

SENATE-HOUSE JOINT SUPPLEMENT

2/24/87

TUESDAY

No. 5

A D D R E S S

By

THE HONORABLE TED STEVENS

UNITED STATES SENATOR

STATE OF ALASKA

Before a Joint Session

of the

First Session

Fifteenth Alaska State Legislature

February 24, 1987

Juneau, Alaska

2/24/87

REMARKS BY SENATOR TED STEVENS

TO THE FIRST SESSION OF THE 15TH ALASKA STATE LEGISLATURE

JUNEAU, ALASKA

TUESDAY, FEBRUARY 24, 1987

A FOUR-YEAR CELEBRATION OF THE BICENTENNIAL OF OUR NATION'S CONSTITUTION COMMENCES THIS SEPTEMBER. AS ALASKANS, WE HAVE PLENTY OF REASONS TO JOIN IN THE NATIONAL CELEBRATION.

THE CONSTITUTION NOT ONLY PROTECTS THE RIGHTS OF INDIVIDUALS. IT ALSO PROTECTS THE RIGHTS OF STATES WITH SMALL POPULATIONS IN OUR FEDERAL SYSTEM. AND, IT WAS THIS CONSTITUTIONAL SYSTEM THAT MADE STATEHOOD POSSIBLE, REQUIRED A JUST SETTLEMENT OF THE CLAIMS OF OUR NATIVE PEOPLE AGAINST THE FEDERAL GOVERNMENT, AND NOW PROTECTS OUR RIGHTS, LIBERTIES, AND FREEDOMS FROM ATTU TO TOK AND BARROW TO KETCHIKAN TO THE SAME EXTENT AS ALL OTHER AMERICANS.

I HOPE THAT WE WILL LINK THE CELEBRATION OF THE 30TH ANNIVERSARY OF ALASKA STATEHOOD WITH THE THIRD YEAR OF THE BICENTENNIAL CELEBRATION. THE CONSTITUTION OF THE UNITED STATES IS THE WORLD'S OLDEST CONSTITUTION IN FORCE, AND IT IS AS RELEVANT TO OUR LIVES TODAY AS IT WAS TO THE LIVES OF OUR FOUNDING FATHERS 200 YEARS AGO.

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LAST YEAR, I REPORTED TO YOU THAT RESPECTED OIL ECONOMISTS PREDICTED WORLD CRUDE OIL PRICES WOULD COLLAPSE IN 1986. THAT PREDICTION BECAME FACT WITH ASTONISHING SWIFTNES. THE DECLINE IN STATE OIL-RELATED REVENUES HAS CREATED A GREAT FISCAL AND ECONOMIC CRISIS FOR ALL OF US.

AT THE BEGINNING OF THIS YEAR, THOSE SAME ECONOMISTS PREDICTED WORLD OIL PRICES WOULD STABILIZE SOMEWHERE AROUND \$18 DOLLARS A BARREL. — BUT REPORTS THIS PAST TEN DAYS INDICATE THAT NO ONE REALLY KNOWS WHAT'S HAPPENING IN THE OIL PATCH.

DOMESTIC OIL PRODUCTION HAS DECLINED FROM 9.1 MILLION BARRELS A DAY AT THE BEGINNING OF LAST YEAR TO 8.3 MILLION BARRELS A DAY IN JANUARY OF THIS YEAR, A LOSS OF NEARLY 800,000 BARRELS A DAY. DEMAND IS UP SOMEWHAT, BUT IMPORTS, PARTICULARLY FROM SAUDI ARABIA, ARE UP 25 PERCENT — MORE THAN 1.2 MILLION BARRELS A DAY FROM THIS TIME LAST YEAR.

OPEC'S DECEMBER AGREEMENT IS FRAGILE, AND COULD COLLAPSE AS A RESULT OF CHEATING BY OPEC MEMBERS SUCH AS IRAQ AND THE UNITED ARAB EMIRATES AND OTHER EVENTS. UNDER THESE CIRCUMSTANCES, OIL PRICES CANNOT RECOVER SOON ENOUGH TO SOLVE ALASKA'S CURRENT CRISIS.

WE ALASKANS ARE AT YET ANOTHER CROSSROADS. THOSE OF US WHO HOLD PUBLIC OFFICE LOOK FOR WAYS NOT ONLY TO DEAL WITH THE IMMEDIATE CRISIS BUT ALSO TO BUILD A STRONGER ECONOMY FOR ALASKA IN THE FUTURE.

SENATOR MURKOWSKI, CONGRESSMAN YOUNG, AND I HAVE BEEN WORKING TO BRING NEW INVESTMENT TO ALASKA TO HELP STABILIZE OUR BELEAGUED ECONOMY AND CREATE JOBS.

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* MORE THAN 100 MILLION DOLLARS WILL BE SPENT THIS YEAR IN ALASKA ON CONSTRUCTION PROJECTS ASSOCIATED WITH THE NEW LIGHT INFANTRY DIVISION. MILLIONS MORE WILL BE SPENT ON MILITARY CONSTRUCTION AND OTHER MILITARY ACTIVITIES ELSEWHERE IN ALASKA.

OUR STRATEGIC LOCATION AND THE EXISTENCE OF UNDERUTILIZED MILITARY FACILITIES MAKES ALASKA A NATURAL OPTION FOR THE DEPARTMENT OF DEFENSE TO CONSIDER IN DEPLOYING OUR NATION'S MILITARY FORCES. MY STAFF AND I ARE WORKING TO SEE WHAT NATIONAL DEFENSE NEEDS MATCH UP WITH LOCATIONS IN ALASKA. THIS COULD LEAD TO STATIONING NEW MILITARY UNITS IN ALASKA.

THE LOCAL HIRE LEGISLATION WE SPONSORED SHOULD ENSURE THAT ALASKANS ARE GIVEN FIRST CRACK AT THE SERVICE AND CONSTRUCTION JOBS CREATED BY THIS MILITARY SPENDING.

* AT MY REQUEST, CONGRESS ADDED MILLIONS OF DOLLARS TO THE FISCAL YEAR 1987 INTERIOR APPROPRIATIONS ACT TO FUND THE CONSTRUCTION OF NEW VISITOR FACILITIES IN DENALI NATIONAL PARK, KENAI NATIONAL WILDLIFE REFUGE, AND OTHER FEDERAL CONSERVATION UNITS THROUGHOUT ALASKA. FUNDING FOR THE BLM'S LAND CONVEYANCE PROGRAMS WAS ALSO INCREASED BY NEARLY 8 MILLION DOLLARS.

AND NEARLY 25 MILLION DOLLARS WILL BE SPENT ON WATER RESOURCES AND HARBOR PROJECTS IN ALASKA, INCLUDING 10 MILLION DOLLARS ON CONSTRUCTION ASSOCIATED WITH THE CRATER LAKE PORTION OF THE SNETTISHAM PROJECT HERE IN SOUTHEAST.

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* CONGRESS INCLUDED IN THE 1986 TAX REFORM ACT MY AMENDMENT TO ALLOW ALASKA NATIVE CORPORATIONS TO SELL THEIR NET OPERATING LOSSES TO PROFITABLE CORPORATIONS. THAT PROVISION WILL BOOST LOCAL ECONOMIES AND GIVE MANY FINANCIALLY-TROUBLED NATIVE CORPORATIONS A NEW OPPORTUNITY TO CONTINUE TO PARTICIPATE WITH THE REST OF THE ALASKA ECONOMY. THOSE CORPORATIONS WILL BE ABLE TO PAY THEIR LOCAL DEBTS, REPAY LOCAL BANKS, AND CONTINUE TO BE MAJOR EMPLOYEES IN ALASKA.

* THIS YEAR, TENS OF MILLIONS OF FEDERAL DOLLARS WILL BE SPENT ON SALMON ENHANCEMENT, FISHERIES RESEARCH, FISHERIES MARKET DEVELOPMENT, AND SALMON TREATY IMPLEMENTATION. MOST OF THAT FUNDING WILL DIRECTLY BENEFIT OUR FISHING INDUSTRY.

CONGRESS ALSO APPROVED MY PROPOSAL TO CREATE A NATIONAL SEAFOOD PROMOTIONAL COUNCIL TO ENCOURAGE AMERICANS TO CONSUME MORE SEAFOOD. EXPANSION OF THE DOMESTIC MARKET FOR FISH AND SHELLFISH IS CRUCIAL TO THE FUTURE OF THE ALASKA FISHING INDUSTRY.

* ONE PROJECT THAT COULD GET STARTED IN THE NEAR TERM IS THE ALASKA GAS PIPELINE. MY POLICY IS TO WORK WITH BOTH COMPANIES SEEKING TO TRANSPORT NORTH SLOPE GAS TO MARKET. CURRENT FOREIGN EXCHANGE RATES, LOW INTEREST RATES, AND INCREASED PACIFIC RIM DEMAND HAS INJECTED REAL COMPETITION INTO THIS AREA -- AND, I HOPE YOU'LL AGREE WITH ME THAT WHICHEVER COMPANY CAN GET THE GASLINE GOING FIRST DESERVES OUR TOTAL SUPPORT.

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AT MY REQUEST, CONGRESS INCLUDED A PROVISION IN LAST YEAR'S TAX REFORM ACT TO PRESERVE IMPORTANT TAX BENEFITS FOR THE ALASKA NATURAL GAS TRANSPORTATION SYSTEM. I'M NOW WORKING WITH YUKON-PACIFIC TO CLEAR AWAY REGULATORY OBSTACLES THAT CONCERN POTENTIAL CUSTOMERS AND INVESTORS IN THE FAR EAST.

AS I AM SURE YOU ARE, I AM DEDICATED TO SECURING CONGRESSIONAL AUTHORIZATION FOR ENVIRONMENTALLY-SOUND OIL AND GAS EXPLORATION, DEVELOPMENT, AND PRODUCTION ON THE COASTAL PLAIN OF THE ARCTIC NATIONAL WILDLIFE REFUGE. ANWR IS VITAL TO THE LONG-TERM ECONOMIC HEALTH OF ALASKA AND THE LONG-TERM SECURITY OF OUR NATION.

THE TRANS-ALASKA PIPELINE NOW TRANSPORTS 1.8 TO 1.9 MILLION BARRELS A DAY TO VALDEZ. BUT, UNDER CURRENT SCENARIOS, THE PIPELINE WILL MOVE ONLY 500,000 BARRELS A DAY BY THE YEAR 2000. IF THE COASTAL PLAIN WERE OPENED AND EXPLORATION EFFORTS WERE SUCCESSFUL, PRODUCTION FROM THE PLAIN WOULD COME ON LINE AT A CRUCIAL POINT IN THE HISTORY OF ALASKA AND THE NATION.

EARLY ON IN OUR FOUR-YEAR EFFORT TO PREPARE FOR THE ANWR DEBATE, I CAME TO THE REALIZATION THAT IT WOULD BE A MISTAKE TO CHARACTERIZE ANWR AS AN ALASKA ISSUE. UNLESS THE NATION IS PERSUADED THAT EXPLORING THE ANWR COASTAL PLAIN IS NECESSARY TO MAINTAIN OUR ENERGY SECURITY, ANY EFFORT TO OPEN ANWR IS DOOMED.

ALASKANS ALONE CANNOT CONVINCE THE NATION AND CONGRESS OF ANWR'S IMPORTANCE TO NATIONAL SECURITY. WE MUST WORK WITH ORGANIZATIONS AND INDIVIDUALS THROUGHOUT THE REST OF THE COUNTRY TO GET THAT MESSAGE ACROSS.

UNFORTUNATELY, DEBATE WITHIN ALASKA OVER THE MERITS OF LAND EXCHANGES AND POSSIBLE MODIFICATIONS OF THE 90-10 REVENUE SHARING FORMULA MAY INTERFERE WITH OUR EFFORTS TO ORGANIZE A NATIONAL ANWR MOVEMENT.

IF THE TIDE TURNS AGAINST US IN CONGRESS ON ANWR, A WELL-PLANNED SERIES OF ADMINISTRATIVE LAND EXCHANGES MAY ULTIMATELY PROVE TO BE THE ONLY OPTION WE HAVE TO FORCE A THOROUGH EXAMINATION OF THE COASTAL PLAIN'S OIL AND GAS RESOURCES.

I HAVE INDICATED BEFORE THAT IN THE INTERESTS OF GETTING THE COASTAL PLAIN OPENED, ALASKA MIGHT HAVE TO ACCEPT A MODIFICATION OF THE 90-10 REVENUE-SHARING FORMULA. ONE PROPOSAL ALREADY BEING DISCUSSED WOULD DEVOTE A SUBSTANTIAL PORTION OF THE REVENUE FROM ANWR TO FINANCE A NATIONAL WILDLIFE REFUGE AND NATIONAL PARK MANAGEMENT FUND, A MOVE THAT WOULD BROADEN SUPPORT FOR OPENING ANWR IN CONGRESS.

HAVING WORKED TO PUT THE 90-10 DISTRIBUTION INTO THE STATEHOOD ACT, I AM AS CONCERNED ABOUT PROTECTING THE STATE'S FISCAL INTEREST AS ANYONE.

UNDER THAT FORMULA, ALASKA RECEIVES 90 PERCENT OF ALL FEDERAL REVENUES FROM MINERAL DEVELOPMENT ON PUBLIC LANDS IN ALASKA INSTEAD OF THE 50 PERCENT SHARE THAT OTHER STATES RECEIVE. THE JUSTIFICATION FOR THAT SPECIAL TREATMENT WAS THAT ALASKA AGREED NOT TO SHARE IN THE FEDERAL RECLAMATION FUND WHICH RECEIVES 40 PERCENT OF FEDERAL MINERAL REVENUES FROM PUBLIC LANDS IN THE LOWER 48 STATES AND HAWAII.

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IF THE ANWR COASTAL PLAIN COULD BE OPENED BY ADMINISTRATIVE ACTION, WE WOULD RECEIVE A 90 PERCENT SHARE OF FEDERAL RECEIPTS FROM OIL AND GAS LEASING. FULL-FLEDGED OIL AND GAS EXPLORATION AND PRODUCTION IN ANWR, HOWEVER, IS EXPRESSLY FORBIDDEN BY THE 1980 ALASKA LANDS ACT. ANWR LANDS ARE NO LONGER "PUBLIC LANDS" -- THE REFUGE WAS SPECIFICALLY SET ASIDE BY AN ACT OF CONGRESS.

OUR STATE WON'T RECEIVE A DIME OF REVENUE UNLESS CONGRESS OPENS THIS AREA TO OIL AND GAS DEVELOPMENT. AND, REGARDLESS OF OUR WISHES, SOME OF OUR MAJOR SUPPORTERS ON ANWR IN CONGRESS ARE ALREADY ADVOCATING AN ADJUSTMENT IN THE 90-10 SPLIT AS PART OF THE PRICE OF OPENING ANWR.

MANY IN CONGRESS REMEMBER THAT REDUCTION OF ALASKA'S SHARE TO 50 PERCENT WAS PART OF THE PRICE OF OPENING THE 23 MILLION ACRE NATIONAL PETROLEUM RESERVE--ALASKA. THAT CHANGE WAS NOT SUGGESTED BY THE ALASKA CONGRESSIONAL DELEGATION. IT WAS A TAKE IT OR LEAVE PROPOSITION. WE TOOK IT. AND, WE DID NOT HEAR ONE OBJECTION FROM THE LEGISLATURE, THE GOVERNOR, OR ANY OTHER ALASKAN. UNFORTUNATELY, DESPITE THE FACT THAT NPRA WAS SET ASIDE FOR FIFTY YEARS AS A PETROLEUM RESERVE, NO PRODUCTION HAS OCCURRED.

THE DEBATE OVER THE LAND EXCHANGES AND THE 90-10 SPLIT LEADS SOME ALASKANS TO ASSUME THAT THE ONLY BENEFIT TO ALASKA FROM OPENING ANWR WOULD BE DIRECT FEDERAL REVENUE SHARING PAYMENTS TO THE STATE TREASURY. YOU KNOW THAT ISN'T THE CASE.

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FIRST OF ALL, ALTHOUGH THE STATE CANNOT TAX OIL AND GAS RESOURCES ON FEDERAL LAND WHILE THEY ARE IN THE GROUND, IT CAN, TAX THOSE RESOURCES ONCE THEY ARE SEVERED AND TRANSPORTED BY PRIVATE CORPORATIONS. FROM THE STARTUP OF PIPELINE IN 1977 TO MID-1986, SEVERANCE TAXES ON NORTH SLOPE CRUDE HAVE PRODUCED 8.9 BILLION DOLLARS IN REVENUES, ONLY ABOUT 10 PERCENT LESS THAN THE 9.9 BILLION DOLLARS PRODUCED BY THE STATE'S ROYALTY ARRANGEMENTS.

SECOND, THE STATE IS ALSO FREE TO TAX THE INCOME OF THE CORPORATIONS INVOLVED IN THE EXPLORATION AND DEVELOPMENT OF THE COASTAL PLAIN. STATE CORPORATE INCOME TAXES LEVIED ON THE NORTH SLOPE GAS PRODUCERS HAVE PRODUCED 3.1 BILLION DOLLARS IN REVENUES.

IN OTHER WORDS, IF THE ANWR COASTAL PLAIN DOES HOLD ANOTHER PRUDHOE BAY-SIZED FIELD, THE STATE OF ALASKA COULD EXPECT TO RECEIVE ROUGHLY 80 PERCENT OF THE REVENUES WE RECEIVED FROM PRUDHOE BAY EVEN IF ROYALTIES WERE SPLIT 50-50 WITH THE FEDERAL GOVERNMENT.

WE CAN'T AFFORD TO SAY WE WANT 90 PERCENT OR WE'LL OPPOSE OPENING ANWR -- NINETY PERCENT OF NO ROYALTY IS NOTHING. I HOPE WE WILL ALL FOCUS ON MAXIMIZING TOTAL INCOME ALASKA WILL RECEIVE FROM ANWR -- REVENUE SHARING, SEVERANCE AND CORPORATE TAXES, AND PRIVATE SECTOR ECONOMIC ACTIVITY.

I HASTEN TO ADD THAT I'M READY TO DISCUSS AND DEBATE HERE LAND EXCHANGES AND CHANGES IN THE 90-10 SPLIT. BUT, LET'S AVOID HARSH RHETORIC THAT MAY LEAD OUTSIDERS TO CONCLUDE THAT ALASKA ISN'T UNITED IN SEEKING TO OPEN THE COASTAL PLAIN TO OIL AND GAS EXPLORATION.

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I'M PROUD TO HAVE HAD THE OPPORTUNITY TO WORK WITH YOU AND PAST MEMBERS OF THE ALASKA STATE LEGISLATURE ON FEDERAL ISSUES OF IMPORTANCE TO ALASKA. ANWR IS GOING TO BE A TOUGH BATTLE, TOUGHER THAN MOST EXPECT, BUT WE CAN WIN IF WE ARE UNITED.

I NOTED THE QUESTION PRESENTED TO SENATOR MURKOWSKI ABOUT THE NUCLEAR FREEZE ALASKA RESOLUTION. LET ME CLOSE BY COMMENTING ON THAT. FOR OVER FORTY YEARS, WE HAVE HELD A NUCLEAR UMBRELLA OVER THE FREE WORLD. I HAVE DEDICATED A GREAT PORTION OF MY LIFE THESE LAST FEW YEARS TO HELPING TO BRING ABOUT MAJOR REDUCTIONS IN NUCLEAR WEAPONS -- NOT LIMITATIONS ON FUTURE GROWTH BUT ACTUAL VERIFIABLE REDUCTIONS. AND, I HAVE SUPPORTED THE STRATEGIC DEFENSE INITIATIVE BECAUSE IT HOLDS THE HOPE OF A NON-NUCLEAR DEFENSE AGAINST NUCLEAR WEAPONS.

THE FACT REMAINS THAT WE AMERICANS STILL PROTECT THE FREEDOM OF THOSE WHO DO NOT LIVE UNDER COMMUNISM, AND ALASKANS HOLD A STRATEGIC POSITION, GEOGRAPHICALLY AND POLITICALLY, IN THE DEFENSE OF OUR NATION AND OUR ALLIES.

I AM FIGHTING TO ENSURE WE HAVE A CAPABILITY TO DEFEND ALASKA -- AND I BELIEVE WE ARE SUCCEEDING IN THAT BATTLE. OFTEN, I AM ASKED WHETHER THERE ARE NUCLEAR WEAPONS IN ALASKA. THE SIMPLE ANSWER IS THAT THE LOCATION OF OUR NUCLEAR DEFENSES IS CLASSIFIED. EVEN IF I KNEW THE ANSWER TO THE QUESTION, I COULD NOT REPLY CONSISTENT WITH MY ROLE IN SHAPING DEFENSE POLICY IN THE CONGRESS.

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BUT I CAN TELL YOU THAT EVERYTHING WE ARE DOING TO ASSURE OUR DEFENSE CAPABILITY HERE IN ALASKA IS INCONSISTENT WITH THE CONCEPT OF STATING ALASKANS OPPOSE ANY NUCLEAR PRESENCE -- EITHER AS PROPULSION MECHANISMS OF NUCLEAR-POWERED VEHICLES OR IN NUCLEAR WEAPONS -- HARMLESS UNTIL ARMED -- THAT ARE OUR CAPABILITY TO RETALIATE AND THEREFORE DETER AGRESSION AGAINST US OR OUR ALLIES. THAT DETERRANCE HAS WORKED AND CONTINUES TO WORK.

I BELIEVE WE WILL MAINTAIN OUR FREEDOMS IF WE MAINTAIN OUR CAPABILITY TO DEFEND OURSELVES. AMERIKA WAS A TELEVISION PROGRAM, NOT A PREDICTION OF THINGS TO COME. BUT, IF ALL STATES AND ALL ALLIES WERE TO PASS A RESOLUTION LIKE THE ONE BEFORE YOU, WHERE WOULD WE DEPLOY OUR DETERRENT FORCE? I HOPE YOU SERIOUSLY CONSIDER THE MESSAGE SECRETARY SHULTZ SENT TO YOUR LEGISLATURE.