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THE WHITE HOUSE
WASHINGTON

July 8, 1976

file
Alaska Pipeline
Information



MEMORANDUM TO THE PRESIDENT

FROM:

JIM CANNON *JC*

SUBJECT:

Alaska Pipeline Reports from Secretaries
Kleppe and Coleman

Attached, in response to your directive, are reports on the Alaska Pipeline situation submitted by Secretary Kleppe (Tab A) and Secretary Coleman (Tab B).

Secretary Kleppe

Briefly, Secretary Kleppe's report:

- . summarizes actions Interior has taken and will take to assure that the pipeline is safe before operations begin;
- . indicates no prediction can be made at this time as to whether there will be a delay in the scheduled date of July 1977 for beginning pipeline operations;
- . attaches a summary of the overall Interior Department responsibilities with respect to the Trans-Alaska pipeline and the arrangements that have been made for carrying out those responsibilities.

Secretary Coleman

Briefly, Secretary Coleman's report:

- . summarizes DOT responsibilities for setting and enforcing pipeline safety standards;
- . describes working relationships with Interior Department;
- . indicates primary concern with problems of corrosion and structural design of the pipeline (rather than welding);

- . traces regular DOT activity since becoming aware of potential welding irregularities in September 1975;
- . indicates that DOT plans to:
 - require repair of all welds completed during 1975 that are known to be defective;
 - require testing of all welds completed during 1975 for which records are missing or unacceptable, perhaps using a new sonic technique;
- . summarizes John Barnum's plans to go to Alaska on July 11 to meet with officials of the state, Alyeska, and Interior Department.

ERC

The Energy Resources Council (ERC) is meeting at Secretary Richardson's office at 12:30 p.m. today on this subject.

Attachments





United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

July 7, 1976



NOTE TO THE PRESIDENT

From: Secretary of the Interior

SUMMARY

The Department's plan for resolving the questions which have been raised with respect to the quality of welds on the Trans-Alaska Pipeline is as follows:

First, our independent auditors, Arthur Andersen & Co., in conjunction with the Alyeska Pipeline Service Co., will verify the authenticity and accuracy of all welding records presently in existence.

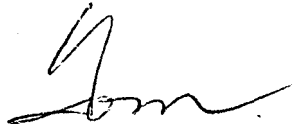
Second, in those cases where welding records indicate deficiencies those deficiencies will be repaired where access can be gained to the weld without undue damage to the environment. In those instances where the weld is located in permafrost or beneath rivers and streams where considerable environmental damage could result from digging up the pipe, independent testing by recognized welding experts will determine through a system of fracture mechanics analysis whether any deficiencies present will actually affect pipeline strength and integrity. If pipeline strength and integrity are affected repairs will be made to the pipe in place or if necessary the pipe will be removed for repairs.

Third, in those instances where no records exist with respect to welds, new radiographs will be made where possible. Where the welds are not accessible for radiographs we have asked an independent team of recognized welding experts to determine whether a new system of acoustical imaging will accurately and thoroughly assess the integrity of those welds. In the event this alternative method of testing is determined to be reliable it will be utilized. Welds found to be insufficient by these tests will also be repaired.

Operation of the Alaska Pipeline will not be permitted to begin until we have assured ourselves through the best engineering techniques available that the structure and welds of this pipeline are in full compliance with our high standards to assure the complete integrity of this pipeline.



We cannot say at this time what, if any, delays will be encountered in the completion date of the Alaska Pipeline. We are hopeful that the pipeline can be brought into operation by its scheduled completion date of July 1977, however, our primary objective will be to assure ourselves of the integrity of the pipeline.



Secretary of the Interior

Attachment





THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

July 7, 1976



MEMORANDUM FOR THE PRESIDENT

SUBJECT: Welding Problems on the Alaska Pipeline

On July 2 you requested the Department of Transportation (DOT) to submit to you today a preliminary report concerning welding problems in the construction of the Trans-Alaska Pipeline System (TAPS).

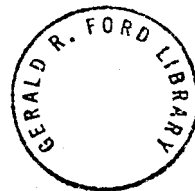
At the outset I would like to describe in general terms the past role of DOT in the oversight of the design and construction of the pipeline.

Under the authority of the Transportation of Explosives Act (18 USC 831-35), DOT has established safety regulations for the design, construction, operation and maintenance of pipelines operated by carriers engaged in interstate commerce which transport liquid hazardous materials, including petroleum and petroleum products (49 CFR Part 195). These standards apply to TAPS. DOT's responsibilities with respect to pipelines are handled by the Office of Pipeline Safety Operations (OPSO), which is an element of the Department's Materials Transportation Bureau (MTB).

In 1969 the Alyeska Pipeline Service Company (Alyeska) applied to the Department of the Interior (DOI) for right-of-way permits across Federal lands. In early 1974 Alyeska and DOI executed an Agreement and Grant of Right-Of-Way which, among other things, stipulates that Alyeska shall design, construct, and operate the pipeline in accordance with DOT safety standards. DOI established an Alaska Pipeline Office (APO) and assumed the primary Federal responsibility for the project. DOI provided a large inspection force to monitor the construction of the pipeline. DOT determined that it would be a duplication of Federal resources if it were to establish a special field inspection force for TAPS since we were assured that DOI was devoting adequate resources to ensure that the pipeline was constructed in accordance with DOT pipeline safety standards, as well as in accordance with the stipulations in the DOI-Alyeska agreement.

DOT and DOI agreed that during the construction of the pipeline, DOT would supplement DOI's monitoring activity to the degree necessary to assure compliance with DOT regulations and that DOT would provide needed technical support. In this regard, DOT served as a member of DOI's Technical Advisory Board, which was established as part of a DOI task force on Alaskan oil development. DOT provided technical advice to DOI concerning the design and construction of the pipeline, as well as the development of the environmental impact statement for the pipeline, and committed a staff engineer in Washington, D.C., to serve as coordinator of DOT activities.

Statistics compiled by OPSO demonstrate that the chief cause of leaks for both oil and gas pipelines throughout the country has been corrosion, not welding. Indeed OPSO statistics indicate that less than 2 percent of the liquid pipeline failures have been attributable to girth weld failures, and therefore they were not a subject of primary concern to DOT. DOT activity has focused primarily on the corrosion control plan for the pipeline. DOT has also been concerned with the structural design of the pipeline as well as approval of a valving plan to be used in compliance with a DOT regulation.



DOT first became aware of possible welding irregularities in early September 1975 when Peter Kelley brought suit against his former employer, Ketchbaw Industries. Ketchbaw Industries was the contractor providing radiographic inspection of girth welds on pipeline construction south of the Yukon River. Mr. Kelley alleged that Ketchbaw crews had falsified some radiographs.

Alyeska dispatched an audit team to check Mr. Kelley's complaint and subsequently conducted an audit of radiographs made of all girth welds in Section 3 (the project is divided into five construction sections). On September 14, 1975, Alyeska decided to audit all radiographs in the other sections south of the Yukon based on preliminary findings in Section 3. Eventually the audit was expanded to include the sections north of the Yukon. The audit involved two aspects: (1) all radiographs taken in 1975 (approximately 30,800) were read and reinterpreted and (2) identifying features of each of the radiographs were put into a computerized data bank in order to isolate, by a "fingerprinting" process, potentially duplicated radiographs which might be falsifications.

OPSO received the audit report for Section 3 on October 31, 1975, and the audit report for Section 2 on January 30, 1976. A review of these two reports indicated that there were irregularities in the radiographic inspection of welds. About the time of the receipt of the first report, we were advised that the audit would extend to the entire pipeline.

Shortly after receipt of the first audit report, the welding of the pipeline was halted for the winter and was not resumed until the spring of 1976.

During the last week in March 1976, DOT learned that the audit was nearing completion and that a large number of welds had been found to be irregular. This was confirmed by Mr. Rollins of APO by telephone on April 7, 1976. Based on this information, DOT forwarded a letter on April 9, 1976, to Mr. Rollins indicating the necessity of a meeting to discuss these irregular welds, and another letter to Mr. Ed Patton, President of Alyeska, expressing concern over the welding issue and requesting a meeting to ascertain the full dimensions of the problem and to be informed of Alyeska's course of corrective action.

On May 4 and 5, 1976, Alyeska conducted a meeting in its office in Anchorage to present and discuss the results of the complete audit. The meeting was attended by representatives from OPSO, APO, the State of Alaska, and various consultants from the Department of the Interior. Alyeska presented the summary and analysis of the audit. This summary showed that there was a total of 3,955 welds with irregularities that included missed radiographs, falsified radiographs, and welds with defects not acceptable under 49 CFR 195.228.

On May 27, 1976, Deputy Secretary John W. Barnum and Mr. James T. Curtis, Jr., Director of MTB, attended a briefing concerning the radiograph problem arranged by Under Secretary of the Interior Frizzell and conducted by Alyeska and the companies who own the pipeline.

On June 21, 1976, John Barnum testified before the House Interstate and Foreign Commerce Subcommittee on Energy and Power regarding the construction problems on the TAPS. At that time, in addition to describing DOT's past actions, he indicated that we would furnish a full report to that



Subcommittee on future DOT action plans for resolving the welding problems and monitoring the continuation of the construction of TAPS. As promised, that report has been delivered. At my request Mr. Barnum has also responded to a letter from Senators Jackson and Metcalf on the same subject.

In the interim DOI retained Arthur Andersen and Company, an independent certified public accounting firm, to validate Alyeska's audit of their 1975 welding program. A report of their preliminary results was made available to us on July 1, 1976. We understand that a final report will be available shortly.

The issues regarding the welding and monitoring problems can be categorized as follows:

- Issue No. 1: The first issue concerns welds performed during the 1975 construction season which, upon reexamination by the auditors for Alyeska Pipeline Service Company (Alyeska), are acknowledged not to meet the specifications in the DOT regulations. The DOT regulations require welds to meet the standards specified in Section 6 of American Petroleum Institute Standard 1104 (API 1104). The majority of the welds identified by Alyeska as not complying are welds which do not meet the API 1104 standards because of size or type of defect.
- Issue No. 2: The second issue concerns missing, incomplete, or otherwise defective radiographs of welds performed during the 1975 construction season. The DOT regulations in 49 CFR 195.234(a) permit welds to be nondestructively tested in any manner that will clearly indicate any defects that may affect the integrity of the weld. The DOI Agreement and Grant of Right-of-Way in Stipulation 3.2.2.3, however, requires that all main line girth welds be radiographed.
- Issue No. 3: The third issue concerns assuring that the construction of the remainder of the pipeline complies with DOT requirements.

With respect to the first two issues, DOT is requiring Alyeska to submit to DOT a plan and schedule for correcting the weld deficiencies identified in its audit of the 1975 girth weld radiographs. DOT will require satisfactory verification of Alyeska's corrective action. If the Alyeska audit has not identified all of the existing girth weld irregularities, DOT will require a supplemental plan and schedule for correcting all additional irregularities. In addition, DOT is taking the following actions to resolve these issues:

Welds not in compliance with DOT regulations:

The position of DOT is that all welds must meet DOT standards for pipeline integrity. Welds which do not comply with DOT regulations must be repaired. If an alternative standard of weld acceptability which will not adversely affect the integrity of the pipeline is established through DOT's formal waiver process, all problem welds will be individually evaluated using this newly established standard.

Although DOT has not received a formal application for a waiver of the API 1104 standards for those welds, Alyeska in a letter to DOI has stated that there is under development a program to establish an alternative standard to API 1104 which may prove to be satisfactory for testing the acceptability of welds that are "located in sensitive and/or very difficult access related areas in which any remedial work will likely degrade the end product quality and/or create substantial environmental concerns." Since the evaluation of any alternative standard will require the analysis of complex technical issues, DOT has retained the National Bureau of Standards (NBS) which, together with personnel within DOT, will monitor the development of and evaluate this possible alternative standard of acceptability to API 1104.

Defective or missing radiographs:

Alyeska has proposed to employ a new technique to inspect welds in critical areas which have missing, duplicated, or otherwise defective radiographs. This new technique is called acoustic imaging. It uses



ultrasonic energy to produce an optical image or picture of the weld being inspected. The advantage of the acoustic imaging inspection technique would be that only the inside of the weld has to be exposed. In radiography, the radiation source and the film must be on opposite sides of the weld, which means that a buried weld must be exposed by excavation in permafrost or by pulling pipe out from under a riverbed. The acoustic inspection device would be used to inspect the welds from inside the pipe.

On May 27, 1976, a laboratory demonstration of the acoustic imaging system was conducted in Richland, Washington. Representatives from DOI, the State of Alaska, and DOT attended the demonstration. Significant technical questions regarding the system remained unresolved at the conclusion of the Richland tests. Alyeska plans to conduct further tests, under field conditions, in Fairbanks, Alaska, commencing the week of July 12. NBS will also assist DOT in the resolution of this issue. DOT representatives and NBS ultrasonics and acoustical imaging experts will attend the Fairbanks tests and subsequently we will determine whether the technique can identify weld defects in a manner equivalent or superior to radiography.

Future construction:

Due to the developments which indicate falsification of the records that determine compliance with DOT regulations, we have reexamined our earlier commitment of personnel and resources to the fulfillment of our specific responsibilities regarding the construction of the TAPS. As a result, we have concluded that the Department should be represented on the TAPS project in Alaska on a continuous basis and we have this week initiated continuous onsite surveillance by OPSO personnel to assure compliance with our regulations and to maintain liaison with the APO concerning their surveillance functions.

To supplement the increased OPSO efforts, we will assign five additional Departmental personnel to Alaska to assist in the monitoring of the welding

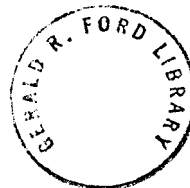
operations, including the radiographing of welds and weld repairs. This activity is not intended to duplicate the function being performed by APO, but will be essentially an oversight function to assure compliance with DOT regulations.

The DOT task force in Alaska will be supervised by Rear Admiral Joseph R. Steele (USCG Ret.), who is being briefed in Washington today and tomorrow and who will proceed to Alaska on Friday. Admiral Steele has a solid technical and management background, has a long and distinguished career in the Coast Guard and has spent three years in Alaska.

On Sunday (July 11), in accordance with your instructions, John Barnum will go to Alaska with a team of DOT pipeline, metallurgy and environmental experts. He will also be accompanied by a representative of the Federal Energy Administration. In Alaska he plans to meet with Governor Hammond and other officials of the State of Alaska, with representatives of DOI and Alyeska, and with our own task force and consultants, among others. The fact-finding team will attempt to assess the implications of the welding problem in terms of delays, any additional costs in construction of the pipeline, and any environmental impact. Alyeska testified in the House hearings that the approximate cost of correcting the problem welds would be \$35 to \$55 million, depending on the development of acoustic imaging equipment and the requirements of DOI and DOT for correcting the problem welds. Alyeska also testified that it did not think that there would be any delay in completing the project as a result of these problems. We are not presently in a position to comment on those statements, but will address those questions in the report we submit to you following John Barnum's visit to Alaska.

Bill

William T. Coleman, Jr.



THE WHITE HOUSE
WASHINGTON

EYES ONLY

July 9, 1976

MEMORANDUM FOR: JIM CANNON
FROM: JUDY HOPE
SUBJECT: Alaska Pipeline



There is some question as to exactly when the Department of Interior learned about the welding problems in the Alaska Pipeline. However, their memo of July 7, 1976, indicates that their onsite officer, Major Rollins, began oversight of Alyeska's investigation into welding flaws in August 1975.

Peter Kelley sued his former employer, Ketchbaw, for firing him when he refused to falsify welding radiographs. Suit was filed in September 1975.

In September 1975 Alyeska began its internal audit. There is no question but that there was laxity in the conduct and in Government supervision of the audit from September 1975 until June 1976. One reason is that the audit occurred over the winter when there is no construction in Alaska.

The ERC was not initially involved in this because their responsibility was perceived to be concerned with the energy aspects only, while the welding flaws were thought to involve environmental and safety concerns.

Arthur Andersen was engaged by DOI's subcontractor, Mechanics Research, Inc., on May 24, 1976, to audit Alyeska's audit. Their preliminary report was made available to Interior on June 30 and to DOT on July 1. DOT alerted me the same day, I informed you that day, and the rest is history.

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July - When

FACT-FINDING TEAM ITINERARY

Sunday, July 11, 1976

Preliminary discussion with Andrew Rollins, Alaska Pipeline Office, Department of the Interior (DOI), Anchorage, Alaska

Monday, July 12, 1976

Meetings with:

Honorable Jay Hammond, Governor of Alaska and Mr. Charles Champion, Alaska State Pipeline Coordinator, Anchorage, Alaska

Mr. Edward L. Patton, Chairman of the Board and Chief Executive Officer, Alyeska Pipeline Service Company, and other Alyeska officials, Anchorage, Alaska

Mr. Andrew Rollins and Mr. Morris J. Turner, DOI, and representatives of Mechanics Research, Inc., Gulf Interstate Engineering, and Ecology and Environment, Inc., consultants to DOI for pipeline construction monitoring, Anchorage, Alaska

Alyeska Pipeline Service Company, Execution Contractors for each section of the pipeline, Fairbanks, Alaska

MK-Rivers - Section 1
Perini Arctic Associates - Section 2
H.C. Price Co. - Section 3
Associated Green - Section 4
Arctic Constructors - Section 5/6

Alyeska Pipeline Service Company quality control, and terminal and pump station construction contractors, Fairbanks, Alaska

Bechtel, Inc.
Fluor, Inc.

Tuesday, July 13, 1976

Meetings with:

Alyeska radiographic contractors, Fairbanks, Alaska.

Peabody - Bill Miller X-Ray
EXAM Company

Principal labor union representatives, Fairbanks, Alaska

Welders, teamsters and radiographers

Welders Union, Tulsa Local #798 AFL/CIO
Operating Engineers, Local #2 AFL/CIO
Teamsters Union, Alaska Local #959

Reviews of:

Acoustical imaging equipment under development, Alyeska and Holosonics, Inc., Fairbanks, Alaska

Radiography storage security vault, Fort Wainwright, Fairbanks, Alaska

Environmental aspects of pipeline, Section 3, toured area north of Fairbanks, Alaska

Wednesday, July 14, 1976

Day long inspection of pipeline construction sites, including meetings with appropriate onsite Alyeska and contractor personnel covering the following activities:

Welding, insulation, radiography, weld certification, radiographic documentation, aboveground pipe installation, vertical support members, weld remedial program and hydrostatic testing. Briefings and field visit given at Isabel Camp, Delta Camp and various locations along the pipeline.

Participants in Discussions Held
By President's Fact Finding Team
on Trans-Alaska Pipeline System Problem.
In Alaska on July 11-14, 1976

DEPARTMENT OF TRANSPORTATION

John W. Barnum, Deputy Secretary

Hamilton Herman, Assistant Secretary for Systems Development and Technology

James T. Curtis, Jr., Director, Materials Transportation Bureau

C. Ramon Greenwood, Director, Office of Public Affairs

Joseph F. Canny, Chief, Analysis Division, Office of Environmental Affairs

Leon D. Santman, Assistant General Counsel

John J. Fearnside, Executive Assistant, Office of the Deputy Secretary

Admiral Joseph R. Steele, Special Assistant to the Director, Materials
Transportation Bureau

Michael Lauriente, Office of Systems Engineering

Lance Heverly, Technical Assistant to the Director, Materials
Transportation Bureau

Andrew D. Eppelman, Management Analyst, Office of Management Systems

Rodney E. Eyster, Consultant

FEDERAL ENERGY ADMINISTRATION

John A. Hill, Deputy Administrator, Federal Energy Administration

ENVIRONMENTAL PROTECTION AGENCY

Oscar E. Dickason, Director, Alaska Operations Office

Ray Morris, Region X, Alaska Operations Office

DEPARTMENT OF THE INTERIOR

Andrew Rollins, Authorized Officer

Jack Turner, Authorized Officer's Representative

Ralph C. Brendle, Authorized Officer's Field Representative

Earl Ausman, Staff Engineer

Art Kennedy, Office of the Secretary

STATE OF ALASKA

Jay Hammond, Governor of Alaska

Charles Champion, Alaska State Pipeline Coordinator

Avrun Gross, Attorney General, Alaska

Gary Martin, Commissioner, Department of Natural Resources

JOINT FISH/WILDLIFE ADVISORY TEAM

James Hemming, Federal Representative

Al Carson, State Representative

MECHANICS RESEARCH, INC.

William Wilson, Vice President and Project Manager

Jack Baker, Welding Consultant

GULF INTERSTATE ENGINEERING COMPANY

Edward C. Michels, Vice President

Walter Green

ECOLOGY AND ENVIRONMENT, INC.

Roger Gray, Manager, Alaska Office

Dr. William Hall, Director of Energy Programs

Robert King, Field Representative

Robert Phillips, Field Representative

ALYESKA PIPELINE SERVICE COMPANY

Edward L. Patton, Chairman of the Board and Chief Executive Officer

Peter DeMay, Vice President

James McPhail, Manager, Engineering Department

Kenneth E. Anderson, Senior Project Manager, Terminal Stations and Communications

Martin J. Nelson, Manager, Weld Repair Program

Gary R. Bock, Manager, Radiographic Services

William Tigner, Manager, Radiographic Interpretation

Bentley H. Russell, Manager, Quality Assurance

Frank Fisher, Manager, Environmental Protection

Kenneth R. Frantz, Senior Project Manager's Field Representative

Kenneth Lomax, Alpha Quality Control

Maurice S. Smith

Rodney Higgins, Manager, Pump Stations

E. L. Von Rosenberg, Metallurgist, on loan from Exxon Production Research

(Various Field Personnel met during Field Trips)

David Haugen, Marshall Hughes, George Nutwell, Dale Thorpe
Edward Tibbets

BECHTEL INCORPORATED

R. C. Schmid, Manager, Quality Control

H. M. McCamish, Manager of Division Operations, Pipeline and Product
Services Division

V. S. Nielsen, Senior Project Manager

J. Anderson

FLUOR ENGINEERS AND CONSTRUCTION, INC.

E. D. Fox, Vice President and Project Director

W. T. Lanz, Manager, Quality Control

MK-RIVER DIVISION, MORRISON-KNUDSEN COMPANY

Jean Beard, Vice President and Division Manager

C. M. Hoffman, Project Manager

PERINI ARCTIC ASSOCIATES

V. N. Osadchuk, Project Manager, Perini Arctic Associates and
President of Majestic-Willey, Ltd.

H. C. PRICE COMPANY

Harold C. Price, President

Travis E. Smith, Project Manager

ASSOCIATED GREEN

T. L. Beard, Project Manager

Bernie Dorman, Project Engineer

ARCTIC CONSTRUCTORS

W. L. J. Fallow, Project Manager

Marvin Jones, representing Williams Brothers

PEABODY-BILL MILLER X-RAY, INC.

1e
Sandy Watson, Project Manager

EXAM COMPANY

George Shaw, Project Manager

HOLOSONICS, INC.

Dr. Victor Neeley, Vice President and Manager of Industrial Division

Dr. George Garlick, President

Dr. Dale Collins, Manager, Special Systems Contract

TRANS-ALASKA PIPELINE SYSTEM CONSTRUCTION UNION

Welders - Tulsa Local No. 798, AFL/CIO

George Lambert, International Representative

Joseph Wyatt, Business Agent, Local No. 798

Radiographers - St. Louis Local No. 2, Operating Engineers, AFL/CIO

Donald Olive, Business Agent

Teamsters - International Brotherhood of Teamsters Local No. 959, Anchorage

Jesse L. Carr, Secretary-Treasurer

Gary Atwood, Fairbanks Business Agent

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Washington *Star* *Interior*
7/14/76

To: Jim Cannon
FVI!

Judy H.





Pipeline Splits Apart During Alaska Test

ANCHORAGE, Alaska (AP) — A 7-foot section of the trans-Alaska pipeline split apart during water pressure tests on the 48-inch-diameter steel tube, the firm building the line has disclosed.

Alyeska Pipeline Service Co. said yesterday that the rupture occurred last Friday in the pipe wall and

Alyeska said about 50 miles of pipe have been "successfully pressure tested" to date.

When crude begins to flow from Prudhoe Bay 800 miles south to Valdez it will exert 1,180 pounds per square inch, Alyeska said. The pipeline is scheduled to be operational next July and is slated for an initial capacity of 600,000 barrels



THE DEPUTY SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

July 20, 1976

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Trans-Alaska Pipeline

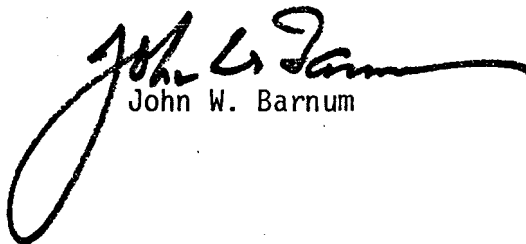
Attached is the report of the fact-finding team which, at your direction, I took to Alaska on July 11 to investigate alleged defects in the girth welds on the Trans-Alaska Pipeline System and the radiograph records which Alyeska Pipeline Service Company is required to maintain with respect to such welds. In addition to officials and experts of the Department of Transportation and its Office of Pipeline Safety Operations, I was accompanied by John Hill, Deputy Federal Energy Administrator, and we were joined in Alaska from time to time by representatives of the Department of the Interior and the Environmental Protection Agency.

We spent three and a half days in Alaska, returning to Washington on July 15. During that period we met with Governor Jay Hammond and his staff, we interviewed in depth numerous officers and employees of Alyeska Pipeline Service Company, and we interviewed representatives of Alyeska's contractors, the principal labor unions, DOI's Alaska Pipeline Office, and its principal technical support contractors. We were briefed on certain experimental testing techniques, inspected Alyeska's radiograph records of welds, and spent one day on the pipeline to observe the welding, radiography and other construction and quality control procedures.

In our judgment Alyeska has an acceptable welding quality control program for the 1976 construction season. Alyeska has also instituted a program for correcting the 3,955 welding or radiography defects in its 1975 construction program, and believes that it can correct such defects by conventional inspection and repair procedures during this construction season. (While we were in Alaska Alyeska management stated that the work would be completed by mid-September 1976; they are now saying early November 1976, and that to attain that goal they may be requesting waiver of existing standards.) We conclude that even November is an optimistic target date, but that Alyeska should be able to remedy the already identified defects, and to complete the remaining pipeline construction, prior to the scheduled completion of the storage and port facilities at Valdez in mid-1977.

The draft report which Arthur Andersen & Co. submitted to the Department of the Interior on June 30, 1976, raised certain questions concerning the audit of radiographs by which Alyeska identified 3,955 possible weld or radiograph problems. Alyeska has not yet had an opportunity to respond in detail to Arthur Andersen & Co.'s draft report. DOI is pursuing that this week. In any event, our investigation indicates that further verifications are required with respect to those of the 30,800 welds which were accepted in 1975 but which may not have been reviewed adequately in the Alyeska weld audit. DOI is formulating its specific recommendation with respect to such a verification program.

The general conclusion is that all problems associated with the 1975 weld/radiography program are resolvable on the basis of continuation of Alyeska's program to correct the identified problems, clarification of the Arthur Andersen & Co. report and possibly a statistically based reexamination of the 1975 welds and radiograph records. It does not appear likely that an alternative to radiography can be proven acceptable for general use in time to benefit Alyeska during the 1976 construction season. Nevertheless we believe that the pipeline can be completed in mid-1977 without any compromise of environmental or safety standards.



John W. Barnum

Attachment

THE WHITE HOUSE
WASHINGTON

July 20, 1976

Dick:

Jim Cannon asked that the following message
be passed along to you:

Subject: Alaska Pipeline

Barnum is back from Alaska and wants to meet
with the President this afternoon. Cannon doesn't
think they are ready. Zarb does not feel strongly
that the President should meet with Barnum.

Cannon recommends we get a one page interim
report to the President this afternoon.

*no mtg
written report*



INFORMATION

MEMORANDUM FOR

FROM:

SUBJECT: STATUS REPORT: ALASKA PIPELINE

The Executive Committee of the Energy Resources Council met this morning to receive interim reports from Under Secretary Barnum on his trip to Alaska and from Secretary Kleppe on activities which he has underway.

The two departments will take the lead in preparing a report that the ERC can submit to you later this week or early next week.

It is too early to reach final conclusions but work is underway on all of the following:

- ° Reexamining and correcting any problems associated with the 3,955 questionable welds completed during 1975.
- ° Rechecking, at least on a sample basis, the other 30,800 welds completed during 1975 which Alyeska believes are acceptable.
- ° Checking closely on the acceptability of welds already completed in 1976.
- ° Establishing unquestionable quality control procedures for all future welds.

Both departments are firm in their conclusion that all outstanding questions will be resolved before use of the pipeline is permitted. They are still guardedly optimistic that any necessary corrective action can be completed on the pipeline in time to permit opening of the entire system in mid-1977.

Interior and DOT officials will be testifying tomorrow before the Senate Interior Committee providing information along the above lines.

The final report of the Arthur Anderson Company -- which raises substantial questions as to the acceptability of past quality control procedures -- has been given to House and Senate Committees and will become public either today or tomorrow.



Behind this are the following:

- . There is some infighting going on between Interior and DOT -- which probably can be worked out over the next few days as the two agencies agree on a single report to the ERC.
- . The final Anderson report -- together with oral comments made to Interior by the Anderson Company -- is leading Interior to consider an order to Aleyeska to shut down work until an unquestionable quality control and audit program is set up. Secretary Kleppe indicated that he wanted to question his staff closely before proceeding with any such step.
- . The questions now being raised by Interior serve to undercut the conclusions in Barnum's draft report about the acceptability of work now underway.
- . John Barnum wants badly to be able to release a report to the public and make a presentation directly to the President. The ERC Executive Committee concluded that no report should be made public now. Instead, DOT and Interior should work together on an ERC report to the President.
- . OMB is going to get Interior and DOT people together this afternoon to work on testimony -- to be delivered tomorrow. This testimony would take the approach outlined in the draft memo (minus the last two paragraphs).



Interior

THE WHITE HOUSE

INFORMATION

WASHINGTON

September 7, 1976

*Glenn -
let's
discuss
Jan*

MEMORANDUM FOR: JIM CANNON
FROM: *Glenn* GLENN SCHLEEDE
SUBJECT: ALASKA PIPELINE

Attached for your information is a copy of an internal Interior Department memo reporting on the Alaska Pipeline. I'd appreciate it if you did not pass this paper on.

Late this afternoon, Interior received its first copy of the report to Congressman Dingell that was played up in the press over the weekend. It was labelled "preliminary" and dated today!

Interior's first reaction was that it contained mostly outdated information. I'll get another reaction after they have reviewed it.



090803



United States Department of the Interior

U.S. DEPT. OF THE INTERIOR

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

SEP 1 1976

OFFICE OF THE
UNDER SECRETARY

22: TAPS

September 1, 1976

Memorandum

To: Under Secretary
From: John E. Latz, Technical Assistant to the Under Secretary
Subject: Secretarial Briefing on Trans Alaska Pipeline System

Status of Construction

Alyeska plans completion (first thru-put) during third quarter of 1977, at 600,000 barrels per day (BPD), expanding to 1,200,000 BPD by year's end. Our judgment is that this schedule might slip as much as 3 months, but no more.

Present physical completion of project is about 80%, approximately 625 miles of pipeline have been completely installed, 785 miles of main line welding completed.

Manpower on project, now 20,000 men, peaked last month at 22,000, will now drop rapidly as completion nears.

Critical-path to completion has until now been completion of Valdez Terminal. We judge that Section 5/6 (northernmost section) pipeline construction and hydrostatic testing may now be critical segment.

Prudhoe Bay Production facilities (with successful barge shipment this summer) are projected to be complete by May 1, 1977, putting maximum pressure on completion of pipeline.

Welding Problems are being reduced by daily repairs. Of 3,955 "Problem Welds" identified by Alyeska's audit of last May, 948 discrepancies are yet to be resolved. Of these, 851 are below ground. Of the 948, 919 are in Section 5/6 (the 210 mile northernmost segment). None of Section 5/6 has yet been hydrostatically tested. To meet completion date schedule calls for completion of hydrotesting by November 1. It is very doubtful that this will be accomplished.



Page 2 - Secretarial Briefing on Trans Alaska Pipeline System

Alyeska filed on September 1, 1976, for "exemption" from DOT regulations for 612 welds containing non-standard defects. While they are awaiting DOT's address of their petition, they are continuing to make repairs to bring welds into compliance.

Alyeska has notified us of their intention to have a radiograph of every weld. They have abandoned the idea of using acoustical imaging as an alternate to radiography.

With Arthur Anderson & Co., we are addressing sufficiency of all of Alyeska's welding records. This effort will likely not be completed before January, 1977. We foresee no need to have to consider any "waiver" or change to our stipulations.

Environmental Issues (in addition to weld integrity) likely to be faced include possibility Alyeska may seek permission to use "freeze-point depressant" (anti-freeze) such as methanol or ethylene glycol in hydrotest program in order to complete that phase this winter. Such compounds hold potential for severe environmental damage if not properly managed.

Alyeska's operations and maintenance monitoring plans and their oil spill contingency plans have yet to be finalized.

As construction ceases, environmentalists are pressing for requirement to remove camps to preclude development and use, i.e. to forestall tourism. Any actions on our part as to camp removal should await decision on gas line route.

Congressional - Indications from conversations with relevant Committee staffs indicate no present plans to resume hearings on the pipeline itself. Hearings on PADD V oversupply will continue. Supply situation is manageable over the near term with all the alternatives available, including approval of swaps with foreign countries.



Alaskan Highway

THE WHITE HOUSE
WASHINGTON

September 10, 1976

MEMORANDUM FOR: PHIL BUCHEN
ROBERT T. HARTMANN
JACK MARSH
MAX FRIEDERSDORF
ALAN GREENSPAN
JIM LYNN
BILL SEIDMAN

FROM: JIM CANNON *Jimi*

SUBJECT: Financial Assistance for Alaskan
Highways

This is to solicit your comments on the attached draft decision memorandum on the question of Federal financial assistance for Alaskan highways damaged by heavy traffic supporting the Pipeline construction.

I would *appreciate* having your comments by *Friday*
noon, September 17.

Attachment



THE WHITE HOUSE
WASHINGTON
September 10, 1976

DRAFT

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON

SUBJECT: Alaska's Request for Financial Aid for
the Repair of Alaskan Highways

Governor Hammond (R-Alaska) and the Alaskan delegation are requesting administration support for S. 2071, a bill to authorize the appropriation of \$70 million for the repair of Alaskan highways. Alaskan highways have suffered damage since construction of the pipeline began and the Governor maintains that this damage is due to increased traffic from pipeline construction.

BACKGROUND

The Governor states that without repair these highways could deteriorate to the point of closing. Governor Hammond has indicated that if financial aid for repairs is not forthcoming, the State will consider restrictions which might delay pipeline completion.

Alaska has estimated that it requires Federal aid of approximately \$70 million initially and \$300 million over a five-year period to finance needed repair and restoration work.



Section 151 of the Federal-Aid Highway Act of 1976 responds to the State's concerns by requiring the Secretary of Transportation to study the problem of highway impact and report his findings to the Congress. Under this section the Secretary is authorized to undertake a study to determine the costs of, and responsibility for, repairing the damage to Alaskan highways that has been caused by pipeline construction. The Secretary's initial findings are due on or before September 30, 1976, and his final conclusions are due no later than three months after completion of pipeline construction. Construction is now expected to be completed by the end of 1977.



Alaska, however, presently has a cash flow problem and is without front-end funds to accept contractor bids by January, 1977, the last month in which it can make arrangements for the repair of highways in the summer of 1977.

S. 2071 has passed the Senate and is currently pending in the House. Without a strong Administration push, it is unlikely that S. 2071 will pass the House this session, especially since the House Public Works Committee appears to want to wait for the Section 151 report. (Given the priority items confronting the Congress before the recess, it may well be that legislation on this subject couldn't be enacted under any circumstances.)

OPTIONS1. Await the Study

Do nothing to support the legislation and indicate that any further definitive Administration recommendations on this issue will await completion and transmittal to the Congress of the comprehensive Alaskan roads study required by Section 151 of the 1976 Highway Act. As noted above, the initial report is due on September 30, 1976.

2. Loan

Support legislation to authorize the Secretary to loan up to \$70 million from the Highway Trust Fund, repayment of the loan to begin when oil revenues accrue to the State.

3. Permit Use of other funds

Support an amendment to the 1976 Highway Act to allow Alaska to spend up to \$20 million from the funds already authorized for upgrading their highways for repair to the damaged roads by pipeline activity.

4. Direct Aid

Support the S. 2071 legislation for \$70 million in a new grant authorization.



ASSESSMENT OF ALTERNATIVES

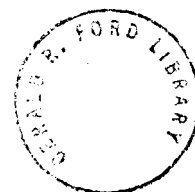
9/30/76
Option 1 -- Await the Study

Con

- a. Alaska maintains that the roads need repair now.
Without Federal financial assistance, the Governor believes that many of the roads will deteriorate to the point of closing.
- b. Although the Section 151 study is due September 30, that date may be too late for Congress to act this Fall. Bids for next summer's construction must be contracted by January, 1977.

Pro

- a. Awaiting the study would allow the Administration to be more certain of the condition of the roads and of the Federal responsibility for their repair.
- b. No Federal funds would be advanced at the present time.



Option 2 --LoanCon

- a. Federal funds would be advanced before the study indicates the condition of the roads and the Federal responsibility for their repair.
- b. Loan may set a bad precedent of Federal government assuming responsibility for damage before cause of damage is determined.

Pro

- a. Option 2 has the support of Secretary Coleman and the State of Alaska. Alaska is amenable to this option, because its financing problem is partly one of cash flow. Front-end money is necessary now so that the State can accept contractor bids by the end of January 1977,
- b. Alaska maintains that pipeline construction is having an extraordinary impact on Alaska's roads at the present time. While Alaska will benefit significantly when new oil revenues start to flow, the State asserts its need for cash now when State funds are unavailable for heavy road expenses.



- c. The loan would require legislative authority, but would not necessarily require appropriations action if it was from the Highway Trust Fund.

Option 3 -- Permit Use of other Funds

Con

- a. Option 3 would not give the State any additional funds over its current allocation of Federal-aid highway funds.
- b. This option is opposed by the State because it does not believe that it can divert money from its other priorities to repair the impacted roads.

Pro

- a. Diversion of funds would solve Alaska's present cash flow problem. If the study then concluded that Federal assistance should be forthcoming, the State's Federal Highway Fund could be reimbursed.
- b. No Federal outlay would be made at this time.



Option 4 -- Direct AidCon

- a. Option 4 requires both authorization and appropriation action. Assuming Congress sticks to its current adjournment schedule, there is very little time to pursue this course of action.
- b. The Section 151 study should be received before recommending an outright grant containing no requirement of repayment.

Pro

- a. Governor Hammond, Congressman Young, as well as Senators Gravel and Stevens, strongly believe Alaska needs and deserves extra highway resources during this pipeline construction period.

RECOMMENDATIONSDOT:

Up to this point, the Administration's position has been that any action ^{on} ~~of~~ S. 2071 or related bills should await transmittal of the Section 151 Report to the Congress on September 30, 1976. Secretary Coleman has indicated to the Governor that he would be willing to support legislation to provide



additional flexibility in the use of existing Federal-aid highway funds going to Alaska, if such flexibility was necessary to achieve needed restoration and rehabilitation.

DOT understands that this position is not acceptable to the State, primarily because it provides no extra funds at this time. If the Administration believes further assistance is justifiable, DOT believes such assistance should be limited to a loan with repayment due shortly after oil revenues start accruing to the Alaskan Treasury. This loan would require legislative authority, but would not necessarily require separate appropriations actions if it was from the Highway Trust Fund.



Alaska pipeline

September 10, 1976

MEMORANDUM FOR:

PHIL BUCHEN ✓
ROBERT T. HARTMANN ✓
JACK MARSH ✓
MAX FRIEDERSDORF ✓
ALAN GREENSPAN ✓
JIM LYNN *ok*
BILL SEIDMAN ✓

FROM:

JIM CANNON *J.C.*

SUBJECT:

Financial Assistance for Alaskan
Highways

This is to solicit your comments on the attached draft decision memorandum on the question of Federal financial assistance for Alaskan highways damaged by heavy traffic supporting the Pipeline construction.

I would appreciate having your comments by Wednesday, noon, September 15.

Attachment

RTIA Obviously some combination of options 2 and 3 are required to realistically solve the immediate problem
ajp

Option # 2
RTIA



Alaska pipeline

September 10, 1976

MEMORANDUM FOR:

PHIL BUCHEN ✓
ROBERT T. HARTMANN ✓
JACK MARSH ✓
MAX FRIEDERSDORF ✓
ALAN GREENSPAN ✓
JIM LYNN ✓
BILL SEIDMAN ✓

FROM:

JIM CANNON *J.C.*

SUBJECT:

Financial Assistance for Alaskan
Highways

This is to solicit your comments on the attached draft decision memorandum on the question of Federal financial assistance for Alaskan highways damaged by heavy traffic supporting the Pipeline construction.

I would appreciate having your comments by Wednesday, noon, September 15.

Attachment

*↑**no comment
JWS**Rec'd JPH
9/27/76*

THE WHITE HOUSE
WASHINGTON
September 18, 1976

Alaska highways
file
DECISION

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *J. Cannon*
SUBJECT: Alaska's Request for Financial Aid for
the Repair of Highways Damaged by
Trans-Alaska Pipeline Construction

Governor Hammond (R-Alaska) and the Alaskan delegation are requesting administration support for S. 2071, a bill to authorize the appropriation of \$70 million for the repair of Alaskan highways (See Tab A). Alaskan highways have suffered damage since construction of the Trans-Alaska pipeline began.

BACKGROUND

The Governor states that without repair these highways could deteriorate to the point of closing. He has indicated that if financial aid for repairs is not forthcoming, the State will consider restrictions which might delay pipeline completion.

Alaska has estimated that it requires Federal aid of approximately \$70 million initially and \$300 million over a five-year period to finance needed repair and restoration work.

The Federal-Aid Highway Act of 1976 requires the Secretary of Transportation to study the impact of pipeline construction on Alaska highways and report his findings to the Congress. The preliminary report is due September 30, 1976, and the final study is due no later than three months after completion of pipeline construction, now expected by the end of 1977.



Alaska has a cash flow problem and states it is without front-end funds to accept contractor bids by January, 1977, the deadline for contracting for highway repair in the summer of 1977.

S. 2071 has passed the Senate and is currently pending in the House Public Works Committee. Without a strong Administration push, it is unlikely that S. 2071 will pass the House this session. Given the priority items confronting the Congress before the recess, September 30, chances are slim that legislation on this subject can be enacted. Therefore, the question before you is whether you want the Administration to take a position on this issue -- even though chances for a successful legislative action are limited.

OPTIONS

1. Await the Final Report (Estimated to be March, 1978)

Do nothing to support the legislation and indicate that any further definite Administration recommendations on this issue will await completion and transmittal to the Congress of the Secretary of Transportation's final comprehensive Alaskan roads report.

2. Loan

Propose an amendment to S. 2071 to authorize the Secretary to loan up to \$70 million from the Highway Trust Fund, repayment of the loan to begin when oil revenues accrue to the State.

3. Permit Use of Other Funds

Support an amendment to the 1976 Highway Act to allow Alaska to spend up to \$20 million from the funds already allocated for construction of highways, to permit the use of these funds for repair and maintenance.

4. Direct Aid

Support the present S. 2071 legislation for \$70 million in a new grant authorization.



ASSESSMENT OF ALTERNATIVES

Option 1--Await the Final Report

Pro

- a. Awaiting the final report would allow the Administration to be more certain of the condition of the roads and of the Federal responsibility for their repair.
- b. No Federal funds would be advanced at the present time.

Con

- a. Alaska maintains that the roads need repair now. Without Federal financial assistance, the Governor believes that many of the roads will deteriorate to the point of closing.
- b. Bids for next summer's construction must be contracted by January, 1977.

Option 2--Loan

Pro

- a. Alaska is amenable to this option, because its financing problem is partly one of cash flow. Front--end money is necessary now so that the State can accept constructor bids by the end of January 1977, for the next short construction season (June-September, 1977).
- b. While Alaska will benefit significantly when new oil revenues start to flow, the State asserts its need for cash now when State funds are unavailable for heavy road expenses. Pipeline construction is having an extraordinary impact on Alaska's roads at the present time. The preliminary report indicates that \$65.5 million is needed to repair roads on the pipeline route--\$40 million of which is directly attributed to traffic supporting pipeline construction.
- c. The loan would require legislative authority, but would not necessarily require appropriations action if it was from the Highway Trust Fund.



Con

- a. Federal funds would be advanced before the final report definitively analyzes the condition of the roads and the Federal responsibility for their repair.
- b. Under the Trans-Alaska Pipeline Act the builder of the pipeline is liable for all road damage. The Federal Government has no legal liability, unless negligent.
- c. A loan may set a bad precedent of Federal Government assuming responsibility for damage to roads related to energy production.
- d. There is probably insufficient time for Congress to act on the legislation necessary for a loan, even if appropriation action is not necessary.

Option 3--Permit Use of other FundsPro

- a. Diversion of funds would solve Alaska's present cash flow problem. If the final report then concluded that Federal assistance should be forthcoming, the State's Federal Highway Fund could be reimbursed.
- b. No Federal outlay would be made at this time.

Con

- a. Option 3 would not give the State any additional funds over its current allocation of Federal-aid highway funds.
- b. This option is opposed by the State because it would only allow Alaska to divert money from its other priorities for repairs and maintenance, a use presently not permitted.

Option 4--Direct AidPro

- a. Governor Hammond, Congressman Young, as well as Senators Gravel and Stevens, strongly believe Alaska needs and deserves extra highway resources during this pipeline construction period.



Con

- a. Option 4 requires both authorization and appropriation action. Assuming Congress sticks to its current adjournment schedule, there is very little time to pursue this course of action.
- b. The Section 151 final report should be received before recommending an outright grant containing no requirement of repayment.

RECOMMENDATIONS

On this issue, your advisors recommend as follows:

- Option 1 (Do nothing now, await final report) is recommended by OMB.
- Option 2 (Support an amendment to S. 2071 to permit a loan to Alaska from the Highway Trust Fund) is recommended by: Jack Marsh, Max Friedersdord and Domestic Council. In addition, Steve McConahey, your Special Assistant for Intergovernmental Affairs, who has discussed this with Governor Hammond, strongly recommends the loan (Tab B).
- Option 3 (Increased flexibility in the use of existing Federal-aid highway funds) is recommended by: DOT and Alan Greenspan. Both also state that if the Administration decides that further aid is required, it should be limited to a loan with full repayment, due shortly after oil revenues start accruing to the Alaskan treasury. Phil Buchen will support either Option 2 or 3.
- Option 4 (Direct aid to Alaska) is recommended by Alaskan officials.

DECISION

- Option 1 (Do nothing now, await final report)

Approve _____ Disapprove _____

- Option 2 (Loan)

Approve _____ Disapprove _____

- Option 3 (Use of other funds)

Approve _____ Disapprove _____

- Option 4 (Direct aid)

Approve _____ Disapprove _____

94TH CONGRESS
2D SESSION

S. 2071

IN THE HOUSE OF REPRESENTATIVES

JANUARY 27, 1976

Referred to the Committee on Public Works and Transportation

AN ACT

To authorize appropriations for the repair of highways in the State of Alaska, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 There is hereby authorized to be appropriated out of any
4 money in the Treasury not otherwise appropriated, for repair
5 of highways in the State of Alaska, the sum of \$70,000,000
6 to be available until expended, and in addition to sums
7 otherwise made available to the State of Alaska under title
8 23, United States Code, and under section 7 (b) of the
9 Federal-Aid Highway Act of 1966. The Secretary of
10 Transportation is directed, after consultation with the State
11 of Alaska, to report to the Congress on or before January 1,

OFFICE OF INTERGOVERNMENTAL AFFAIRS

This office strongly recommends approval of Federal loan assistance to the State of Alaska. Given the size and nature of the Alaskan pipeline project and its direct and primary benefits to the entire country, this is clearly a Federal problem deserving responsive Federal relief. The Governor has approached us directly and fairly on this matter; and while there may be some differences over the cost estimates to repair the roads directly damaged by pipeline construction use, there is no dispute over the critical need for this repair. A Federal loan will solve the immediate cash flow problem of the State, enable construction grants to be secured in time for repair work to begin at the next construction season, and secure the Federal Government's commitment against a clearly established future cash flow. In summary, this is a problem in which the Federal Government has an obligation to provide assistance, and where we should try to help rather than try to avoid the issue.



Alaska Hwy

THE WHITE HOUSE
WASHINGTON

September 23, 1976

TO: ART QUERN
JUDY HOPE
STEVE McCONAHEY
DEAN OVERMAN

FROM: JIM CANNON

SUBJECT: Alaska Highway Decision



The President's decision was to approve
Option 2 (loan).

THE WHITE HOUSE
WASHINGTON

file

September 22, 1976 SEP 22 PM 3 10

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JIM CANNON

FROM:

JIM CONNOR *JEK*

SUBJECT:

Alaska's Request for Financial Aid
for the Repair of Highways Damaged by
Trans-Alaska Pipeline Construction

The President reviewed your memorandum of September 18 on the above subject and made the following decisions:

Option 1 - (Do nothing now, await final report) - Disapproved.

Option 2 - (Loan) - Approved

Option 3 - (Use of other funds) - President indicated he would like some further information.

Option 4 - (Direct aid) - Disapproved

Please follow-up with appropriate action.

cc: Dick Cheney



092220

*file
Alaskan Hwys*

THE WHITE HOUSE
WASHINGTON

October 4, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *Jm*
SUBJECT: Loan to Repair Alaskan Highways

On September 22, you approved offering an amendment to pending Alaska highway legislation (S. 2071) which would make a \$70 million Federal loan available to repair State highways damaged by trans-Alaska pipeline construction.

We prepared the amendment and notified the Governor's office. However, Governor Hammond and Senator Ted Stevens were unable to resolve their differences on the advisability of a loan and Congress adjourned without the amendment being offered.

State officials are aware that we stand ready to submit this proposal to the next Congress if they agree on details.



THE WHITE HOUSE
WASHINGTON

INFORMATION
REQUEST

October 4, 1976

MEMORANDUM FOR: JIM CANNON
FROM: JUDITH RICHARDS HOPE *JRH*
SUBJECT: Status of Alaska (Pipeline)
Highways

As you know, the President approved an Administration sponsored amendment to S. 2071 to make available a \$70 million loan to the State to repair Alaskan highways damaged by pipeline construction. This loan option was supported by State officials, including Governor Hammond.

After OMB-DOT-and Domestic Council completed drafting the amendment (Friday, September 24) we learned that Senator Ted Stevens (R. Alaska) was violently opposed to a loan and that Governor Hammond had not talked with the Alaska delegation prior to asking White House assistance in obtaining the loan amendment. *MA*

Steve McConahey has talked with the Governor's office several times in the last week and urged them to work out their differences with the Hill.

As of the last day of Congress, Friday, October 1, we had not heard back from Governor Hammond. We will continue to hold our amendment for possible submission in the next session of Congress.

I attach an information memorandum to the President which you may wish to submit.

Attachment



10048

THE WHITE HOUSE

INFORMATION

WASHINGTON

October 4, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON

SUBJECT: Loan to Repair Alaskan Highways

On September 22, you approved offering an amendment to pending Alaska highway legislation (S. 2071) which would make a \$70 million Federal loan available to repair State highways damaged by trans-Alaska pipeline construction.

We prepared the amendment and notified the Governor's office. However, Governor Hammond and Senator Ted Stevens were unable to resolve their differences on the advisability of a loan and Congress adjourned without the amendment being offered.

State officials are aware that we stand ready to submit this proposal if they ~~jointly~~ agree *on details*.

to The next Congress



Hope. - plz call Kendall

JMC/ld
Alas Hwy

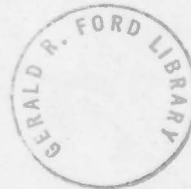
THE WHITE HOUSE

WASHINGTON

November 19, 1976 10 13 19 11 4 07

MEMORANDUM FOR: JAMES CANNON
FROM: WILLIAM KENDALL WKC
SUBJECT: Damage to Alaska's Highways

Jim, the attached memo from Senator Steven's office is self-explanatory. Is there anything we can do to help?



AN ARK., CHAIRMAN
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JAMES R. CALLOWAY
CHIEF COUNSEL AND STAFF DIRECTOR

United States Senate

COMMITTEE ON APPROPRIATIONS
WASHINGTON, D.C. 20510

November 12, 1976

Memorandum

To: William T. Kendall, Deputy Assistant to the
President for Legislative Affairs (Senate)

From: Ernie Kelly, Assistant to Senator Ted Stevens

Subject: Damage to Alaska's Highways



In furtherance of our discussion, here is additional information on the need for federal assistance to reconstruct Alaska's highways.

As you may know, the Senate passed a \$70 million authorization bill to assist in the rebuilding of highways damaged by pipeline traffic in the last Congress. The House did not act on it. Because this effort failed, the State has been seeking other sources of federal assistance to help out. The situation is very critical. Many of the major highways have been reduced to rubble.

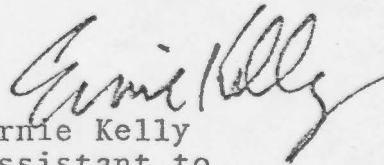
The Department of Transportation returned with an offer of a loan. There are several basic problems with this for Alaska, not the least of which is the fact that the State Government is constitutionally prohibited from loan arrangements which would commit money more than a year in advance without a bond issue. A loan paid back out of general state revenues is not the answer, we feel. Additionally, as I mentioned, Senator Stevens does feel that the Federal Government has a responsibility to assist in this matter. The pipeline was built in the national interest with the future benefits accruing throughout the nation. Our highways were destroyed in the process.

What we would like to see is a loan arrangement which could be paid back out of money appropriated by Congress or out of a federal highway program. As you may know, Alaska does not partake in the Interstate Highway Trust Fund. We receive a small lump sum (which was reduced by \$5 million this past year I understand) in lieu of interstate funds. A study has been commissioned to determine the exact extent, moneywise, of the damage that has occurred. However, the study will be finished after the pipeline is completed and we need to get something rolling now if we are to begin arresting this problem soon. Estimates have ranged between \$70 and \$200 million in damage.

memo to: William T. Kendall

If you would, please advise us, as soon as possible, what course can best be pursued. Can we get a loan that can be paid out of future federal highway revenues coming to the State? Could it be set up so we could appropriate more monies earmarked for Alaska, which could be used to pay back the loan? Can we get a large advance on future highway funds? Also, we are told that there are unobligated Federal Aid Highway Funds laying about. Can we determine if there are, how much, and whether we can get at those in any way to help us get some front end money up to Alaska by next year to begin repairs?

Thank you for your help in this matter. I look forward to hearing from you on this.



Ernie Kelly
Assistant to
TED STEVENS
United States Senator

