

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE
FAIRBANKS, AK

September 6, 2011
1:32 p.m.

MEMBERS PRESENT

Senator Dennis Egan, Chair
Senator Joe Paskvan, Vice Chair
Senator Linda Menard
Senator Bettye Davis
Senator Cathy Giessel

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Senator John Coghill
Senator Joe Thomas

Representative Scott Kawasaki
Representative Tammy Wilson
Representative David Guttenberg

COMMITTEE CALENDAR

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 110(FIN)

"An Act relating to the interest rate applicable to certain amounts due for fees, taxes, and payments made and property delivered to the Department of Revenue; relating to the oil and gas production tax rate; relating to monthly installment payments of the oil and gas production tax; relating to oil and gas production tax credits, including qualified capital credits for exploration, development, and production; relating to certain additional nontransferable oil and gas production tax credits; relating to the disclosure of certain tax information; making conforming amendments; and providing for an effective date."

- HEARD AND HELD

HEARING TO GATHER INFORMATION ON ALASKA HIRE AMONG NORTH SLOPE RELATED INDUSTRIES

- HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 110

SHORT TITLE: PRODUCTION TAX ON OIL AND GAS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/18/11	(H)	READ THE FIRST TIME - REFERRALS
01/18/11	(H)	RES, FIN
02/07/11	(H)	RES AT 1:00 PM BARNES 124
02/07/11	(H)	Heard & Held
02/07/11	(H)	MINUTE(RES)
02/21/11	(H)	RES AT 1:00 PM BARNES 124
02/21/11	(H)	Heard & Held
02/21/11	(H)	MINUTE(RES)
02/21/11	(H)	RES AT 5:15 PM BARNES 124
02/21/11	(H)	Heard & Held
02/21/11	(H)	MINUTE(RES)
02/23/11	(H)	RES AT 1:00 PM BARNES 124
02/23/11	(H)	Heard & Held
02/23/11	(H)	MINUTE(RES)
02/25/11	(H)	RES AT 1:00 PM BARNES 124
02/25/11	(H)	Heard & Held
02/25/11	(H)	MINUTE(RES)
02/28/11	(H)	RES AT 1:00 PM HOUSE FINANCE 519
02/28/11	(H)	Moved CSHB 110(RES) Out of Committee
02/28/11	(H)	MINUTE(RES)
03/07/11	(H)	RES RPT CS(RES) NT 1DP 2DNP 4NR 2AM
03/07/11	(H)	DP: FEIGE
03/07/11	(H)	DNP: GARDNER, KAWASAKI
03/07/11	(H)	NR: FOSTER, MUNOZ, DICK, HERRON
03/07/11	(H)	AM: P.WILSON, SEATON
03/14/11	(H)	FIN AT 8:00 AM HOUSE FINANCE 519
03/14/11	(H)	Heard & Held
03/14/11	(H)	MINUTE(FIN)
03/15/11	(H)	FIN AT 8:00 AM HOUSE FINANCE 519
03/15/11	(H)	Heard & Held
03/15/11	(H)	MINUTE(FIN)
03/15/11	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
03/15/11	(H)	-- MEETING CANCELED --
03/16/11	(H)	FIN AT 8:00 AM HOUSE FINANCE 519
03/16/11	(H)	Heard & Held
03/16/11	(H)	MINUTE(FIN)
03/16/11	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
03/16/11	(H)	Heard & Held
03/16/11	(H)	MINUTE(FIN)

03/17/11 (H) FIN AT 8:00 AM HOUSE FINANCE 519
 03/17/11 (H) Heard & Held
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 03/18/11 (H) Heard & Held
 03/18/11 (H) MINUTE(FIN)
 03/21/11 (H) FIN AT 9:00 AM Anch LIO Rm 220
 03/21/11 (H) Heard & Held
 03/21/11 (H) MINUTE(FIN)
 03/21/11 (H) FIN AT 1:00 PM Anch LIO Rm 220
 03/21/11 (H) Heard & Held
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 03/28/11 (H) -- MEETING CANCELED --
 03/28/11 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/28/11 (H) Heard & Held
 03/28/11 (H) MINUTE(FIN)
 03/29/11 (H) FIN AT 10:00 AM HOUSE FINANCE 519
 03/29/11 (H) -- MEETING CANCELED --
 03/29/11 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/29/11 (H) Moved CSHB 110(FIN) Out of Committee
 03/29/11 (H) MINUTE(FIN)
 03/30/11 (H) FIN RPT CS(FIN) NT 6DP 3DNP 2NR

03/30/11 (H) DP: T.WILSON, FAIRCLOUGH, HAWKER,
 COSTELLO, STOLTZE, THOMAS
 03/30/11 (H) DNP: GUTTENBERG, GARA, DOOGAN
 03/30/11 (H) NR: JOULE, EDGMON
 03/31/11 (H) BEFORE THE HOUSE
 04/01/11 (H) TRANSMITTED TO (S)
 04/01/11 (H) VERSION: CSHB 110(FIN)
 04/04/11 (S) READ THE FIRST TIME - REFERRALS
 04/04/11 (S) L&C, RES, FIN
 04/08/11 (S) L&C AT 2:30 PM FAHRENKAMP 203
 04/08/11 (S) Heard & Held
 04/08/11 (S) MINUTE(L&C)
 04/11/11 (S) L&C AT 6:00 PM BUTROVICH 205
 04/11/11 (S) Heard & Held
 04/11/11 (S) MINUTE(L&C)
 09/06/11 (S) L&C AT 1:30 PM FAIRBANKS

WITNESS REGISTER

KARA MORIARTY, Deputy Director
 Alaska Oil and Gas Association (AOGA)
POSITION STATEMENT: Discussed resident and non-resident hiring trends in the Alaska oil industry.

JON COOK, Chief Financial Officer
 Airport Equipment Rentals
 Fairbanks, AK
POSITION STATEMENT: Discussed job creation issues on the North Slope.

KEN HALL
 Lynden Transport
 Fairbanks, AK
POSITION STATEMENT: Discussed the state's dilemma of resident job creation in all industries in Alaska.

KARL GOHLKE
 Frontier Supply Company
 Fairbanks, AK
POSITION STATEMENT: Related how his company supports local hire.

JIM JOHNSON, Vice President
 Doyon, Ltd.
POSITION STATEMENT: Discussed Doyon's hiring practices.

JAY QUAKENBUSH
 Fairbanks Building & Construction Trades Council

Fairbanks, AK

POSITION STATEMENT: Discussed strengthening Alaska hire policies.

BRETT HELMS, Training Director

Training and Apprenticeship Training Program

Plumbers and Pipefitters - UA Local 375

Fairbanks, AK

POSITION STATEMENT: Discussed his union's hiring and training policies.

TIM SHARP, Business Manager

Laborers Local 942

Fairbanks, AK

POSITION STATEMENT: Discussed ways to strengthen Alaska hire.

JULIE DUCKETT

Slayden Plumbing and Heating

North Pole, AK

POSITION STATEMENT: Focused on decline of production on the North Slope coupled with the high cost of living in the Interior and how non-resident hire affects its economy.

PAUL KOOP

Bright Services, Inc.

Fairbanks, AK

POSITION STATEMENT: Supported strengthening local hire policies especially for jobs on the North Slope.

JACOB HOWDESHELL, member

Laborers Local 942

Fairbanks, AK

POSITION STATEMENT: Supported strengthening local hire policies.

ZEBULON WOODMAN, member

Laborers Local 942

Fairbanks, AK

POSITION STATEMENT: Discussed strengthening local hire policies through incentives in the oil tax system.

DAN KUPISZEWSKI, labor economist

Fairbanks, AK

POSITION STATEMENT: Supported strengthening local hire policies.

RICK BOYLES, member

Teamsters Local 959

Fairbanks, AK

POSITION STATEMENT: Supported strengthening local hire policies so his family could have the same opportunities he had.

JOSEPH BLANCHARD, member
Fairbanks Assembly
Fairbanks, AK

POSITION STATEMENT: Related how many people relocate to Alaska to work and end up staying and becoming residents.

LESLIE TEDERS, member
Laborers Local 942
Fairbanks, AK

POSITION STATEMENT: Discussed how important local hire is to keep a strong local economy.

WILLIAM MCAMIS, member
Laborers Local 942
Fairbanks, AK

POSITION STATEMENT: Supported strengthening local hire policies.

JIM LAITI, Business Manager
Plumbers and Pipefitters - UA Local 375
Fairbanks, AK

POSITION STATEMENT: Discussed efforts to work with BP on increasing resident hire.

TANYA BROWN
North Star Borough School District
Fairbanks, AK

POSITION STATEMENT: Focused on how training Alaskans for jobs on the North Slope will help keep money in the state.

RAY WARD, retired
Laborers Local 942
Fairbanks, AK

POSITION STATEMENT: Supported strengthening local hire policies.

TIM BECK
Fairbanks North Star Borough (FNSB)
Fairbanks, AK

POSITION STATEMENT: Supported strengthening local hire policies.

MATT COWLES, members
International Brotherhood of Electrical Workers (IBEW) 1547
Fairbanks, AK

POSITION STATEMENT: Supported strengthening local hire policies especially for North Slope contractors.

STEVE KELLY, member
Laborers Local 942
Fairbanks, AK

POSITION STATEMENT: Related how non-resident hire is more prevalent now and supported strengthening local hire policies.

SHAWN LOWRY, resident
Fairbanks, AK

POSITION STATEMENT: Discussed how going somewhere to make something and better yourself is part of the American dream, but the idea is stay there and contribute to the community.

SUSAN ARMSTRONG, President
ABC of Alaska
Fairbanks, AK

POSITION STATEMENT: Focused on the Alaskan economy as a whole and discussed how they believe in free enterprise, open competitive bidding and awarding of bids based on cost, quality and safety regardless of a contractor's affiliation.

DOUG TANSY, member
International Brotherhood of Electrical Workers (IBEW) Local 1547
Fairbanks, AK

POSITION STATEMENT: Supported using apprenticeships for strong Alaska hire policies.

LISA HERBERT, Executive Director
Greater Fairbanks Chamber of Commerce
Fairbanks, AK

POSITION STATEMENT: Discussed how the Chamber supports local hire by advocating for a healthy economic environment and promoting the greater Fairbanks area as an attractive place for business and community.

LANCE ROBERTS, resident
Fairbanks, AK

POSITION STATEMENT: Said he supported HB 110.

RICHARD L. WAGNER, resident
Fairbanks, AK

POSITION STATEMENT: Urged putting policies in place that would provide a stable economy for Alaska as a whole.

JIM SAMPSON, former Fairbanks mayor
Fairbanks, AK

POSITION STATEMENT: Supported strong local hire policies.

RYAN PURUCKER, member
Laborers Local 942
Fairbanks, AK

POSITION STATEMENT: Discussed how he is willing to work and hoping to work and will feel cheated if someone from out-of-state had a job here that he could do.

ACTION NARRATIVE

[1:32:15 PM](#)

CHAIR DENNIS EGAN called the Senate Labor and Commerce Standing Committee meeting to order at 1:32 p.m. All members were present at the call to order.

[1:34:41 PM](#)

HB 110-PRODUCTION TAX ON OIL AND GAS
Hearing to Gather Information on Alaska Hire Among North Slope
Related Industries

[1:34:42 PM](#)

CHAIR EGAN stated that Department of Labor and Workforce Development (DOLWD) statistics have revealed that employment on the North Slope is near all-time highs, yet many qualified Alaskans are looking for oil industry work. So, in order to move forward, more needs to be learned about non-resident hiring practices in the oil industry. During earlier committee hearings they made an unsettling observation that in 2010 more non-Alaskans were hired than Alaskans for new oil industry jobs and that some large construction companies on the North Slope employ 100 percent non-residents.

He said the committee hoped to develop a more complete picture of employment opportunities in Alaska's oil industry and how together with the industry they can insure greater resident hire. This morning the committee would hear invited testimony; public testimony would be taken this evening.

[1:34:55 PM](#)

KARA MORIARTY, Deputy Director, Alaska Oil and Gas Association (AOGA), had a quick power point presentation and said her goal today was to walk through some results from a McDowell Group study they had commissioned to update their economic analysis. The first portion of the study had the resident/non-resident hiring trends, and that is what she discussed.

She said the McDowell Group used data from the Alaska DOLWD to analyze the residency of Alaska's workforce. The study shows that non-resident employment in the oil and gas industry has varied only marginally in the last decade. In fact, in 2009 (the most recent year for complete data) the non-resident hire share of the workforce was at a five-year low. She noted that this data does not include workers associated with any of the four in-state refineries or the TransAlaska Pipeline (TAPS), and the reason is because the DOLWD characterizes those jobs as something other than oil and gas extraction or support activities. This is nothing new; the department has been categorizing those jobs differently for decades, and that is why AOGA started doing its own economic analysis.

MS. MORIARTY said the increases in the number of non-resident jobs in the oil and gas industry over the last decade have corresponded with increases in the number of resident jobs in the industry. So, in other words, more non-resident hire has historically meant more resident hire, as well. Similarly, in every year where the number of resident oil and gas jobs declined, the number of non-resident oil and gas jobs declined too. The bottom line is there has never been a time in Alaska's history where non-resident hire has gone up and resident hire has gone down.

The next chart showed the number of jobs held by Alaskans increased at a higher rate than jobs held by non-residents from 2005 to 2009. During that five-year period, resident hire grew by 44 percent while non-resident hire grew by 35 percent.

MS. MORIARTY said the department's methodology for calculating workforce residency is based on Permanent Fund Dividend (PFD) applications and, as such, produces a conservative estimate of resident employment because a new resident to Alaska must reside in the state for a full calendar year before he or she is eligible to apply for a PFD. Therefore, it could take someone almost two years to be classified as an Alaska resident. She explained that she asked the department to research what portion of workers classified as non-residents actually become residents the next year and they found that in just the oil and gas extraction sector among workers who were classified as non-residents in 2008, 13.5 percent of them became residents in 2009.

She said while PFD applications are a very reliable indicator of residency, other data can provide another perhaps more up-to-date measure. For purposes of the McDowell Group study, several

AOGA members provided detailed payroll data by place of employee residence as indicated by the mailing address on their W2 tax forms. In its 2009 report, the DOLWD reported non-resident percentages for specific employers that were higher by several percentage points than the percentage of W2 tax forms that were sent to out-of-state addresses. However, talking to the actual companies might reveal higher percentages than the department indicates.

Slide 5 showed that a more complete picture of resident participation in Alaska's oil and gas industry by including those categories not included in the DOLWD's oil and gas figures such as the refineries and jobs associated with the pipeline which have very low non-resident hire rates as well as businesses that provide goods and services directly to oil and gas producers.

MS. MORIARTY said their McDowell Group study primarily focuses on jobs and spending. The department prepared a resident/non-resident employment and wage analysis of 82 vendors who were not classified as either an oil and gas extraction or a support activity business and who were not a refiner or the pipeline. The chart entitled "Oil and Gas Industry Related Vendors - 2009" showed that the 82 vendors averaged 14 percent non-resident hire.

[1:41:16 PM](#)

Regardless of the measure used, she said it is important to note that Alaska's economy overall has been and continues to be reliant on a non-resident workforce. Slide 6 showed that 22 percent of the private workforce statewide was defined as non-resident in 2009. Sectors with higher non-resident participation include seafood processing, scenic and sightseeing transportation, accommodations and metal mining. She stated that non-resident hire is part of what allows the Alaska economy to grow, which in turn generates greater opportunities for residents.

MS. MORIARTY said there has been a lot of discussion about the new hire rates as provided in the April 2011 Alaska Economic Trends (page 11) that shows new hires by industry for the third quarters of 2009 and 2010, and in 2010 the number doubled the yearly for non-residents. She said it is important to note that historically the third quarter is the peak summer season for all employers in Alaska, and all employers have a higher than average non-resident hire rate. The graph on slide 7 illustrated those figures. It showed that annually state government has a

non-resident hire rate of 7 percent. Part of that is due to the fact that they use PFD statistics, and it sometimes takes people two years of living here to be eligible. But in the summer of 2010, their non-resident hire rate tripled to 28 percent. So, this new hire information provides a snapshot view of employment in Alaska and she said it may be beneficial to understand the long-term trends for the third quarter in summer employment and have the DOLWD further examine the new hire rates for the past 5 to 10 years to see if there are different trends.

[1:43:57 PM](#)

SENATOR PASKVAN asked if she agreed that both the general employment information and the new hire information indicate a trend of increasing employment on the North Slope.

MS. MORIARTY replied yes, and it has for the past decade, but she added that regardless of the number of jobs in Alaska's oil and gas industry, whether they are held by residents or non-residents, production in Alaska continues to decline. With jobs at some of the highest rates they have seen in a decade, production is at the lowest they have ever seen. This suggests that these additional jobs are not associated with producing more oil, but rather maintaining a 30 to 40 year old infrastructure. And although it appears that 2012 will be a very robust exploration year, it takes at least five to seven years to bring a field from exploration to production, and without significant new investment in existing fields in the next three to five years, the DOR chart forecasts production to be in the 400,000 barrel range.

[1:45:16 PM](#)

In closing, Ms. Moriarty said the U.S. Supreme Court deemed Alaska's Local Hire under State Leases Act as unconstitutional in 1978, because it violated Section 4 of the U.S. Constitution's Privileges and Immunities Clause. She said AOGA looks forward to working with this committee, other legislators and the administration on policies that will increase production that will ultimately lead to long-term stable jobs and the goal that everyone would like to achieve.

SENATOR PASKVAN said one of the classifications in that study indicates that Repcon and Matrix, which do work on the North Slope, are not categorized as oil and gas jobs. This is important because they both are reported by the DOLWD as having 100 percent non-resident hire.

MS. MORIARTY replied that the oil and gas jobs are often lumped under "mining" by the U.S. government, and she didn't know what methodology is used.

[1:47:52 PM](#)

SENATOR GIESSEL referred to the slide labeled "Alaska Residents Employed with Oil and Gas Industry Related Vendors" (slide 5) and asked what kind of work the "construction industry" performs for the oil and gas industry.

MS. MORIARTY replied that it may be building an ice road or a warehouse, but of those 82 vendors, 10 were classified as "construction" by the DOLWD and not oil and gas support activity businesses. Their business might be predominantly construction, but 80 percent of it is oil and gas related. She didn't know who the companies were because that data is confidential to the McDowell Group.

[1:48:52 PM](#)

SENATOR PASKVAN asked why the department says there is a 28 percent non-resident hire rate in the oil and gas industry and in another publication says there is a 35 percent non-resident hiring rate on the North Slope.

MS. MORIARTY replied that she is not familiar with the statistics and would have to see the source of that 35 percent number.

SENATOR PASKVAN asked what AOGA has looked into for the treatment facility constraints on throughput.

MS. MORIARTY replied that an AOGA study group is looking at that issue, but it hasn't come back with any recommendations yet.

[1:50:53 PM](#)

SENATOR MENARD said she felt slighted that they don't have the 2010 information, because this is the digital age, and it's only four months until the end of 2011.

MS. MORIARTY responded that according to the McDowell Group that was the most recent complete data from the DOLWD. She had checked a few weeks ago, but that type of information seems to always have a lag, and she didn't know when the department would have the 2010 data done.

SENATOR GIESSEL asked if the throughput had decreased going through the infield pipeline as well as TAPS.

MS. MORIARTY replied yes; everything is seen as production decline.

SENATOR THOMAS said the concept is troubling that somebody was a non-resident last year, but they are a resident this year. It seems that people who are working at Prudhoe Bay should be long term residents before actually going to work there, and he asked what the state is not doing to create the skill set that would allow residents to be hired.

[1:54:57 PM](#)

MS. MORIARTY responded that ironically the reverse is being seen on the North Slope. She hears a lot from the aging workforce that people used to live here and raised their kids who are now grown and gone. They chose to live outside Alaska and are now non-residents, but they are still working on the Slope. She remarked that a lot of us came from somewhere else before we became residents, but everyone needs to be taken care of.

[1:56:26 PM](#)

SENATOR COGHILL asked if AOGA has been able to quantify the residents who are and are not ready to go to work.

MS. MORIARTY replied that she didn't have that information, but from a business standpoint it makes sense to hire someone here who is trained rather than looking outside.

SENATOR COGHILL stated that he was very concerned if Alaskans are being left out.

[1:58:12 PM](#)

JON COOK, Chief Financial Officer, Airport Equipment Rentals, Fairbanks, said they are the largest equipment rental company on the North Slope and in the State of Alaska. They employ 120 people statewide from Prudhoe Bay down to Kenai; all but two of whom are Alaskan residents. They work with every contractor and producer on the North Slope. Their company is unique in that they get workers from the time they step off the plane and first show up up North until the time they fold their tent and take off.

He said his company is an affiliated entity with one of the largest developers in Fairbanks; they have a large portfolio of commercial and retail buildings as well as tracts of raw land in the retail shopping district. So, the health of the oil industry

and the Alaska economy in general impacts their equipment business as well as their real estate holdings.

1:59:38 PM

MR. COOK explained that they have a 95 percent local hire rate and he thought the best way to assure Alaska hire is to use Alaskan businesses such as theirs, Frontier Plumbing and many others. Alaska has a vastly underdeveloped private sector and consistently ranks last or next to last in the competitive business sector among other successful resource states. He said this discussion should have been started with asking why this state doesn't have more successful Alaska-based and owned businesses in the economy as a whole.

2:00:53 PM

He remarked that the North Slope has record employment numbers, but at sustained prices of over \$100/barrel for the last several years we should be seeing double or triple record employment numbers. He just returned from Texas and North Dakota and observed that Alaska is not experiencing anywhere near the kind of boom those states are. Those states have been consistently building up employment; it's unbelievable to see what's going on down there right now.

MR. COOK said from his company's perspective most jobs they see being added on the North Slope are lower skilled and lower paying jobs that do not result in any production increases; they are maintenance jobs. Highly skilled and paying construction jobs that accompany field development are lacking, and this is the type of jobs that Fairbanks companies do very well. He said this imbalance is apparent in his company where North Slope revenues have declined by 50 percent from the winter of 2008/09 and have remained at that level ever since.

Finally, he asked them to consider where the workers of the future will come from and what jobs should be created that aren't here right now. He thought there were a lot of opportunities for trade jobs and was trying to envision jobs for college graduates, many of whom "are voting with their feet" and not returning to Alaska or moving to the Lower 48 where they see greater long term opportunities.

MR. COOK emphasized that it's also imperative to retain the current residents of Alaska. Many of the problems associated with keeping people living in Fairbanks is that it is a very expensive place to do business, and it is a very expensive place to live. Oil companies have to make a net return for their

shareholders, too, and if too much is going to the state or any other area, wages or businesses are going to get squeezed.

2:05:38 PM

SENATOR GIESSEL asked if he had sent any of his employees to North Dakota or Texas.

MR. COOK replied yes; because the winter construction seasons up North have been non-existent for the last three years, they are setting up an operation down there right now. The summers have been fairly busy in terms of maintenance and turn-around work, but it's not enough to make up for the declines in the winter and the company has equipment that will function in harsh conditions and they must keep it working.

SENATOR GIESSEL asked if they have had to lay anyone off yet.

MR. COOK answered yes he has over the last few years; he tries to ship people to other locations before resorting to that, but something has to give.

SENATOR PASKVAN said the Bakken in North Dakota is exciting to read about and he believed that type of development would be part of Alaska's successful future. He asked Mr. Cook if he perceived that Alaska is at the initial stages of bringing that type of oil extraction process here.

MR. COOK replied he has talked to new companies coming in - not so much on the shale end of things. In the near term, Alaska has a lot more challenges in terms of getting water and keeping things heated as well as the environmental and permitting double standards the North Slope has compared to other jurisdictions. So, the deck is stacked against us right now, and he didn't think that reversing 23 years of decline would happen in the next 10 years.

2:08:16 PM

SENATOR DAVIS asked if he felt the state is getting too much profit from the oil industry at this time.

MR. COOK replied that he perceived an imbalance; not enough of the resource wealth has flowed directly to the pockets of Alaska businesses and its residents. He related that he is in a subdivision in Texas with "tons of million dollar houses," but in Alaska we think that somebody is wealthy if they make \$80,000 or \$90,000 per year. He thought it was the state's role to provide infrastructure and make it possible to be competitive.

[2:09:50 PM](#)

KEN HALL, Lynden Transport, said one of the questions asked for this hearing was does your company have a policy concerning the hiring of Alaskan workers. At his company, if someone is applying for work, they must be present to fill in the application, and an Alaskan driver's license is required. If it's someone who is going to be operating on the Haul Road, they require 10 years of experience. Safety is paramount to what they do and they try to hire the very best people they can hire.

The next question asked was what percentage of your workforce are currently Alaska residents? In Fairbanks and Anchorage they are affiliated with the Teamsters Union, and it's almost 100 percent. The North Slope operation is a different matter; they are not a teamster operation. Lynden hires Alaskan residents for the Prudhoe Bay operation, but with a two-on-two-off operation, it's just as easy for a worker to fly to Medford, Oregon, as it is to fly to Fairbanks or Anchorage and they struggle to maintain a 60 to 65 percent Alaska resident ratio there.

[2:13:13 PM](#)

SENATOR PASKVAN asked if he thought a one-week-on-one-week-off schedule would promote Alaska hire.

MR. HALL replied that the company wouldn't like to do that, because it's expensive to transport the workforce back and forth. Also, two and two is difficult enough because they have to have an overlap shift coming on and shift going off. The one and one just wouldn't be practical. Plus, the expense of living in Alaska and in Fairbanks in particular is quite a factor with a number of their employees. Unfortunately, the labor force that is generating their income in Alaska spends it out of Alaska.

He wondered what the actual intent was of today's meeting: was it just Alaska hire period or Alaska hire for the oil and gas industry? He thought the state needed to do more of the actual job creation by keeping production levels up and keeping healthy mining, timber and fishing industries. Some of those industries have been more transient than others, and while he is more familiar with oil and gas and mining, he sees the trend in all of those industries.

[2:16:21 PM](#)

SENATOR GIESSEL asked if Lynden does work in Texas, North Dakota or the Province of Alberta.

MR. HALL answered yes; they actually have a very active Dallas/Houston/Edmonton/Fairbanks/Prudhoe Bay operation with Fairbanks as the hub for their business in Prudhoe Bay.

SENATOR GIESSEL asked if he had seen a job increase in Texas, Alberta or North Dakota.

MR. HALL replied that the Alberta area has been busy with tar sands and it has a lot of oil industry there. He has seen an increase in the Houston area in support of the North Dakota area.

SENATOR PASKVAN asked if that was in support of the shale oil resource.

MR. HALL replied yes. One of the challenges for North Dakota is that it's not unlike Prudhoe Bay; they can get stuff there, but it's tough to generate revenue.

2:18:33 PM

KARL GOHLKE, Frontier Supply Company, said he was representing Bill Livermore, president. Established in 1989, Frontier is still owned and operated by Alaskans, he said. They are a full-line wholesale distributor of plumbing, heating, industrial piping, water works and mining products. Their corporate headquarters is in Fairbanks, but they have operations in Anchorage and Guam. They sell and distribute materials throughout the State of Alaska and employ 65 people in their Alaska and Guam operations. Fairbanks and Anchorage are 100 percent Alaskan hire, all with Alaskan addresses. Two percent of the folks in Guam are from Alaska. They have always advertised locally for hire and will continue to do so.

MR. GOHLKE said their business focus is on commercial, industrial and residential construction, maintenance and repair and over the last three years they have seen a decline in new construction, which affects their bottom line. They know when the North Slope is producing oil, the Alaskan economy is strong. The last time he checked, the North Slope was still producing about 580,000 gallons per day, and he was told 600,000 gallons per day hadn't been seen in a long time.

2:20:41 PM

He said everyone knows if the North Slope was exploring and producing new oil and gas they wouldn't be here today discussing out-of-state hire. They know there is very little if any exploration by the major producers and that the pipeline is over

30 years old and in need of repair - and they know if production is not increased they won't need to worry about out-of-state hire at all.

SENATOR GIESSEL said if his company is in the construction category (Ms. Moriarty's chart).

MR. GOHLKE answered that he supplies those construction companies.

SENATOR GIESSEL noted that the chart indicates 27 percent of the hires in the category are non-residents and asked where they would be employed.

MR. GOHLKE answered he didn't know since the construction companies are his customers and he deals with the pipefitters hall and non-union folks.

SENATOR GIESSEL asked if he knows if those are Alaskan residents.

MR. GOHLKE replied that he deals with Alaskan residents. He explained how during the heyday of construction, they couldn't find enough people from the hall to fill the jobs. When the box stores started coming and Fort Greely started and Pogo Mine was going, and when Eielson Air Force Base and Fort Wainwright were building, he visited those sites and knew some of the folks were coming from Washington, because the technical labor was needed.

[2:24:31 PM](#)

SENATOR PASKVAN asked if he has discussions with his customers about treatment facility constrains on throughput.

MR. GOHLKE replied no; he deals mostly with Doyon Associates. Frontier ships direct from their location here or from the manufacturer. All they need is a request for a quote and a post office box and they can make it happen.

[2:25:40 PM](#)

JIM JOHNSEN, Vice President, Doyon, Ltd. said they are the largest private land owner in Alaska. They have 18,000-plus shareholders and growing (because they opened enrollment some years ago). Seventy-five percent of those shareholders live in Alaska. Doyon has had 27 consecutive years of profitable operation and it is one of the top ten private companies owned by Alaskans.

Doyon has three categories of operations: oil field services, government contracting both in and outside of Alaska, and land and resource development on their own lands. They also have several tourism properties.

Focusing on oil field services, Mr. Johnsen said there four companies in the area and three are Doyon Drilling, Doyon Universal Services and Doyon Associated/Doyon Industrial (construction company doing maintenance work). Doyon Drilling has seven drill rigs on the North Slope that on contract to BP and ConocoPhillips and they are all working right now.

MR. JOHNSEN said Doyon's employment has waxed and waned; in 2007 they had about 314 employees and that dipped down to 224 in 2009. The most recent figure is 362 and while they are happy about those positions, the growth is not due to exploration or work that would add to production and more flow through TAPS. It's related to infield work overs.

He said that Doyon Universal Services is a large company in terms of employment numbers and those jobs are minus 280 jobs primarily due to a large decline in the number of exploration camps.

Finally, Doyon Associated is in a joint venture with a major pipeline company in Texas that does construction and maintenance work. This work is very seasonal but it has had an uptick, so that is why their numbers are up.

He noted that Senator Giessel has asked consistently about activity outside of Alaska, and they are definitely looking elsewhere for acquisitions and business growth opportunities over the next several years.

MR. JOHNSEN said Doyon definitely has an Alaska hire preference, but that is preceded by a preference for Doyon shareholders, then other Alaska Native corporations, then Alaskans and then others. Alaskan status is verified when folks apply for a job. The Doyon Associated Industrial Company actually uses a union workforce unlike the Drilling and Universal Services. So they work closely with the unions on recruiting shareholders and training them for these jobs. They are 90 percent Alaska hire as per their employment information system, and this has been a pretty steady figure. Shareholder hire is increasing, and as a result Alaska hire is trending up.

[2:31:10 PM](#)

Last year the company gave about \$1.5 million in scholarships to the Doyon Foundation for shareholders; they fund roustabout training programs, security, food service and management programs to keep people here and to prepare them for jobs in their company. They have a very strong partnership at the University of Alaska with the vocational technical programs in particular. They reach out to 7th, 8th and 9th graders, which is often where people make decisions that could either make them or break them entering the workforce. For example, they fund in part a Fairbanks math, sports, and reading camp for 7th, 8th and 9th graders who are not "A" students; it's called the Smart Program. The improvements are staggering. They also work closely with the Effie Kokrine Charter School to try to educate kids about career opportunities and what they need to do academically, physically and behaviorally to prepare for work with the company. They have very strong employer recruitment, career development and retention programs; they support NBA programs for their employees and tuition waivers; they have their own leadership program where they bring in scholars from the university and other companies and universities around the country to build management cohorts up. They were strong supporters and advocates for educational tax credit improvements in Alaska to try to increase business investment in education.

MR. JOHNSEN said they see three big policy changes to consider. The first would be targeting resources to the University's voctech programs including union apprenticeship programs that support industry. The second is to implement policies to reduce Alaska's high cost of living. He said they have employees who they hired as Alaskans but who leave because it's less expensive to live outside. A friend mentioned that last year at this time there were 250 houses on the market and today it's 600. Finally, they believe that improving the tax climate in Alaska for private investment will result in more production and more jobs. Doyon believes the decline is not inevitable and that something can be done about it.

[2:34:28 PM](#)

SENATOR GIESSEL said he indicated a loss of 161 jobs over five years and she assumed those were Alaskans and asked if he hired them back as the numbers went up.

MR. JOHNSEN replied that it varies. They haven't hired back in Doyon Universal Services; those jobs are gone. In Doyon Drilling they have. And if you assume a 90/10 percent ratio and apply that to 161 you get roughly 140 fewer Alaskans working for their company.

SENATOR PASKVAN said he understands for the last five years a number of permanent camps have been built on the North Slope and asked if that is accurate. And has Doyon been contacted about construction activities on any new or upgrades to existing treatment facilities.

MR. JOHNSEN replied that he is not aware of any conversations between producers and others with Doyon Associated with respect to treatment facilities per se.

[2:36:53 PM](#)

SENATOR MENARD asked if Doyon is thinking about going global.

MR. JOHNSEN answered no; they are looking at other locations in the United States.

SENATOR THOMAS said the chart shows a decline of about 7.5 percent for 22 years and asked Mr. Johnsen if he had a sense for what areas have great promise and that should be under exploration.

MR. JOHNSEN replied that he should ask the producers that question. Doyon can gear up and support these "primary customers" as they move forward, but they don't have an independent assessment of where the industry is going.

SENATOR PASKVAN asked if he is getting any information from producers that the future will include heavy oil and/or shale oil. The point is that the chart includes neither heavy oil nor shale oil.

MR. JOHNSEN replied that heavy oil is a priority for the producers, but it's not in the chart.

SENATOR PASKVAN asked him to explain his understanding of shale oil.

MR. JOHNSEN replied that he should ask that question of the producers.

[2:40:44 PM](#)

JAY QUAKENBUSH, Fairbanks Building & Construction Trades Council, said he would like to see a positive change in hiring Alaskans on the North Slope. He said he sees much room for improvement, and they must work together to find a solution.

Even though IBEW Local 1547 has had several Alaskan contractors working electrical and communications projects on the North Slope, those projects have been relatively short in duration. One contractor, Norcon, Inc. (Fairbanks and Anchorage) has been their most consistent work opportunity on the North Slope in the oil industry. They have performed construction and maintenance work for most of the 20 years he has worked for the IBEW and have maintained at least a small workforce year in and year out on the North Slope.

Reports from the Alaska Electric Trust Fund reflect a significant downturn from the peak of 89 electrical workers per month in July 2008 down to an average of 72 electrical workers in 2009; in 2010 it dropped more, to an average of 42 electrical workers per month. As of June 2011 they averaged only 19 electrical workers per month for Norcon, Inc. This is one contractor, but it shows the trend overall for the IBEW.

MR. QUAKENBUSH said they have had some success with independents in recent development projects going back five years. The stats show an overwhelming downturn. But the North Slope is not seeing a downturn in construction and maintenance overall; it is actually very busy. The problem is that the camps are full, but not with Alaskan workers. It's hard for Alaskan contractors to even find bed space in the camps, and twice in the last year he has heard talk of "hot sheeting," the practice of workers sharing a bed with someone working a different shift. Too many out-of-state contractors are selected.

He said the oil companies are always seeking the most competitive contractor, but the problem is that the playing field is grossly tilted to out-of-state companies that pay standard wages and usually no benefits to their workers - substandard in terms of Alaska. Workers come from states that have dealt with oil production like Texas and Oklahoma, Louisiana, Idaho and so forth where people don't have to heat their homes at the cost Alaskans do and they don't have to buy food and other commodities at Alaskan prices. The fact is that many are not raising their families here, but are taking their earnings from Alaska and living on our jobs.

MR. QUAKENBUSH said not enough Alaskan labor is being hired at Alaskan wages with benefits, which in turn means there will not be enough commerce for local businesses to survive. That is the issue this committee should be trying to solve. To paraphrase former University of Alaska President, Mark Hamilton, he said there is a billion dollar industry leaving this state every year

of non-Alaskans working in this state who take their earnings back home to spend.

He thought the blame should be laid clearly on the oil companies who hire out-of-state contractors. It's not rocket science; they are doing it to maximize their profits, and if the state continues to allow it to happen, "Shame on us."

MR. QUAKENBUSH said Alaska could provide the skilled workforce that the North Slope needs now and in the future. Much of that training now happens in Fairbanks through certified apprenticeship programs. And while it might cost the oil company contractors more on paper, a well-trained workforce aware of the challenges of the North Slope will more often than not pay dividends with a job done right the first time, performed safely and in an environmentally safe fashion.

He said that IBEW 1547 has a standard for and means of proving Alaska residency, which is defined as "a person who has maintained his or her permanent home in Alaska for a period of not less than one year or who having had a permanent home in Alaska has temporarily left with the intention of returning to Alaska permanently."

2:51:19 PM

SENATOR GIESSEL said the "Fairbanks Daily News Miner" had an October article that talked about the Fort Greely project suddenly not going forward and laying people off. It cited Norcon as the company providing workers and talked about the many workers that travel long distances from the Lower 48 and union electrical workers who flew up from Seattle. She asked what percentage of folks in the union hall here are actually Alaska residents by his definition.

MR. QUAKENBUSH responded that he couldn't speak for all the unions, but the IBEW gets calls from people looking for work all the time. The fact is they have different hiring lists, and the out-of-state workers list is called "Book Two." Alaskan workers sign a list referred to as "Book One" meaning they go to work first. The book in Fairbanks is exhausted first, and then they go to Anchorage, Juneau and Ketchikan; then they go to Book Two. He explained that an out-of-state worker will get dispatched only after all Alaskans have had a shot at the job opportunity.

SENATOR GIESSEL said the IBEW website talked about folks applying from other locals to be accepted here and that clearly folks are being recruited from outside and are being given

guidance on how to prepare to come to Alaska to work. This concerns her.

MR. QUAKENBUSH explained that that information is supplied to avoid out-of-state workers coming here looking for the next boom (from the gas line).

[2:54:17 PM](#)

BRETT HELMS, Training Director, Training and Apprenticeship Training Program, Plumbers and Pipefitters Local 375, said their program is registered by the U.S. Department of Labor. It is funded by employers and is jointly managed with equal labor and employee representation. Their only contribution is through collectively bargained agreements. Other than book fees, the program is tuition-free to members. The program costs a little over \$1 million per year, which equates to about \$40,000 per apprentice. They have 89 apprentices with 33 percent minority and 24 percent Alaska Native participation; the average age is 25. The apprenticeship program is for five years and includes 8,000 to 10,000 hours of on-the-job training and 1,900 hours of classroom instruction. Their facility is approximately 15,000 square feet and they are in the process of doubling the size of the weld shop and adding classroom space.

Information for apprenticeship opportunities is disseminated at least semi-annually to the registration agencies, minority organizations, women's organizations, high schools, job centers, and veteran organizations.

[2:56:41 PM](#)

MR. HELMS said their application process is year-round and they have had about 450 applications. Interviews are done quarterly; everyone that is interviewed is ranked and scored and placed on a "pool of eligibles list" from which 20 to 30 apprentices are selected each year. Over the last 30 years, 70 percent of their apprentices, on average, complete the training and are ready to work in industry. They don't train for the sake of training but must see jobs associated with it.

[2:57:15 PM](#)

SENATOR GIESSEL asked what percentage of these students are actually Alaskan residents (using Mr. Quakenbush's definition).

MR. HELMS replied 100 percent.

[2:57:47 PM](#)

SENATOR THOMAS asked if he has a feel for the number of pipefitter positions that exist at Prudhoe Bay and how many his union fills.

MR. HELMS replied from their apprenticeship roles, three apprentices are working at Prudhoe Bay. He deferred the answer to the other question to Jim Leiti [also with Pipefitters Local 375].

SENATOR GIESSEL asked what happens to the rest of the folks they train.

MR. HELMS replied they are working for local and Alyeska Oil field contractors.

[2:59:11 PM](#)

TIM SHARP, Business Manager, Laborers Local 942, said he sits here today not as an apologist for the oil companies but as a supporter of the potential of what could happen with enlightened forward-thinking leadership. His union has 95 percent Alaskan resident membership. He said the history of Fairbanks' participation in Prudhoe Bay is mixed, especially in the last 5 to 10 years. Fairbanks was the closest major town to Prudhoe Bay during construction of the oil field and as a result was the key place for mobilizing that workforce in the 70s and 80s. Back then everyone knew each other when they got on the plane. In the years after and over time, they began noticing a marked change in the workers arriving in the oil fields; they were coming from out-of-state and often flying direct from all over the country to Anchorage. It got worse as time went on and eventually, a charter flight originated in Anchorage.

He explained that in an effort to maximize their airline transportation investment, the owner company strongly encouraged those few contractors who hired Fairbanks folks to get their people down to Anchorage and then to fly backwards to Prudhoe Bay through Fairbanks some hours later. This was confusing, especially during oil spills or in times of quick mobilization needs. Though the charter would land in Fairbanks twice a week (out of 24 flights), fewer and fewer people got on. Between clearing results of a drug test, the security check, orientation and coordinating with the charter flight, it could take Fairbanks folks one to two weeks from the time the contract was called to the time someone got to work and contractors seemed to lean more on getting workers through Anchorage whether they were from Alaska or not. Now the camps are full and companies are

"hot sheeting." At least 3,000 more beds have been added at Prudhoe Bay in the last three years.

Because the owner companies leaned on the contractors for efficiencies in values, Mr. Sharp related that it seemed the contractors would seek out and import labor from other states with depressed economies to win those bids by undercutting those who hire predominantly Alaskans. It also seemed that with the number of hours worked and the room and board provided, it would still pay better for workers to travel regularly from places as far away as Florida, paying their own airfare, to work in Prudhoe Bay than it would to stay and earn what they could in Texas, Idaho and Georgia. This is happening today and is even being done by Alaska Native corporation subsidiaries and Alaskan companies.

MR. SHARP said in the last two years they have received reports of companies from economically depressed states giving the morning safety meetings exclusively in Spanish and that, "We think things are getting a little out of hand and need to be looked at again."

He said most of the senators here probably have sat next to workers on flights heading both north and south often in the first class status based on the many miles they fly back and forth each year while taking wages out of Alaska, drawing unemployment benefits from Alaska and again, while many Alaskans remain out of work. "The frustration in Fairbanks runs deep."

[3:04:23 PM](#)

MR. SHARP said he didn't come here today to beat up on the oil companies, because he realizes they answer to a board of directors and shareholders. But sometimes many businesses are myopic in terms of the short dollar versus the long dollar for value. Both the owner companies and Alaskans need to play chess instead of checkers when it comes to our mutual interest in the long term resource development picture for Alaska.

[3:06:15 PM](#)

However, he said he believed that BP has acknowledged and taken on the challenge that they can have an influence on the contractors' lack of good behavior when it comes to Alaska hire even if it does mean paying higher wages to support people living in Alaska. If the owner companies insist that contractors be weighted during the bidding process to hire Alaskans the same way they are for safety and productivity they would be well on the way toward an affirmative fix to the problem. Hiring the

cheapest labor is not always the best way to save money. Whether it's the economic limit factor, permitting for new fields, ANWR, AGIA or ACES, multi-nationals, owner companies and BP in particular are starting to realize that without truly partnering with Alaska, even when 81 percent of our state's revenues are generated by them, they'll continually revisit tax issues, legislative pressures, populous protest and bad public relations that can often negatively impact their bottom line.

For him, truly partnering means putting Fairbanks folks back to work in Prudhoe Bay where there are approximately 8,000 jobs right now. If half of those jobs including the legacy or maintenance jobs were held by folks from the Interior, the oil companies would never lack from support or help when they need it, Mr. Sharp stated.

A number of hurdles would need to be ironed out and the first is that this model can't be built on personalities. He is inspired by BP trying to lead the way and hoped that others would follow. The second hurdle is measuring the true number of Alaskans working, and while the Permanent Fund Dividend isn't totally accurate, it is a fair indicator of Alaskans making a commitment to this state as opposed to the constitutional definition of one month with the intent to stay.

He concluded that Fairbanks wants and is ready to work, and it is not getting its fair share of work in Prudhoe Bay right now. They support looking at any tax when their folks are working and it ultimately benefits Alaskans.

[3:07:57 PM](#)

In comparing apples and oranges, he urged them to look at the tourism and fishing industries that are subsidized with J1 student visa workers and H2B guest worker programs.

[3:08:37 PM](#)

SENATOR COGHILL said his concern all along has been having qualified people in Alaska who are ready to work and they are not working on the North Slope. But he wanted to know if that was a Fairbanks issue or an Alaska issue and if Alaska is priced out of the market.

MR. SHARP replied that he would strike the last one. Yes there are qualified Alaskans, but the key is sustainability of the work. It takes six years to train journeyman pipefitters and electricians; you can't turn them on and off like tap water. If they had goals to train to, Fairbanks members could meet, beat

or exceed any number. The Interior has a huge workforce to draw from.

[3:10:42 PM](#)

SENATOR GIESSEL asked if 95 percent of his folks are Alaskan residents.

MR. SHARP replied yes.

SENATOR GIESSEL asked him to explain what he said about 86 percent unemployment in the Interior villages.

MR. SHARP responded that Department of Labor statistics indicate that those villages have between 80 and 90 percent unemployment and that still restaurant and fishing businesses are importing people from Bulgaria to work on a regular basis.

SENATOR PASKVAN said one of the things he has heard today is that Alaskan unions and Alaskan contractors have qualified employees that are not working at a time when there is record employment at Prudhoe. Is that accurate?

MR. SHARP replied that is correct and he invited him down to the union hall at call time to see for himself.

SENATOR PASKVAN asked what his recommendation is to promote the hiring of Alaskan employees.

[3:12:45 PM](#)

MR. SHARP responded a message from the top, and the message is loud and clear, that it's important to hire Alaskans, and if you don't, you will be looked at differently. He added that residency should be measured accurately, arguing for a standard of one year or more.

[3:14:04 PM](#)

JULIE DUCKETT, Slayden Plumbing and Heating, North Pole, Alaska, said they have been in business since 1979 and pride themselves on Alaska hire, their safety program and their emphasis on training Alaska residents. They have completed numerous projects on the North Slope for several contractors including equipment shops, nitrogen buildings, training buildings, support facilities, camp construction and maintenance. Slayden Plumbing and Heating provides mechanical, plumbing, HBC and mechanical engineering services and recently expanded to include a new service department. Slayden strongly supports Alaskan hire and it shows in their workforce. They advertise in local papers and

on line for both their North Pole and their Wasilla locations. They use the Associated Builders and Contractors, which is an ABC federally recognized apprenticeship program. They currently have 105 employees, a majority of which work year-round. Recent projects on the North Slope include contracts with AFC Clausen and Criterion, companies that hire local subcontractors for various trades.

She agreed there is a problem with out-of-state workers especially when residents are leaving the state due to the high cost of energy. Alaska has always faced this problem. She was more concerned about the cost of energy and the decline in production on the North Slope and thought people should focus on making Alaska more competitive being supportive of more training programs for Alaskans.

[3:18:16 PM](#)

SENATOR GIESSEL asked what percent of their apprentices are Alaskans.

MS. DUCKETT replied that their apprenticeship program is through the Associated Builders and Contractors and it is 93.1 percent Alaska hire.

[3:19:53 PM](#)

SENATOR GIESSEL asked if preference is given to Alaskan residents in this apprenticeship program.

MS. DUCKETT replied that some of the companies like the Native corporations require Alaskan hire.

SENATOR GIESSEL asked what percent of her employees are Alaskans.

MS. DUCKETT replied that the 2009 State of Alaska non-resident hire statistics say they have 8.2 percent non-Alaskan hire, but she thought that was too high. Quite a few of their employees may not have qualified for a PFD in 2009.

SENATOR GIESSEL said she talked about the contracts going to out-of-state companies and asked if they have specifications for project labor agreements which would require certain types of employees to be hired for them.

MS. DUCKETT replied that they don't bid on projects with project labor agreements. The companies they work for have open shop bidding requirements.

SENATOR PASKVAN asked if it's fair to say that work non-residents perform could be performed by Alaska residents.

MS. DUCKETT replied yes; there are enough Alaskans to do the work and good training is available.

SENATOR COGHILL asked what barriers to local hire Slayden has seen.

MS. DUCKETT answered not having enough projects to bid on. The cost of living in the Interior is also very high for businesses to be able to survive.

[3:24:16 PM](#)

SENATOR PASKVAN asked if part of the problem is that there are Alaskans that would accept those high paying jobs in the oil industry, but they don't get the opportunity because they go to out-of-state employees. The DOLWD publication says a significant number of high paying jobs are filled by non-residents when Alaskans are available or can be quickly trained.

MS. DUCKETT said she agreed with that.

[3:25:32 PM](#)

PAUL KOOP, Bright Services, Inc., said they are an electrical company with 10 employees. He said in the past it wasn't hard to find employees and had opportunities to work on the North Slope and at one time he had 22 employees. However, the jobs and contracts that go out of there now are never entered into the Alaskan workforce. Jobs are given out to buddies who live down South; it's just a transfer between divisions. To increase local hire he suggested they consider giving a tax break to people who hire locally and penalizing those that continue bringing up non-resident employees.

[3:28:11 PM](#)

SENATOR GIESSEL asked what percentage of his employees are Alaskans.

MR. KOOP replied 100 percent.

SENATOR PASKVAN recapped that on September 2 TAPS throughput was 605,160 barrels, on September 3 it was 605,219 barrels, on September 4 it was 585,528 barrels and on September 5 it was 606,578 barrels.

[3:32:03 PM](#)

Meeting recessed from 3:32 PM to 5:39 PM.

[5:39:57 PM](#)

CHAIR EGAN called the meeting back to order at 5:39 PM at the Westmark Hotel in Fairbanks. All members were present.

CHAIR EGAN said they are here to gather information, but not to move legislation. He said the Department of Labor and Workforce Development (DOLWD) statistics reveal that employment on the North Slope is near an all-time high, yet many qualified Alaskans are looking for oil industry work. In order to move forward, more needs to be learned about non-resident hiring practices in the oil industry. During earlier committee meetings they have made the unsettling observations that in 2010, more non-Alaskans were hired than Alaskans for new oil industry jobs in Alaska. They also learned that some large construction companies on the North Slope employ almost 100 percent non-residents. Today they heard from industry, labor and interested members. Tonight they will hear from members of the public and hope to develop a more complete picture of employment opportunities available on the state's oil industry and how together greater resident hire can be ensured.

[5:44:36 PM](#)

JACOB HOWDESHELL, Laborers Local 942, Fairbanks, said he has been working seasonally on the North Slope since he completed the Laborer's apprenticeship program, and he has noticed disturbing trends in the amount of non-resident workers employed there and asked why more Fairbanksans aren't working when employment is at an all-time high. He said Shared Services has 24 fully booked flights a week to the North Slope; two of those flights go to Fairbanks and are almost two-thirds full when they arrive. Alaska Airlines has regularly scheduled flights that are full with sometimes a one to two day wait list for flight availability. In the last two years almost 3,000 new beds have been added to the North Slope, and "hot sheeting" took place as recently as three weeks ago. Producers have said they don't have influence over the contractors, yet they can force a policy that requires all new hires with six months experience or less on the North Slope to wear an orange hardhat. He remarked that they can threaten to cancel a contract due to safety violations or poor work performance, yet they cannot influence contractors to hire Alaskan workers. He just doesn't buy it! Alaskan workers and, in particular, Fairbanks workers need employment on the North Slope. He thanked the committee for looking into the problem.

[5:47:06 PM](#)

ZEBULON WOODMAN, Laborers Local 942, Fairbanks, said everyone knows more Alaska hire is needed on the North Slope. They know the trend is that more and more people are "flying over Fairbanks." One way to resolve the problems is to build incentives for local hire into the oil tax structure. The loss to the state treasury from lowering the tax could potentially be offset by millions of dollars circulating in the local economy from locals working on the North Slope. Tying the two together with incentives would be a win/win situation for Alaska.

DAN KUPISZEWSKI, Labor Economist, said he worked for the State of Alaska from 1968 to 1978 as a labor economist, and when the pipeline started in 1974, he joined the laborers union and worked two jobs - one for the state and one at Prudhoe Bay. During that time he saw local people, including Native people, finally having decent jobs with health insurance and retirement. Now the jobs go to people who live out of state. Those are Alaska's resources, and he thought we had a deal with the oil companies that they would hire local people and we would share in the profits. This morning he went on the Internet and tracked a stock called BP Royalty Trust (BPT) which had a low of \$3.94 a share in 1999 and today it's up to \$108 and pays a \$10.57 dividend! The fact is that the oil companies are making money and they need to share it with the local people.

[5:50:49 PM](#)

RICK BOYLES, Teamsters Local 959, Fairbanks, said he has been in this state since 1975, and it's been frustrating to see that the Interior with the population base of close to 100,000 doesn't have much presence on the North Slope that has over 10,000 jobs. The camps are full, and yet his youth and pioneers are asking where to go to work. He wants his kids to have the opportunity to work in the oil industry like he does.

[5:53:23 PM](#)

JOSEPH BLANCHARD, Fairbanks Assembly, Fairbanks, said he wanted to give a face to non-resident workers up on the Slope. In 1996 his father was a non-resident employee; he moved up to Alaska from Louisiana to pursue a job in the oil industry as a tubing conveying and perforations specialist. Mr. Blanchard said his father raised his family in Alaska and he made his personal choice to further invest in Alaska as a student at UAF.

His concern with some of this conversation is that it doesn't always necessarily focus on some of the real issues his

generation is going to have to face from the oil industry. When he visits family in Louisiana he sees Cajun-hire initiatives. Local hire is a hiring sentiment everywhere. If Alaska wants to nationalize its oil, it can make those decisions, but otherwise there are constitutional issues. He urged them to be aware that the folks they call non-resident employees do spend money here and sometimes they have sons who go on to be leaders in the communities here.

[5:56:02](#)

LESLIE TEDERS, Laborers Local 942, Fairbanks, said she has been a resident since 1968 and started working on the pipeline in 1975 and continues to work various jobs in Alaska. After that she worked for Wein as a flight attendant, and while doing that she heard a lot of conversations from workers who were leaving Prudhoe Bay saying they couldn't wait to get home and bragged about how they didn't have to spend any money in Alaska even for a meal in Fairbanks. They often mentioned not having to pay income taxes and that by just having a post office box they could often get a Permanent Fund Dividend check. After a few years with Wein, she went back to working construction on the Slope and living in the camps where it seemed like even more people were from out-of-state. She summarized that it's important to encourage local hire because not only does it provide jobs for individuals but adds many dollars to the local economy.

[5:57:00](#)

WILLIAM MCAMIS, Laborers Local 942, Fairbanks, said he came up to Alaska in the early 60s and has seen many changes. Most of them are positive, but he sees a trend among the oil companies to not hire residents. He related how he roomed with people on the North Slope who didn't even buy their cigarettes here and who went on vacation by reporting they were sick. He urged them to continue looking at hiring policies saying it isn't a constitutional issue, but a policy issue.

JIM LAITI, Business Manager, Pipefitters Local 375, Fairbanks, said the committee had heard a little bit about the recruiting procedures for their apprenticeship program and the fact that the apprentices are 100 percent Alaskan residents. He said much of their work is oil industry related, but those are mostly projects on the North Slope or a maintenance contract with Alyeska. Some of it is year-round, but much of their projects take place during the summer months. It's both seasonal and cyclical. Right now they have very few people on the North Slope and they have been talking with BP to promote opportunities for

more work there; that has been encouraging. He supported getting more residents jobs on the North Slope and just wanted to provide some background.

6:03:09 PM

TANYA BROWN, North Star Borough School District, said she came up to Fairbanks in 1984 as a military dependent. She spoke to the impacts that resident jobs have on the community, schools, businesses and families. She had been an educator in the district for 15 years and said whatever is happening in the community is seen in the schools. All children are in their schools including children from the workers on the North Slope. Fairbanks has apprenticeship programs to prepare people to work and kids graduating out of the high schools who want to stay in Alaska, but they can't get jobs. She urged them to keep the jobs in Alaska so the money can be kept here to support the economy.

6:06:00 PM

RAY WARD, Fairbanks resident, said he was born in Fairbanks. His father worked out of Laborers 942 and he is also currently retired out of the same union. In 1974, when he first started working they argued the same issue - local hire, and even though he is retired, he would still like to go back to work out of his local. But if he can't, he would like his son to be able to work up North; and he wants that opportunity for his grandkids, too. "We're not trying to eliminate other Americans, but let's feed our table first."

TIM BECK, Fairbanks North Star Borough (FNSB), said he travels every once in a while for the FNSB and finds it interesting when he is sitting in the Board Room in Seattle and hears people who are flying to Alaska to work their time and come back home where they talk about building their new homes. Their flights are prearranged because they work a regular schedule, so their seats are all first class.

MR. BECK urged them to use these labor/management committees and partnerships to ask industry to move forward with natural gas production in the State of Alaska for residential use. He said Fairbanks "is dying on the vine because of energy costs."

6:09:12 PM

MATT COWLES, International Brotherhood of Electrical Workers (IBEW) 1547, Fairbanks, said he has been a member for 35 years. Currently and for the last 25 years he has been employed on the North Slope where his job takes him from one end of Prudhoe to the other and the increase in out-of-state workers "is out of

control" everywhere he goes. When he visits his daughter in Nashville he sees people he has worked with for the last 10 to 12 years flying to the Slope as well as flying up from Chicago and Seattle. He remembered the "ARCO days" when they stipulated their employees had work a "one and one schedule" to try and eliminate the possibility of living outside.

MR. COWLES said BP might be able to meet their numbers and quotes in what they advertise on TV about local hire, but they don't rein in the contractor workforce at all, and contractors outnumber BP's workforce. When he was in Louisiana for the Deep Water Horizon incident, he saw that BP was told to hire the local people and it was done.

He remarked that he needs an interpreter to walk into the dining room at night in the camp he currently lives in, and he heard that Nana, who manages the camps, offered a \$50/night incentive to let somebody hot sheet someone's room. He showed a picture of the latest pods that will be built in the Anchorage Airport so workers can have a room without going outside of security. They have TV, Internet access and a sign that says "oil industry workers will receive an additional discount by showing their company I.D!"

[6:13:47 PM](#)

STEVE KELLY, Laborers Local 942, Fairbanks, said he first came to Fairbanks in 1975 and you had to be a resident of Alaska before you could get a job on the North Slope, so he worked locally. He took some specialty skill classes, and once he got his resident's card, his first job was at Flow Station 2. He said the pipeline was built with Alaskan residents, and Fairbanks used to have a large labor force and jobs on the Slope, but that's not so now. He used to be able to fly straight to Prudhoe from Fairbanks, but now you have to go through Anchorage.

[6:14:56 PM](#)

SHAWN LOWRY, Fairbanks, said everyone had to come from somewhere and the pipeline brought his family here; going somewhere to make something of your life and better yourself has always been part of the American dream. The key is to go there and to stay there; not to go there and leave.

He said Alaska has a skilled workforce that fluctuates, and it has world class apprenticeship programs that reach out into both rural and urban communities. If they know the jobs are coming, they are more than happy to ramp up their training to fill them.

He recounted the frustrations he had heard about full planes and people joking about not spending a dime here or paying income tax and about 20 people sharing an Alaskan post office box so they can collect a PFD. He concluded that the committee has heard testimony saying that the North Slope has 10,000 jobs and Alaskans just need to have a larger portion of them.

[6:18:32 PM](#)

SUSAN ARMSTRONG, President, ABC of Alaska, Fairbanks, said ABC is the voice for the Merit Shop Construction industry in the State of Alaska. The Merit Shop is based on the belief in free enterprise, open competitive bidding and awarding of bids based on cost, quality and safety regardless of a contractor's affiliation. She said that earlier today the committee had met two of their members who have worked on the North Slope, and while 100 percent of their business and workforce are not on the North Slope, 96 percent are Alaskans and their companies do have solid Alaska hire preferences. But as work becomes less frequent on the North Slope they have to go to other parts of the state to search for work and it's not just the North Slope; it's the rest of the economy.

[6:20:00 PM](#)

MS. ARMSTRONG highlighted three things. The first was comments brought up by Senator Coghill and Senator Thomas that were based on workforce development and the opportunities for training. She said Alaska has many opportunities for training like apprenticeship opportunities, including theirs that has 78 apprentices working on North Slope. A voctech funding component passed in SB 84 this year adds dollars to the base student allocation allowing school districts to boost their voctech education opportunities so that students can get involved in the crafts and trades and can be ready to go outside of their secondary education and get in apprenticeship programs or get higher training. This will make a huge difference, and she thanked the legislature for it.

The second issue is a policy call. She explained that the State of Alaska provides a preference in the Procurement Code for Alaskan business, but currently there is no preference for the numbers of Alaskan resident hire. She suggested that maybe it is time for a Senate or House committee to take "a hard look" at what drafting a policy like that may entail.

Finally, Ms. Armstrong said, the largest policy call is how to get more production on the North Slope, which will ultimately provide more jobs for Alaskans and improve the quality of life

of our communities. A competitive business climate will attract other industry and more businesses to Alaska that will continue to provide for Alaska families. Ms. Armstrong said this is not a union versus non-union issue; it's a jobs for Alaskans issue and a competitive business climate for Alaska issue.

6:22:35 PM

DOUG TANSY, IBEW Local 1547, Fairbanks, said he was born and raised in Alaska. He came through the IBEW apprenticeship program, which has greatly benefited him and his family; it is a career that he is proud of. He has attained several positions in the union and now sits on the apprenticeship committee and reported that currently, 15 percent of the program's participation is by Alaska Natives.

An issue very troubling to him, he said, is that today he talked to a friend who is one of three Alaskans in a 10-person crew in a camp that has 150 people at Spy Island in Prudhoe Bay. It seems like he has seen the same thing in the Lower 48 where workers in one part of the country were replaced by cheaper workers from another region in the country or even the world. He said Alaskan dollars stretch further in other parts of the country, so it's still profitable for people come up here to work and get paid less than Alaskans who need to pay higher living expenses. It didn't seem to work in the Lower 48 and it probably won't work here.

6:24:30 PM

LISA HERBERT, Executive Director, Greater Fairbanks Chamber of Commerce, said they represent a community with over 48,000 employees and 700 businesses and organizations. They provide support by offering partnerships to advocate for a healthy economic environment and promoting the greater Fairbanks area as an attractive place for business and community. It's no secret that the Interior has one of the highest costs of living in the state due to high energy costs.

The Chamber's advocacy for the interests of their community are based upon the core values of free enterprise, opportunities, healthy community and responsible business success, but the decline of oil production is hurting Alaskan businesses across the state, especially in the Interior.

In earlier testimony, Ms. Herbert said John Cook from Airport Equipment Rentals stated that North Slope revenues are down 50 percent for his company alone, and she couldn't help but think that if more oil was flowing through Alaska's pipeline they

would be hearing a different story. But the fact remains that it's expensive to do business in Alaska and to live here. Several other executives from the companies that provided testimony are members of the Fairbanks Chamber and are proud to say that they have 90 percent or more Alaskan resident hire.

MS. HERBERT said an increase in jobs on the North Slope due to exploration does not mean that production is increasing and work on the North Slope right now is related to maintenance with short-term contracts. They must focus on getting more oil in the pipeline; that is the true crux of the problem.

[6:26:43 PM](#)

LANCE ROBERTS, Fairbanks resident, said he supported HB 110. It's important to get more production, and this is one way of doing it. He didn't like the progressive taxation part of the present system.

CHAIR EGAN reminded him that the issue before them is Alaska hire and that taxation would be taken up in the Senate Finance Committee.

[6:28:18 PM](#)

RICHARD L. WAGNER, Fairbanks, said he was born and raised in Fairbanks and experienced the pipeline boom/bust in the 60s and 70s. It was like they all came and then they all just vanished within a matter of years after the pipeline was finished, and now Fairbanks is pretty much like a "ghost town." The same thing occurred in 1989, although on a smaller scale, when the oil spill happened in Valdez. He stated that if you hire Alaskans, they will have the drive to want to get the stuff done, because they know what it does for the state; it brings jobs and creates a stable economy.

[6:32:23 PM](#)

JIM SAMPSON, former Fairbanks mayor, said that when Alaska became a state the Constitutional Committee made the legislature's responsibility clear, that it's for the people and not for special interests whose policies generally are to take as much out as fast as possible. The issue has been around a long time and it certainly was when he was the Alaska Department of Labor commissioner in the mid-80s when there was a lot of out migration, but now things are reversed; oil is not \$10 a barrel, but rather \$100 a barrel.

It is an issue that the legislature is going to feel soon, he said, especially in Fairbanks where people have to stand out at

the gas station and fill five-gallon cans of diesel because they can't afford a \$100 gallon delivery and a \$400 bill. That's what people had to do last year.

Thousands of people are flying over Fairbanks to the Slope, and now they're flying out of Anchorage. What got him "spun up here" a month ago was hearing about the 31 sleeping rooms at Ted Stevens International Airport; they don't even have to leave the airport to spend a dollar on a cab or on a hotel in Anchorage. Already the state is spinning it the best way it can. He reminded them respectfully that legislators' responsibility is to the state and its people; it's not to the industry, and it's got to be about jobs.

[6:37:18 PM](#)

At ease from 6:37:18 to 6:37:26 PM.

[6:37:26 PM](#)

RYAN PURUCKER, Fairbanks, said he just started his apprenticeship with Laborers Local 942. He is 28 years old and has lived in Alaska for 21 of them. He is willing to work and hoping to work and will feel cheated if someone from out-of-state was in a job that he could do. A lot of people living here will feel cheated, too. He closed saying, "Those five-gallon cans of gas - I've done that before - it's kind of a pain in the butt."

[6:38:54 PM](#)

At ease from 6:38:54 to 6:39:05 PM.

[6:39:05 PM](#)

CHAIR EGAN thanked everyone for coming to the meeting and testifying on this subject, saying it is a serious issue of interest to everyone.

[6:40:48 PM](#)

SENATOR PASKVAN thanked everyone for showing up today. He stated that industry employment is high on the North Slope and that the camps are full. They have heard about hot sheeting and that there are too many non-residents and too many outside contractors. They have heard there is training in Alaska and in Fairbanks; they know Alaska has a skilled workforce that wants to work. The question is why aren't Alaskan workers and contractors working?

[6:43:14 PM](#)

SENATOR GIESSEL thanked everyone for coming, saying even though she represents Anchorage that she was born and raised in Fairbanks. She believes that "as the Interior flourishes, the rest of the state will also flourish." Further, she said the Province of Alberta started 22,000 new jobs in June of this year alone because of the oil sands development and she wants to see that happen in Alaska with heavy oil.

[6:45:06 PM](#)

Finding no further comments, Chair Egan adjourned the meeting at 6:45 PM.