



**PARTNERS
IN ALASKA'S
FUTURE**

PHASE II
REPORT BY
COMMONWEALTH
NORTH

TEAM ALASKA:
PARTNERING
COMMITTEE

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EXECUTIVE SUMMARY

A. SUMMARY OF PARTNERING TECHNIQUES

Alaskans are evolving a new means of cooperative decision making referred to as "PARTNERING." Partnering can take many forms, but the essence of successful partnering is a structured process of cooperative decision making that uses mutual respect, cooperation and a "win-win" attitude to assist parties interested in an issue to achieve a mutually advantageous outcome. Partnering is not simply a process--it involves a fundamental change in attitude.

Partnering can be utilized by private parties and by the government.

In an increasingly tough world market for new investments in our future, Alaskans must identify ways to achieve mutual goals for the benefit of all Alaskans. The Team Alaska Partnering Committee believes that partnering is one key to a successful future for Alaska.

Partnering has been widely utilized in Alaska in the recent past to resolve many types of issues discussed in this Report:

- (a) to negotiate a statute and regulations to regulate the timber industry in the Alaska Forest Practices Act;
- (b) to assist the Mountain View neighborhood;
- (c) it is the subject of Alaska's recent HB207 royalty bill to enable the development of Alaska's marginal oil fields;
- (d) to provide privately financed housing for low-income persons;
- (e) to resolve difficult environmental issues including the issuance of air permits to a refinery, resolving difficult timber litigation and providing for environmental conservation;
- (f) it has been used repeatedly in major project permitting;
- (g) it has recently been utilized by the oil industry with its contractors and with organized labor;
- (h) nationally, it was utilized by the Ford Motor Company to modernize its plants and streamline its labor relations.

B. SUMMARY OF PROPOSALS AND RECOMMENDATIONS

1. THE BUSINESS COMMUNITY AND THE GOVERNMENT SHOULD RECOGNIZE AND USE PARTNERING TECHNIQUES MORE FREQUENTLY. Alaskan businesses and the State and local government agencies should recognize and use the techniques of successful partnering-- a cooperative process in which groups interested in an issue can achieve mutually beneficial results, even if disputes exist. Business and government should use partnering to mutual advantage on a routine basis.

2. ESTABLISH PARTNERING AS POLICY OF STATE. The Governor of Alaska should publicly announce that the policy of the State of Alaska is to use partnering to encourage economic development and to resolve public policy disputes. The Governor should also direct his Commissioners to use partnering techniques, including negotiated rule-making, conciliation, mediation, and arbitration in their departmental policy formulation and in their resolution of public resource and policy disputes.

3. ENACT PARTNERING LEGISLATION . The Legislature should enact partnering legislation similar to that of the Federal government and other states which will permanently authorize and encourage: (a) partnering in public contracting; (b) negotiated rule-making; (c) use of alternative dispute resolution techniques such as conciliation, mediation, and arbitration in public policy disputes and administrative appeals; (d) partnering in policy formulation by State and local governments. The federal government has saved tens of millions of dollars as a result of its partnering legislation while lessening the level of disputes. Commonwealth North will work with the Legislature, the Governor's Office and other interested groups to draft and assist passage of this legislation.

4. ESTABLISH PARTNERING COUNCIL. Commonwealth North will work together with the Governor to establish a public/private Partnering Council, a group of business and government leaders which will identify and pursue opportunities for joint State/local/private partnering opportunities leading to economic development.

5. ESTABLISH PARTNERING MEDIATION PANEL. Commonwealth North will work together with other interested private and public entities to establish an independent Partnering Mediation Panel in Alaska of trained mediators and facilitators to assist in public and private partnering efforts.

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I. INTRODUCTION

As Alaska moves into an uncertain future, we must create new and more cooperative responses to the challenges we now face. The problems of the 1990s are different—there is less money, fewer jobs, and Alaska is competing in a tough world market for new investments in our future. In response, Alaskans are beginning to identify ways to achieve mutual goals which give every major interest involved in the solution a stake in a positive outcome, and which lessen the time and resources spent in unnecessary contention and disputes.

These cooperative responses are varied, but collectively they have come to be referred to as “PARTNERING”—their common ground is a process by which partners identify new and cooperative approaches, which utilize the spirit of mutual respect and trust, to achieve mutual goals for the benefit of all Alaskans.

Some of these new approaches to partnering involve government regulation, some involve private business, and some involve social programs. The diversity of these solutions defies a single definition of “PARTNERING”, but, whatever their form, their common thread is consensus building and a mutually advantageous resolution to the challenges of the 1990s, which can give stakeholders in the outcome advantages that none could achieve alone, without this cooperative approach.

Commonwealth North’s “Team Alaska” Partnering Committee believes that partnering is one key to a successful future for Alaska. Partnering will encourage economic development, it will enable government to function more efficiently with less revenues, and it will encourage solutions to policy disputes involving Alaska’s resources.

II. TEAM ALASKA

A. TEAM ALASKA'S PURPOSE. Team Alaska's Phase I Report, Team Alaska: Partnering for Alaska's Future, stated a clear consensus on the issues faced by Alaska:

- "Annual state expenditures now exceed recurring revenues by hundreds of millions of dollars...one industry, the oil industry, provides 85 percent of state revenue. North Slope oil production is declining."
- "While opportunities for additional economic development are present, Alaska faces increasing world competition."
- "The (State of Alaska's) Gaffney Cline study outlined some major perceptions of Alaska which reduce the state's attractiveness for investment.... According to the Gaffney Cline study, 'the single largest step towards improving and optimizing the situation would be an improvement in the communications and working relationships between the industry and the government.'"
- "It is clear we have reached a turning point."

Team Alaska's Phase I Report proposed partnering as a solution to these issues. It provided a vision for sustaining Alaska's economic growth using partnering techniques to build trust and achieve cooperative problem-solving.

Team Alaska's Phase II Report has two purposes:

- (1) To present a "track record" of success to demonstrate the many ways in which partnering has worked in Alaska, in other States, and around the world. Team Alaska has examined many successful approaches at creative partnering, and we are setting out in detail these case histories in this Report;
- (2) To offer concrete proposals for government and private initiatives to enhance the continued success of partnering in Alaska. This Report also sets forth these proposals.

B. TEAM ALASKA'S PARTICIPANTS. The men and women who participated in Team Alaska's Phase II represent a wide range of Alaskan interests in many segments of the economy, including organized labor, education, social programs, finance, health care, oil and gas, forestry, construction, publishing and law. Team Alaska contacted experts in many critical segments of Alaskan public life, from government to the oil industry to the environmental community, and it studied many examples where partnering has been successful. Team Alaska's work represents a full spectrum of interests in the future of Alaska, and a consensus on the need for partnering.

C. TEAM ALASKA'S WORK. Team Alaska met more than ten times during the spring and summer of 1995. Its first task was to identify successful Alaskan achievements in partnering. In conducting its work, Team Alaska met with the following persons on the following successful partnering experiences (listed in the order the meetings occurred):

- Henry McGee, Vice President for Finance, ARCO Alaska, "Production Sharing Agreements in the Oil Industry Worldwide";
- Dennis McMillian, United Way of Alaska, "Mountain View Neighborhood Task Force Initiative";
- Harry Noah, Natural Resources Consultant and former Commissioner, Alaska Department of Natural Resources, "Partnering Strategies in Permitting Major Mining and Pipeline Projects";
- John Sturgeon, President, Konkor Forest Products, "Partnering by Industry/Government/Environmental Community to Create the Forest Practices Act Statute and Regulations";
- Mano Frey, Business Manager and Secretary-Treasurer, Laborers Union, "Labor and Management Partnering on the Alyeska Pipeline";
- Willie Hensley, Commissioner, Alaska Department of Commerce and Economic Development, "Partnering Projects in the Department of Commerce";
- John Shively, Commissioner, Alaska Department of Natural Resources, "Partnering Projects in the Department of Natural Resources";
- Susan Ruddy, Nature Conservancy, "Partnering with the Nature Conservancy for Environmental Protection";
- Steve Kallick, Alaska Rain Forest Coalition, "Partnering to Preserve and Harvest University of Alaska Timber Lands at Cape Yakataga";
- Peter Van Tuyn, Executive Director, Trustees for Alaska, "Partnering to Resolve Environmental Litigation-Tesoro Refinery Air Permit, Healy Clean Coal permits, and Others";
- Cynthia Parker, Executive Director, Anchorage Neighborhood Housing Inc.; Gary Dalton, Chief Financial Officer, National Bank of Alaska; Jim Kubitz, former assembly member; Sue Wolfe, Key Bank of Alaska; and Shannon Wilkes, Anchorage Housing Initiative, "Partnering by Social Agencies and Financial Institutions to Provide Low Income and Special Needs Housing."

In cooperation with Team Alaska's work, Commonwealth North also has recently brought to Alaska and presented in its regular programs a variety of speakers on partnering topics, including:

- Gifford M. Brown, Site Manager of Cleveland Operations for the Ford Motor Company and Raymond J. Metsch, United Auto Workers Training Coordinator and Human Resources Director for the Ford Cleveland Plant who spoke on the successes of partnering at the Ford Cleveland Engine plant;
- Wayne Mallick, Vice President of Operations for the Alyeska Pipeline Service Company, who discussed Alyeska's successes in partnering with its service and supply contractors, and with organized labor;
- William K. Slate, President and CEO of the American Arbitration Association, who discussed Alternative Dispute Resolution and arbitration, and the establishment of a AAA arbitration panel in Alaska;

In addition, Team Alaska contacted other experts in the field of cooperative decision making, including:

- Professor Jerry Cormick of the University of Washington, a labor mediator;
- Connie Lewis of the Keystone Center, mediator of resource conservation disputes;
- Deborah Gibbs Tschudy of the United States Department of the Interior Minerals Management Service (MMS), who coordinated a negotiated rule making with industry;
- Ben J. Dillon of the MMS who coordinated a pilot program for royalty in-kind gas sales; and
- Jerome George of the Alaska Department of Transportation and Public Facilities, who implemented a partnered permitting process on a State highway project;
- Gail Achterman, an attorney who has presided as a neutral chair in many negotiated rule makings in the State of Oregon.

Team Alaska wishes to express its gratitude to all who helped in its deliberations.

III. WHAT IS PARTNERING

We cannot meaningfully discuss partnering without establishing a clear and commonly understood meaning for that term. We offer here a definition of partnering, some examples of the forms partnering can take, the ingredients of successful partnering and some of the pitfalls of partnering.

A. PARTNERING DEFINED. Partnering is a structured process of cooperative decision making in which parties interested in an issue seek a mutually advantageous outcome. Using partnering, these “stakeholders” unite to create an atmosphere of mutual trust and respect in which to resolve disputes.

This structured process of mutual cooperation and trust allows stakeholders to more creatively resolve problems in ways not possible through dispute. It is trust and cooperation which characterize partnering; partnering involves a fundamental change in attitude to decision-making, not simply a process.

B. FORMS OF PARTNERING. This Report discusses several different basic forms of partnering. Partnering is a flexible process, and partnering can take whatever form the parties require. There are, however, several basic types of partnering. The Administrative Conference of the United States (an entity created by Federal law to promote efficiency in government) recently issued a report, “Toward Improved Agency Dispute Resolution: Implementing the ADR Act”. This report evaluates a recent Federal statute, and identifies common forms of partnering (including alternative dispute resolution) as follows:

- **Conciliation** is the attempt by a neutral third party to reduce tensions and improve communications among the parties in an effort to get them to agree on a process for resolving their dispute.
- **Mediation** involves using a trained neutral third party to help disputants negotiate a mutually agreeable settlement. The mediator has no independent authority and does not render a decision; any decision must be reached by the parties themselves.
- **Neutral evaluation** . . . involves using a neutral fact finder to evaluate the relative merits of the parties’ positions. . . .
- **Arbitration** is like adjudication in that a neutral third party is empowered to decide disputed issues after hearing evidence and arguments from the parties. . . .
- **Negotiated Rulemaking** . . . is an alternative to traditional procedures for drafting proposed regulations that brings together representatives of the agency and the various affected interest groups to negotiate the text of a proposed rule. It supplements the normal steps in agency rule making.

Partnering is a process, increasingly used in contracting, that is designed to avoid disputes. At the start of a project, participants seek to identify common goals and interests and establish clear lines of communication. The process may involve a joint workshop, managed by a neutral facilitator, to develop a team charter, as well as follow-up meetings and evaluation processes. . . .

This Report uses the term "PARTNERING" in a broad sense to include all these forms of cooperative problem solving.

C. THE INGREDIENTS OF SUCCESSFUL PARTNERING. While the forms of partnering may be varied, the ingredients of a successful partnering process are relatively consistent.

(1) Mutual Interest In Issue. A partnership cannot be created until parties identify their mutual interest in an issue. Parties who have identified a mutual interest in an issue are often referred to as "stakeholders" in the outcome.

(2) Mutual Trust, Consensus Building and Teamwork. The hallmark of successful partnering is mutual trust between stakeholders. Adoption of an appropriate process for partnering which involves personal communication, consensus building, and a personal commitment to teamwork can lead to mutual understanding and mutual trust. Mutual trust allows stakeholders to build a consensus. It is critical to establish the partnering relationship early in the process.

(3) A Written Charter Stating A Mutual Commitment To Partnering Outcome. Partnering will work when stakeholders each become committed to a mutually beneficial outcome. This commitment should be made at a personal level. A written charter that all stakeholders sign can help to foster a mutual commitment. The charter should set clear guidelines for conflict resolution, and should state the process the stakeholders will follow.

(4) Teamwork And A Win/Win Attitude. Stakeholders should create an atmosphere of teamwork, and foster a "win/win" attitude through teamwork and consensus building. Stakeholders should develop listening skills, understanding and empathy for the other partners.

(5) Focus On A Successful And Flexible Process. Stakeholders should focus on a successful and flexible partnering process, where the process can be amended and corrected when failures occur. There should be no "bad" people, and no "people failures" in a successful partnership.

(6) Alignment Of Actions And Goals. Stakeholders must identify mutual goals and make sure that their actions in the partnering process are intended to lead to a successful outcome. Discipline must be enforced in the partnering process to achieve success. Actions which do not directly further the goal of the partnership should be avoided.

(7) "Benchmarking" To Identify Success And Failure. Stakeholders must establish benchmarks of success and failure and rigorously apply them to maintain commitment to the end of mutual success. Until successful and unsuccessful outcomes are identified, there is no way for a partnership to evaluate the correctness or efficiency of its actions.

D. PITFALLS IN PARTNERING. The pitfalls of partnering are also relatively consistent:

- Self interest vs. mutual interest;
- Lack of commitment by top management;
- Lack of understanding of other views or opinions;
- Ignoring a problem, or a "no decision" result;
- Jumping levels of authority. It is important to establish lateral and vertical levels of authority;
- Escalating problems upward. If possible, resolve all problems at lowest levels, in a timely fashion;
- Personality clashes, schedule delays, and unfairness;
- Litigation as a solution;
- Understaffing in the partnering process;
- Unwillingness to change;
- Unwillingness to share risks;
- Completing the partnership without a signed agreement or charter;
- Stakeholders who may retain a "win-lose" orientation during the process.

IV. WHO CAN USE PARTNERING

Partnering has been utilized in a number of different contexts:

(A) GOVERNMENT/PRIVATE PARTNERSHIPS. The Alaska state government as regulator has successfully engaged in partnerships with the regulated community, for instance by entering into negotiated rule-making. Such partnerships include all significant stakeholders in the regulation in order that mutual interests are addressed and resolved. The Alaska Forest Practices Act is an example of a negotiated rule making partnership. These arrangements can significantly lessen disputes and save all parties, including the government, large amounts of money and time.

The State of Alaska, as owner of the resource, also has a different, "proprietary" interest, distinct from its role as a "regulator." In this role, Alaska must act responsibly as the advocate, innovator and facilitator of development of the resources it owns. In this role Alaska has much more latitude to partner with private entities, and it has a direct financial stake in the outcome. And, while it is important to provide incentives for development, it is crucial that the state receives fair compensation for the extraction of Alaska's non-renewable resources. The recent enactment of HB 207, which changes Alaska's royalty oil statute to encourage development of marginal fields, and HB 197, which provides the mining industry exploration incentives, offer Alaska the opportunity to explore that sort of partnership.

(B) PRIVATE/PRIVATE PARTNERSHIPS. Recently, Alaskan business interests have formed innovative new forms of private partnerships to mutual advantage, including "alliancing" to provide services to oil companies by oil field suppliers who establish closer and more responsive and flexible relationships with the oil companies, and with labor unions. These partnerships lead to increased profits, more secure jobs, and increased flexibility in a changing economy.

(C) GOVERNMENT CONTRACTS. Partnering in government contracting has lessened the amount of regulatory burden, increased efficiency and lowered costs for government and the contractors.

V. CASE HISTORIES OF PARTNERING

One purpose of Team Alaska's Phase II Report is to present the following examples of successful partnering:

A. NEGOTIATED STATUTES, AND NEGOTIATED RULE MAKING: THE TIMBER INDUSTRY, THE ENVIRONMENTAL COMMUNITY, AND THE FOREST PRACTICES ACT

There are few areas of Alaskan resource development more controversial than the timber industry. Logging provides important jobs and profits for many Alaskans, but it can also affect scenic and wildlife habitat values, subsistence and commercial fishing, and logging in Alaska has become embroiled in national political disputes in the Tongass and elsewhere. In 1989, in the face of growing pressure for legislation to improve the practices of the timber industry, Governor Steve Cowper organized a partnership to provide a workable consensus on a new Forest Practices Act statute and regulations—the Forestry Task Force, with 12 members, including representatives of the timber industry, the Native community, commercial fishermen, the environmental community, and state agencies, and a trained mediator. Governor Cowper told the participants that if they could not resolve the issues among themselves, then the Administration would propose a legislative resolution of its own which probably would not satisfy any group. To this powerful external incentive to successful partnering, the group added several important “rules” of its own:

- a mission statement was established;
- each participant clearly stated the goals;
- no alternates were allowed to attend;
- a participant was free to leave, but he could not rejoin the group later, and there would be no replacement;
- negotiations were conducted in good faith, consensus was the goal, risks were shared, and no group took a “big hit”;
- the group would commit to support its final product before the Legislature;
- no member of the group would challenge the result in litigation.

The Forestry Task Force addressed and resolved sophisticated problems—provision of appropriate buffers along anadromous fish streams to preserve large woody debris and thus promote fish spawning and rearing habitat; non-point source surface water runoff regulations; road and culvert design requirements; a workable solution to state regulation of the timber industry on private and Native land; compliance with the Alaska Coastal Management Program.

The partnered solution was a success. The Alaska Forest Practices Act was enacted by the Legislature, and accompanying regulations were adopted by DNR, in the form initially agreed to by the Forestry Task Force. The partnered solution provides meaningful and effective, but still workable regulation for the timber industry in Alaska.

Insights of the Forestry Task Force into successful partnering included: the key role of personal relationships of trust among the stakeholders; the understanding of other views created as the natural result of a partnered environment; the crucial role of mutual commitment to the partnering process and its product; the assurance that failure of a partnered solution would result in a "solution" imposed from without; the important role played by the "rules" of successful partnering; and the successful and beneficial use of a mediator to structure a partnered process.

B. COMMUNITY DEVELOPMENT AND COMMUNITY ORGANIZATION -- THE MOUNTAIN VIEW NEIGHBORHOOD TASK FORCE

Mountain View is a neighborhood with a rich urban diversity. The Mountain View neighborhood's population is 51% minority. Of this population, 26% is Native--the fifth largest Native community in Alaska--and there are significant populations of African-American, Mexican American and Asian groups. Unfortunately, Mountain View is also a neighborhood with problems. Demographics paint a clear picture of a high risk community: Mountain View has the lowest median income in Anchorage, 24% of its residents have no vehicle, and 28% have no phone. While 34% of the population suffer from chronic illness, there are no doctors or health clinics in Mountain View. Mountain View has tenacious social problems which affect even its youngest residents: 71% of Mountain View children change schools each year; 86% of Mountain View school children participate in free school lunch programs. Crack houses, violent crime and youth gangs are also well-entrenched.

Mountain View's problems were brought vividly into the public eye by a recent series of murders and shootings involving juveniles. These crimes have drawn public attention to the related problems of drugs, gang violence and street crime which Mountain View (and Anchorage, and Alaska) sadly shares with much of the rest of the United States.

These problems have defied the power of the Federal, State and local government which have confronted them, and no solution to them exists which is guaranteed of success. Still, one important response is purely local. An organized and unified neighborhood is more prepared and capable to mount a meaningful response to these modern American social ills than is a neighborhood which has not formed a partnership among its residents. An organized neighborhood can, for instance, provide community patrols, discourage gang activities, encourage police interaction in the community, and strengthen and unify schools, churches, and other social institutions. These efforts alone may not conquer crime, drugs and gang violence, but they demonstrate to all that a community is united in opposition to them.

While the cultural resources of Mountain View are rich and varied, the community's previous responses to its shared problems were at best splintered. In September, 1993 the Boy Scouts requested the United Way's assistance in creating a new and more effective partnered community solution to these problems.

United Way's "job" is partnering; United Way was created in the late 1800's out of groups seeking to better their communities. For these reasons, the United Way's role in organizing the Mountain View Neighborhood Task Force was natural.

The Task Force's primary purpose was to provide increased services for children: United Way coordinated a response of many community and youth groups, including the Mountain View Community Council, the Concerned Citizens of Mountain View, two community patrols, the Boy Scouts, the Boys and Girls Clubs, the School District, the Girl Scouts, the YMCA, Anchorage Parks and Recreation, the Police Department, Camp Fire, YWCA, United Way, and the Mayor's office.

By January, 1994, this partnership of community organizations was fully organized. The Task Force sponsored a Spirit Day in 1994, and 1500 people attended. Spirit Day 1994 was a success—it fueled efforts throughout 1994 and 1995 at community partnering, which increased participation in youth summer groups by 100%, increased community based activities in schools, helped increase library resources, got junk cars hauled away, assisted in unifying the clergy, and in consolidating and coordinating previous community efforts.

New partnerships were also created in the community: the Youth Community Connection gives kids suspended from school a constructive place to go; the Mountain View Business Alliance strengthens the local business community; the Health Care Initiative seeks to respond to health needs; and the Anchorage Housing Initiative has become active in Mountain View, working to build single family housing on eight contiguous lots.

Spirit Day 1995 was recently held, and again 1500 kids attended—the results of this community partnership appear to be lasting, and appear to benefit all of Anchorage.

Some insights into successful partnering gained from the Mountain View Neighborhood Coalition include: the partnership should be inclusive, but also only include partners with agreement on their shared mission and who have a willingness to work; the partnership needs to preserve an identity exclusive of its partners individual identities; it needs little bureaucracy, great flexibility, and a strong unifying mission.

C. FISCAL PARTNERING IN THE OIL INDUSTRY

Many countries have responded to the global trends in the oil industry by reaching arrangements that incorporate the principles of partnering. Alaska's initial efforts at partnering with the oil industry recently involved exploration incentives and large block leasing in areas other than the North Slope and the Kenai Peninsula. A far more significant second step towards partnering is represented by the recent enactment of HB 207. This new legislation offers Alaska the opportunity to use partnering to become more competitive in a global market for capital and to encourage oil development in Alaska that would otherwise not happen.

Most of the petroleum producing countries have been creative in encouraging petroleum exploration and development by sharing both the risks and benefits of development. These arrangements incorporate concepts of partnering and respond to the increasingly competitive worldwide market for capital and the increasingly expensive and risky environment for oil exploration.

Partnering between the State of Alaska and the oil and gas industry to encourage new oil and gas development is both difficult, and necessary. The State government is largely funded by oil revenues from oil fields on state lands, and the State is desperately seeking to avoid a revenue shortfall as oil production declines on the North Slope. Thus, any suggestion that the state take an action which might diminish its oil revenues must be carefully and critically examined. At the same time, there currently exist a number of oil fields on the North Slope which are inactive because they cannot be profitably developed and produced; royalty adjustments may be necessary to allow the state to see any revenue at all from these fields.

Partnering can only succeed where an atmosphere of mutual trust prevails. Although it has recently made great strides, the State of Alaska's relationship with the industry has not always been one in which mutual trust prevailed. For instance, there has only recently been resolved extensive litigation between the industry and the state on royalty and tax matters which goes back to 1977. This litigation encouraged a long-standing atmosphere of contention and mistrust. It took a great deal of courage, trust, and positive input on the part of the Hickel Administration, the Legislature, and the oil industry to resolve it, and on the part of the Knowles Administration, to preserve these gains.

After the settlement of this litigation and enactment of HB207, this situation can now change in Alaska. HB 207 represents a shift of attitude by the State, a hopeful first step towards partnering. The oil industry and the State are now able to build a relationship of trust and explore mutually beneficial options to encourage oil and gas development.

HB 207 is an amendment to Alaska's oil and gas leasing statute which allows the Commissioner of Natural Resources, after review and upon making legal findings, to reduce the royalty to 3% on previously produced marginal oil fields (or to 5% on new marginal oil fields). This action may not be taken unless there is clear and convincing proof that an oil field would not be produced without the adjustment.

Partnering can only succeed where both parties have access to the same pool of information, and where both share benefits and risks. In the true sense of partnering, the State must have all the necessary information before making an oil and gas royalty adjustment. And while it is necessary for Alaska to partner with the oil companies on the "downside", it is just as important to partner with them on the "upside".

HB 207 offers the possibility of a new era of cooperation and partnership between the oil industry and the State of Alaska.

D. PARTNERING TO PROVIDE HOUSING

Partnered housing fills a critical need for affordable housing in Alaska for low income groups, and for middle-income special needs groups. Partnered housing provides private investor and bank financing for housing projects that would otherwise not exist. In the future there will exist little federal financing for housing because of a recent 1/3 decrease in the Federal Department of Housing and Urban Development's (HUD's) budget (other than the FHA insurance programs).

Anchorage Neighborhood Housing Services has achieved some successful examples of partnered housing. It was started by former Anchorage Borough Assemblyman Jim Kubitz and others as the Spenard Redevelopment Program. There are also several successful partnered housing developments in Fairbanks, Juneau and Barrow. These efforts are carried on by local organizations such as Anchorage Neighborhood Housing Services. Each community must create its own housing partnership. Altogether, these efforts have created 1500 units of housing in Alaska, and continue to create more each year.

Partnered housing can use a variety of financing mechanisms including regulatory incentives for banks through the Community Reinvestment Act, an equity stake by banks in housing projects, and high rates of return engineered through creative and aggressive structuring of financing packages. There are several financing approaches. One financing mechanism uses the Low-Income Housing Tax Credit under the Internal Revenue Code which provides a credit on an investors tax return on an annual basis over a ten year period.

Anchorage Neighborhood Housing Services, working with a group of Anchorage social service entities, have helped to form the Anchorage Housing Initiatives to provide for their client communities. Alaskan banks such as First National Bank of Anchorage, National Bank of Alaska and Key Bank have already participated in partnered housing projects in Anchorage.

Local communities have also been part of these partnered solutions—for example, Juneau gave its housing partnership a direct grant, and Fairbanks granted its housing partnership a waiver of property tax.

The benefit of these partnered housing projects is obvious—they provide stabilized residency for some who haven't been stable in years. They further create a structured environment which limits alcohol and drug use, requires shared cleanup tasks, and which makes affordable child care available, while helping to create pride and stability in the living environment. The result is good for the entire community because it enhances property values and lessens crime and social problems.

For their efforts, Anchorage Neighborhood Housing Services and the National Bank of Alaska were honored in 1995 as finalists for the Social Compact Outstanding Community Investment Awards, and received FNMA's prestigious Maxwell Award in 1994 and 1995.

Insights gained from these efforts include the important role of a talented, aggressive and creative leadership which identifies mutual needs and mutual solutions that might not be available to any single participant. Also gained is the understanding and utilization of sophisticated State and Federal regulatory systems in the areas of housing and banking. Additionally, the need to understand private investment strategies in order to forge a coalition with both profit and social action serves as its mutual goals.

E. PARTNERING WITH THE ENVIRONMENTAL COMMUNITY

Partnering between the environmental community and development interests in Alaska has been successful on several occasions in converting adversarial relationships into relationships of mutual trust and benefit.

(1) Resolving Environmental Litigation Through Partnering. Peter Van Tuyn, Litigation Director of Trustees for Alaska, notes that while Trustees is a non-profit environmental law firm primarily engaged in serving its clients through litigation, the overriding goal of the organization is to enhance compliance with environmentally-protective standards. In those instances where this goal can be accomplished through a partnering approach, Trustees has been willing to explore non-litigation or settlement options.

Trustees for Alaska filed an administrative appeal against Tesoro Alaska Petroleum Company's receipt of an air permit from the State of Alaska. However, Trustees wished to address other environmental issues outside the scope of the air permit review that were, in the opinion of Trustees, at least as significant as environmental issues. Gene Burden, now the commissioner of the Alaska Department of Environmental Conservation, then was the head of Tesoro Alaska. He was an "adversary" of Trustees for Alaska who understood the potential in this dispute for mutual benefit. Mr. Burden accordingly was willing to cooperate with Trustees in completing an environmental analysis of the entire Tesoro refinery facility. This facilitated the receipt of the air permit by Tesoro and resulted in a net gain to the environmental community outside the traditional "box" available to Trustees for Alaska through litigation.

A similar mutually beneficial result was achieved by Trustees for Alaska in reference to the Healy Clean Coal Project and the Kuparuk Oil Field Wastewater Treatment Facility.

(2) The Cape Yakataga Timber Settlement. The Alaska Rain Forest Campaign is a coalition of environmental groups dedicated to the preservation of the largest temperate rain forest left in the world, stretching from Ketchikan to Kodiak. Steve Kallick, director of the Campaign, says the environmental community entered into a partnership to resolve the Cape Yakataga dispute involving a State/ University land exchange. The state gave timber at Yakataga to the University in 1988 as part of a land exchange. Litigation was filed to challenge the exchange. Brian Rogers at the University of Alaska and the environmental community came together to resolve the issue. The environmental community wanted to protect a game refuge, and Mr. Rogers wished, on behalf of the University, to sell timber to generate revenue. As a result, an agreement was eventually reached which gave the University rights to 309,000,000 board feet of timber, with a twenty-year term, and the University has been selling commercial development rights to this timber. In return, the agreement provided for the protection of 60,000 acres of timber adjacent to a local game refuge, for a period of twenty years. The result gives needed stability to the University's timber holdings to encourage their sale, and the achievement of environmental goals for the campaign.

Mr. Kallick stated a strong commitment to partnering to resolve major environmental disputes. While, he said, there is a substantial amount of ideology and rhetoric involved on all sides of these issues, common interests can readily be identified which can allow negotiated resolutions.

(3) Land Use and the Nature Conservancy. The Nature Conservancy is a national organization dedicated to the preservation of important habitat, often involving private lands and private funding. The Nature Conservancy often uses innovative partnership structures in its work with private entities. Susan Ruddy, Alaska State Director for the Nature Conservancy, says that the Nature Conservancy has often facilitated

arrangements preserving environmental values utilizing three key ingredients: money, access, and knowledge. In Alaska, the Nature Conservancy has played a role in obtaining private matching funds for habitat acquisition through state government. Following are several such examples: 1) preservation of the Anchorage Business Park Wetlands, 2) twice assisting the Exxon Valdez Oil Spill Trustee Council, 3) assisting with transactions involving Kachemak Bay State Park, Seldovia Native Association, Cook Inlet Region, Inc. and Koncor Forest Products, and another on Afognak Island at Seal Bay, 4) providing Knikatnu, Inc., a small Native group corporation located at Knik, with a plan to engage in resource preservation and eco-tourism, and lastly, 5) the Nature Conservancy has acquired conservation easements and other innovative land arrangements in Alaska to preserve environmental values on private property. Once such effort involved former governor Jay Hammond's property near Lake Clark.

The Nature Conservancy has functioned as a facilitator of partnering efforts around Alaska and throughout the United States to preserve environmental values.

F MAJOR PROJECT PERMITTING

Without talented practitioners of partnering, there possibly would be no major projects completed in Alaska. This is because there exists no single organized government structure to administer major project permitting in Alaska. To be successful, the developer of a major mine or other similar construction project must establish for itself a complex partnership of federal, state and local government agencies who will issue (or deny) the environmental and other permits required by the project. The developer must ensure that the requirements of these permits are not contradictory and are technically and economically feasible; the developer must meet with the agencies and encourage the appropriate exercise of their discretion; the developer must ensure that its project is designed to satisfy the strict technical requirements of all those permits; and the developer must ensure that the agencies accept the design. The developer must also establish a different kind of partnership with the environmental community and the public, who must agree that the project is desirable and appropriate under the laws so that it will not be sued. The developer must also ensure that there exists political support for its project, including government, the public, and diverse special interest groups, such as subsistence users, organized labor, and recreationists.

Harry Noah, a former Commissioner of the Department of Natural Resources, has served for many years as an expert consultant in forging these successful partnerships for the Red Dog Mine, the Fort Knox Mine, the Greens Creek Mine, the Yukon Pacific LNG Project, and others. His perspective on successful partnerships is especially valuable:

Mr. Noah believes successful major project permitting is a direct product of the general approach of the company. The project must be pursued on a personal and human level. The company must define the various interest groups it deals with as people, who have valid concerns, and not as the enemy. The company's design and engineering must respond to those concerns. There should be a major effort at meeting with interest groups and in educating them about the project, and in building relationships.

The first year is the most critical phase of the project. This is the pre-application phase, when the project team and philosophy are set and relationships are first established, and project design is finalized.

Relationships in the agencies should be built from the bottom up, to generate a technical base of understanding and acceptance. Projects go off course if they try to use high level politics in their relations with agencies. The failure to build personal trust equates with failure, with the public and with the agencies.

Successful partnership requires effective leadership. It is critical to establish a personal relationship of trust between the community and a single individual who speaks and acts as the leader of the project. While the leader may be tough-minded, if he is fair and responsive and stands up both for his company and for the public's concern, then trust will build in the community. This leader must establish continuity throughout the project. The company needs the historical insight; a relationship of trust cannot develop if his position is recognized as short term or a "one-shot deal".

A similar partnership approach is being utilized in the permitting and EIS phase of the Whittier Access Project by the Alaska Department of Transportation and Public Facilities (DOTPF) and its contractor HDR Engineering. The Whittier Access Project is a DOTPF project to provide vehicle access to Whittier via the Alaska Railroad tunnel. While the EIS is delayed and the permits are not yet issued, this project has striven to solicit and to be responsive to public comment. This partnership approach to state highway projects has also been adopted and followed by DOTPF on a statewide basis, and is discussed by Governor Knowles in his recent "Transportation Plan for Alaska," issued in June, 1995.

G. PARTNERING BETWEEN ALYESKA PIPELINE SERVICE COMPANY, ITS CONTRACTORS, AND ORGANIZED LABOR

Low oil prices and a decline in Prudhoe Bay production have encouraged partnerships to form in the Alaskan oil industry, with striking results. One example is the "alliancing" between Alyeska Pipeline and its contractors, and the partnership with organized labor that resulted.

"Alliancing" between Alyeska and its contractors offered Alyeska a means to cut costs while maintaining a high degree of safety and quality. Alyeska met with its contractors and established a partnership charter which stated a goal of a 30% reduction in maintenance cost through increased efficiency, flexibility risk-sharing and innovation. Its contractors would have to learn new and proactive ways of doing business with continuous involvement between the partners. The partnership's elements included a shared vision of the future, open communication, mutual trust and respect, and incentive rewards tied to performance and savings, to create a "win-win" atmosphere. In return, Alyeska offered its contractors security in a longer term contract based on total value instead of just lowest price. After an extended formal selection process, Alyeska selected its contractors on the basis of their ability to work in this partnership setting.

contractors security in a longer term contract, based on total value instead of just lowest price. After an extended formal selection process, Alyeska selected its contractors on the basis of their ability to work in this partnership setting.

Mano Frey, Business Manager and Secretary/Treasurer of the Laborers' Union in Alaska, states that Alyeska's partnering process with its contractors naturally led Alyeska to establish a long-term and stable partnership with organized labor for the first time in Alyeska's operating history. The unions do not have a contract directly with Alyeska, but rather, with its contractors. In Mr. Frey's view, the effective leadership of David Pritchard, President of Alyeska, allowed labor and Alyeska to build a relationship of trust they had not previously established in 20 years. Partnering takes time, and requires building relationships, and is a human process. Mr. Pritchard worked to establish a relationship of trust with Mr. Frey and the labor unions, resulting in a mutually beneficial partnership in which the labor unions agreed to a wage freeze for the first three years of a five year contract, and to certain other terms. In return, the unions receive from the contractors an assured number of jobs for that period with a good annual income for its members. The partnership offers Alyeska a team of contractors with a stable, well trained and efficient work force to help achieve their goals of lowered cost. Alyeska receives the further benefit of recognition of an alliance with labor, which is politically important among the Democrats in Congress who oppose opening ANWR, and who until recently controlled Congress. Mr. Frey states that Mr. Pritchard gained even more trust when their arrangement did not change after the Democrats were defeated in the 1994 mid-term Congressional elections.

Through a partnership, three stakeholders with different needs have each achieved a goal that was unavailable to them acting separately: Alyeska cuts its maintenance costs 30% while preserving safety; its contractors obtain certainty in a volatile and tightening market for their services; and, organized labor obtains stable jobs in the pipeline's maintenance operations.

H. PARTNERING IN THE FORD MOTOR COMPANY'S CLEVELAND ENGINE PLANT

Partnering has been successfully used to resolve entrenched institutional disputes between labor and management at the Ford Motor Company's Cleveland Engine Plant. The partnering resolution gave mutual benefits of jobs and job security to the workforce, and economic competitiveness and business profits to the company, for a factory that otherwise would have been closed. Gifford M. Brown, Site Manager of Cleveland Operations for the Ford Motor Company and Raymond J. Metsch, United Auto Workers Training Coordinator and Human Resources Director for the Ford Cleveland Plant spoke to Commonwealth North on the successes of partnering at the Ford Cleveland Engine plant:

The Ford Cleveland Engine plant was in trouble. Its workforce had decreased from 14,300 in 1978 to 4,900 in 1991, and it had ceased production of engines; it was only producing increasingly obsolete cast iron parts for old engine designs, while the industry converted to modern aluminum engine designs. Production costs at the plant were high, and management and the workforce at this plant were trapped in the old ways of adversarial dispute. The plan had not adapted to the new reality of a worldwide competitive market for automobiles. Closure of the plant was a direct future threat.

Rather than close the plant, local management and labor leaders together pursued a partnered strategy to change their old ways, and to capture new work for the plant by becoming competitive in the world economy in which it now must function.

In order to understand the success of others, and to learn new responses for themselves, management and labor together visited over 20 American car plants, both those of American and Japanese companies. The American Toyota plant was one of the most impressive because of its modern partnering practices with its labor force. "Seeing is believing," and these visits clearly convinced all that the future of the plant lay in a mutual commitment to quality and competitiveness, in ending adversarial relationships at the end of the day, and that job security comes from a commitment to the customer. There are no jobs and no paychecks in a plant which closes because it cannot compete.

There can only be mutual change where there is mutual trust and respect. The Cleveland group evolved new ways of operating to build mutual trust and respect. Some of these changes were symbolic. For instance, lessening the perception of a "caste" system between executives and the labor force by ending the corporate lunchroom and the wearing of neckties. Some were basic structural changes. For instance, building communication and trust between management and labor by incorporating regular open meetings between the labor force and management, and building teams which are empowered to make decisions together by incorporating labor representatives into an Operating Committee.

These changes overcame institutional resistance in both Ford and the UAW, and helped end a history of confrontation between labor and management which had resulted in an uncompetitive high cost environment and loss of work and jobs to other plants.

Many of the innovative labor negotiation techniques used at this plant are described in Managing Labour Relationships in a New Economy, Ruth Wright, Report No. 142-95, The Conference Board of Canada, 19 pp. (this detailed report has a full bibliography of references to cooperative problem-solving in the labor-management arena).

Directly as a result of these efforts at partnering between management and labor, the Cleveland Engine Plant was selected to produce an important new modern V6 Ford engine, in the face of global competition among Ford manufacturing facilities in Europe and Asia.

The success appears to be lasting—the plant went from 6,000 labor grievances per year among 3,000 shop workers, to zero. There is job security, and the labor force and the management have "bought in" to the need for mutual solutions—they have become stakeholders in a partnership.

VI. PROPOSALS AND RECOMMENDATIONS

A. THE BUSINESS COMMUNITY AND THE GOVERNMENT SHOULD RECOGNIZE AND USE PARTNERING MORE FREQUENTLY. Partnering is implemented on a day-to-day basis by those who make day-to-day decisions. More widespread use of partnering requires more widespread knowledge of its advantages. To date, successful partnering has been concentrated in those companies and agencies whose personnel are talented and knowledgeable in these techniques. More widespread knowledge of the theory and techniques of partnering will spread the benefit of partnering into segments of the economy and government decision-making that it otherwise would not reach.

This Report defines partnering and documents its uses, and sets forth an extensive track record of successful uses of partnering by social service agencies, labor unions, environmental groups, oil companies and an auto manufacturer.

Team Alaska believes partnering is one key to a successful future for Alaskans in attracting new investment, and in devising new solutions to the issues we face.

RECOMMENDATION: Alaskan businesses and state and local government agencies should become more familiar with the benefits and the techniques of successful partnering, and use partnering to mutual advantage.

B. ESTABLISH PARTNERING AS POLICY OF STATE. The Governor of the State of Alaska has significant authority to manage the affairs of government using administrative orders. He also has significant authority to focus the state's policies by public announcement. The governor should immediately use the authority available to him without further legislation to establish partnering as the policy of the State of Alaska in order to encourage economic development and help Alaska remain competitive in the world market for investment, and to achieve a better and less contentious atmosphere for the Alaskan public.

RECOMMENDATION: The Governor of Alaska should: (1) publicly announce that the policy of the State of Alaska is to use partnering to encourage economic development and to resolve public policy disputes; (2) the Governor should also issue an Administrative Order directing his Commissioners to use partnering techniques including negotiated rule making, conciliation, mediation, and arbitration in their departmental policy formulation, and in their resolution of public resource and policy disputes.

C. ENACT PARTNERING LEGISLATION. While legislation is not required to authorize the State of Alaska to participate in partnering, it will help to make partnering more permanent and it will allow partnering to be used more fully in the area of public contracting, regulation negotiation, and in the conciliation, mediation and arbitration of disputes.

During the work of the Team Alaska Partnering Committee, John Shively, Commissioner of the Department of Natural Resources, spoke eloquently that the traditional government processes used in the Department of Natural Resources appeared to foster, instead of resolve, public policy disputes. Mr. Shively stated that the public hearing and public comment process encouraged a sort of "theater" in which the most strident spokesman for an issue obtained more attention and empowerment than participants interested in cooperation. The intention of partnering is to break this cycle of dispute using mutually beneficial problem solving as an alternative to resort to the courts and the media.

In order to achieve this goal, the United States Congress has enacted several statutes, including the Administrative Dispute Resolution Act (the "ADR Act"), Public Law 101 552, as amended by Public Law 102-354; in part, codified at 5 U.S.C. § 561-570. The ADR Act requires federal agencies to adopt a policy addressing the use of partnering and alternative means of dispute resolution in connection with formal and informal adjudications, negotiated rule makings, enforcement actions, agency contracting and contract administration, litigation brought by or against the agency, and other agency actions including policy formulation and agency projects. In general, the ADR Act encourages the use of partnering to resolve disputes and make policy in new and more responsive ways directed towards cooperation and not dispute.

The Administrative Conference of the United States has issued a report evaluating this statute entitled Toward Improved Agency Dispute Resolution: Implementing the ADR Act. This report recites significant cost savings and benefits of the ADR Act to the federal agencies and the public. We include here only a few of a lengthy list of the cost savings recited at page 37 of that report:

"Federal Deposit Insurance Corporation: use of ADR Rather Than Litigation . . . produced estimated cost savings and legal fees and expenses of \$325,000, \$4,200,000, and \$9,300,000 in 1991, 1992 and 1993, respectively . . ."

"Resolution Trust Corporation: use of ADR from 1991 through 1994 led estimated agency savings of \$115,497,232 in legal costs . . ."

"US Air Force using mediation in over 100 EEO complaints, the Air Force saves an estimated 50 percent of its average \$80,000 processing cost per complaint, resulting in an estimated \$4,000,000 savings."

"US Air Force: through partnering among the Army Corps of Engineers, prime contractors, and subcontractors, the Air Force completed a \$226,000,000 large rocket test facility, \$12,000,000 under budget and 114 days ahead of schedule . . ."

"US Army Corps of Engineers: using partnering, the Corps lowered the number of contract appeals in which it is involved from 779 in 1987, to 307 active appeal at the end of FY 1994 . . ."

If Alaska were to enact a partnering statute, there is no reason it, too, could not realize significant savings, an important advantage in an era of decreasing State government revenues.

Another Federal statute related to the ADR Act is the Federal Negotiated Rulemaking Act of 1990, PL 101 648, codified in part at 5 U.S.C. § 571 583, and at 5 U.S.C. § 556(c). A key feature of the Federal Negotiated Rulemaking Act is to bring all interest groups to the table with the government agency in order to focus rule making on resolving the real issues in a consensus outcome. The performance of this statute is addressed in a publication entitled Negotiated Rule Making Sourcebook, Administrative Conference of the United States, 1990. Recently, the Department of the Interior Minerals Management Service completed a negotiated rule making on the definition of its "in-value" royalty rights on natural gas production from federal oil and gas leases. The Federal Gas Valuation Negotiated Rulemaking Committee, comprised of the MMS, a number of oil and gas industry associations, several gas marketing consultants, and royalty auditors from several states and Indian tribes, reached a consensus upon federal gas royalty issues, some of which were hotly contested at

the outset. The final regulation about to be released as this Report is written. This negotiated regulation is analyzed in Federal Gas Valuation Regulations: The Official MMS Negotiated Rulemaking Committee Report, Deborah Gibbs Tschudy, MMS, 1995 Rocky Mountain Mineral Law Foundation, Paper 18.

This consensus partnered outcome to contested royalty issues stands in contrast to the royalty litigation engaged in by the State of Alaska with its oil industry for seventeen years, at a reported cost to the state alone of \$91 million for only one of its law firms. See: "Anchorage Law Firm collected \$91 million From State On Litigation Contracts", article in Alaska Budget Report, , March 2, 1994, published by Capital Information Group, Juneau, AK, used by permission. This same article reports that the State of Alaska has spent a total of \$198.6 million on all its oil and gas litigation since 1977.

The MMS effort at partnering to avoid royalty disputes has progressed to an even more advanced partnership form: in a small pilot program in the Gulf of Mexico, the MMS has also recently negotiated (more or less like a business) to take its gas royalty "in-kind," and then to sell it through new sales contracts to new gas purchasers. This gets the MMS out of the royalty and valuation issues completely, and significantly lessens the likelihood of royalty disputes. It is too early to determine whether this effort will be successful. This program was described in A Cooperative Effort to Design the MMS' Royalty-in-Kind Pilot Program for Natural Gas, Ben J. Dillon (MMS), George Butler III (Chevron), Michael Pate (Oxy), and James McNamee (MMS), 1995 Rocky Mountain Mineral Law Foundation, Paper 19.

The State of Oregon has also enacted a negotiated rule making statute, Oregon Revised Statutes (ORS) 183.355(1)(B)(f) and ORS 183.025(2) which establishes an advisory committee to an agency adopting a regulation. The advisory committee is chaired by a "neutral" and is staffed by representatives of all affected interests. Gail Achterman, an Oregon attorney who has presided over a number of these negotiated rule makings, states that these statutes have lessened the amount of dispute and focused the regulation drafting process to achieve the public's goals.

These are not the only examples of partnering legislation. Connie Lewis of the Keystone Institute reports that 13 states have enacted statutes similar to the Federal and Oregon statutes described in this Report, which provide for negotiated rule-making, partnering in policy formulation, alternative dispute resolution of agency disputes, and partnering in agency contracting. Many of these statutes focus on resolving issues of resource utilization and environmental protection, which have been particularly troublesome in Alaska. Ms. Lewis also provided an article entitled "Cost Savings Propel Proliferation of States' Conflict-Resolution Programs", published in the July 1995 edition of "Consensus: Helping Public Officials Resolve Stubborn Policy Disputes", a newsletter published by the MIT-Harvard Public Disputes Program. This article cites cost savings in such programs.

Finally, the benefits of partnering in agency contracting is described in the several papers and reports listed in the Bibliography of this Report which originated in the Arizona Department of Transportation. These benefits include cost savings, avoidance of delay, and avoidance of dispute. In Partnering Successes in Arizona's Transportation Industry, it is noted at page 3 that "there are no claims on the fifteen completed projects. . . . On the fifty projects currently underway, there are two major issues currently being resolved by management, and it is expected an acceptable agreement will be reached. . . . On 7 completed projects,

ADOT has saved \$303,126 through Value Engineering (a program in which savings are shared between the contractor and the agency): Contractors have saved a like amount . . .".

RECOMMENDATION: The Legislature should enact partnering legislation similar to that of the Federal government and other states which will permanently authorize and encourage: (a) partnering in public contracting; (b) negotiated rule-making; (c) use of alternative dispute resolution techniques including conciliation, mediation, and arbitration of public policy disputes; (d) mediated resolution of administrative appeals at the option of the applicant; (e) partnering in policy formulation by State and local governments.

D. ESTABLISH PARTNERING COUNCIL. During its work, the Team Alaska Partnering Committee met with Willie Hensley, Commissioner, Department of Commerce and Economic Development (DCED). Mr. Hensley discussed at some length many efforts that DCED is making in partnership with private businesses to encourage economic development in the State of Alaska. Commonwealth North will work with the State of Alaska and private industry to establish a partnering council in the Department of Commerce and Economic Development, with representation from the Commissioners of other key departments (such as Natural Resources, Transportation, Revenue, Law) which would identify and encourage opportunities for joint state, local and private partnering. The Partnering Council should also identify "pilot projects" for state/private partnering opportunities, to demonstrate to the public the effectiveness of partnering techniques.

RECOMMENDATION: Establish a public/private Partnering Council, a group of business and government leaders which will identify and pursue opportunities for joint State/local/private partnering opportunities leading to economic development.

E. PARTNERING MEDIATION PANEL. Partnering often relies on meeting the availability of trained mediators, conciliators, "neutrals," facilitators and other parties skilled in the partnering process. The intention of the Partnering Mediation Panel is to provide skilled and knowledgeable persons able to assist specifically in partnering. There are any number of private commercial mediation and arbitration entities, such as the American Arbitration Association, which exist to arbitrate disputes. It is not intended to duplicate those services. Commonwealth North will work with the State of Alaska and private industry to establish a Partnering Mediation Panel.

RECOMMENDATION: Establish a Partnering Mediation Panel in Alaska which would be available to assist in public and private partnering efforts.

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