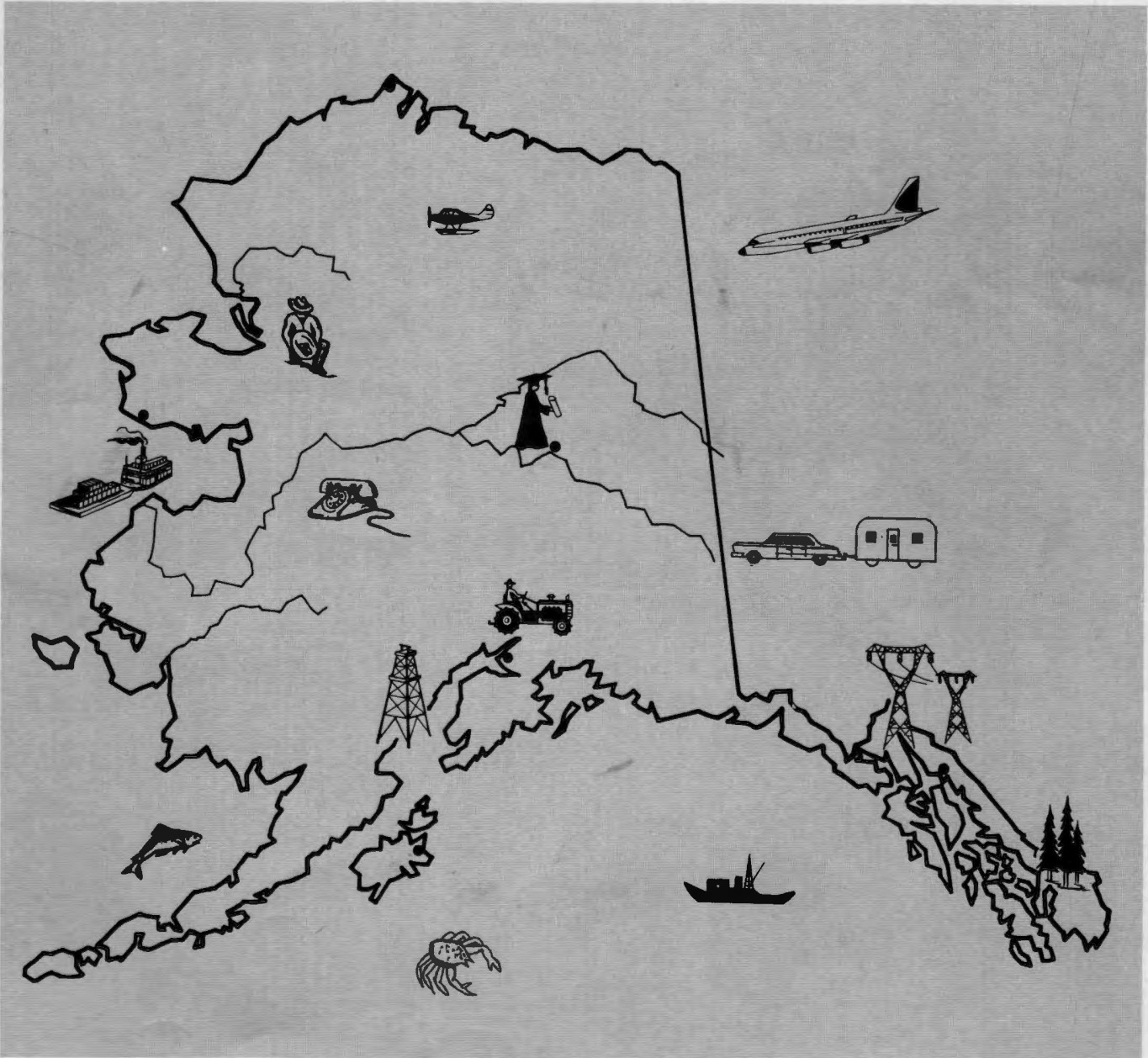


# *Economic Development in ALASKA*



**A Report to the President**



*Economic  
Development in*  
**ALASKA**

**A Report to the President**

*prepared by*

**FEDERAL FIELD COMMITTEE  
FOR DEVELOPMENT PLANNING  
IN ALASKA**

**U.S. DEPARTMENT OF COMMERCE  
John T. Connor, Secretary**

**FEDERAL FIELD COMMITTEE  
FOR DEVELOPMENT PLANNING IN ALASKA  
Joseph H. FitzGerald, Chairman**

**AUGUST 1966**



THE SECRETARY OF COMMERCE  
WASHINGTON, D.C. 20230

September 14, 1966

The President  
The White House  
Washington, D. C.

Dear Mr. President:

As chairmen of your Committees for Development Planning in Alaska, we have the honor to submit to you the first report of the Review Committee and the Federal Field Committee, "Alaska Economic Development and Public Policy".

The report outlines the steps taken to implement Executive Order 11182 through the creation of an organizational structure for joint Federal-State planning in Alaska. It contains the views of the Field Committee in consultation with the Review Committee on the development potential of the state with commentary and proposals for federal policies and programs. These views, portrayed as a "strategy of growth" for the Alaska economy, offer the estimate that Alaska can be developed, can significantly contribute to the total National growth, and that a unique opportunity for State-Federal partnership in economic enhancement is presented.

Policy, planning and program recommendations are offered within discussions and analyses of human and natural resource opportunities, the capital formation situation and the basic service fields.

As an initial report, we have chosen to deal broadly with all areas having significant economic growth potential, leaving more detailed planning to subsequent functional reports following the broad policy guidelines of the Review Committee.

The working relations established with the Governor of Alaska, his Cabinet, and the interested state departments have been most cordial and effective; and the Committees believe that a successful pattern for state and federal joint economic and coordinated resource planning is emerging.

Respectfully yours,

John T. Connor, Chairman  
President's Review Committee for  
Development Planning in Alaska

Joseph H. FitzGerald, Chairman  
Federal Field Committee for  
Development Planning in Alaska

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## SUMMARY AND CONCLUSIONS

Executive Order 11182 of October 2, 1964, established Federal machinery for long-range economic and development planning in Alaska and provided for cooperative and coordinated action with the government of the State of Alaska in the development and execution of such plans. The need for long-range planning in Alaska, the type of Federal machinery established, and the provision for coordinated and cooperative planning with the State all reflect a set of circumstances peculiar to Alaska.

When Alaska was granted Statehood in 1959, it became the State with the largest area (586,000 square miles), the longest coastline (over 32,000 miles), and the smallest population (approximately 200,000). Although it was considered to have vast resources, they were largely undeveloped. Most of the settlements were along the coast; and only four communities exceeded 5,000 in population: Anchorage, Fairbanks, Juneau, and Ketchikan. Except for the Alaska Highway—with its connections to Fairbanks, Anchorage, Valdez, and Haines—the State was largely without an inland road system. Moreover, since World War II, population shifts had caused a concentration of population close to the military bases at Anchorage, Fairbanks, and Kodiak, with the vast hinterland declining in economic activity but faced with a Native population explosion.

To these could be added other long-range problems peculiar to the geography of the State:

- Its separation and distance from the rest of the United States and the resulting adverse cost effect on all imports and exports.

- Its vast mountain systems that block easy entry to the interior.

- Its need to establish environmental control in Arctic and subarctic areas (often at great cost and only after extensive research and development).

- Its lack of adequate power at sufficiently low cost to attract industry.

- Probably most important, its too few people in an area as large as a subcontinent to develop a revenue base that could support rapid expansion of public facilities required for opening the country and stimulating resource and industrial development.

After Statehood, the need for long-range development was fully recognized by both Federal and State officials. They had reached tentative agreement on a plan for a coordinated approach when the earthquake of March 27, 1964, struck southcentral Alaska with devastating effects. In view of the need for large-scale Federal assistance to rebuild the stricken areas of the State, the Federal Reconstruction and Planning Commission was created by Executive Order 11150; and Senator Clinton P. Anderson was appointed its chairman. This Executive Order incorporated much that had previously been agreed upon by State and Federal officials as a basis for long-range planning. Simultaneously, the Governor of Alaska issued a counterpart Executive Order and the State and Federal Governments worked jointly in the planning and administration of the reconstruction effort. These Commissions directed much of their efforts toward the rebuilding of facilities in a manner that would contribute to the long-range development of the State.

On the basis of this experience, the Anderson Commission recommended the establishment of a permanent, joint Federal-State planning committee to conduct long-range economic and resource development planning in Alaska, which "should move forward at once, building upon the momentum developed in the course of reconstruction." Executive Order 11182 of October, 1964, was responsive to this recommendation.

### Federal Stimuli to Development

Throughout its work the Field Committee must be conscious of the role of existing and customary Federal programs as a major tool of economic development in Alaska.

Although the extensive military buildup in Alaska during World War II—and again during the Korean crisis—hastened the development of the civilian economy by providing roads, airports, seaports, and other capital improvements essential to economic development (as well as a steady infusion of funds on which related service industries could be built), there has been, necessarily, a lag in the translation of this development into a relatively sophisticated, balanced, civilian economy producing goods for export to other States or foreign countries. As a result, the State remains too dependent upon the Federal establishment as its major industry. And of equal or greater significance, this type of capital development has added little to the tax base of the State. In short, the State is too dependent upon an import of dollars through the expenditures of the United States Government without sufficient spin-off into social capital which can broaden the base and, hence, the self-sufficiency of the civilian economy.

But, if the State has a high degree of dependence on Federal expenditures, it is also true that the volume of expenditure is great enough—if properly directed—to have a major impact on the course and direction of the economic growth of the State. It is in this light that the Executive Order recognizes not only the need for long-range development planning in cooperation with the State, but also the unique significance of Federal programs in the development process.

The Committee established as its initial guidelines:

- That it would review the principal areas of economic development within the context of existing agency authorities and programs.

- That it would seek to recommend policies and programs consistent with such authorities.

- That it would recommend legislation and new programs—as distinct from modification or extension of existing programs—only where clearly desirable results can be obtained in no other way.

The report to the Cabinet-level Review Committee dated December 1965 (and from which this Presidential Report is adapted), sought to accomplish this.

### Alaskan Economy

The following four tables with accompanying brief narratives are designed to summarize several of the key features of the Alaskan economy.

This exhibit shows the continuing dominant role of government (Federal, State, and local) as a source of personal income for Alaskans. *Total* government payments have declined only 4 percent since 1950 with Federal payments dropping about 13 percent and State and local climbing 9 percent. Since Statehood, the total government figure has held fairly constant.

#### CHART 1

#### Relative Roles of Private Industry and Government in Alaskan Personal Incomes, 1950-1964 (in percentages of wage and salary disbursements)

	1950	1953	1956	1959	1962	1964
<b>Government:</b>						
Federal*	55.9	55.4	51.2	48.2	42.8	43.2
State and Local	4.1	4.0	5.8	7.4	12.7	13.0
<b>Total</b>	<b>60.0</b>	<b>59.4</b>	<b>57.0</b>	<b>55.6</b>	<b>55.5</b>	<b>56.2</b>
<b>Private:</b>						
Commodity Industries	21.9	21.5	22.5	17.2	13.1	13.6
Distributive Industries	18.1	19.1	20.5	27.2	31.4	30.2
<b>Total</b>	<b>40.0</b>	<b>40.6</b>	<b>43.0</b>	<b>44.4</b>	<b>44.5</b>	<b>43.8</b>

\* Includes military.

Source: U.S. Department of Commerce, *Survey of Current Business* and Alaska State Development Corporation, *Annual Report*, 1965.

While until recently product industries have declined percentagewise, the distributive industries (insurance, banking, transport, wholesaling, retailing, etc.) have shown significant growth.

This exhibit shows increases in both population and total personal income, with the latter increasing 70 index points since Statehood. Per capita income has increased more than proportionately. A momentum to growth is underway.

## CHART 2

### Alaska Income and Population Changes, 1950-1965

YEAR	TOTAL PERSONAL INCOME (in millions)	POPULATION (thousands)	RELATIVE TOTAL INCOME CHANGE (1950 = 100)
1950	\$322	138	100
1953	511	212	159 (+59)
1956	537	220	167 (+8)
1959	562	220	175 (+8)
1962	660	243	205 (+30)
1965	854	253	265 (+60)

Source: U.S. Department of Commerce, Alaska Department of Labor, and Alaska State Development Corporation.

This exhibit presents a comparison of cash receipts and expenditures for the State of Alaska for the fiscal years since Statehood. While total receipts have increased approximately 136 percent, total expenditures have increased almost 240 percent.

## CHART 4

### Comparative Statement of Receipts and Expenditures for the State of Alaska, FY 1960-FY 1965

(in millions)

	1960	1961	1962	1963	1964	1965	Percent Change 1960-65
Total Receipts	\$64.0	\$61.2	\$99.4	\$104.7	\$131.5	\$151.0	136%
Total Expenditures	\$45.6	\$54.4	\$70.2	\$101.3	\$132.5	\$152.7	239%

Note: Figures are on a cash basis. Figures for 1960-1962 are not entirely comparable because of changes in budget format.  
Source: Alaska Department of Administration, Division of Finance, State of Alaska Annual Financial Report.

What can be concluded is that the Alaskan economy has entered a period of resource development which can sustain a healthy growth of its economy during the next decade.

The momentum generated during the reconstruction period following the March 27, 1964, earthquake is

This exhibit shows the relative position of the major industries of the State's economy as measured by value of product. Fisheries have been dominant over the period; but forest products, oil and gas, and the minerals industries have shown dramatic upward trends. Agriculture and furs have remained unchanged. Those industries for which 1965 data are available (preliminary estimates in millions) include: Fisheries, \$160.9; Minerals, \$46.7; and Oil and Gas, \$36.8.

## CHART 3

### Major Alaskan Commodity Industries by Value of Product, 1960-1964

(in millions)

INDUSTRY	1960	1961	1962	1963	1964
Fisheries	\$ 96.5	\$128.7	\$126.5	\$104.7	\$125.0
Forest Products	47.3	44.7	49.7	50.1	58.0
Minerals	20.6	17.8	18.8	35.2	35.5
Oil and Gas	1.3	17.0	28.4	32.7	35.5
Agriculture	5.4	5.5	5.8	5.5	5.6
Furs	4.8	4.2	4.3	4.4	4.4
<b>Total</b>	<b>\$175.9</b>	<b>\$217.9</b>	<b>\$233.7</b>	<b>\$232.6</b>	<b>\$264.0</b>

Source: Alaska State Development Corporation, Annual Report, 1965.

being reinforced by orderly development in certain extractive industries—particularly oil and forest products—coupled with a modest but healthy reorganization and expansion of the fishing industry and a potential explosion of summer tourist traffic. In the service fields, the State has developed a successful

ferry system which is making possible a substantial growth in the tourist movement in southeastern Alaska and the Prince William Sound area. Elsewhere, sea transportation to Anchorage and the railbelt has been revolutionized on an efficient, modern, competitive basis. Finally, Anchorage (the principal city of the State) has grown to a size which has permitted it to become a banking, insurance, transportation, and commercial center for much of the State—a necessary development to the healthy growth of the State's economy.

There are, however, substantial problems requiring immediate attention if they are not to obstruct the economic development of the State. Westward Alaska remains virtually undeveloped—without roads, harbors, or industry—beyond a limited tourist development of Nome, Kotzebue, and Point Barrow. The conditions of the Native peoples in this area are below acceptable standards and will remain so until an adequate economic base is afforded them. The State's slender revenue base can supply only limited capital funds for major improvements such as roads, airports, recreational facilities for tourism, and other social capital investments. In some extractive fields—such as mining—there are also serious deficiencies in terms of adequate surveys, mapping, and road and harbor development.

Many of Alaska's economic problems are rooted in the State's price-cost relationships. It is the problem of becoming and remaining competitive with the rest of the United States and that part of the world which it faces in a trade sense. As in international economics, high prices can be serious inhibitors of development; while a reasonably competitive posture can accelerate development. Our efforts are continually focused on making incisions in this difficult problem whenever and wherever possible. Given the present high level of government activity in the region, the issue is frequently confronted in terms of government programs. Similarly, in the private sector, we look

constantly toward encouraging those market forces which have a chance of redounding to the larger public interest.

### **Role of the Government**

There is no need for apology for the character and extent of present Government participation in the economic development of Alaska. Fortunately, the immediate and long-run interests of the State merge with those of national policy; the several interests are not antagonistic, but rather, are complementary. This can be readily seen to encompass not only the general welfare of its citizenry, but also the more specific matter of Alaska's place in the nation's total resources in the areas of fisheries, minerals, timber, recreation, and research.

In this perspective, the supportive role of Government (with its broad spectrum of programs in Alaska) is central to both the solution of the immediate problems and orderly, long-range development. This Report analyzes the significant fields of prospective development but omits the series of recommendations as to Federal policies and programs made in our companion report to the President's Review Committee on Alaska. In both cases the analyses (and recommendations) are not designed to be precise blueprints for economic development nor are they represented as total solutions to Alaskan development. We see our continuing task (and subsequent reports) as being that of successive refinements of the general directions here set out—of moving more and more from a generalized course to particularized programs. The establishment of priorities and the relating of costs and benefits will be necessary ingredients. Development, after all, is a dynamic process involving a number of forces operating in concert and contradiction. In this first Presidential Report, our attempt has been to single out those general areas where wise public policy may be expected to yield the greatest returns.



# THE ALASKAN ECONOMY

The problems of Alaskan economic development center around size and price. The penalties of smallness and the fact of high price-cost factors are related, but they are not "one-for-one" identical. The combination of low volumes and high prices adversely affects virtually every sector of the State's economy—land, labor, and capital. The requirement to help make Alaska competitive is an operational imperative to its economic growth.

Ultimately, the problem of attracting and retaining private capital will be solved only when the expected yields on investments in Alaska compare favorably with those of the available alternatives. This competitive condition depends, importantly, on a whole series of price-cost relationships, which, at the present time, give every indication of being substantially "out of line" in the case of Alaska. Expected returns are obviously increased when expected costs are reduced. Therefore, it is important that policy programs be directed toward ensuring a reasonable relationship between prices and costs. The alternative is for Alaska to "price itself out of the market." This will become increasingly important as the economy advances into the stage of manufacturing, commercial, and service activities.

In this connection, two apparent myths need to be dispelled. The first is that Alaska's distance from suppliers and markets satisfactorily explains the price structure of the State. The evidence suggests that any price differential exceeding roughly 15 percent of the Seattle price should be suspect. This is not to say that

transportation rates are at an optimum level; but, rather, it is to alert the policymaker to the fact that preoccupation with Alaska's peculiar transportation disadvantage can cloud the total analysis.

A second pitfall is the danger of an almost mystical faith that technology will always "bail us out." It is both true and desirable that technological and managerial innovations probably will result in lowering cost factors in the most growth-producing sectors of the Alaskan economy. A leading role for science and research in the long-term development of the State is essential and is recognized herein, but to assume that this alone will be enough to bring price levels into line is questionable indeed and not sufficiently likely to warrant tying public policy to it.

Finally, on the matter of the degree of Federal participation in Alaskan development, it is fitting and necessary that in the longer term, Alaska enjoy its place among the community of States with a viable, self-sustaining economy. It is an axiom of development theory that capital begets capital, and the amount and type of injections of the proposed public expenditures are designed to accelerate this regenerative process. Further, it is recognized that a broadening of the base of the State's economy is greatly to be desired in that it presently runs the danger of having all economies tied to a few primary products industries—an undue sensitivity to world markets and, hence, subject to severe cyclical fluctuations. For the immediate time, this risk should be accepted, and an attempt should not be made to graft a complex mercantile economy onto a rudimentary one.

## The Condition of the State

The problem of the Committee is, of course, a developmental one with three key objectives:

- To broaden the civilian economy away from its present degree of Federal dependence.
- To achieve maximum returns from existing expenditures.
- To propose new high-yield programs.

We have adopted a series of theses which, to a greater or lesser extent, have been supported by observations and analyses over this first year of activity. A brief statement of each of these helps to frame our task and explain our directions.

First, there is now sufficient economic horsepower to be harnessed in order to drive the Alaskan economy forward in an orderly process of development. The economic and political settings are now favorable for such a move.

Second, reconstruction expenditures have had a powerful, stimulating effect upon the Alaskan economy and have created circumstances especially favorable to further development planning. There is a momentum to development—growth begets growth—and the aftermath of the earthquake catastrophe has presented the outlines of such a phenomenon.

Third, timely and major economic development in Alaska in the national interest continues to require heavy Federal participation at this stage (within the context that in the longer-term, self-sustaining, economic growth is properly a State matter and the present level of Federal participation should ultimately be viewed as transitional).

Fourth, in our context, planning for economic development is, to the extent practicable, an indirect process of providing incentives and stimulation to private enterprise and investment. In other contexts and other societies, other philosophies of development planning might be selected, of course.

Fifth, the private sector of the Alaskan economy is now and, in the near future, will continue to be based primarily on raw materials and primary products from such resources. While a sophisticated, modern, commercial service sector is with us in Alaska, there is not the immediate prospect of any advanced manufacturing economy.

Finally, the "Native problem" is better solved by providing opportunities for education and Native participation in the *total* Alaskan economy than by fostering the development of a *separate* economy for Natives. All forces point toward the wisdom and

rightness of working for integration of the Native into a single, but diverse, evolving Alaskan economy through improved education and salable skills.

Against the backdrop of these themes, the approach of the Committee is supportive. Several directions to the analyses are possible:

- An *area* approach in which emphasis is on programs designed to fit particular regions (e.g., the southeastern, the northern, or the westward region).
- A *time period* approach in which programs are designed to service short-run, intermediate, or long-run development needs.
- A *topical* approach in which programs are designed to treat the several sectors (e.g., physical resources, power and transport, and tourism).

The approach selected is primarily topical in emphasis, the chief exception being the Native problem.

It is, of course, not surprising that the copious literature in the field of economic development provides a useful framework and substance from which to view Alaska's particular development problems. In many respects it fits the development model:

- There is a chronic shortage of capital for development and expansion.
- The economy is narrowly based and dependent on extractive industry.
- It has a serious "import imbalance" in its "trade relations."
- Selective inflation is a problem and modern managerial and marketing methods are relatively unused.
- There is need for so-called "social overhead capital" (e.g., docks, roads, power) expenditures to help create a climate for development.

In other respects, Alaska does not fit the development model very well, and it is important that these be recognized:

- It is underpopulated.
- It has a transient population.
- It is part of the Republic.

Accordingly, our analyses have drawn on those portions of the literature that are relevant and helpful to the Alaska case and have, hopefully, avoided the policy pitfall of straining to make the varied faces of the immediate case fit any particular doctrinal model.

Several issues present themselves in formulating an approach for development planning. One is whether an intensive or extensive approach is preferable at this point in the development of Alaska. That is, is it better to select certain key fields (e.g., oil or power)

and concentrate resources on their growth to the exclusion of others, or is development best enhanced by spreading resources so as to bring the several sectors along together in balanced fashion? Our decision is to adopt, principally, the latter approach (parallel vs series development).

A corollary item is the matter of priorities. The general guideline (and desirable goal) is to assure the expenditure of resources in those directions which will most likely give the greatest return on the developmental dollar. Translating this proposition into programs is always a problem, and is especially so in Alaska. The available data are spotty and often unreliable or in unsuitable form when available at all. In future reports of this Committee (and as data and time permit), it is expected that reliable cost-benefit analysis can be usefully employed in the ranking of projects and programs. It is, indeed, one of our immediate efforts in all fields to improve the system of informational flow and feedback. Yet it is important not to let data deficiencies result in a paralysis of policy. We have, then, in our analyses identified those areas where the evidence indicates that the most significant yields will come while cautioning explicitly where the limitations of the data make conclusions more tentative.

In sum, then, the approach of the proposed program herein contained is one of "orchestration"—of bringing along in a systematic, integrated way the leading areas of the Alaskan economy that are touched by Federal activity and encouraging the State to organize and conduct its developmental activities in balanced fashion.

## Native Alaska

In initially considering the economic development problems and potentials of areas largely populated by our Native people, the Committee reached a policy consensus that we take as axiomatic that "the Native problem" is better solved by providing opportunities for education and Native participation in the *total* Alaskan economy than by fostering the development of a *separate* economy for Natives.

Economic development in Alaska is concentrated along the narrow coastal belt from southeastern Alaska to Kodiak and Bristol Bay and inland along the so-called railbelt area. The vast expanse of land north and west of the railbelt area has seen very little development, and most of this is the remnants of the early



Courtesy Anchorage Daily News

mining and trading days with a sparse sprinkling of newer military installations.

Westward Alaska would present no urgent problem of development if it were not for the Native populations—Aleut, Eskimo, and Indian peoples—who inhabit the area and who are faced with the difficult transition from a primitive use-subsistence economy to a modern way of life. The Federal Government has extensive programs for these citizens, but it has not been able to do the job rapidly enough because economic activity in the area has tended to decline rather than increase. As a result, we find the Native population surviving on a mixture of use-subsistence economy supplemented by a few jobs but principally by relief checks. Housing standards are deplorable and are clearly the worst in the Nation. One area, Wade-Hampton, is officially described as the poorest civil division in the United States.

There can be no solution to the problem which does not include the development of a viable economy in the area which can afford the people the opportunity to earn a decent living, acquire adequate housing, and live as the rest of Alaska's population does.

It is sometimes said that the Native populations of Alaska should go back to their primitive use-subsistence economy, and all that is required is adequate

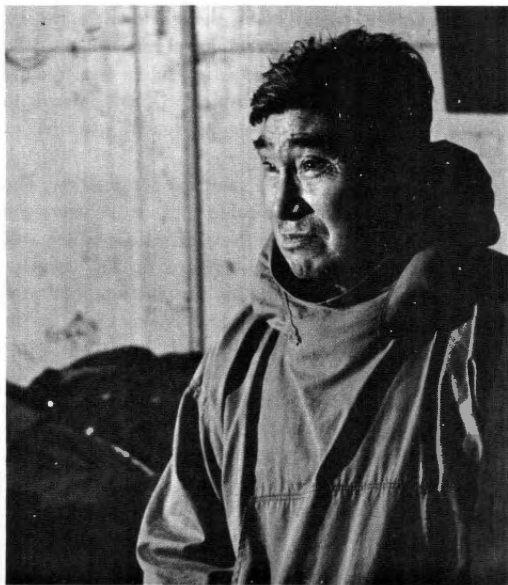
housing and education. This is pure romanticism. The Natives could not go back to their former ways if they wished to—and they do not. In this context, it is worth taking the time to review the history of the Native problem.

### Ecological Imbalance

The problem of western Alaska is one of ecological imbalance brought about with the white man's arrival. Western Alaska's sparse population is today mostly indigenous or mixed. Until this century its forebears were a self-sufficient, nomadic people who spent their full time wrestling a subsistence living from nature. The strong survived. When nature was inhospitable, mortality increased. Those who survived were, through the fact of survival, good physical specimens. Quality of the stock was maintained by nature's harsh methods. There was no welfare check, no reservation, no population explosion. The land's carrying capacity was reflected in relatively constant populations.

With the white man's arrival sporadic seasonal influences of a cash economy were felt on the outer periphery and gradually infiltrated the region. The interior rivers became the transportation network. Native Alaskans were hired to cut firewood for steam-powered river boats. Firewood was also needed to thaw placer ground along the major rivers and deep within their tributary systems. Between mining and transportation, free fuel for those who traditionally lived from the land was exhausted in the very areas to which the Natives were drawn by the development of communities. Also, with the stampeders came cash demand for fur. Access to outside markets was given by the stampeders' primitive transportation systems. So the fur resources on which the Native had traditionally depended—not for cash but for clothing and food—largely disappeared as an element in the subsistence economy.

The supply and natural distribution of fish were altered in ways reflecting early commercial packing methods and unconcern for resource perpetuation. Processing plants were commonly and conveniently located in the mouth of the creek, to move to the next creek one cycle later when the production potential of the first had been destroyed. Migratory birds—a staple item of diet each spring for the western Alaskan—were denied him by international treaty fostered by outside sportsmen. That the Native had long been a practicing conservationist is attested to by the fact the birds had returned annually for centuries.



*Courtesy Anchorage Daily News*

Meanwhile, offsetting the loss of subsistence resources, the white man's diseases were introduced. Tuberculosis had had a wholesale equalizing effect by the time effective steps were taken to control it. In 1950 the measured death rate from tuberculosis among the Native people was 20 times the national average and among children under 14 years of age, one hundred times the national average. In the years since, the spreading of tuberculosis has been significantly reduced. Consequently, in 2 decades, adult Native mortality has dropped enormously and Native populations have grown correspondingly. Through hospital treatment in major communities, most Native families have now been exposed to the white man's way of life, his economy, and his thinking. This generated in the Native needs he had never known while giving him no means for their realization. Different clothing, different diet, different pursuits, greater longevity, and greater numbers have changed his life and outlook—and seldom to his advantage. The welfare check has been substituted for a subsistence livelihood. The absence of both training and employment prevents his getting off welfare just as his greater numbers, acquired tastes, and depleted resources prevent his return to a subsistence economy. Confusion of cultures and values, disease and despair have deprived him of health and purpose. The welfare

check has created an invisible reservation that defeats the Native as surely as would a reservation marked by physical boundaries. Until the full force of national policy is brought to bear on the problem, there will be no hope of widespread improvement for the Native peoples in Western and Arctic Alaska.

### Possible Solutions

The solution to the Native problem is not impossible. Surely the imagination, determination, and resources available to public policy can enable us to solve the problems of 40,000 citizens.

The areas which the Natives inhabit have natural resources which can support an acceptable way of life. Some consolidation of villages will likely have to occur and, therefore, some further sociological disruption; but this is a necessary cost to acculturation and economic accommodation. As always, there must be some reasonable balance between taking an economy to the people and taking the people to an economy. Further, from the development planning standpoint, it would be most helpful if the economies established were relatively labor-using rather than labor-saving in character.

The principal resources are some fisheries, minerals (including oil), and a substantial tourist potential.

*Courtesy Anchorage Daily News*



*Courtesy Anchorage Daily News*

The development of these resources is complicated by the relative absence of good harbor facilities along the Bering Sea and Arctic Coast and an almost total lack of roads. An immediate survey of potential harbor sites in the area should be undertaken by the Corps of Engineers along with an evaluation of various methods of lightering between ship and shore. The Corps now has Congressional authority for investigation of the feasibility of a deep-water harbor at, or in, the vicinity of Nome; but funds to initiate the investigation are not now available. Such a survey would also include the Pribilof Islands, where the Native problem has recently been the subject of a Human Relations Task Force Report sponsored by the State government.

The waters off the west coast of Alaska are among the richest fishing areas in the world. While the development of a United States industry, which would be competitive with Japanese and Russian fleets, presents difficult economic problems, it appears that with changes in packaging and marketing techniques, the United States could participate in a more extensive way in the exploitation of this resource. The State and Federal agencies involved should give attention to the economic evaluation of this potential as well as to possible methods of harvesting, packaging, and mar-



keting which would establish a Native fishing industry on an economically sound basis.

Considerable mineral exploration and development is now occurring on the Seward Peninsula and completion of necessary survey and mapping work in this area should be given the highest priority along with the development of suitable harbors and roads.

With the buildup of mining on the Seward Peninsula and the possibility of a deep-water port at Cape Nome, the establishment of a limited transportation network out of Nome can now be evaluated. This would also fit well with the development of a substantial tourist movement at Nome, Kotzebue, and Point Barrow. The Bureau of Indian Affairs has an effective program for training Natives in arts and crafts, and this should be knit together by an effective marketing setup with special emphasis on sales to tourists in Alaska.

The development of a plan for commercial exploitation of the oil resources in the Naval Arctic Petroleum Reserve could be undertaken at this time, as it could lead to the rational and efficient development of oil resources in the Arctic and provide substantial employment to the Natives.

As an immediate step to alleviate the deplorable housing conditions of the Natives, S.1915, introduced

*Courtesy Anchorage Daily News*



*Courtesy Anchorage Daily News*

by Senator Bartlett, is required legislation. The Federal Government could, by administrative action, extend its loan programs in areas where Natives are capable of purchasing homes on long-term credit. Although Federal and State employment practices are specifically designed to avoid discrimination, Natives have difficulty in learning about job opportunities and in getting to central points of hire. Greater employment of Natives in their own environment would aid materially in their acculturation and economic progress, and the Committee believes that the Civil Service Commission and the State Employment Security Division should study procedures governing recruitment and training to determine whether greater employment of Natives could be achieved without adversely affecting work standards.

As demonstrated in other portions of this Report, the region has a real development potential of great economic value to the United States as a whole—not just to Alaska. By pulling together the portions of the topical reports which relate to the region and by laying the foundations for broad-scale planning effort on a multi-agency basis, the Government can achieve a development program to solve the economic problems of the Native population of Westward Alaska.

## Capital Formation

Central to any economic development task is the matter of capital attraction and retention. This section treats the problems and prospects of capital formation in Alaska. It is exploratory in that, at this point, no final pronouncements can be made as to exactly how much and at precisely what rate new capital should be (or even is being) committed. Careful economic analysis can, however, point up the directions and kind of capital expenditures that would most likely yield the greatest returns in the current Alaskan context.

We take as given, and fully endorse, the Anderson Commission's judgment that the time is propitious for "building upon the momentum developed in the course of reconstruction." The present economic circumstances in the State are favorable to creating a more viable, self-sustaining economy than existed before the earthquake—in particular, the recent developments in the oil and minerals, forest and fisheries industries. The trick is to harness the forces that are at work in the economy and encourage and guide them into useful development. The task is the provision of capital for private development and public facilities.

The longer-term goal is to secure a broadly based, self-regenerative, efficient economy which attracts and retains predominantly private capital funds at reasonable rates and with reasonable earnings. The short-term goal is to find that mix of public and private capital which will move the economy toward self-sufficiency in a timely fashion and with a minimum of price and employment disruptions.

### Public Capital

Historically, presently, and at least for the near future, a substantial amount of public capital—Federal, State, and local—is required to keep the economy of Alaska moving ahead in terms of products and services, population, and incomes. And, despite the fact of Statehood, Alaska remains heavily dependent on Federal participation in its economic life. In employment and payrolls alone, Government comprises over 40 percent of the nonagricultural totals (excluding military) with the Federal Government responsible for 60 percent of them (Chart 5).

The Economic Development Administration and the Small Business Administration are particularly well suited to provide finance capital for worthwhile projects emerging in the industries of tourism, forestry, fisheries, and minerals. There is no need to view any such funds as providing "soft money." With

## CHART 5

### Indicator of the Role of Government in the Alaskan Economy, 1964

	Average Monthly Employment	Total Yearly Payroll	Per Cent of Total
<b>Total Wage &amp; Salary Non-Agricultural Employment</b>	<b>65,380</b>	<b>\$530,647,470</b>	—
Government:	28,076	\$213,040,032	40%
Federal*	17,258	134,864,452	—
State	6,276	46,518,290	—
Local	4,542	31,657,290	—

\* Does not include military personnel.

Source: *Statistical Quarterly*, Alaska Department of Labor, Employment Security Division, 1964.

sound proposals and assurances of managerial skills, the basic strength of the Alaskan economy allows a good chance for successful commitment of public resources.

Now that the great and rapid infusion of earthquake recovery funds is past, it is important that public policy now look more sharply at just how it can be more discriminating and precise in its future injections. This involves consideration of the timing and rate of flow of funds as well as their directions. On the former point, it is entirely possible that, for certain periods, the Alaskan economy can experience capital absorption problems where population and the basic product industries (as opposed to distributive and service activities) are too "thin" to "take" any further expansion. Here the result can be capital redundancy, market bottlenecks, and artificially induced cost-price pressures. A deft hand at the spigot is the rule if we are to achieve a healthy, moving equilibrium in the economy. On the latter point, good management of public investment monies dictates that grants and loans be allotted in a systematic, integrative manner so that, to the extent possible, each transaction enhances the chance of success of every other project. Here some feeling for an overall plan and program is the key (that is, fish product refrigeration loans should be thought of in connection with harbor and dock facilities, small boat, or air cargo financing; motel loans with ski area, bus tour, or air taxi financing; and so on). In this way, not only does rational development take place, but the reinforcing effect of each



individual project on every related one has a chance to work.

In addition to funds that can be provided directly by Government agencies to finance particular projects, the area of social capital expenditures in the broader sense is now of immense importance to the future of Alaska's economy. The provisions of harbors and piers to allow and encourage an expanding fishing fleet, of roads and park facilities to accommodate an increasing tourist flow, and of cheap power to stimulate manufacturing activity and foster population shifts all help to create the climate for full-scale, private development to take hold. It is the provision of "infrastructure" in the jargon of economic development literature. And, again, each program must be conceived as an integral part of the larger context of regional development where the policy test should include the question: How does this fit with the desired overall pattern of growth?

Finally, and in a still broader sense of the term "public capital," the research talents, the technical skills, and the informational resources of appropriate Government agencies should, as a policy matter, be marshaled to spur Alaska's growth. Grants of Government research monies and quasi-public foundation funds to university and research organizations interested in enlarging the state of scientific knowledge on Alaska are much needed. The national interest requires, then, a massive concentrated effort by State and Federal units over the whole range of Alaska's problems in order to allow the broadening of its developmental base and to hasten the transition from heavy public support to a primarily private impetus.

### **Private Domestic Capital**

The solution to the capital accumulation problem is ultimately to be found in providing adequate incentives for the attraction of private capital, enhancing expected yields, and encouraging reinvestment through retained earnings. In short, capital formation involves treating risk capital well (through minimizing impediments to capital flows into the State), creating a favorable tax climate for properties and earnings, and offering investment opportunities competitive with available alternatives.

Recurring throughout this study is the Committee's judgment that the most fruitful direction for Alaskan development at this time lies with the extractive industries. Accordingly, greatest returns can come most rapidly from attracting the big investment capital of

major firms in the primary industries. Current dynamic developments in the oil and gas, timber and copper fields have, in our judgment, brought the economy in its capital dimension to the "take off" stage where growth can become self-sustaining. We are consistently emphasizing the big firms because the effort required to locate, get at, process, and transport the State's primary products is large indeed and demands proportionately large commitments of finance capital and scientific and engineering resources to develop efficient techniques and volume handling. While the strength of the emerging economic forces may well be such that substantial development may take place "anyway," it is important that public policy at all levels coincide with these forces and aid and guide them in wholesome directions.

This is not to suggest that all the cost factors are adverse in the development of primary industries. With suitable transport and adequate power supply, the location of many of Alaska's known resources (e.g., timber) close to tidewater would permit cheap bulk carriage. The high quality (thus higher unit yields) of much of its virgin finds, the state of technology (and, hence, productivity) in the extractive industries, the existence of a growing economic market in the railbelt area, and the geographic location of the State on the world's Far Eastern and European transport routes can all work as favorable cost factors.

The capital-deepening and capital-widening activities of major firms investing in Alaska will have the effect of broadening the economic base of the State by allowing for the further proliferation of commercial service and distributive businesses on top of this and expanding employment and increasing public revenues for State programs.

The Fairbanks-Anchorage-Kenai area is the economic heartland of this State. In recent years Fairbanks has seen a substantial buildup in scientific facilities, largely associated with the University. It has become the national center of various types of Arctic research; and, in connection with the space program, it has become an important center of upper air research. A deliberate policy of concentrated Arctic research located in Fairbanks, or administered out of Fairbanks, could provide much of the economic support needed for continuing growth in interior Alaska.

Anchorage is the economic capital of the State. It has, in effect, replaced Seattle in this position. It is increasingly the banking, insurance, service and distribution center; the center of the oil and gas in-

## CHART 6

### Alaskan Commercial Banking and Insurance Company Finances, 1960-1964

(in millions)

	1960	1961	1962	1963	1964	1965	Per Cent Change 1960-1965
<b>Banks:*</b>							
Total Assets	\$227.2	\$233.4	\$238.4	\$275.2	\$347.8	\$354.8	56%
<b>Insurance Company</b>							
Alaskan Investments	56.8	71.6	77.9	85.3	88.0	88.0	55%

\* Does not include mutual savings and savings and loan institutions.

Source: Alaska State Development Corporation, Annual Report, 1965.

dustry; an important international air traffic stop; a year-round seaport, and a gateway to tourist and recreation areas as well as to the Kenai Peninsula. Having almost half of the State's population, and a most favorable location, Anchorage is the logical economic core from which a series of manufacture and finishing industries can spring. Through a doctrine of concentrated development and joint public-private participation, substantial broadening of the industrial base could be achieved in a few years.

The amount of private, investable, loan money in Alaska is, at this time, very difficult to ascertain. This results partly from the difficulty of separating truly private accounts from private accounts filled with public grants or loans and partly from the fact that a good deal of capital used to finance Alaskan investments comes from institutions outside the State. With these cautions, Chart 6 is presented to show that the trend in loanable funds in Alaskan commercial banking and insurance company finances is dramatically upward. This suggests only that a considerable amount of capital that is generated in the State is remaining here. For the period 1960 to 1965, the increases in total bank assets were 56 percent and, in insurance company investments, 55 percent. Further, (though not shown in Chart 6), the percentage increase in total demand deposits in Alaska over the same period was over five times that of the United States.

Just how much of each dollar of value generated in Alaska stays in the State after the initial transaction is impossible to determine with any precision. What is clear is that:

- The more the returns to capital remain in the State, the greater the impact on development through the investment acceleration principle.

- The more the earnings of the work force remain in the State, the greater the effect of the income multiplier through the turnover of money.

- Different industries operating in Alaska, having different characteristics, have investment and income effects that differ widely.

In part, the outcome is determined by whether the industry is capital-intensive or labor-intensive and in part by whether there is a corporate structure which allows a ready outflow of earnings. For these reasons, tourism is perhaps the best income generator in terms of the velocity of money, while present oil operators would rank low, both on employment and on the *percent* retained of dollar value generated (not, of course, *total* amounts retained through leases, royalties, etc.). Fisheries and the fish-processing industries would rank high on both counts to the extent they are land-based and locally owned operations. The same can be said for timber industries.

Therefore, policies and incentives directed toward encouraging industry to establish plant and facilities for further finishing beyond the extractive stage will be required in order for the State to enjoy maximum economic development from its primary resources.

#### Private Foreign Capital

More than most States, Alaska has the opportunity to enjoy the benefits of private foreign investment capital. Again, this is because of its present stage of resource development and the increasing world demand for primary products which the State has in abundance. The principal sources of foreign capital are, not surprisingly, Japan and Canada. Japan has already invested heavily in timber and pulp operations in southeastern Alaska and is reportedly actively nego-

tiating for another large facility in southcentral Alaska. An influx of Japanese capital into the fishing and fish-processing industries appears to be on the horizon, and some interest in sheep raising in the Aleutians is reported. As the Japanese generally bring sound financial backing and great managerial skill to such ventures, their interest in investing in Alaskan industry should be encouraged and aided. (In the competition for foreign capital, it is noted that western Canada, for its part, now has about twenty Japanese firms active in British Columbia and the Yukon.)

To a much more limited extent, Canadian capital has flowed across the border into mining activities. Quite naturally, investment opportunities in British Columbia and the Yukon Territory have commanded their attention; though recently there has been overt interest expressed on the part of Canadian companies to extend their operations into Alaska—in particular to follow lodes and deposits across political boundaries. Again, government policy should be to do all that is possible to foster the free flow of international capital (perhaps, especially, in the light of current problems of United States capital outflows abroad).

Our attention should not be unduly focused on existing sources of international investment funds. It is in the nature of modern capital that it is our most mobile productive factor. The French and Scandinavians have, from time to time, indicated some interest in capital activities in Alaska. Federal and counterpart State agencies should vigorously continue their programs of attracting foreign capital to Alaska.

### **Capital Theory and the Alaskan Economy**

A few points can be made regarding the usefulness of basic economic capital theory in treating the Alaskan

kan economy. Mention has already been made of the income multiplier, the investment acceleration principle, and capital absorption problems. How these relate to cyclical—or perhaps episodic—disturbances in this economy is worthy of some hard speculation.

It is possible that because of some peculiarities of location, time, and circumstance, Alaska could be subject to a "regional business cycle" in much the same way as are a number of countries with a narrow, extractive base which are, in some measure, facing world market prices and which are heavily dependent on "exports" for the financing of their "imports." The analogy can easily be overdone, but it would be helpful to future analysis and public policy if the fact could be denied or established. It is true that, in the year immediately prior to the infusion of public capital on the occasion of the earthquake, the economy of the State was in a significant downturn. The great inflow of money after the earthquake yanked the economy abruptly out of its doldrums and thrust it forward. The question in this respect is: What is the proper kind, amount, and timing of continued capital injections from all sources? How can self-sustained growth be achieved in a balanced fashion between commodity and service industries on a broadening base and within the framework of an expanding population and a stable price level? The answer is, of course, more difficult than the posing of the question. Our thesis is, at this point, that the economy of Alaska presently "heats up and cools down" too rapidly in the capital area. It is unduly responsive to slight economic disturbances. In order to find out if this is in fact so (with its obvious implications for policy), we are investigating the possibility of constructing a composite sensitivity index. Several series are being gathered and analyzed for applicability as economic indicators.

# RESOURCE DEVELOPMENT

It is natural that in the quest for a viable, self-sustaining, healthy economy for any emerging region, the area of resource development demands prime attention. With Alaska the long discussed and frequently romanticized "vast resource potential" can now be transformed into realized national wealth. What is required is active interest in the transformation and wise public policy along the way. Central to this last is the recognition that despite Alaska's high ratio of service-to-commodity activities, the economy is still at the primary products and extractive stages. Though the amount of public assistance required to accelerate development in the several resource sectors varies from sector to sector, the fact is that further public expenditure in the form of exploration assistance is essential to reducing the risks to acceptable levels for private activity to fully commit itself. The resource industries here considered are minerals, including oil and gas; forest products; fisheries; agriculture; and tourism.

## Minerals and Mineral Fuels

This subject is treated first as this area appears to be the most optimistic one for immediate and dramatic growth, led especially by the recent developments in the oil and gas fields in Alaska.

## Oil and Gas

There are now 6 oil and 10 proven gas pools in the Cook Inlet-Kenai area, and further exploration is be-

ing carried out by private companies in a major way. The Southwest (Bristol Bay) and the Arctic Slope areas should see significant exploratory activity in 1966—the latter being an already partially proven area through the work of the Navy under the so-called "Pet 4 Project." The productive oil and gas fields and fields of proposed development are indicated in Chart 7. Direct revenues realized by the State on oil and gas activities amounted to \$59 million during the period 1962-1964. This compares with \$39 million for the previous 3-year period; Chart 8 presents the growth of these receipts since Statehood.

In addition to the rapid rate of growth in oil and gas production in the Cook Inlet area (as now seems likely), it is desirable that general oil and gas activity, be a Statewide development to the extent possible. To this end, the 20-year-old policy of withdrawal from use of the Naval Petroleum Reserve No. 4 should be reviewed and consideration should be given to opening this land for leasing at competitive bid. This action would very clearly accelerate the development of the economy of the entire North Slope and would contribute substantially to easing the unemployment and transportation network problems of the area. While, historically, there has been some Congressional opposition to reversing the withdrawal action until reasonable recovery of the public investment in the project could be assured, that prospect is now with us. Such action would be entirely consistent with established public policy. An assessment by the Department of Defense of the appropriateness of such action should be the next step.



*Courtesy Ward W. Wells, Anchorage, Alaska*

### **Petrochemical Industry**

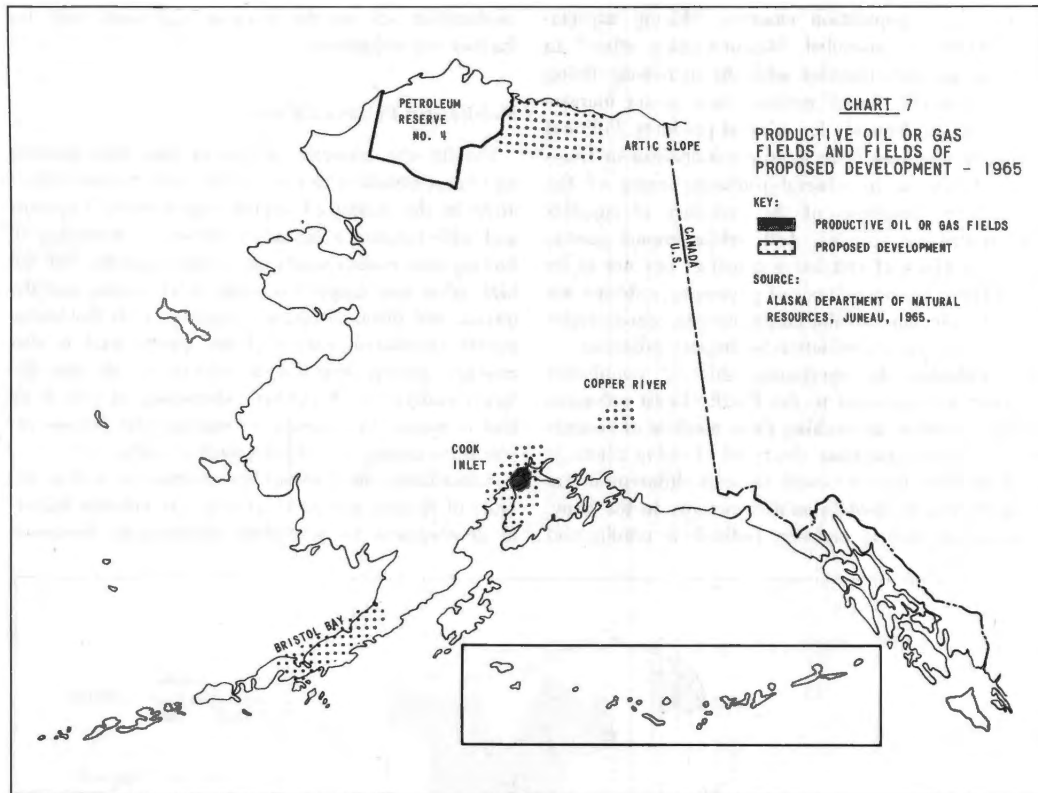
An intermediate range development that we look upon with favor would be the establishment of the petrochemical industry—refineries, by-products, and derivatives—in Alaska. For, if Alaska becomes the richest oil State in the Union, it is improper that petroleum products be among the highest priced commodities to Alaskan markets because of a round-about production and distribution process. A concrete step in this direction has recently been made with the announcement of the establishment of a multimillion-dollar manufacturing complex on the Kenai Peninsula having a capacity of 1,500 tons of ammonia per day and 1,000 tons of urea per day. Construction of the plant is scheduled for completion in 1968. It is quite possible that a gas liquefaction plant may follow to further broaden the base of a petrochemical industry.

### **Other Minerals**

Because of the existence of alternative mineral fuels for local use and the sub-bituminous quality of most known coal fields, the present outlook for Alaskan coal is not too optimistic. However, with competing uses for gas (e.g., fertilizers and liquefaction for export), increasing electric power consumption in the railbelt area, and possible mineral finds which would allow mine-mouth cheap power production, the picture could change significantly.

Other important mineral occurrences in varying degrees of commercial development include copper, asbestos, mercury, tin, nickel, platinum, and iron.

Despite these scattered successes in minerals development, all indications are that in the purely literal sense of the cliché, "we have only scratched the surface" of Alaska. The minerals of Alaska are truly a



## CHART 8

### Alaskan Gas/Petroleum Revenues, 1959-1964 (in thousands)

YEAR	REBATE FROM FEDERAL LANDS	RENTALS & BONUSES ROYALTIES, FEES & PERMITS	TAXES	TOTAL
1959	\$ 4,403.4	\$ 4,023.3	\$ 3.8	\$ 8,430.4
1960	2,804.3	552.2	15.0	3,371.5
1961	4,647.2	22,932.1	209.0	27,788.2
1962	7,857.7	16,013.2	367.3	25,238.1
1963	8,161.2	8,480.4	388.6	17,030.2
1964	8,815.1	7,350.8	407.0	16,572.9
<b>Total</b>	<b>\$36,688.9</b>	<b>\$59,352.0</b>	<b>\$1,390.7</b>	<b>\$98,431.3</b>

Source: Alaska State Development Corporation, Annual Report, 1965.

national asset, and a new appraisal of national policy toward them is clearly in order. As noted above, it is

time to move from a posture of faith in potentials to a fully funded, tough-minded investigation into what the mineralization of the State actually is and from there to full development. Several forces have made the timing propitious.

One of these is that the *known* mineral resources presently provide a quite narrow base for major economic development, especially of the type of balanced growth that is most desirable. The limitations are geographic and sectoral and are characterized by the precariousness which attends over-dependence on any few sectors. Diversification of mineral development is the proper goal, and the opportunity is here.

A second force in this connection centers on the fact that Alaskan mineral industry output must face outward toward United States and world markets (rather than toward a local one) and, in turn, must be viewed in a world context. The world demand for minerals has been steadily increasing and more rapid-



ly than have population changes. "Rising expectations" from the so-called "demonstration effect" in emerging nations, together with the increasing living standards in the "have" nations, have meant increasing per capita demands for mineral products. Political instability resulting from intense nationalism or Communist pressures in mineral-producing areas of the world raises questions of the certainty of supplies from traditional sources. And, while import quotas and other kinds of restrictive practices are not to be encouraged, current balance of payments problems are naturally alleviated to the extent we can economically substitute domestic production for import industries.

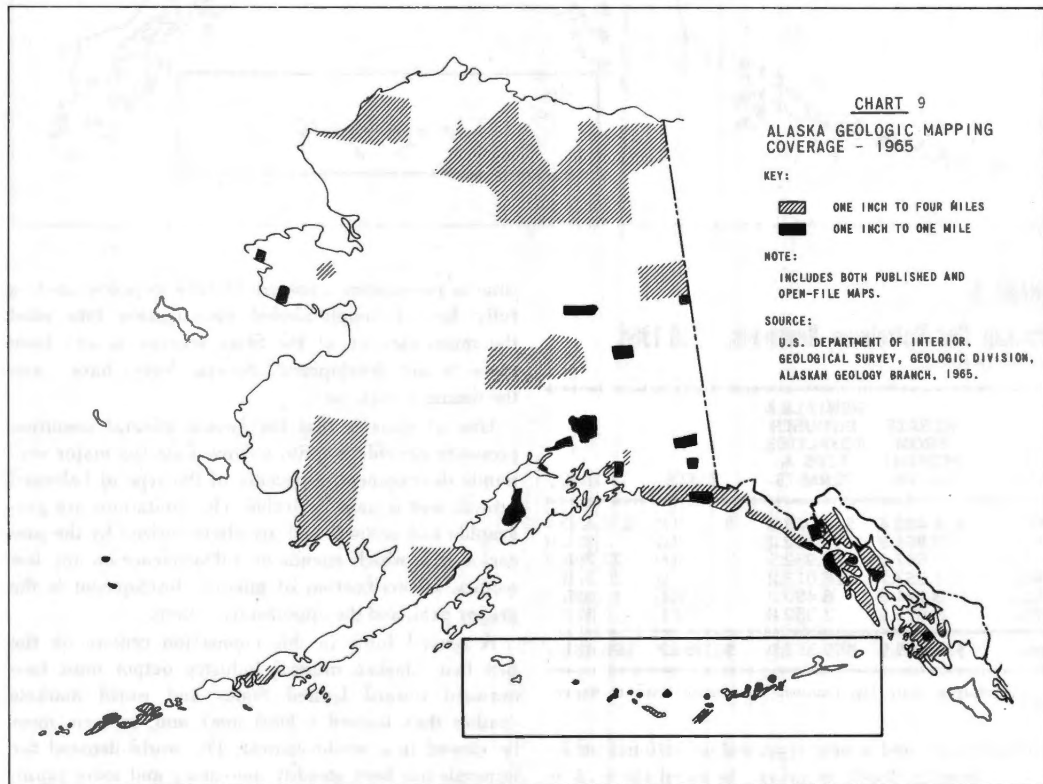
Domestically, the continuing shift of population and industry westward to the Pacific Coast enhances Alaska's position in reaching these markets of concentration. At the same time, the trend of rising prices in world markets has narrowed the cost differential traditionally experienced by mining activity in the State. Changing technology and new methods in mining and

exploration are on the horizon and bode well for further cost reductions.

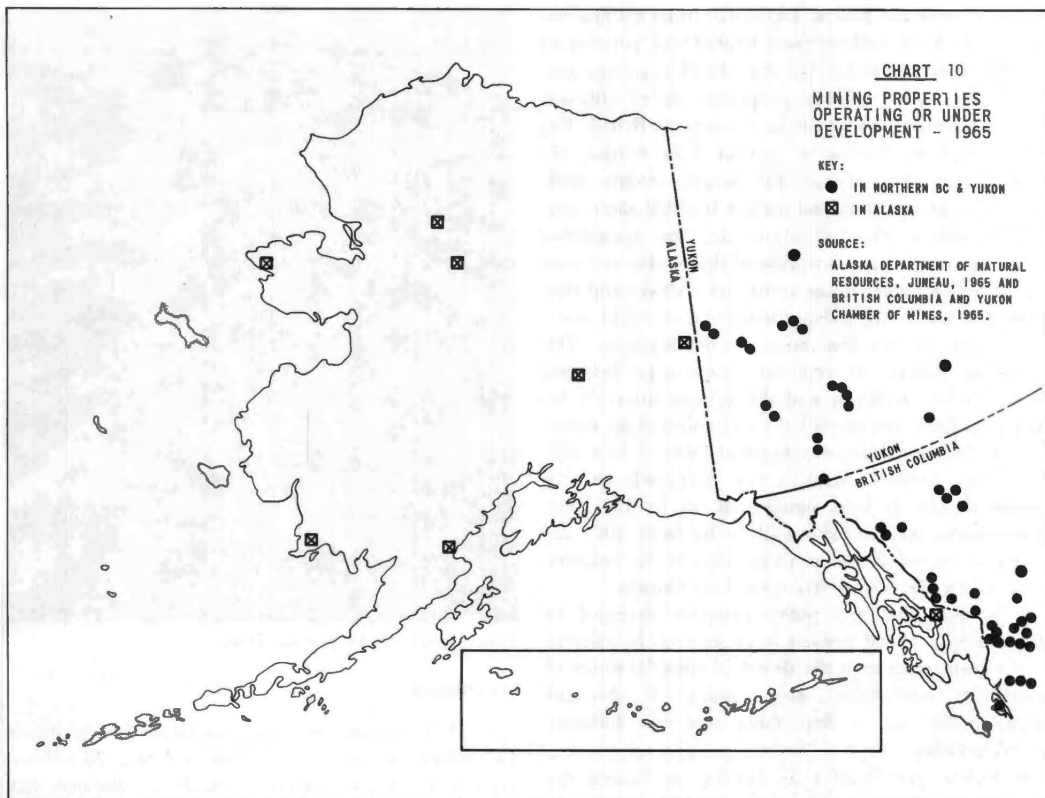
### Public and Private Efforts

Finally, the minerals picture at this time presents an almost classic model for public and private cooperation in the matter of capital expenditure. Vigorous and wide-ranging exploration activity is necessary to finding new commercially attractive deposits. Yet the high labor and supply costs, the short season, and the terrain and distance factors—together with the intrinsically speculative nature of the quest—tend to discourage private exploration efforts of all but the larger companies. A further minimizing of risk is all that is needed to generate widespread and intense exploration, testing, and development of finds.

Accordingly, the Federal Government, as well as the State of Alaska, can do a great deal to enhance mineral development by providing substantially increased







public expenditure on exploration assistance (including geological, geochemical, and geophysical mapping) as well as some legislative changes to encourage exploration and by providing the necessary land and water transportation facilities. Such an increase in public expenditure at this time would greatly enhance private development of the minerals industry (as evidenced by adjoining Canadian experience). In short, the expected "yields" to public "investment" in exploration and transportation assistance are very great.

Inspection of Chart 9 reveals that only a very limited portion of the State (3 percent) has been mapped to show details important to economic geology on a one-mile-to-the-inch scale and only a little more (15 percent) at four miles to the inch. In the economist's terms, it is a case where the marginal product (that is, the yield resulting from an additional expenditure) is, at this time, very likely to be far greater than the marginal cost (that is, the additional expenditure).

The Canadian experience in British Columbia and

the Yukon—on the matter of mining and exploration—is particularly instructive for the Alaska case. They have integrated *programs* of exploration and development assistance in the mineral area that are energetically supported by public and private elements alike and which have resulted in very high payoffs. Comparisons are appropriate here in that the same technology of mapping procedure (helicopter, air photo, and aeromagnetic techniques) are available to each; the terrain and climatological difficulties are certainly similar along our great border; and there is no apparent reason to believe that Alaska is significantly different from her neighbor in the economic geology sense. In fact, Alaska's mineral production eventually should be 30 times as great as at present if production per unit of area should equal that of the 11 western States which have similar geology.

A rough indication of the varying pace of activity in the Canadian side, as compared with the Alaskan side, can be seen in Chart 10. (Canadian expectations

are that, over the period 1960-1970, total milling capacity will have doubled from 64,000 tons per day to 130,000 tons per day.) On this sketch map are presented the active mining properties as of summer 1965. These total about 50 in the case of British Columbia and the Yukon, as against 8 in Alaska. Indexes of acreage offered and leased, claims filed, number of prospectors, and dollars invested show similar disparities. The indications are that companies operating on the Canadian side of the border are anxious to follow their strikes across into Alaska and that other companies are independently interested in starting afresh in Alaskan minerals development. The Canadian pattern of constant interchange between public survey activities and the private minerals industry as finds are suspected or established by either has resulted in driving development forward in a self-reinforcing fashion. Alaska's rate of growth in this respect should at least equal that of its Canadian counterparts. Nor would we likely be faced with the matter of excessive foreign ownerships in the industry—a concern which some have posed for Canada.

It is clear that any policy program designed to thrust Alaska ahead toward large returns in mineral development must treat the threefold considerations of availability, accessibility, and salability. To this end public policy for a flourishing minerals industry should include:

- Public participation in helping to finance the cost of exploration.
- Adequate information services from Government mining departments' geologic surveys and mapping activities.
- Favorable treatment of risk capital in the industry.
- Adequate transportation facilities—principally roads, waterways, and harbors—for access to mineral deposits and finds.
- Favorable mining laws that govern the staking and holding of mineral claims.

## Forest Products

The orderly development of the forest products industry and its impact on the Alaskan economy is now clearly established, and we wholeheartedly underwrite the programs worked out by the State and the U.S. Forest Service. Like the oil and gas area in Alaskan development, it is in "good shape." A few facts and figures help position the industry for analysis.

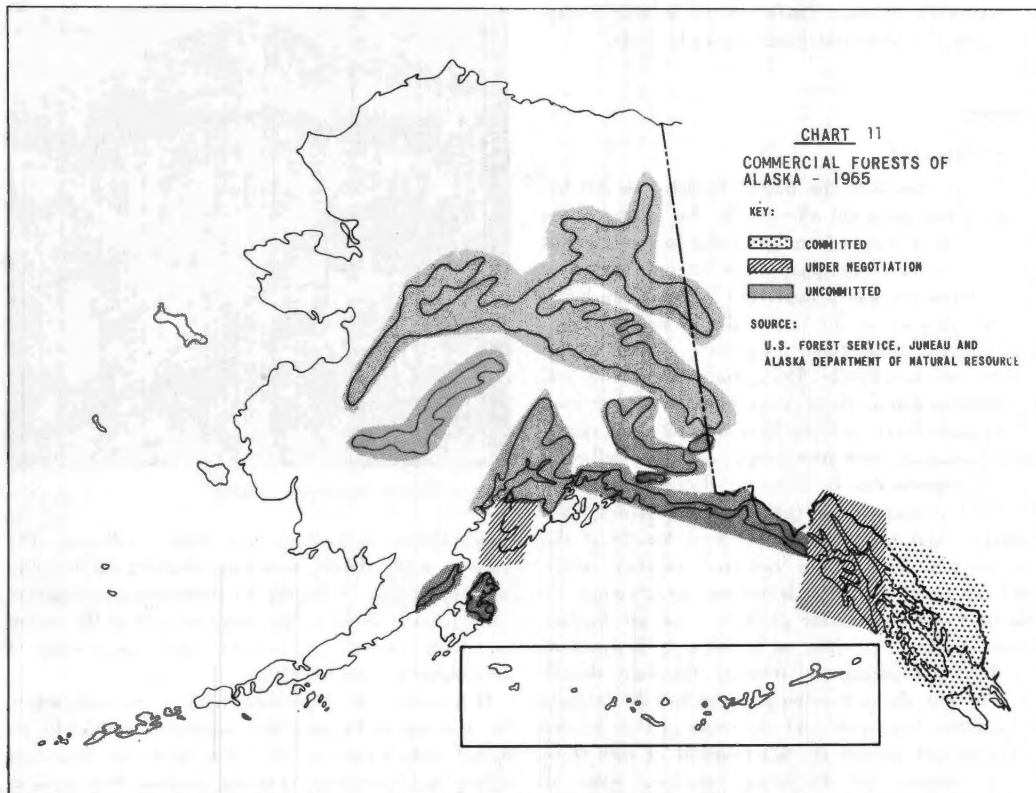


*Courtesy National Geographic Society*

## Resources

Alaska's timber resources are large. It has about 119 million acres of forest land of which 28 million are classed as commercial forest. It is estimated that 215 billion board feet of marketable timber are contained in commercial forests, 80 percent of which are described as coastal. The coastal forests are an extension of the rain forests of the Pacific Northwest and British Columbia and extend for a thousand miles from Ketchikan to Kodiak Island, as shown in Chart 11. The interior forests are less dense, of different size, type, and maturity, not fully inventoried, and clearly less commercially attractive at the present time.

In value of product, the timber industry in Alaska is second only to fishing. In 1954, 84 million board feet were cut; in 1961, 354 million, and in 1965 the annual cut went to 405 million board feet. The approximate dollar values for these years were \$15 million, \$48 million, and \$63 million, respectively. These large annual harvests are still only about half the allowable cut (i.e., that which permits a sustained yield). The recent Forest Service sale of 8¾ billion board feet of timber (under a 50-year contract and requiring construction of a third large pulp mill) gen-



erally completes the large long-term, commercial offerings from the Tongass National Forest. When this new commercial operation gets underway, it is expected that the additional annual cut will exceed 175 million board feet. Extension of the process to the other great Federal holding, the Chugach National Forest, is on the near horizon.

The timber industry has invested about \$200 million in Alaska, and the new mill referenced above will substantially increase that figure. Capital is from both domestic and Japanese sources. Employment and payrolls have continued to rise in the industry, reaching 2,400 men and \$19.8 million in 1964. With the increasing worldwide demand for wood and wood products, exports show a continuing upward trend.

#### **Government Activities**

As in the case of minerals exploration assistance, Government activities can be directed usefully toward

enhancing the progressive development of Alaska's forest industry through speeding timber surveys and inventories, funding for access roads into commercial areas, making available monies from the Economic Development Administration and the Small Business Administration, and encouraging research toward new techniques and equipment in logging and processing. Again, as in the minerals area, a careful analysis of the British Columbian experience in its timber industry development programs could be instructive to the Alaskan case. Traditionally, well over a quarter of Canada's exports are from forest products and over a third of these come from British Columbia. Good public policy here should include setting up a fairly formal arrangement for a continuing dialogue between interested agencies in the United States and those of our Dominion neighbor. A proper goal is the attaining of more complete and integrated manufacture of forest products in Alaskan mills (e.g., lumber, veneer,

and plywood). In time, Alaska should be able to supply a large part of its own forest products needs.

## Fisheries

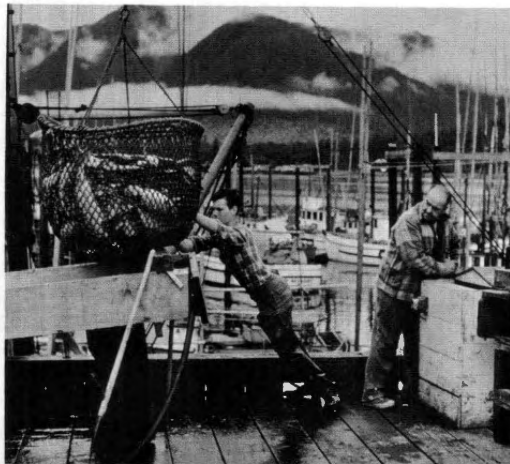
### Large Potential

Fisheries constitute the largest industry in Alaska, but the actual potential afforded by the fishing banks off the coast of Alaska from the Arctic to southeastern Alaska is virtually untapped, with foreign fleets harvesting far more than is harvested by American interests. As tempting as the potential may be, the problems involved in a major expansion of the fishing industry are formidable. The United States does not have modern fishing fleets comparable to the Japanese and Russian fleets, and we have only limited, shore-based packaging and processing facilities. Before a specific program can be recommended for Alaska, a great deal of analysis and evaluation is required. Such evaluation and analysis must be done largely at the Governmental level, as a cohesive industry which could exploit the potential is not now in existence. In addition to the harvesting problem (and the further expansion of fishing into such fields as bottomfish, crab, hard-shell clams, and shrimp), the study should also deal with the processing problem and the marketing problem. Any significant expansion of U.S. fishing in Alaska will involve the development of new shipping techniques and marketing practices, some of which may involve air shipment as well as containerized shipments by the hydro-train system and Sea Land.

In the North Pacific region as a whole, the United States catches less than 1 billion pounds annually out of a potential catch estimated in the neighborhood of 10 billion pounds. The distribution of resources in this area can be measured by the extent of the continental shelf and the concentration of fish. On this basis, the continental shelf area in the eastern Bering Sea region exceeds the combined continental shelf area of all regions from southern Oregon northward to Unimak Pass in the Aleutians; and its fish population is estimated to be greater. Except for salmon, the resources of the Bering Sea are largely untouched by U.S. fishermen.

### Many Problems

The problem of fisheries development in Alaska is interwoven with the depressed economic state of many



*Courtesy National Geographic Society*

communities, particularly the Native villages. Any fisheries study should, therefore, consider the training and employment of Natives for maximum participation and efficiency in such operations as well as the means by which harvesting, processing, and transporting of the product may be improved.

If development of the fisheries is to be undertaken, the problem of harbors and waterways should be attacked simultaneously with the study of improved fishing and processing methods. Shallow-draft harbors providing refuge and storage for small craft are a prerequisite to an effective, safely conducted Alaskan fishing industry. In coastline areas now practically devoid of significant fishing activity, such as are found along the major portion of the west coast of Alaska, the construction of properly sited harbors would, in essence, conceive or expand new fisheries.

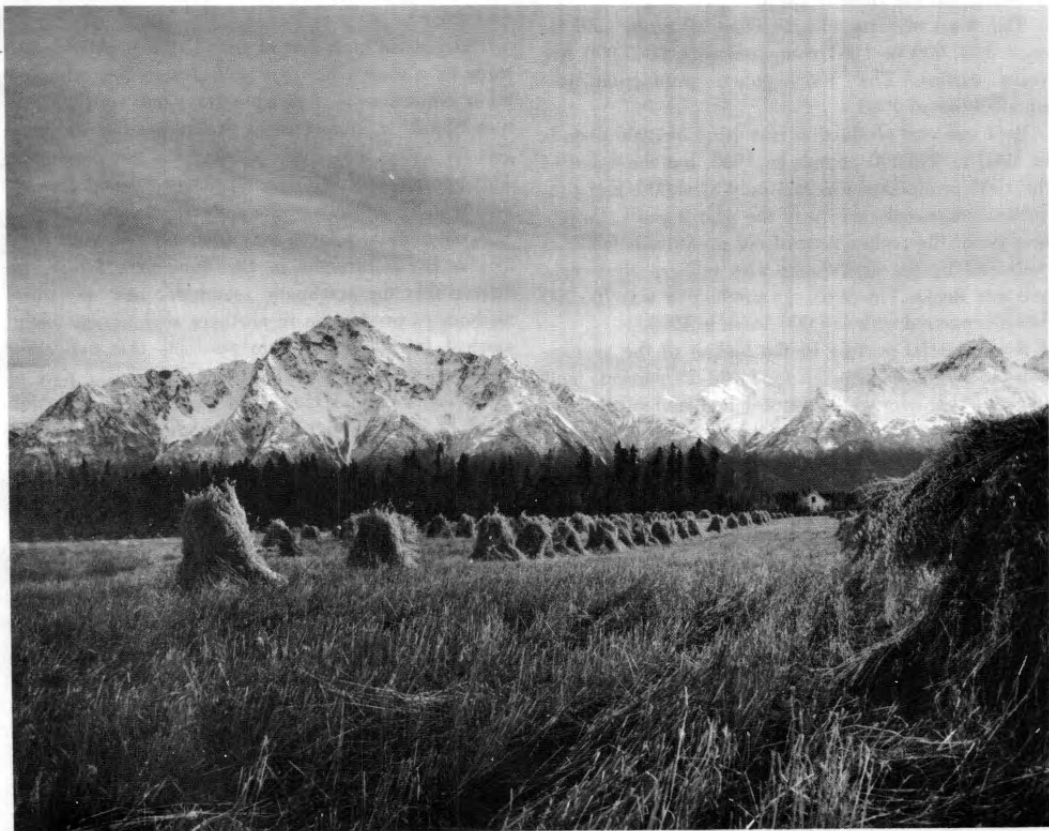
The limited number of existing small craft harbors in Alaska contributes substantially to the success of the fisheries. However, these harbors, sited disproportionately along 32,000 miles of coastline, are not nearly sufficient in size, location, or quantity to accommodate even the existing Alaska fishing fleet, without consideration of the fleet expansion necessary to harvest the proven potential. Here is an area where supply (harbors) has fallen behind demand (vessels). Substantial immediate benefits would accrue from nominal first investments in navigation improvements. Net benefits to be derived are at a maximum with the opportunity of enhancing the socio-economic structure of the Alaska Native population.

If left to develop on its own with the continuation of the State's effective conservation measures and with no increase in Federal effort, it is likely that the industry will grow and will provide increasing employment to many coastal areas. The larger question is whether, as a matter of Federal and State policy, this is adequate. Measured against the potential, the present effort can be described as feeble. In the State of Alaska the question is an important one of development to provide industry that can open up a whole section of the State and relieve the grinding poverty of the Native population. The Federal Government shares equally the Native problem and the need to develop Alaska, but it also faces the broader question whether, as a matter of policy, it wishes to encourage a major U.S. effort to modernize its fishing industry so that it has an effective voice in the harvesting of sea resources.

## Agriculture

The fisheries of Alaska and its wild game are today, as in more primitive times, the major sources of food production in the State. Nor will this situation change rapidly in a protein-deficient world which must place increasing emphasis on the extensive fishery resource of the State. Also, if we view the subject broadly from the standpoint of land use, it is clear that forestry promises a more extensive use of land resources than other agricultural pursuits. Nonetheless, the State does have important agricultural areas producing food and forage crops for local consumption. It is with this phase of agricultural production that we are here concerned. It is important, from a policy standpoint, to know the ultimate role which agricultural production will play in the development of the total Alaskan economy.

*Courtesy Soil Conservation Service, U.S. Department of Agriculture*





## Present Status

When we view the present position of agriculture in the Alaskan economy, we find it is relatively small, underdeveloped, and in a state of crisis. The general condition of agriculture in Alaska can be expressed simply. The State today produces less of its food supply than any other State in the Union, even though it has only 253,000 people to feed and 586,400 square miles of land on which to grow its food supply. In 1964 there were 380 farms in the entire State employing 1,075 workers. At no time has it produced more than 8 percent of the food products consumed by its people.

Agricultural production is currently stalemated at a low level. Census reports indicate the value of all 1964 farm products sold was \$3,771,000—only a slight improvement over the comparable 1959 total of \$3,214,000. Dairy products accounted for 54.1 percent of the 1964 sales. However, the total number of cows in milk herds has since declined.

The Alaskan farm income from all crops sold totaled \$967,000 in 1964 compared with \$847,000 five years earlier. The 1965 potato production just equalled that of 1960.

Beef and veal production rose from 357,000 pounds in 1960 to 798,000 pounds in 1965, but the value of the 1965 production was still only \$294,000. Egg production increased rapidly in the past 2 years, largely because of the replacement of old production facilities destroyed by the earthquake with modern equipment and new flocks. The 1965 egg production was 756,700 dozen compared with 475,000 dozen in 1963.

A substantial portion of the budget of the average Alaskan family is spent on food (20–25 percent) and at prices that average 25 percent higher than those in Seattle and 42 percent higher than those in Washington, D.C. Local production of a significant portion of the State's food supply would, clearly, permit the limited supply of dollars available in Alaska to do more within the State's economy and, hence, support a larger population. If local agriculture could be made sufficiently efficient to lower food costs, it would have an even greater beneficial effect on the long-range development of the State.

## Future Outlook

Agricultural research in Alaska has been extensive and at a level approximately equal to that in other areas situated in the same climatic zones. While we

assume that continued research will play an important part in the development of an agricultural economy, our focus is upon the economic, competitive problem faced by production in Alaska. For this purpose, we need to know, in full detail, the economic facts about each major area of production—dairying, cattle raising, truck farming—what reasonable cost levels could be obtained by the most efficient methods of production, and what Government policies could be used for these purposes.

We also recognize that the search for answers may be complicated by emerging economic factors affecting—but not directly related to—agriculture. For example, the availability of waste heat from the generation of electricity by gas turbines has opened up the prospect of using greenhouses to produce vegetables in Alaska. At the present time, there is one such experiment in process on the Kenai Peninsula. This experiment now has Government support, and as a matter of policy experiments of this kind should be encouraged.

The general high cost of production in Alaska also leads to a search for agricultural activities with low labor requirements. Available grasslands on the Aleutian Islands in areas free of predators offer the prospect of sheep and cattle raising for the developing Japanese market. This type of activity would also appear to merit intensive study in the immediate future.

Finally, while science may offer no easy and spectacular break-throughs in the immediate future, we believe that the systematic search for new and novel methods of production in northern regions—as distinguished from research into products that can grow and mature in such regions—is a necessary part of Government policy. The world has not, to this point, required intensive agricultural production in Alaska; but the trend of world requirements will clearly place greater emphasis in the future on the utilization of land resources which can produce food resources in substantial quantities.

The problem of developing overall policy in this field is complicated by the existence of large agricultural surpluses in the United States in that there is a natural tendency to downgrade agricultural production in Alaska and to avoid solution of the critical dilemma presented by Alaska's production cost-price squeeze. Farming in Alaska is still in a primitive state of development, faced with serious economic and climatic roadblocks. It is, therefore, easy to take the position that the returns from the time, effort, and capi-



tal necessary to put local agricultural production on a sound, competitive basis are simply not of high enough priority to justify the necessary input.

From a long-range, economic development point of view, there are, however, sound reasons for spending the time and money to determine whether agriculture can make an important contribution to the economy of the State. In the meantime, program efforts should be directed toward encouraging enlargement or consolidation of present farms to more economically sized operations that would reduce production costs and emphasizing development of improved marketing and grading techniques toward making Alaska-produced products preferred by consumers over competing products.

## **Tourism**

### **Potential is Unlimited**

A full-scale objective evaluation of the economic significance of the tourist movement to the Alaskan economy has never been undertaken. While such a

study would be worthwhile and should be undertaken at some time, it is sufficient for the present purposes to note that tourism can touch each and every segment of the Alaskan economy and contribute to the broadening of the civilian economy in each of the principal areas of the State. Since Alaska has almost unlimited scenery, the potential tourist development is equally unlimited. The aspect of tourism which must be measured from an economic standpoint is the capability of the State and its peoples to develop facilities to exploit the potential. This will be the governing factor for many years ahead. From the standpoint of the State and Federal governments, it is apparent that where and how they place their resources will, in turn, have a major effect on the location and rate of development of this industry.

### **Increased Facilities and Transportation Measures Needed**

The critical problem in planning is one of securing adequate development of facilities to meet the in-





*Courtesy National Park Service*

creased flow of traffic. This cannot be relegated to some indefinite time in the future, as the signs now point to a rapid acceleration of tourist travel in the State. In 1965, which was the first full year after the disastrous earthquake of March 1964, the use of public recreational facilities increased by 140 percent over 1964, with 61 percent of the users from outside the State. In view of the volume of favorable publicity which the State has received in national magazines and which can be expected to continue in connection with the Centennial year celebration in 1967, it is clear that the only brake on a rapid increase in tourist movement in Alaska will be the availability of accommodations and adequate development of points of interest such as the National Parks and Monuments. A sober evaluation leads to the conclusion that it will be difficult, if not impossible, for the State and Federal governments to establish outdoor recreational facilities fast enough to meet the public demand.

Given the fact that Alaska is a land with great distances to be covered by the tourist in a strictly limited period of time, planning must be geared to a single,

well considered routing of traffic, connecting the major points of interest in the State, yet involving the minimum expenditure for additional roads. Fortunately, the location of present facilities and the existing highway pattern lend themselves fairly readily to this approach.

With its ferry system, the State is solving effectively the passenger traffic movement problem in southeastern, and to some extent, southcentral Alaska. The inauguration of a Canadian ferry system from Vancouver Island to Prince Rupert, connecting with the Alaskan system has provided an integrated system with easy access from the West Coast of the United States. This, in turn, is tied into the Alaska Highway by a road connection at Haines and a rail connection at Skagway.

Following this connection northward (Chart 12), the State's highway system now provides a direct overland routing which would permit a tourist movement from the Canadian border to Fairbanks, to Mount McKinley National Park, to the Matanuska Valley and the Anchorage area, to the Kenai Peninsu-

la, and, finally, with a possible ferry connection from Homer, to a proposed road along the north side of the Katmai National Monument. In this last connection, a new direct route from Anchorage to Fairbanks via Mount McKinley National Park is under construction and will facilitate this routing. The only section of new road required would be across the northern part of Katmai National Monument, which would also have to be served by a new ferry service from Homer to its end. This would provide a tour of the principal points of interest in the State and would not involve road development beyond present capabilities.

### **Establishing a Park Complex**

Now is the time for the State and Federal governments to take a comprehensive look at the entire park complex, which should be established in Alaska to meet the needs of the American people. For example, the entire Arctic area is without any type of land reservation for public recreational use. While Mount

McKinley National Park has many Arctic aspects, it is not truly typical of the Arctic area; and its capacity to accommodate the tourist movement may easily be exceeded. Other areas could be identified at this time without cost to the State or Federal governments and developed as funds permit.

The National Park Service and the State Division of Lands are presently engaged in preparing programs, and we, at this time, can only underline the desirability of integrating all Federal and State agency programs in some form of long-range, master plan to achieve the greatest development with the limited funds available. The Bureau of Outdoor Recreation has the responsibility for seeing that satisfactory recreation plans are developed for each State. National Forest recreation and tourist facilities are of particular importance to Alaska in that visits to National Forest areas (i.e., Portage and Mendenhall Glaciers) are, typically, several times those of National Parks and Monuments.

# CATALYSTS TO DEVELOPMENT— BASIC SERVICES

Not surprisingly for a developing region, the basic services—power, transportation, communications, research, and education—require close policy attention in Alaska. These activities have the dual role of providing employment and income on the one hand and allowing a climate for economic development on the other. Because the patterns of services development are for the most part just now being established, public policy has the opportunity of “doing the right thing” in the case of Alaska. Here we set out the forces that are currently acting on the services industries in the State and identify the healthy directions that wise policy can pursue. Essentially, this involves the establishment of priorities and a systematic relating of ancillary services development to primary resource development (e.g., reliable, low-cost power and communications where the people are; versatile, low-cost transportation where the extractive resources are or are likely to be found).

### Power

That the availability of large blocks of low cost electric power is a “good thing” is self-evident. Economic development history is filled with examples of the demonstrated desirability of cheap power in fos-

tering industrial and commercial growth. Equally demonstrable is the fact that power prices in Alaska are presently extremely high—three or four times the national average. The several factors that account for this are:

- An emerging and, hence, historically unintegrated pattern of generating facilities of less than optimum scale.
- The lagging development of known hydro and fossil fuel power sources.
- High maintenance costs associated with the severity of climate and terrain.
- The high distribution costs because of isolated locations and low market densities.

Yet Alaska's best hope for accelerated growth toward complete economic viability lies in the earliest possible establishment of a sound industrial base founded on utilization of the State's natural resources—minerals, forests, fisheries, and water. Power here, as elsewhere, remains a vital ingredient of industry and must be made available when and where needed, in ample quantities, and at prices which contribute to lower competitive production costs. It is recognized, of course, that cheap power—while unquestionably important to development—is still only one of the cost

factors that influence industrial location patterns. Proximity to suppliers and markets, wage rates, transportation facilities, and taxes are among the other important determinants.

The current programs of the agencies primarily involved in the power development field (Corps of Engineers, Bureau of Reclamation, Geological Survey, Fish and Wildlife Service, Bureau of Mines, and the Federal Power Commission) are generally endorsed. Of special importance is the Alaska Power Survey, which was initiated by the Federal Power Commission and which was participated in by related agencies. Scheduled for completion in early 1967, this is intended to be a comprehensive treatment of the whole power picture in Alaska for the next 15-20 years, considering matters of generation, transmission, and load demands. It:

- Considers accelerated development of Alaskan natural resources and the use of power within the State.

- Considers the long-range possibilities for export of electric energy to other States.

- Recognizes the need for study of the coordination of Alaska's energy with Canadian and other U.S. power resources as well as the possibility of exporting water south and east to water-short areas.

The study will examine early opportunities for supplying the State's power needs in the most economical manner and will include alternative means of obtaining more economical supplies of electric energy and opportunities for interconnection and coordination of existing systems to reduce the present high cost of power. Thermal generation (coal, oil, and gas) as well as nuclear generation will be appraised. Oil reserves are proven and new finds are occurring with increasing frequency. Hydroelectric power sites will be evaluated. Alaska's storehouse of natural resources provides a growing actual—and an enormous potential—need for large amounts of electric power in their extraction and processing. Like the FPC's National Power Survey, the Alaska Survey will be exploratory and suggestive rather than definitive. But, recalling that the former study laid out a pattern for development of the Nation's power industry designed to encourage full regional coordination of all systems and projected a 27 percent reduction by 1980 in average unit cost to consumers, even greater reductions could be realized in Alaska. A system view is what is required, of course, if the Alaska power pattern is not to become a patchwork of small scale, inefficient, un-

integrated generation and distribution nets saddling the economy of the State with high-cost electric energy.

A good example of the kind of rational project development that should characterize any power development program is the Snettisham Project in southeastern Alaska. Situated a few miles from Alaska's capital and close to an industrial timber operation, the proposed (and authorized) Snettisham Project involves 60,000 kilowatts of rated generating capacity. This hydroelectric installation is sorely needed for development of this power-short region of the State—the more so when it is recognized that even optimistic estimates of engineering and construction time required for completion look to January 1, 1970.

## Transportation

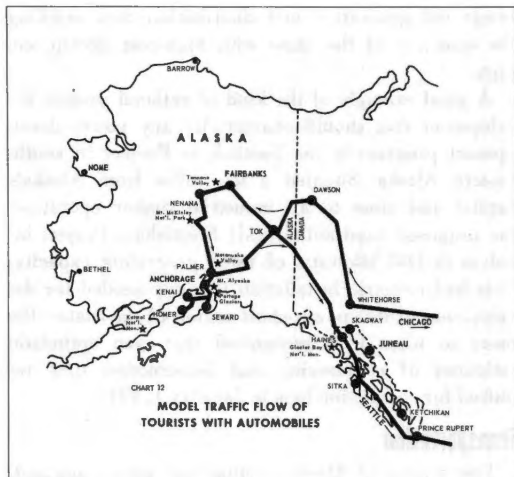
Few aspects of Alaska's "situation" have commanded such attention as that of transportation. This is not surprising when it is recalled that not only is Alaska separated from the southern 48 States by Canada, but also that the population centers within the State are widely separated. Juneau is 950 miles from Seattle; Anchorage, 1,450; Point Barrow, 3,100; and Fairbanks, 360 miles north from Anchorage. The transportation element of the total development problem is obviously of major significance to the State in both its internal and external relations. A healthy perspective requires, however, that the temptation to view the transport matter as the explanation of the cost-price ills facing the economy must be avoided for it leads to two further errors:

- The assumption that a breakthrough in the area would "solve" Alaska's competitive problems, or

- The assumption that the transport factor is one which is "built in" and about which nothing can be done.

## Effects on Economic Growth

An analysis of the relation of transportation to growth in an economy properly involves both the income-generating activity attributable to the industry itself and the catalytic effects that transportation improvements have on other sectors of the economy. The former treats of taxes, direct employment, and the creation of directly and indirectly associated facilities and services. The latter considers the transport contribution to "infrastructure" (i.e., enhancing tourism, encouraging and channelling population growth and industrial location, and alleviating cost disadvantages).



In the United States at large, transportation is now the fourth largest industry in terms of contribution to national product. Not surprisingly it is a key industry in Alaska and directly employs 5,500 people (with an annual payroll of \$48 million) and indirectly supports many more in related activities. Inspection of Chart 13 gives an idea of the income-generating strength of the industry in Alaska. The explanation for this remarkable growth in the transport section is to be found in the radical and revolutionary changes in the transportation systems serving the State.

The passageway along the western coast of the North American continent from Washington to Alaska is best viewed as a transportation corridor through which surface and air traffic moves. The air system is well advanced, steamships and railcar-carrying vessels

Courtesy Alaska Railroad, U.S. Department of the Interior



are providing frequent and year-round carriage to increasing numbers of Alaskan ports, and the ferry system will shortly be linked with the Canadian ferry system. International air traffic continues to expand. The Alaska Highway outlook does, however, remain bleak, and it is here that a fresh look in Federal policy may be helpful. What may not be sufficiently recognized is that the existence of a "marine highway" system—the costs of which are totally borne by the State—becomes, in fact, a substitution for a roadway supported largely by Federal funds. (On a route-mile basis, the annual road maintenance costs just about equal the ferry system's operating costs.) The Federal Government should consider this in appraising Alaska's heavy requirements for Federal participation in road and highway construction.

### CHART 13

#### Indicators of Income Generation in the Alaskan Transportation Industry, 1964\*

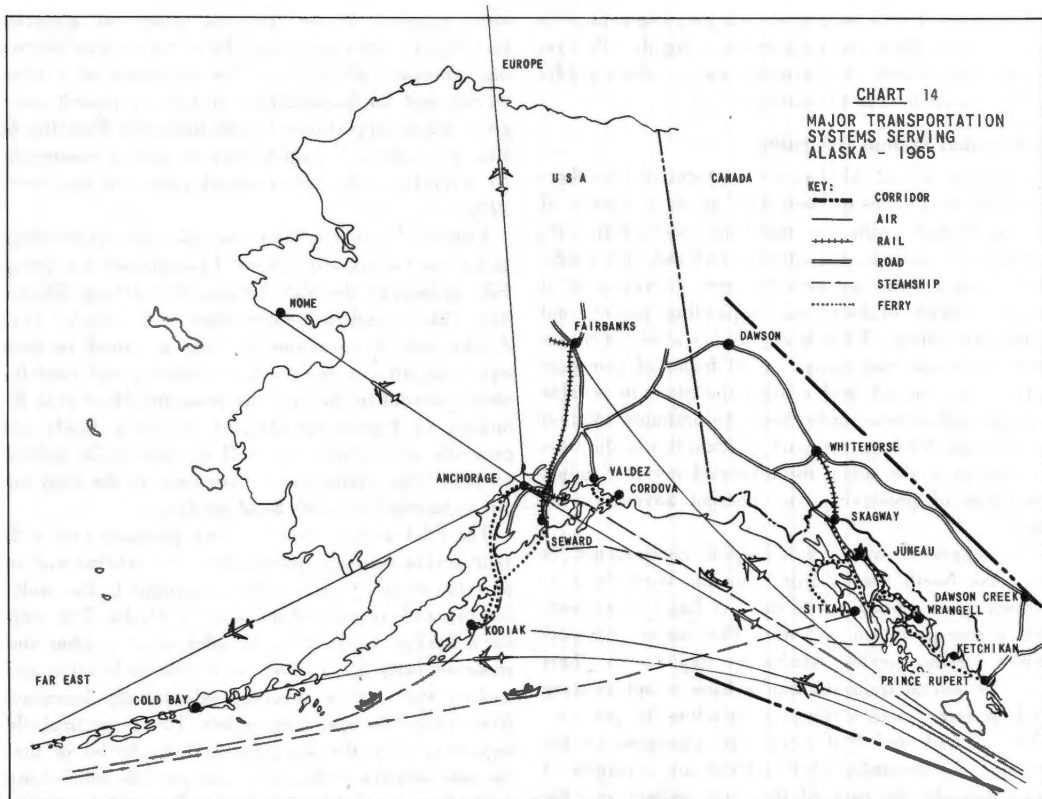
MODE	AVERAGE MONTHLY EMPLOYMENT	TOTAL YEARLY PAYROLL (in millions)
Nonagricultural	65,380	\$530.6
Highway Transport (Including bus & taxi)	1,507	9.8
Water Transport	1,164	7.5
Air Transport	1,845	16.8
Railroad	1,107	11.3
Associated Services (Travel Bureau, etc.)	529	.2
<b>Total</b>	<b>6,152</b>	<b>\$ 45.6</b>

As a per cent of total nonagricultural employment — 9%  
As a per cent of total nonagricultural payrolls — 9%

\* Note that this includes only direct income flowing into the Alaskan economy. A more complete indicator of economic significance of the industry would include taxes, fees, permits, and licenses paid, as well as capital expenditures and operating expenses other than payrolls.

Source: Statistical Quarterly, Alaska Department of Labor, Employment Security Division and Alaska Railroad.

Economic development literature is replete with discussions of the relation of transportation systems to general economic growth. Alaska fits the model well in its international, interstate, and intrastate transportation demands. Once the "scapegoat" view of the transportation element in Alaska's development problems is rejected, several things become clear and possible. As evidenced by developments in bulk shipment and containerization, van and train combinations on



board ships, materials handling innovations, and route and rate experimentation, the cost factor in Alaska's transport picture is extremely dynamic at this stage. Further developments which will lessen the transport cost differential against the State—or perhaps even make it advantageous—are entirely possible. Creation of substantial traffic flows southward to the rest of the United States and westward to Japan would obviously go far toward solving the classic backhaul problem that now influences so much of the rate structure. Bulk shipments of raw materials at tidewater southward to processing centers might well show unit costs that were favorable to Alaskan shippers vis a vis competitors in the interior United States who use only carload lots. Alaska's nearness to far eastern markets through its advantaged position on the Pacific Northwest Rim should be increasingly exploited as trade and commerce between the regions are accelerated.

One implication of all this is that any assessment of the adequacy and role of present transport regulation

Ward W. Wells, Courtesy Sea Land, Inc.





in connection with Alaska should give cognizance to the fact that there currently exists a highly effective, competitive system of alternative modes which public policy should be slow to encumber.

### **Integrated System Desirable**

In point of fact Alaskan development can be characterized as a series of "toeholds" on the perimeter of a vast territory with one emerging commercial core, served internally by a short-line railroad, few roads, and a good basic air network, and externally by a single difficult highway and expanding airway and waterway systems. What is required is a mix of movement of people and things by all forms of transportation into, out of, and around the State in reliable fashion and at reasonable costs. An optimum solution to the total Alaskan transport problem lies in the integration of modes along the oft-stated national policy guideline of preserving the inherent advantages of each.

As suggested earlier, it is helpful, conceptually, to view the North Pacific Rim from the West Coast to Alaska (and actually on to the Far East) as presenting a transportation corridor. The major transportation systems serving Alaska are depicted in Chart 14. The several transport modes have complementary and in some cases competing functions to perform. The railroad and hydrotrain are examples of the former; the steamship and highway are examples of the latter. In the case of the ferry system and the Alaskan Highway they may be either complementary or competing. Healthy competition in terms of frequency and quality of service and attractive levels of charges is to be promoted. Capital wastage, transport redundancy, and excess capacity should be avoided. Rather than allowing undue fragmentation of transportation offerings, public policy must encourage the integration of media—a system approach to channeling the flow of traffic through the corridor at volumes which will permit the continual lowering of unit costs to shippers and travelers.

### **Air Travel Important**

The Alaskan Airport System is being improved under the Federal-aid Airport Program, but is lagging behind known needs. The FAA National Airport Plan, a listing of projects considered necessary to provide a system of public airports adequate to anticipate and meet the needs of civil aeronautics, shows a requirement for \$45 million for airport development and improvement in the next 5 years at the 350 Alaska loca-

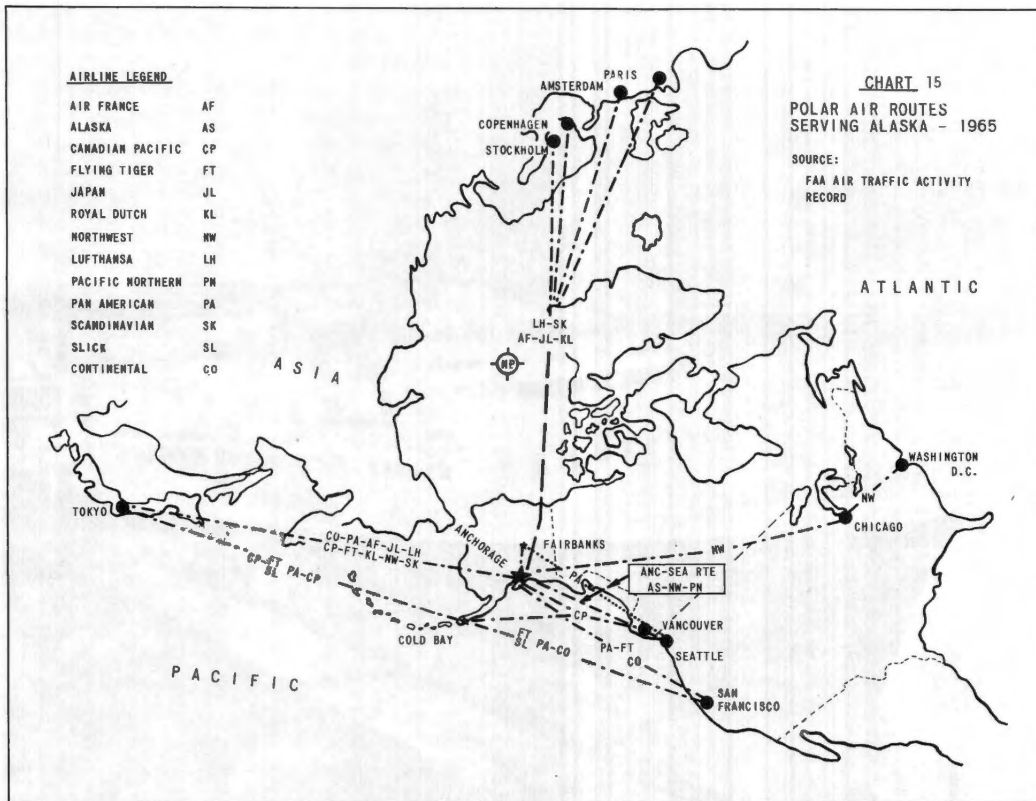
tions required in the National system of airports. Included in this listing are 315 locations now receiving scheduled air service. The expansion of carrier service and the introduction of new equipment have given added importance to this program. Planning is also in progress in anticipation of use of supersonic jet aircraft on the international routes in the early 1970's.

Federal funds available for airport construction under the Federal-aid Airport Program are not being fully utilized by the State because of matching difficulties. This is understandable when it is recalled that Alaska, with its enormous land size and small revenue base, supports its ferry system entirely, and contributes 5 percent to the highway program. More than \$5 million in Federal-aid Airport matching funds are presently unmatched. This will increase to \$8 million by July 1966, giving further emphasis to the need for strengthening the State's fiscal position.

The FAA airway modernization program over a 2-year period will significantly alter the existing system of aviation aids to give greater emphasis to the evolving demands of general aviation in Alaska. This calls for a flexible approach to the offering of weather and route advisory service both as to station location and staffing with system coverage substantially increased from 40 to 106 operating outlets. This is particularly important from the developmental standpoint in that the new services both follow and precede reinforcing traffic flows to pockets of actual and potential economic activity along the routes.

As an instrument of development, however, air transport does have serious limitations and its larger contributions are, therefore, reached comparatively early. Still, refinements in specialty marketing and





high-value, cargo carriage, materials handling, and rate experimentation can be expected. Since great growth potential lies in international air tourist traffic, stop-over privileges and short packaged tours need to be encouraged. From the East Coast of the United States the logical air route to the Orient is through Anchorage. This city is the major intermediate point between Europe and Japan, resulting in the use of the route by five international air carriers (Chart 15). In sum, geography has given the State a very important position on the air route map of the world, and one of the major tasks of the State and Federal governments is to exploit this position as part of the economic development of Alaska.

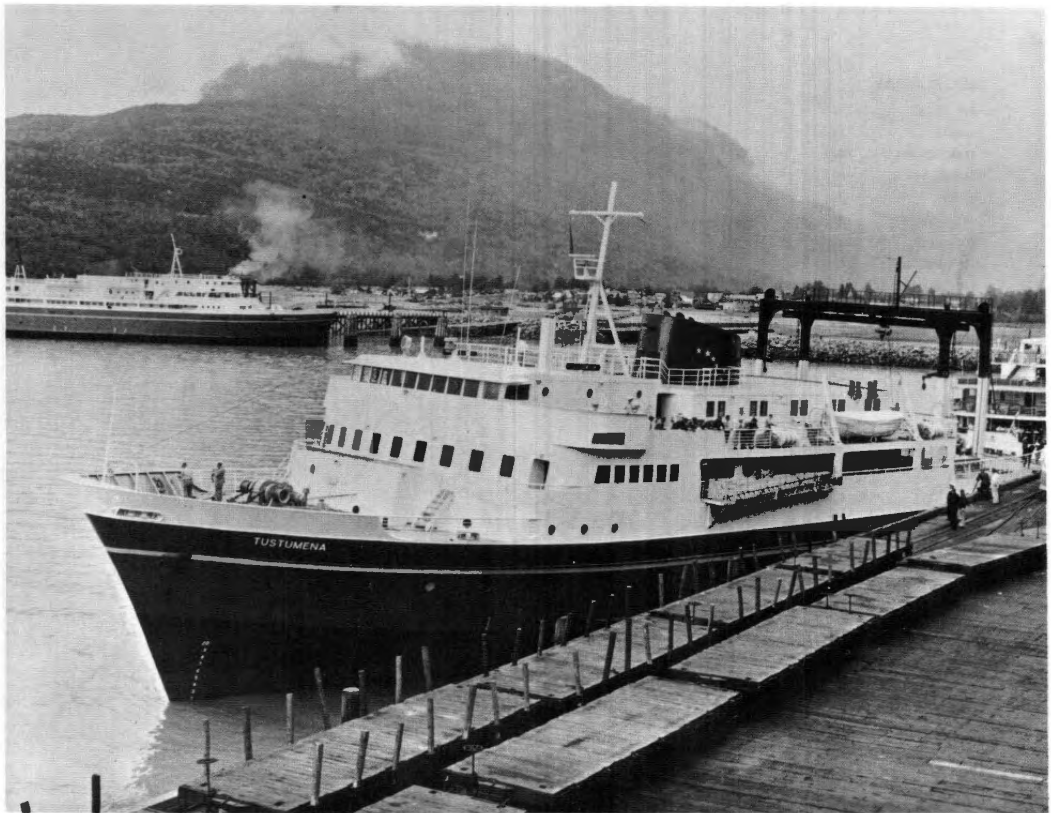
### Water Transportation

With the possible exception of southeastern Alaska, the problems of sea transportation are not severe for the major areas now served. The successful expansion

of shipline activities, together with the hydro-van and hydro-train arrangements previously mentioned, have been reflected in lower shipping costs to the recipient areas. The ferry system serving southeastern Alaska has introduced better equipment and more attractive schedules. Connection with the Canadian ferry system bodes well for increased through traffic.

Longer range problems are with us in that the opening up of westward Alaska depends heavily on providing low cost transportation at the right places with appropriate frequency of service. This means also the provision of harbor and docking facilities and associated equipment for those forms of transport that promise low cost shipping. Developments in mineral finds, oil exploration, and improved fish harvesting, processing, and marketing practices can be looked to as heightening the need for expanded sea transportation to this region—including the stretchout area along the Aleutian Chain. Here, again, can be seen the





interrelatedness of the directions for Alaska's development, for it is just these areas where the most severe problems of our Native population exist.

#### **Improved and Extended Roads Needed**

Perhaps the overriding transport need for Alaskan development is a greatly expanded road system for the immediate demands of demography, tourism, and resource exploration and extraction. The present financial base of the State is still not sufficient to meet Federal matching requirements, however lenient, and the alternative to further increased Federal participation is the continuation of a built-in brake on Alaskan development and a delaying of the attainment of self-sufficiency. When an economic base is afforded Native Alaskans, when the mineralized areas are mined and the timber worked, when fossil fuel strikes are made, when the population shifts, when tourism flourishes—there will be the necessary revenues to

provide a self-sustaining road program. The problem is in the circularity of the issue. These developments, in great measure, follow road developments rather than precede them.

The system of roads in Alaska is in a state of disrepair and is inadequate to any development beyond the confines of existing settlements. With the 1967 Centennial on the horizon, and the expected increase in the influx of tourists, the requirement for usable, safe, purposeful roads is clear. Concentration should be on the extension of roads in conjunction with tourism, for a limited expansion here as to what the tourist can do can bring large yields. From this standpoint new and improved roads to our parks (including, importantly, Mount McKinley) as well as improvements on the Fairbanks-Anchorage-Kenai trunks are necessary. In this latter connection, in viewing the Anchorage-Kenai area as the economic hub of Alaska, it follows that economic expansion from the core will most likely take the form of spokes and rims radiating out-

ward. Elaboration of a road network in this economic heartland is important to the self-generating growth of the region.

Alaska's road program for 1966 involves the re-treading of existing roads and, in 1967, some extension of urban and suburban roads. After that time there will be more opportunity to focus on roads for minerals and forest development, tourism, regional expansion, and national defense. New roads of varying standards to suit varying purposes are a necessary condition to Alaska's development, and expenditures in this direction would provide more than proportionate returns for quite some time. What must be recognized is that our traditional view of road building in terms of primary and secondary roads is inadequate for the Alaskan case. These notions are appropriate where the task is one of connecting and elaborating road networks between existing communities; they have nothing to say for the task of opening up an area or of carrying you beyond where you are.

Public policy at an earlier time committed substantial amounts of resources (i.e., the railroad and the Alaskan highway) to the opening up of the State; it is time for another "great leap forward" in the extension of existing road systems (and perhaps the railroad) north and west of the railbelt. This might most usefully take the form of a range of road standards—permanent-access roads, over-the-trail, area development, and communication roads—along the lines of the Canadian experience. For it is axiomatic that people follow and settle along roads, and Alaska needs people and settlements in its further development.

## Communications

### Present High Costs

The present high-cost system is a true deterrent to economic growth in Alaska and is, therefore, contrary to the best interests of both the State and Federal governments and the people of Alaska. The Committee views disposal from two standpoints that are central to our task:

- First, it provides an opportunity to help shift Alaska's economy into greater self-sufficiency through an expanded private economy.

- Second, it provides the opportunity to treat another aspect of Alaska's difficult cost-price problems.

Alaskan subscribers are seriously disadvantaged in the cost sense. Chart 16 presents a comparison of telephone rates for 3-minute, person-to-person and station-to-station calls from certain cities in Alaska and

calls of similar distances elsewhere. Since typically the length of an ACS call is about 8 minutes, total charges for such calls are also compared. Charges to Alaskan callers are three to four times that for other callers. Initial charges for a person-to-person Juneau-to-Seattle call show at \$6.50 for 3 minutes and \$14 for 8 minutes against \$2.25 and \$4.25 for a comparable, contiguous, interstate distance. For station-to-station calls, the comparison is \$4.50 and \$12 against \$1.45 and \$3.45. Additional minute charges are \$1.50 per minute in one case and 40 cents in the other. And while it is true that traffic densities and differing operating characteristics can be cited as governing, they don't fully explain the differentials. In any event the cost penalties that these unregulated rates impose on Alaskan subscribers are clear indeed. Note, too, that the exhibit is for day rates; "after eight" rates for these points generally go down to one dollar, while, in the case of Alaska, there are no such rates and the differentials are further accentuated.

### Growing Demand for Telecommunications

The demand for telecommunications is a constantly growing one. In an affluent society and an integrated economy it is not surprising that the history of the industry is dynamic. The demand for telephone service is not only "income elastic" in the economist's terms, but it is also "price elastic." Each time levels of charges have been reduced, whether willingly or at the urging of regulatory bodies, the "consumption" of service has increased and total revenues have gone up. There is no reason why the same pattern of growth will not obtain in Alaska. Here is a population that requires having at its disposal the latest in subscriber services—perhaps even more so because of its relative remoteness to other States; here is an economy whose emerging commercial character demands the best the industry has to offer in the way of voice and data transmission equipment at reasonable rates. In sum, Alaska presents a modern, mid-century society with an antiquated communications system.

### Disposal of Government System

The "Alaska Communications Disposal Act" introduced to the 89th Congress as S. 2444 and HR. 9691 authorized the disposal of the Government-owned, long-lines communication facilities in the State of Alaska. As such, the legislation refers to the total communications complex in Alaska and involves property and franchise rights "by sale, exchange, lease,

## CHART 16

### Comparison of Telephone Rates\* for Person-to-Person and Station-to-Station Calls of Similar Distances—Alaska and Elsewhere

ROUTE	MILES	PERSON-TO-PERSON		STATION-TO-STATION	
		3 Minutes	8 Minutes	3 Minutes	8 Minutes
Seattle-Spokane	229	\$2.00	\$ 4.65	\$ .95	\$ 2.45
Juneau-Ketchikan	234	2.90	5.15	1.45	3.70
Chicago-Philadelphia	666	\$2.00	\$ 3.75	\$1.35	\$ 3.10
Ketchikan-Seattle	670	6.50	14.00	4.50	12.00
New York-St. Louis	875	\$2.25	\$ 4.25	\$1.45	\$ 3.45
Juneau-Seattle	892	6.50	14.00	4.50	12.00
Boston-Omaha	1282	\$2.65	\$ 4.65	\$1.60	\$ 3.45
Cordova-Seattle	1297	8.00	17.00	5.50	14.50
Cincinnati-Seattle	1972	\$3.30	\$ 5.80	\$1.90	\$ 4.40
Nome-Seattle	1979	9.50	20.25	6.50	17.25

\* Day rates

Source: 1929th Communications Group, Alaska Communications System, U.S.A.F., Seattle, Washington, April 1966.

easement, or permit." By long-lines communications facilities is meant "the transmission systems connecting points inside the State with each other and with points outside the State by radio or wire, and includes all kinds of property and rights-of-way necessary to accomplish this interconnection." While the Act would authorize the disposal of the total complex, what is realistically up for sale is that portion of the system—Alaska Communications System—which is primarily commercial in character. On a channel-mile basis this comprises about 10 percent of the total system. RCA is the present contract operator of the defense communication system (White Alice); FAA, presumably, will continue to operate its system; and, likewise, the Alaska Railroad its communication system.

In a letter to the industry dated January 13, 1966, the Air Force listed in detail the plant and equipment that is up for consideration for either sale or lease. These include voice and telegraph circuits available in different segments of the communication complex and, importantly, the toll centers of the four leading cities—Anchorage, Fairbanks, Juneau, and Ketchikan. It can be expected that there will be as many combinations of sale and lease as there are bidders—more, in fact, in that bidders are likely to offer several alternative proposals of ownership and lease. Actual commercial revenues for 1965 were \$14 million and were compounding at a 10 percent per annum rate during the past few years. Furthermore, with the economies that could be expected from a modernized system (there have been no significant capital improvements

in the system during the past 6 years), aggressive marketing practices, improvements in service such as direct distance dialing, and lower rates, total revenues should increase while average costs should decrease. The commercial feasibility of the system is now clear, and the time to shift the enterprise from the public to the private sector is at hand.

One marked trend in the Department of Defense is toward getting the military services out of commercial-type activities. More specifically there is pressure to relieve the uniformed military from performing "non-combat related" tasks and engendering the charge of "competing with private enterprise." Disposal of ACS would permit the Air Force to drop a troublesome budget item from its annual appropriation request.

It would mean relief from the present preoccupation with (and problems of) the provision of commercial communication service to the Alaskan public and would allow the Air Force to concentrate on its primary defense mission. It would allow the Air Force gracefully to bow out of an operation the commercial character of which is foreign to its experiences and interests.

Given the fact that Congress also supports the proposition of getting Department of Defense agencies out of commercial-type activities, its enthusiasm for this is properly balanced by ensuring that disposal action of any kind results in a fair value received by Government in the transaction (in this case involving plant and equipment) but most importantly a franchise to

operate. After assuring adequate compensation to the Government for facilities transferred, the evaluation of proposals will turn primarily on the public interest factors of proposed improvements in service and lower rate schedules. The end object of the transaction from a larger policy point of view must be an improved and reasonably priced communications service for Alaska. The question, "What do the conditions of sale (including price) bode for service and charges to Alaskan subscribers?" must constantly be asked and must weigh heavily in a final resolution. In short there is a trade-off between "holding out for the top dollar" and arriving at a minimum "fair value, used and useful" in doing business in the enterprise *in exchange for firm commitments* from the carriers of upgraded technology and service and lower schedules of rates. This is the balance that good public policy dictates must be struck.

### Effects on Economy

Reduction of the prohibitive communication costs and improvement of communications services to Alaskan subscribers essentially removes one of the obstacles to economic growth in the State. It makes for a successful incision into Alaska's difficult and self-reinforcing cost-price problems. It strikes down a deterrent to development and is, therefore, a proper goal of public policy. Obviously, it would be incorrect to argue that communications costs alone determine business location decisions or the success or failure of enterprises. It is fair to say, however, that given Alaska's relative remoteness to commercial centers and its need for frequent, long-distance communications in the conduct of its marketing, ordering, and stocking practices, present levels of charges are demonstrably hurtful in the aggregate of overhead expenses. Enterprises requiring extensive use of electronic data processing and data collection telecommunications equipment would be encouraged; effective and vigorous promotion of communication services would likely follow and enhance the economic growth of the region. The case is clear that a highly interdependent society with a complex economy requires rapid, high performance, low-cost communications if it is not to experience bottlenecks and blockages which frustrate its total growth.

One of the current fiscal problems of Alaska is its narrow revenue base. Broadening of the tax base through arrival on the Alaskan scene of large manufacturing and service enterprises is much to be de-

sired. The sale of the Alaska Communications System into private corporate hands fits such a program very well. Public utility companies traditionally are substantial contributors to taxing bodies through corporate income taxes to the State (as well as Federal) government and property taxes to local units. It is, of course, always in the Government's interest that subordinate taxing units have sound tax bases.

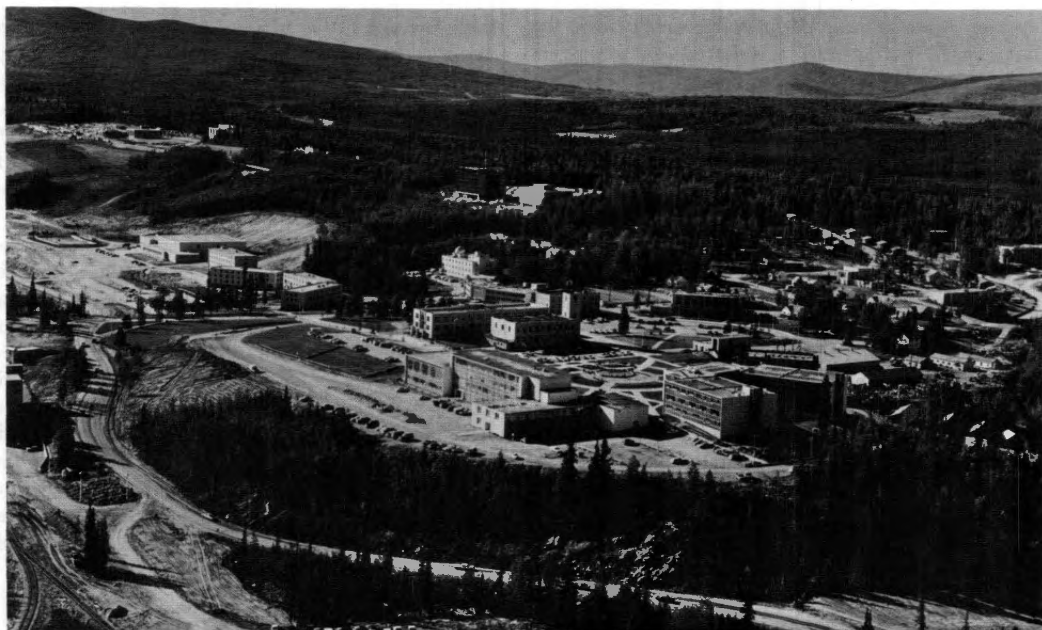
The planning horizon in the telecommunications industry is, typically, quite distant. And, while even the short term prospects for communications in Alaska indicate commercial feasibility, perhaps the larger consideration for the forward-looking company is being in a position to engage and meet the anticipated changes in communications demands in the dynamics of the last third of the Twentieth Century. This would include importantly the scientific challenge to the industry toward finding novel and innovational, efficient methods singular to the Arctic environment where cost considerations are paramount to commercial operations.

### Research and Education

The Committee believes that it is important to focus now on the role which research and education will occupy in the ultimate development of a sophisticated society and balanced civilian economy in the Arctic and subarctic areas of Alaska. In recent years great strides in research have been made in solving the myriad problems of environmental control required before people raised in the American culture can live and function happily and effectively in the North. Somewhat less has been done in solving the problems of the Native in the North. In general, the same may be said for education.

### Government Research Activities

Elsewhere in the Report there appear assessments and proposals of a research character appropriate to particular sections (Minerals, Fisheries, Agriculture, etc.). It remains to treat the matter of science and research in the Arctic as an independent force for development. The Federal Government currently has extensive scientific programs and facilities for Arctic research centered primarily at the University of Alaska near Fairbanks. The establishment of an Interagency Arctic Working Group under the chairmanship of the International Scientific and Technological Affairs Division, Department of State, and the passage of legislation vesting in the Department of Commerce



*Courtesy University of Alaska*

a program which would make available the results of basic research to the business community (State Technical Services Act of 1965, Publication 89-182) are constructive steps. A full coordination of these efforts to assist in the economic development of the State would be timely and productive, and we lend support to this effort. We have not yet solved or made a serious impact on the price-cost problems that hamper the large-scale development of manufacturing industries employing the basic resources of Alaska. These are stubborn problems that can only be attacked over an extended period of time, and their solution will require research into plants, equipment, and processes that can produce at low cost as well as low-cost supporting services in the fields of power, transportation, and communications.

### **The State University**

In reviewing the problem of scientific research in Alaska, the Field Committee has had occasion to review the need for a focal point for scientific and engineering research in the State and the suitability of the State University at Fairbanks for such work. The University is the center of advanced studies in the State presently engaged in major scientific research in areas

affecting economic development. The only serious question relating to its future use as a recognized center for Federal efforts in this field involves its long-range suitability for an expanded research effort.

In general, Fairbanks has adequate transportation facilities—road, air, and railroad—and is a sufficiently large enough city to provide suitable housing accommodations. It is also as far south as certain types of upper air research can be conducted effectively and has the necessary land areas nearby for missile range research and for land-use experimentation. Except for marine biology, which must be conducted along the coast, it is well located for all types of research. The Federal Government has selected the proper location for its research facilities, and future facilities should continue to be located at the University.

Further recommended is the active encouragement of land-use research in Alaska by the State University. Objective research into multiple land-use in Alaska has been discussed for many years. However, the ideal circumstances for such research have never been established, as land has always been withdrawn in Alaska for use by a particular agency of Government which was concerned only with some facet of land-use and not charged with responsibility for research into



all possible types of use. Such a research area would have to be large enough to include major types of topography and wildlife of the Arctic region. In this area a wide variety of unspoiled environment—ranging from mountain slopes to river basins and coastline—all subjected to drastic climatic variation would provide the ideal focus for constructive research. Ample scope remains for significant sectors to be left under virgin conditions, for others to be improved from the wildlife standpoint, and yet others to be put to multiple use with due respect for wildlife conservation. Biological results apart, conclusions to be drawn from such a program (conducted cooperatively by the University of Alaska, the Bureau of Sport Fisheries and Wildlife, and the Bureau of Land Management) would have far reaching impact on the development of other virgin land and the recovery or improvement of vast territories throughout the continent.

### **The Private University**

The private university in the State, located in Anchorage, continues to evolve into further serving the needs of Alaska. In addition to its liberal arts and humanities emphasis, the university has recently es-

tablished a college of business and economics and will, next year, create a college of nursing. Such growth, while not directly a governmental concern, is indirectly of real significance in aiding the longer term goals of the socio-economic maturation of Alaska and its attendant self-sufficiency. Accordingly, where possible and appropriate, Government action should recognize and support the strengthening of higher education offered by Alaska's private university.

While we are actively pursuing the more obvious lines of economic development in Alaska, we must remember that the encouragement and elaboration of the scientific and research resource appropriate to the Arctic is of at least equal importance. Perhaps one of our more long term and lasting contributions to development here could come through the enhancing of the scientific effort. One of the advantages of dealing with the scientific dimension is that once a commitment is made to it, things usually "get done;" another is that once the effort is launched, there is a momentum to on-going dividends. The problems of prevailing in the Arctic will yield to science and research; and, as a national policy matter, we should know as much about a society at the 60th Parallel as anyone else, for we have people and a part of the Republic there.

*Courtesy Alaska Methodist University*





# APPENDIX

## EXECUTIVE ORDERS

### A. Presidential Executive Order No. 11182

FEDERAL REGISTER

Tuesday, October 6, 1964

#### Executive Order 11182

##### ESTABLISHING FEDERAL DEVELOPMENT PLANNING COMMITTEES FOR ALASKA

WHEREAS the Federal Reconstruction and Development Planning Commission for Alaska has substantially completed the execution of those of its functions which pertain to the reconstruction of the State of Alaska following the earthquake of March 27, 1964; and

WHEREAS the Federal Government and the State of Alaska continue to have a common interest in assuring the most effective use of Federal and State programs and funds in advancing the long-range progress of the State; and

WHEREAS such effective use is dependent upon coordination of Federal and State programs which affect the general economic development of the State and the long-range conservation and use of its natural resources and upon cooperative Federal and State effort with respect to the planning of such programs; and

WHEREAS the State of Alaska has established a State body the duties of which include planning for the general economic development of the State and the long-range conservation and use of its natural resources; and

WHEREAS the authorities of the State of Alaska are desirous of arranging coordinated and cooperative Federal and State approaches to the planning and execution of such programs:

NOW, THEREFORE, by virtue of the authority vested in me as President of the United States, it is ordered as follows:

#### PART I. FIELD COMMITTEE

**SEC. 1. Establishment of Field Committee.** (a) There is hereby established the Federal Field Committee for Development Planning in Alaska (hereinafter referred to as the "Field Committee").

(b) The Field Committee shall be composed of the following members: (1) a Chairman, who shall be appointed by the President, (2) nine members who shall be designated by and represent the following-named officers, respectively: the Secretary of Defense, the Secretary of the Interior, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Secretary of Health, Education, and Welfare, the Housing and Home Finance Administrator, the Administrator of the Federal Aviation Agency, and the Administrator of the Small Business Administration, (3) one member who shall represent the Federal Power Commission and shall be designated by the Chairman of that Commission, and (4) two public members who shall be appointed by the President.

(c) The Chairman may request any head of a Federal agency who is not referred to in subsection (b), above, to designate a representative to participate in meetings of the Field Committee concerned with matters of substantial interest to such Federal agency head.

(d) The principal place of business of the Field Committee shall be located in the State of Alaska.

**SEC. 2. Functions of the Field Committee.** (a) Subject to the general direction and guidance of the President's Review Committee for Development Planning in Alaska (established by the provisions of Part II of this order; hereinafter sometimes referred to as the "Review Committee"), the Field Committee shall serve as the principal instrumentality for developing coordinated plans for Federal programs which contribute to economic and resources development in Alaska and for recommending appropriate action by the Federal Government to carry out such plans.

(b) The Field Committee shall cooperate with representatives designated by the Governor of Alaska for purposes related to this order in accomplishing the following:

(1) Making or fostering surveys and studies to provide data for the development of plans and programs for economic and resources development in Alaska.

(2) Preparing and keeping current coordinated plans for economic and resources development in Alaska deemed appropriate to carry out existing statutory responsibilities and policies of Federal, State, or local agencies. Such plans shall be designed to promote optimum benefits from the expenditures of Federal, State, and local funds for consistent objectives and purposes.

(3) Preparing legislative and other recommendations with respect to both short-range and long-range programs and projects for Federal, State, or local agencies.

**SEC. 3. Field Committee procedures.** (a) The Field Committee shall meet at the call of its Chairman.

(b) The Field Committee may prescribe such regulations relating to the conduct of its affairs as it may deem to be necessary and not inconsistent with the provisions of this order.

(c) The Field Committee may establish such subcommittees of that Committee as may be necessary.

(d) Activities carried on by personnel employed by or detailed to the Field Committee (1) shall be carried out in accordance with such policies and programs as may be approved by the Field Committee, and (2) shall be under the direction and supervision of the Chairman, or, to such extent as may be determined by the Chairman, under the direction of a principal member of the Field Committee's staff.

(e) The Field Committee shall transmit copies of plans or recommendations tentatively formulated by it to the Review Committee, the heads of interested Federal agencies, and the Governor of Alaska, for review and comment. The Field Committee shall consider any comments received by it within 90 days in pursuance of such transmittal and may revise the plans and recommendations as it may deem appropriate.

(f) The Field Committee shall transmit copies of its revised plans and recommendations, together with copies of any comments with respect to the tentative plans or recommendations received by the Field Committee in pursuance of the provisions of subsection (d), above, to the Governor of Alaska and to the Review Committee.

**SEC. 4. Personnel; compensation.** (a) The Chairman of the Field Committee is authorized to appoint such personnel as may be necessary to assist the Field Committee in connection with the performance of its functions and to obtain services in accordance with the provisions of Section 15 of the Act of August 2, 1946 (5 U.S.C. 55).

(b) The Chairman of the Field Committee shall receive such compensation as shall be fixed in accordance with the standards and procedures of the Classification Act of 1949, as amended.

(c) Each member of the Field Committee appointed under the provisions of Section 1(b)(4) hereof may receive compensation for each day he is engaged in meetings of that Committee or is with the approval of the Chairman of the Field Committee engaged in other work in pursuance of the provisions of this order (5 U.S.C. 55).

(d) Members and personnel of the Field Committee may be allowed travel expenses and per diem in lieu of subsistence as authorized by law.

**SEC. 5. Financing; agency cooperation.** (a) Each Federal agency the head of which is referred to in Section 1(b) of this order shall, as may be necessary, furnish assistance to the Field Committee in accordance with the provisions of Section 214 of the Act of May 3, 1945 (59 Stat. 134; 31 U.S.C. 691). In general, each such Federal agency shall, consonant with law, extend its cooperation to the Field Committee in connection with the carrying out of the functions of the Field Committee, including, as may be appropriate, (1) the furnishing of relevant available information to the Field Committee, (2) the making of studies and the preparation of reports in pursuance of requests of the Field Committee, and (3) in connection with the development of programs and priorities of the agency, the giving of full consideration to any plans and recommendations made by the Field Committee.

(b) Federal agencies the heads of which are not referred to in Section 1(b) of this order shall, to the extent permitted by law, furnish the Field Committee such information or advice bearing upon the work of the Field Committee as the Chairman thereof may from time to time request.

#### PART II. REVIEW COMMITTEE

**SEC. 11. Establishment of Review Committee.** (a) There is hereby established the President's Review Committee for Development Planning in Alaska (hereinafter referred to as the "Review Committee").

(b) The Review Committee shall be composed of the following members: the Secretary of Commerce, who shall be the Chairman, the Secretary of Defense, the Secretary of the Interior, the Secretary of Agriculture, the Secretary of Labor, the Secretary of Health, Education, and Welfare, the Housing and Home Finance Administrator, the Administrator of the Federal Aviation Agency, the Administrator of the Small Business Administration, the Chairman of the Federal

Power Commission, and two public members who shall be appointed by the President. Each member of the Review Committee, other than a public member, may designate an alternate to represent him at meetings of the Review Committee which he is unable to attend.

(c) The Review Committee shall meet at least once each calendar year, at the call of its Chairman.

(d) The Review Committee may prescribe such regulations relating to the conduct of its affairs as it may deem to be necessary and not inconsistent with the provisions of this order.

SEC. 12. *Functions of the Review Committee.* The Review Committee shall provide general direction and guidance to the Field Committee; receive, review, and comment on the tentative plans or recommendations of the Field Committee; and receive and consider the final plans and recommendations of the Field Committee and transmit them, together with its own comments, to the President and the heads of interested Federal agencies.

SEC. 13. *Compensation; travel expenses.* (a) Each public member of the Review Committee may receive compensation for each day he is engaged in meetings of that Committee or is with the approval of the Chairman of the Review Committee engaged in other work in pursuance of the provisions of this order (5 U.S.C. 55a).

(b) Members and personnel of the Review Committee may be allowed travel expenses and per diem in lieu of subsistence as authorized by law.

SEC. 14. *Assistance by agencies.* Each Federal agency the head of which is referred to in Section 11(b) of this order shall, as may be necessary, furnish assistance to the Review Committee in accordance with the provisions of Section 214 of the Act of May 3, 1945 (59 Stat. 134; 51 U.S.C. 691).

SEC. 15. *Administrative services.* The Department of Commerce is hereby designated as the agency which shall provide administrative services for the Review Committee.

#### PART III. OFFICE OF EMERGENCY PLANNING

SEC. 31. *Functions related to earthquake.* The provisions of Section 41 hereof notwithstanding and so long as the President's declaration of a major disaster with respect to the earthquake which occurred in Alaska on March 27, 1964, remains in effect, the Director of the Office of Emergency Planning shall carry out the functions (heretofore assigned to the Federal Reconstruction and Development Planning Commission for Alaska by the provisions of Executive Order No. 11150 of April 2, 1964) of developing coordinated plans for Federal programs which contribute to reconstruction in Alaska and recommending appropriate action by the Federal Government to carry out such plans.

#### PART IV. MISCELLANEOUS PROVISIONS

SEC. 41. *Termination of existing Commission.* (a) Executive Order No. 11150 of April 2, 1964 (29 F.R. 4789), is hereby revoked and the Federal Reconstruction and Development Planning Commission for Alaska established thereby is abolished.

(b) The Director of the Bureau of the Budget shall make such arrangements related to the termination of the said Commission as he may deem necessary. Without limiting the generality of the foregoing the said Director is authorized, as he shall deem to be necessary or appropriate, to assign to Federal agencies duties with respect to the liquidation of the outstanding affairs of the Commission and to effect or arrange the transfer of records, property, personnel, and funds of the Commission to other Federal agencies.

(c) Nothing in this order shall preclude or limit the transferability, pursuant to law, of unobligated balances of funds appropriated for the Commission abolished by Section 41(a) of this order (78 Stat. 209) or the use of such balances in connection with this order.

SEC. 42. *Construction.* Nothing in this order shall be construed as subjecting any Federal agency, or any function vested by law in, or assigned pursuant to law to, any Federal agency, to the authority of any other Federal agency, or as abrogating or restricting any such function in any manner.

SEC. 43. *Definition.* Except as may be inconsistent with the provisions of this order or otherwise inappropriate, the term "Federal agency", as used herein, includes any department or other agency or instrumentality of the executive branch of the Government of the United States and any officer thereof (including the Field Committee and the Review Committee).

LYNDON B. JOHNSON

THE WHITE HOUSE,  
October 2, 1964.

[F.R. Doc. 64-10178; Filed, Oct. 2, 1964; 4: 09 p.m.]

## B. State of Alaska

### Executive Order No. 27

WHEREAS, the people of the State of Alaska have experienced death, injury and property loss, and damage of great proportions as a result of the earthquake of March 27, 1964; and

WHEREAS, The President has declared a major disaster in those areas of Alaska adversely affected by the earthquake beginning on March 27, 1964; and

WHEREAS, the State of Alaska and the Federal Government desire to cooperate in the prompt reconstruction in those areas of Alaska where damage has occurred; and

WHEREAS, the State and Federal governments have a common interest in assuring the most effective use of Federal and State programs and funds in advancing reconstruction and the long-range development of the State; and

WHEREAS, such effective use is dependent upon coordination of Federal and State programs including emergency reconstruction activities, which affect general economic development of the State; and

WHEREAS, The President of the United States has established a Federal Reconstruction and Development Planning Commission for Alaska;

NOW, THEREFORE, by virtue of the authority vested in me as Governor of the State of Alaska, it is ordered as follows:

#### Section 1. Establishment of State Commission

- A. There is hereby established the State of Alaska Reconstruction and Development Planning Commission.
- B. The Commission shall be composed of the Governor of Alaska, who shall act as chairman, and (1) the Secretary of State; (2) the Attorney General; (3) the Adjutant General; and (4) the Commissioners of the principal departments of the executive branch of the Government.
- C. Any State agency may be directed by the Governor to participate in meetings of the Commission where the Governor determines it to be in the best interest of the State.
- D. The Governor may appoint to the Commission such other representatives as he determines is necessary to provide advice and assistance in carrying out the purposes of the Commission.

#### Section 2. Functions of the Commission

- A. The Commission shall coordinate the State programs established to assist in the restoration and development of the State and shall present its recommendations to the Governor.
- B. The Commission shall cooperate with representatives of the Federal Government in accomplishing programs of restoration and development.

DATED at Juneau, Alaska, this 3rd day of April, 1964.

William A. Egan  
Governor

## C. Memorandum of Understanding

*Attachment of letter of The President to the Governor of the State of Alaska*

9-28-64

The following paragraphs are for the guidance of the Federal and State participants in cooperative development planning for Alaska in connection with the Executive Order headed "Establishing Federal Development Planning Committees for Alaska":

1. The Federal Field Committee for Development Planning in Alaska and the Development Planning Committee established by the Governor of Alaska will work together in (i) making or fostering studies to provide data for the development of plans and programs for economic and resources development in Alaska; (ii) preparing and keeping current coordinated plans for economic and resources development in Alaska deemed appropriate to carry out the existing statutory responsibilities of Federal, State, and local agencies; and (iii) preparing legislative and other recommendations with respect to both short-range and long-range programs and projects for Federal, State, or local agencies.

2. The Chairman of the Federal Field Committee for Development Planning in Alaska (hereinafter referred to as the "Chairman") will serve as the Chairman of any joint meetings of that Committee and the State of Alaska's Development Planning Committee, and, subject to the policies and programs approved by the Committees, will direct and supervise the activities of any staff personnel assigned to work jointly on matters of common interest.

3. Copies of plans or recommendations tentatively developed by Joint action of the Federal Field Committee for Development Planning in Alaska and the State of Alaska's Development Planning Committee will be transmitted by the Chairman to the President's Review Committee for Development Planning in Alaska, the heads of interested Federal agencies, and the Governor of Alaska for their review and comment. Any comments or suggestions received by the Chairman with respect to any such tentative plans or recommendations within 90 days after their transmittal will be considered, and those tentative plans and recommendations may be revised as

deemed appropriate. Copies of plans and recommendations approved by Federal and State representatives, together with copies of any comments and suggestions received from Federal agencies or the Governor of Alaska with respect thereto, shall be transmitted by the Chairman to the President's Review Committee for Development Planning in Alaska and the Governor of Alaska.

4. Each participating Federal and State agency shall keep the Chairman informed of any current and long-range plans that may be relevant to a coordinated development plan for Alaska, and, in developing agency programs and priorities, will give full consideration to the recommendations included in any coordinated development plan prepared cooperatively by the Federal and State representatives.

5. Consonant with law and available funds, Federal and State agencies will furnish the Chairman available information relevant to coordinated development planning and may make studies and prepare reports requested by the Chairman with the approval of the Federal and State representatives.

6. The expenses of Federal and State representatives incident to cooperative planning in conformity herewith will be borne by their respective agencies.

7. Whenever there is agreement between the Federal Field Committee for Development Planning in Alaska and the State of Alaska's Development Planning Committee with respect to coordinated development planning, actions may be taken and recommendations may be made jointly.

8. Nothing in this memorandum shall be construed as subjecting any Federal or State agency or officer, or any function vested by law in, or assigned pursuant to law to, any Federal or State agency or officer, to the authority of the Federal Field Committee for Development Planning in Alaska, or to the State of Alaska's Development Planning Committee, jointly or severally, or to the authority of the Chairman.

9. Participation in the activities described in this Memorandum may be terminated, in whole or in part, at any time by the President of the United States or by the Governor of the State of Alaska.  
Attachment #3