

SPEECH TO CHAMBER OF COMMERCE
by REPRESENTATIVE JEANNETTE JAMES,
February 22, 2001

Before I begin, I have to tell you it took a few minutes to come up with suggestions for a title for my address to you here today. ...

So I see from the flyer the final draft turned out to be "The Inside **Track** to a Growing, Healthy Economy."

Now, I know you know that building a railroad to connect our state with the rest of North America is a project I've worked long and hard on. I have to tell you I think it's a very good sign when I find little puns included in titles of my speeches.

I'm working hard on this railroad connection ... How hard? Well, I have to tell you ... I think a gas pipeline to the Lower 48 will be an excellent add-on to this railroad project!

But I'm here to speak about a **growing, healthy economy** ... and about **growing a healthy economy**.

To begin, let me offer you a couple of my basic tenets. ... because I've been repeating them a lot lately, or so it seems.

One. I do not believe Alaska has an economy. Not really. Alaska does have a series of boom and bust cycles, framed by federal pass-through funds. ... All of which are restricted and most of which require a state match.

What we have is an out of balance economy ... most of it in the service sector. We do not have sufficient basic industries to support steady, long-term growth ... and a steady long-term growth pattern is absolutely necessary for a growing, healthy economy and quality of life. ...

We are fortunate right now -- the price of oil is high ... Although the price of oil is an important part of our income, it also increases our cost of living as fuel prices rise.

Our most tremendous asset, of course, is our three guys in Washington. Their seniority and prowess is unmatched. ... But we don't have a lot of control over that, either. At some point we will not have these people holding up what is **really** a major portion of Alaska's economy, and we should all think long and hard about that now. ...

Two. We must have a long term revenue plan. What should that plan look like? ... I will repeat, as I have many times before ...

I believe we need a broad-base tax ... where everyone pays a little ... there ain't no free lunch. And in that statement, two negatives do not make a positive ... they make a bigger negative.

We need to use some earnings of the Permanent Fund. We need to maintain a healthy dividend program over the long term.

We must continue to find efficiencies in government --- and we need to accelerate our opportunities to develop our natural resources ... and that, of course, includes our people.

My constituents are very insistent about cutting and streamlining the cost of state government ... and I fully agree with them But backing up is very hard to do.

I would like to tie one and two together with another of my basic tenets ... you can not tax your way to prosperity!

The public does not seem to understand that we have less money coming in than we need to fund the services they want and the ones we are required to provide. In anyone's math, that means we are eating up our savings ... which will soon be gone ... and what then? We have to fill that gap some way.

I believe you understand this issue. You know, as business people who depend on income to cover your expenses and paycheck, you cannot continue to operate by spending more than you take in without inviting disaster.

We have exercised restraint and reduction in spending over the last five years. It has been very, very difficult.

There are only two ways to balance the issue -- one is to cut spending, the other is to increase income. You as business people also understand that you cannot cut spending when it eats into your ability to bring in income ... or your paycheck will disappear.

The general public does not understand this fact ... It takes money to make money. We need to balance our benefits with our responsibilities.

And you can help.

The Alaska public needs a reality check. We need a serious dose of education. As business people you create -- or at least spread the cash flow in this state

We need to be sure we have a reliable source. Is it a spring that will be ever-flowing? Or will it be a slough that just collects runoff?

The public must understand this theory.

I am a supporter of building a rail connection because I am convinced it will become a lynchpin of a real Alaska economy. We lack infrastructure, and therefore much of our state's wealth is off the table.

Trains are cutting edge. New locomotives use natural gas as fuel. Other new locomotives use gravity to generate electricity. Intermodal technology allows for rapid movement of cargo.

Railroads were cutting edge in the 1850s. And they're cutting edge in 2001. When the White Pass and Yukon Route was built in 1899, it was considered truly visionary. And it will be visionary when Alaska is finally connected with the rest of North America by rail a century or so later.

Relative to other forms of transportation, railroads are inexpensive, durable, effective and easy to build.

The footprint a railroad makes on the land and environment is small. But the impact a railroad makes on an economy is great.

Lets look at Alaska, where railroads are limited compared to most of the rest of North America. Is it just coincidence that Alaska's economic heartland is called "The Railbelt?" Is it only coincidence that Anchorage -- and not Valdez -- is Alaska's largest city?

Remember, for a second, that when the visionaries decided to build the Alaska railroad, Valdez was the main Alaska port and what we now know as Anchorage was a tent city construction camp.

I represent North Pole, and the railroad's economic presence is certainly evident every time a refinery employee cashes a paycheck. The same could be said for Healy or Usibelli, communities also in my district.

I am very encouraged about this project. Senator Murkowski passed legislation authorizing a bilateral commission -- and up to \$6 million to fund it. The commission's task will be to complete a feasibility study.

A number of meetings will be taking place in Washington D.C. before the month is over, all involved with moving this project forward. I have been told the next step is formally presenting the commission to Canada's federal government.

Folks in the Yukon are solidly behind this project, and I think we are seeing some good signs that the Canadian government will stand behind them.

Much of the criticism of the railroad connection surrounds its cost, which will be in the billions of dollars. But in talking with folks involved with the business of

building a gas line, I am convinced there is an opportunity to see economies of scale in building **both** along a shared corridor.

That's why I'm advocating a transportation and utility corridor. One Environmental Impact Study (EIS) could cover all, allowing for efficient construction of not only a gas line and a railroad, but also fiber optic cable and energy transmission lines.

Someday Alaska may export mining concentrates and coal ..., agricultural products ... frozen seafood ... But Alaska can also export information ... vision ... expertise ... and ideas.

If we are going to have an economy in Alaska, we have to create wealth. To do this we sorely need to have transportation infrastructure, and this is the heart of the reason why I have been pressing this issue since 1993 when I began my service in the Alaska House of Representatives.

A railroad connection to the rest of North America will mean incentive and opportunity for the private sector to invest in Alaska, thereby creating the roots of a real and stable economy.

I have learned that for each job in the basic economy, two and a half are created in the service sector. Service industry jobs cannot exist in a vacuum -- or in an economy that lacks long-term stability. To put it simply, If no wealth is created, then there's no one way to pay for services.

I am fully aware that some of my contemporaries don't believe the railroad will ever be built, and I guess they wonder why I or other supporters of the project bother to put in the effort. ...

Let me quote for them from a work of classic literature ... and I'll pose it in the form of a question ... Just when did we as Alaskans decide to let "I Think I Can, I Think I Can, I Think I Can" be the end of the story?

I love to talk about economic development and transportation infrastructure -- but I can't say I love talking about raising taxes. But I have to.

Alaskans -- all of us -- will be facing some bad news in a few short years. I said as much in a newsletter I sent to a little over 3,000 voters in my district. I laid it out just as plain as I know how. ... Here are a few of the things I said:

When it comes to a long-term revenue plan, I have ideas -- but I don't have solutions. ... For that reason, I need to hear from you. No long term revenue plan can ever work if it doesn't have the support of the people.

Then, I explained that in a few years the constitutional budget reserve will be empty. In the long term, some earnings of the permanent fund will have to be used to pay for state government. To balance our budget, we will have to use

some combination of fair and equitable taxes ... and earnings of the permanent fund.

I added that the longer we limit use of the permanent fund to inflation-proofing and paying dividends, the more vulnerable the fund is to IRS taxation.

Well, the constituents who responded to the survey I enclosed offered their support -- and I'm thankful for that -- but, clearly, there is a lot of educating we have to do.

Let me share with you the gist of comments I received in response to my request for their ideas as to how we can balance the budget in the next decade or so. I asked respondents to assume we will need to raise between \$500 million and \$1 billion a year.

The majority of respondents did not want any new taxes ... or for us to spend any of the permanent fund earnings. They want to keep the dividend as it is ... and they're not willing to let the budget grow with any increased population or cost of living.

Obviously they didn't hear me -- nor do they believe there is a problem.

One respondent said he supports both an income tax and a sales tax -- with two conditions -- surely he jests -- that anyone who receives a permanent fund dividend be exempted from the income tax, and that anyone who has an Alaska drivers license be exempted from the sales tax.

I have no intention of poking fun of the people who've taken the time to respond to my survey. Just the opposite, because I am extremely grateful for the time and effort these folks put in to answering questions none of us have yet been able to answer.

We may be making some progress. In the 1999 "what part of 'no' don't you understand" vote, just 16 percent of my district voted in favor of the long-range plan. Of survey results I've tallied, 19 percent said they would at least support a cap on the permanent fund dividend; 36 percent said they could support using excess earnings of the Permanent Fund, and 29 percent said they could support a flat income tax.

Progress? Maybe. ...

One thing my survey respondents did agree on -- almost totally -- was the need to continue to find efficiencies in state government.

But sometimes these efficiencies cost money up front. In other words, we might have to pay to save money in the future.

But we have struggled over five years to cut \$250 million in state spending. Yet when you allow for the natural growth in government -- not new programs, but allowances for population increases and cost increases, such as for fuel, we have actually cut much deeper.

So I have to say that it is hard to invest in making government cheaper and better.

In conclusion ... I have a job for you.

I believe people in business have a lot at stake when it comes to finding a fix for our state's revenue issues. But we -- and I'm speaking as a small business owner here -- must begin to educate the public. Most Alaskans are convinced other people beside themselves can be made to pay. Make industry pay more, we are told. Make tourists pay ... while all the time wanting us to spend money on the services they use, need or support.