment for the state as the project returns a profit, providing energy to the growing heartland of Alaska.

Another concern which has been with us a long time is the future of the White Alice Communications System. As many of you know, the Air Force has been attempting to divest itself of White Alice for many years. I have opposed the outright sale of White Alice to the common carrier involved because I have feared the transformation of White Alice into a "white elephant." It has been my concern that we should not allow obsolete and inefficient equipment to be written into our rate base. Over the years, attempts at an outright sale of White Alice have evolved into discussions of leasing possibilities. The movement towards a leasing arrangement has gathered steam within the past few months and many of my major worries are still unanswered.

I have recently received a briefing on a proposal for White Alice which seems to be the most logical and coherent proposal yet offered on this matter. This proposal hinges on the basic tenet that the Air Force should maintain operation and maintenance of White Alice until such time as earth stations and other modern telecommunications equipment replace this obsolete and inefficient equipment. I suggest that an orderly

phaseout program for White Alice would guarantee that the state and the military would have modern telecommunications equipment in these areas at the earliest possible opportunity. Additionally, a phaseout plan offers great savings to the Federal Government and eases the fallout of unemployment which would occur through massive cutbacks in personnel associated with a leasing option. I urge you to look at this carefully and consider the benefits.

These then are the major concerns we have shared in the past year. They all will survive into the future in spite of our best efforts. I look forward to continuing to work with you to insure that these and the variety of other issues we must face are dealt with in the most careful and intelligent manner.

I shall be happy to answer any questions on any other matters you may have.