

# Governor keys route flexibility

(Statement of Governor Jay S. Hammond before the gas pipeline committee, January 31, 1977, Juneau, Alaska)

Members of my administration are here today to discuss a proposal of great importance to the future of the state.

Because your review of this proposal should be as thorough as possible, I would like to preface the more detailed comments of others with my own statement. My objective is to lend perspective regarding this issues involved, and to define elements important to your ultimate decision.

Like the Native Claims Settlement Act, the trans-Alaska oil pipeline and 17 D-2 lands, the issue of North Slope natural gas transportation and use is a critical decision for Alaska. Present national energy emergencies and last year's passage of the Natural Gas Transportation Act of 1976 leave little room to doubt that a national decision on the gas transportation system is imminent. The question is: what role, if any, will, can and should we play in that decision to best protect our own interests within the constraints imposed by overriding national interests?

After first analyzing various alternatives, my administration concluded that the best, most expeditious transportation system from both the state and national viewpoint was that which would take gas from Prudhoe Bay to Tidewater in Prince William Sound. The legislature reflected a similar conclusion in a resolution adopted during the last session. Polls indicated that almost 85 percent of the people of Alaska stood solidly behind that choice.

The congressional delegation concurred. Such support was not given lightly. Unlike the oil pipeline, the gas pipeline route had been widely discussed throughout the state, both in the media and through public meetings, before a decision was made. That decision is one which can be supported on principle as well as politics.

Having made the decision on which route to support, we actively participated in Federal Power Commission hearings; successfully advanced the unprecedented amendment to protect later state uses of royalty gas, and took our case to the people in the Lower 48 in an effort to offset the considerable opposition. After all, nearly all major distribution companies favored the Arctic Gas consortium. Mid-western states, which had sought a trans-Canada oil pipeline, argued that the gas pipeline should go directly to them. After participating in this process for some time, and in light of legislative expression and congressional consultation, I felt it necessary to do more to gain support for our position from outside the state. That conclusion led to increased national activity by the state and to the royalty gas contract you see before you now. The major purpose of these contracts is to strengthen the state's hand and to build a national constituency in support of the trans-Alaska line while protecting and enhancing the in-state utilization of Alaskan royalty gas wherever possible so long as consistent with national needs. We believe the proposed contracts protect the state's interests as fully as possible. We are not, as some suggest, simply trying to buy lobbyists in Washington. That could have been done simply through hiring qualified personnel. The royalty contract does far more. It gives people throughout many other states an interest in seeing that the trans-Alaskan route is approved. A decision on this matter will ultimately be made by the president and the congress. Their overriding concern will be the national interest. That overriding national interest can be demonstrated best if the largest number of people possible directly benefit from approval of the trans-Alaska line.

Our actions in negotiating and advancing these contracts are what I believe the people of Alaska, the legislature and the congressional delegation wanted us to do. I suspect that if my administration had not negotiated the best contracts possible we could under the given circumstances and then advanced them to you, we would surely be asked by many of you now where the royalty gas sale proposals were rather than being questioned about the "ethics" of proceeding. Your legislative resolution of last year plainly directed me to use "all resources at my command" to further a trans-Alaskan gas pipeline route. Certainly, there are politics involved in these contractual agreements. However, there is nothing at all wrong with political forces being countered by political forces when the politics one uses coincide with principle. So long as we believe the trans-Alaska route truly is in the state's and the nation's best interests, as we do, we would be remiss should we not garner what support we can so long as we do not do violence to propriety or principle in the process.

My instructions for our negotiators were to seek the best contract possible for the state to carry out the policies articulated and to do so on a time schedule which would allow the legislature the earliest possible opportunity to review such an alternative. After reviewing the results of the negotiations, I conclude it to be in the best interests of the state this this alternative be advanced. That decision won the endorsement of a broad spectrum of the Alaskan public and the congressional delegation and was, as well, accorded approval of the royalty board as mandated by statute.

Consider all that the state accomplished in these contracts. In negotiating the gas contracts, the state received the best possible price; future in-state use of the gas is protected; the right of the state to protect its royalty gas under terms of the amendment we proposed to congress may be used in a fair and appropriate way; and at the same time we've gained support for the state's position on the gas pipeline debates. Moreover, the contracts are consistent with the direction the legislature gave to the administration when you not only indicated your support for the trans-Alaska route by resolution but later appropriated money to aid in the negotiation of royalty gas contracts to support our joint position.



## Governor Jay Hammond — Contract is flexible.

Some concerns have been raised concerning the so-called "flexibility provision" in the contract. That clause would permit the state through the governor to change its position on the route issue at some subsequent time. Some assert that no flexibility should be possible and that the state should lock itself into an all or none position in support of the trans-Alaska route. I think that is self-destructive, for I am sure that nearly every person in the state would agree that if we cannot have the El Paso route, the Alcan route is far more desirable than the Arctic Gas Route. They would want the state to be able to do what it can to gain the next best choice should our first choice be impossible to attain. Other persons suggest that while flexibility is desirable, any change of position should only be made with the formal concurrence of the legislature. My strong policy of involving the legislature in major decisions remains firm, but in this case I believe that mandated formal concurrence does not recognize certain realities.

Our support for the trans-Alaska route is strong and will not waver unless and until it becomes clear that the trans-Alaska route has no chance of success. That point, if it comes at all, could come at various stages in the pipeline decision—perhaps as late as the closing debate in Congress. Decisions may have to be made quickly if they are to have any impact at all. I can assure you that if I have to make a decision to shift our support from the El Paso route to the Alcan route it will only be after a clear consensus has emerged from our congressional delegation that such a shift was necessary and after a similar consensus has emerged through direct consultation with the state legislative leadership.

We would clearly recognize it to be in our best interest, I think, if that moment arose, under certain circumstances, re-convening the legislature and seeking a new full-scale debate on the question would simply be unrealistic considering that we might be dealing with decisions which would have to be made in literally hours or days. Where time allows, I would certainly honor a request by the legislative leadership to call a special session, but I cannot support any kind of mandatory requirement for one, for it would tie our hands unnecessarily and jeopardize the best interests of the state. I hope you consider these contracts very carefully.

I have tried to have them available for you at the very outset of this session so that you might move quickly on them, but I do not want to in any way pressure you into a decision before you are satisfied that the contracts are in the state's best interests. At the same time, you know as I know the timetable of the federal decision and waiting an unreasonable period of time before giving your endorsement to what we have done may indicate on a national level that our support is vacillating or, for that matter, that our support will not be translated into meaningful political action in enough time to have an impact. I am sure you are aware of these factors just as much as I am, and thus will deal with the contracts reasonably and expeditiously.

I hope this brief review clears the air on certain key aspects of the decision before you. Key members of my administration will be available to you today to answer any questions which led up to the contracts. I have instructed them to stay here as long as they are needed by the committee and to answer any questions you may have. Some of them will have additional statements to make concerning the contracts. I appreciate your taking up this matter at this time, and I hope that when you are through with your review you will agree that what I have tried to do is truly in the state's best interest.

Thank you.