

Our Washington State Neighbors

The Alaska Committee of the Seattle Chamber of Commerce has existed for 125 years. We are told that it is the largest and the oldest committee of the Seattle chamber, and the relationship between the Alaska Committee and Alaska businesses has been long and usually cordial.

Recently, an Alaskan son appeared before the committee and laid out some facts for Washington business leaders to contemplate. Dave Harbour's remarks are so enlightened and to the point that we have excerpted the following comments from his speech. Harbour is president of The Harbour Company, Anchorage, and publisher of Northern Gas Pipelines: (<http://www.arcticgaspipeline.com>)

Arctic Energy: Benefits for Alaska, Washington, America

"Almost daily, New York commentators from the Wall Street Journal to MSNBC, CNBC and Fox Television discuss such stellar Evergreen State enterprises as Microsoft, Boeing, and Starbucks ... and Washington state listens. Then they comment on ANWR, the Alaska gas pipeline, or news from BP, Exxon and Phillips as if their operations and plans mean little to Washington state. In fact, the economy down here (Seattle) has more to do with Alaska than is commonly thought.

"With family in Washington, I'm entitled to observe that many here think of Alaska as a place to vacation, hunt and fish or send kids for summer jobs with the fishing or tourism industries. Yes, my Washington friends discuss the big oil and gas issues, but not usually as if Washington's economy depended on them. But depend it does, for Adam Smith's invisible hand of commerce has established an economic chain which links us all.

"Washington in general and Seattle in particular have historically profited from Alaska's resources, notably its gold a hundred years ago and its commercial fishing throughout the past hundred years. But the ordinary citizen here is not too aware that because Alaska is over 80 percent oil dependent today, its wholesale purchasing from Washington state, its airline business, its ocean freight, barge, airline, and a thousand other enterprises employ Washingtonians—thanks to oil. Even Seattle's growing tourism links with Alaska depend on Alaska services being provided visitors and tour companies, courtesy of oil industry taxes and royalties. The 50 percent decline in Prudhoe Bay production, therefore, should be as much a concern to Washingtonians as it is to me and my fellow Alaskans. Indeed, recent legislation to establish a 'head tax' on cruise ship visitors and a 'per drink' increase on liquor (mostly provided by Washington state distributors) is a direct result of diminished oil production.

"Regarding the gas pipeline, President Bush and Prime Minister Chretien have it right: the private sector should compete for the most efficient way of moving Arctic energy to the U.S. and Canada. Furthermore, some of us are disappointed at the precedent set in this case for the use of laws to manipulate economics and the private sector to achieve a political end—by Republicans and Democrats. I say this as an Alaskan who values the 'owner state' concept but who believes that honorable concept becomes perverted into despotism when competition is outlawed and federal subsidies are sought to replace private sector competition. It leaves one wondering, 'What next?'

"I would counsel Washington business leaders that for them, the decision has less to do with route now, than if there will be a project at all this generation. With free market competition being politically eliminated it is now clear that an Alaska gas pipeline project will be delayed for at least another generation unless Congress creates artificial gas pipeline economic feasibility. With Congressional action, project economies may be better than marginal but are still not assured, as fiscal clarity in Alaska remains undefined. Those of you with Alaska operations know the Alaska investment climate is questionable. With a \$1 billion/year deficit and state savings accounts scheduled to deplete by fall of 2004, anyone contemplating a \$20 billion investment in Alaska would be demented if he didn't ask for fiscal guarantees of some type to prevent extraordinary, predatory tax initiatives from sapping the profit from any investment Be aware that fiscal certainty for pipelines comes in two forms: (a) certainty that the tax and royalty regime affecting Alaska North Slope gas and its pipeline remain predictable and stable for the life of the project, and (b) confidence that Alaska can responsibly resolve its fiscal crisis in such a way that other large assets owned by pipeline and gas owners in the state will not experience arbitrary and predatory tax attacks." Dave Harbour. (For the full text of Harbour's speech consult his Web page at <http://www.arcticgaspipeline.com>)

—Vern C. McCorkle

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