

Stranded Gas Hearings

(0410141415 Minutes)

Training and Hiring Alaskans for a Gas Pipeline – October 14, 2004.

Greg O'Claray, Commissioner, Dept. of Labor and Workforce Development;

Mike Andrews, Director, Alaska Works Partnership, Dept. of Labor and Workforce Development;

Andy Baker, Chair, Alaska Workforce Investment Board (AWIB);

Jim Sampson, President, AFL-CIO Alaska;

Jim Laiti, Business Manager, Plumbers and Pipefitters Local 375;

Click Bishop, Member, Executive Board, Operating Engineers Local 302;

Mike Gallagher, Business Manager/Secretary-Treasurer, Laborers' Local 341;

John Kanabe, Training Director, Plumbers and Pipefitters Local 375;

Tim Sharp, Business Manager, Laborers Local 942;

Joe Mahaney, Teamsters Local 959;

Dick Cattanach, Executive Director, Associated General Contractors

COMMISSIONER GREG O'CLARAY, Alaska Department of Labor and Workforce Development (DOLWD), gave the following presentation entitled, Training and Hiring Alaskans for a Gas Pipeline.

Yesterday Governor Murkowski addressed you with respect to the equity involvement of our state in the construction of this particular project, or at least the ownership of the project. My role as commissioner of the Department of Labor and Workforce Development is quite simple. My charge is to provide an opportunity for every citizen of our state that's an Alaska resident to be employed in good paying jobs within the industries that are fostered by this particular project.

The federal legislation that Senator Lisa Murkowski brought back to us here the other night when she stepped off of the Northwest flight at the Ted Stevens International Airport has a proviso in it that you should be aware of. Many of you have seen the legislation. I won't quote from it but I'll give you in general what it says. It provides for \$20 million in tax dollars to be funneled through the Alaska Workforce Investment Board, which is the Governor's workforce investment board under the Workforce Investment Act. That is supported by and actually directed and operated through the Department of Labor and Workforce Development. Out of the \$20 million, 15 percent of that will be dedicated toward a training facility to be located in Fairbanks, specifically for training pipeliners.

Before I get too far in my remarks, I want to tell you that I'm about to execute signature on a grant that will provide for training of 100 pipeliners that will be working on the North Slope beginning this winter. It's a joint agreement between the Alaska Works Partnership - the pipe trades unions from the Fairbanks area. All of those folks, by the way, will be testifying after I've completed my remarks and various contractors that are going to be doing work on the Slope. Tara Jollie, if I might Mr. Chairman, I'd like to introduce Tara Jollie who is our administrator for the STEP program - State Training and Employment Program.... You don't mind a little theater, do you Mr. Chairman?

I hereby sign this document that will allocate the state's share of a match - total grant in the amount of \$344,063 of STEP funds that you authorized through your good efforts as legislators. The industry has come forward. Mike Andrews, are you here? Mike, what was the amount of match from the industry?

MR. ANDREWS replied \$175,000.

COMMISSIONER O'CLARAY continued.

So the industry is participating with us on a joint basis and we will be training the 21st Century next generation of pipeliners and I want to congratulate the Alaska Works Partnership, the contractors, and the oil industry-producing owners that participated in this particular effort. Thank you.

SENATOR BUNDE asked for a definition of "pipeliner."

COMMISSIONER O'CLARAY introduced Mr. Laiti, the business manager of the pipe trades in Fairbanks, and told members he is a pipeliner. He said the description of a pipeliner during the construction of TAPS was anyone who could get dispatched, walk on two feet, and chew gum at the same time. He pointed out the actual job description could fit a number of trades and crafts involved in the construction of a pipeline.

SENATOR BUNDE repeated his concern that Alaskans can be trained for these jobs but, as happened with TAPS, they might not be able to get dispatched as pipeline welders. He asked if that is still the case and, if so, what can be done about it.

COMMISSIONER O'CLARAY said during the TAPS project, that particular project labor agreement involved the International Presidents of the Building [and Construction] Trades and was negotiated at a higher level than in-state. It did not involve any local union business agents. The signatory party from the Plumbers and Pipefitters International, Marty Ward, signed that agreement. Under the agreement, the only skilled pipe welders came from Local 798 in Tulsa, Oklahoma. He said although he may ruffle some feathers, if his efforts combined with the efforts of partners who are working to train Alaskans are successful, there will be no need for Local 798 to come to Alaska. He added that in the language being negotiated under the Stranded Gas Act, the Department of Labor has a seat at the bargaining table at Governor Murkowski's request. He said he cannot disclose the exact language being negotiated, it will be brought before the legislature for consideration. That language will be stronger, more precise, and will make sure DOLWD is involved every step of the way with respect to training and pipeline employment. He and the Governor believe that a project labor agreement is applicable to this project, just as it was with TAPS. His charge is to ensure strong enough language that Alaskans will come first in every case.

SENATOR BUNDE said he is glad to hear that.

REPRESENTATIVE CHENAULT asked whether the labor agreement will be part of the proposal brought to the legislature for approval or something done at a later date.

COMMISSIONER O'CLARAY said it is his desire that it be included in the agreement. He furthered:
The appropriateness of putting the project labor agreement requirement in the Stranded Gas Agreement, or the agreement negotiated under the Stranded Gas Act, is debatable. When the contract could or would be signed, in my view, should be negotiated between the parties - that is the contractors slash owners that will be involved and organized labor. Again, let me restate. I believe the only way to guarantee Alaska hire that's supportable in the courts - let me repeat that - that's supportable in the courts by precedent, is to have a project labor agreement in place. I believe that those discussions should begin as soon as possible, as soon as an interested party that comes forth with a viable proposal to build the line is identified, I think those discussions should be undertaken.

REPRESENTATIVE GARA asked Commissioner O'Claray what other options DOLWD is pursuing to make sure that the court rules that prohibit a certain level of Alaska hire don't get in the way. He asked if there might be an advantage to involving Native corporations that may have a right to hire local residents.

COMMISSIONER O'CLARAY said some things can be done to ensure that rural residents participate in building the line. He said a specific section of the TAPS agreement required Alaska Native hire.

COMMISSIONER O'CLARAY said the state has gained from its TAPS experience and he believes there should and will be an effort on the Administration's part to make certain that rural residents have a preference. He added that of the 100 people who will be trained as pipeliners beginning in November, over 40 percent are rural residents. The Alaska Works Partnership has done a marvelous job of recruiting people interested in apprenticeships in the building trades from Bush Alaska. Recruitment entailed traveling to villages and reaching agreements with several tribal governments. He recognized the efforts of Mike Andrews, who was the original executive director of ERIC, which preceded the Alaska Workforce Investment Board. Mr. Andrews put together an aggressive group of recruiters. He then said he believes

any agreement should contain a provision that identifies the demographics of Alaska so that rural residents will have priority for training and employment. He suggested asking Mr. Palmer how TransCanada handled its project labor agreement in Canada.

REPRESENTATIVE GARA asked Commissioner O'Claray if he could share the legal memo with the legislators so that they can feel assured that everything possible is being done to hire Alaska labor.

COMMISSIONER O'CLARAY said he could share the legal memoranda and the court rulings but he was unable to share draft documents associated with the Stranded Gas Act negotiations. He pointed out that several legal precedents deal with the legality of project labor agreements.

REPRESENTATIVE JOULE said, regarding the 100 pipeliner jobs, it sounds like a lot has already been done in terms of selection and advertising.

COMMISSIONER O'CLARAY said a lot remains to be done. He said no one should be deluded into thinking that the state can train and staff all of the jobs with Alaskans. He explained:

And let me tell you why. We can't afford to ... because at the peak numbers that were shown, what do we do with those folks when the pipeline project is over with? Certainly some of them will have skills that will transfer to maintenance and operations, but perhaps the producers that own the Alyeska line would be willing to replace some of their non-resident workers with those folks. I would hope that would be the case but no one, at least in my department - I don't believe anyone in organized labor or the state really believes that we'll be able to train that many skilled people and provide them with sustainable work, but we will try.

REPRESENTATIVE JOULE asked how an interested person would "get their foot in the door" for the training program that begins in November.

COMMISSIONER O'CLARAY said one way is to visit or get on-line with one of the Alaska job centers, administered by DOLWD. A person could also contact one of the pipe trade groups or the Alaska Works Partnership Outreach Program. He emphasized that the Stranded Gas Act proposal will also include another provision dealing with Alaska vendors and Alaskans in general because the economic benefit of this project is not limited to the construction jobs. It also includes use of local companies and vendors who will provide services and materials. He said Alaska has sold itself short over the long haul by not putting teeth in its procurement law so that public entities must pay attention to the local economy when contracting - that is part 2 of Alaska hire.

REPRESENTATIVE JOULE noted that Commissioner O'Claray said that 40 percent of the 100 recruits were from Bush Alaska.

MR. MIKE ANDREWS, Director of Alaska Works Partnership, told members that under the training proposal signed by the Commissioner today, an estimated 100 people will be involved in a two-week pipeline training program in Fairbanks to start around November 8. About 60 of those workers will come from the Fairbanks North Star Borough and 40 will come from the Northwest Arctic and the North Slope. The training provides an opportunity to work as a team among the four pipeline crafts: the pipefitters, the operating engineers, the skilled laborers and the teamsters. They construct as a team, so the program will individually train journey persons who need upgrade skills on new equipment. No training has taken place for five years and equipment has changed. Additionally, the other trainees will be apprentices who will be learning pipeline trades. He said the Alaska Works Partnership has budgeted to recruit at least 40 persons from the Northwest area who will be recruited through the apprenticeship programs. The work will start in January and is tied to a ConocoPhillips project at West Sac. The idea is to demonstrate the skills as a team during the second week of training in Fairbanks, where participants will construct a 2,000 foot 8 inch pipe. He added that it will primarily be a demonstration of the team's skills for H.C. Price and Norcon and will act as a model or a test.

REPRESENTATIVE JOULE asked Mr. Andrews if he feels confident that the Alaska Works Partnership will not repeat the mistakes made during the construction of TAPS.

MR. ANDREWS said Alaska Works Partnership was formed several years ago by the building trades unions and their apprenticeship programs to reach out to rural Alaska to provide open programs, union or non-union, to get people into the construction trades. It takes several years to train each worker. Its funding came at the request of Senator Ted Stevens through the U.S. Department of Labor. The Alaska Works Partnership has been piloting for the department the creation of a system that reaches out to the village levels. The Partnership has served 60 villages in rural Alaska and has brought on average 60 new apprentices into the trades each year. In addition, it has recruited 150 building maintenance repair apprentices to build houses in rural Alaska. This system will have a statewide impact. It was put together to show how quickly labor and employers can respond to the opportunity of new jobs on the North Slope.

SENATOR ELTON noted, in response to Representative Chenault's question, that Commissioner O'Claray said a labor agreement may not be ready when the package comes to the legislature. He asked Commissioner O'Claray if he would consider putting contingency language in the agreement saying the agreement was contingent upon signing a project labor agreement.

COMMISSIONER O'CLARAY said he is not empowered to discuss the provisions being debated but urged members to articulate that concern to the Governor and negotiators of the Stranded Gas Act. Those negotiators are the commissioners of the Department of Revenue, Natural Resources, and the attorney general.

REPRESENTATIVE McGUIRE asked what is being done regarding training in the Southcentral region of Alaska. She pointed out that a lot of people have moved to Anchorage from rural Alaska who are looking for a trade.

MR. ANDREWS said the Alaska Works Partnership's grant resources have been for the primary purpose of recruiting from rural areas. He acknowledged that he is working with DOLWD right now to provide ways for people to get access to individual training at job service centers. The Alaska Works Partnership and Associated General Contractors have also spent a lot of time working with high schools in Anchorage, Fairbanks and Delta to create a construction trades program that would allow students direct entry into the trades from high school. They have also been working with rural school districts in an effort to get more applied learning in those areas. He said the Partnership would like to do more in the urban areas but is working with limited resources.

REPRESENTATIVE McGUIRE asked Mr. Andrews to approach Southcentral area lawmakers about this subject because the perception that Anchorage has a lot of jobs for people simply is not true. Many young people want to stay or return home but need a good paying job to do that.

MR. ANDREWS informed members that the Alaska Works Partnership recently entered into a memorandum of agreement to do work for the Cook Inlet Regional Housing Association so it has created a pathway there.

SENATOR ELTON asked about rural communities in Southeast Alaska.

MR. ANDREWS said the Alaska Works Partnership has had an office in Juneau for over a year and has been active with Klukwan, the Tlingit and Haida Housing Authority, and the vocational center in Juneau, but he admitted the training has been focused on the needs of employers and projects so employers must be willing to commit the trainees.

CO-CHAIR SAMUELS noted the arrival of Senator Cowdery.

COMMISSIONER O'CLARAY introduced Andy Baker from Baker Aviation in Kotzebue and asked that he address the committee on local hire in Kotzebue. He told members that Mr. Baker was recently elected as chair of the Alaska Workforce Investment Board (AWIB). Under the federal legislation, the \$20 million minus the 15 percent for construction of the Fairbanks facility will go to the AWIB. He also introduced

Ramona McAleese, the new executive director of the Alaska Workforce Investment Board.

MR. ANDY BAKER, Chairman of AWIB, said that fitting training to available jobs is an exciting approach. He looks forward to working on the government side putting Alaskans to work.

MS. RAMONA McALEESE, Executive Director of AWIB, explained that AWIB is basically the old Job Training Partnership Act program. AWIB is responsible for allocating all Workforce Investment Act funding that comes to the state. Last year, those funds amounted to \$18 million. AWIB is also responsible for the STEP program. AWIB has commitments and measurements to allocate funding for rural areas; right now 60 percent is allocated to rural areas. She said the AWIB is committed to the Governor's Alaska hire initiative.

SENATOR BUNDE asked if half of the \$20 million will be used to build a training facility in Fairbanks.

COMMISSIONER O'CLARAY clarified that 15 percent of the \$20 million, or \$3 million, will be used for the facility.

MR. JIM SAMPSON, Alaska President, AFL-CIO, thanked members for the opportunity to address the committee and noted this is the first time the AFL-CIO has received an invitation to address a legislative committee. He said he was accompanied by representatives of four Alaska unions, all of who have at least 30 years in pipeline construction representing workers in Alaska. These four unions have built about 98 percent of all pipelines in Alaska. He gave the following presentation.

While any Alaska natural gas line project will have major associated building trade work, such as a gas conditioning plant on the Slope, compressor stations, or LNG facilities in the case of an LNG project, these representatives also have a good understanding of training requirements for these types of projects as well.

If I may, if I could just introduce for the committee those who are here - Jim Laiti is here. He is a business manager of the Plumbers and Pipefitters Local 375 in Fairbanks. Along with him is John Kanabe, their training director. We have district representative Bob Mahaney of the Operating Engineers Local 302, and Click Bishop, who is the training director for the state, is with us as well.... We have two business managers with the responsibility of providing laborers on pipeline work in the state. One business manager is out of Fairbanks. His jurisdiction is all work north of the 63rd parallel. We have one here today with the responsibility for Anchorage and Valdez. He's really our LNG guy. [They are] Tim Sharp and Mike Gallagher, originally from Valdez and they're here as well. Joe Mahaney isn't here. It's probably a communication goof-up on my part and I apologize for him but we will hopefully do the best we can to answer any questions regarding trucking. If we really need some help we have Barbara Huff here in the audience and she's a trucker with the Teamsters.

What I hope to do is just give you a couple of thoughts on how we view the project and then ask these folks to give you four or five minutes apiece and be prepared to answer any questions.

The building of an Alaska gas line project will be the largest construction project in the history of North America. It will require thousands of field construction workers not only for the Alaska portion of the project, but an even larger workforce for the Canadian piece to the hub in Alberta and on to the Midwest. The project cannot be built on the American or Canadian side of the border without an agreement with labor. In response to the Alaska natural gas line project agreement Sense of the Senate language recently included in federal legislation, labor is prepared to negotiate a project agreement with the sponsors of the project similar to the terms and conditions of the agreement used in the building of the TransAlaska Pipeline. This means any discussions with labor will include the National Building and Construction Trades Department of the AFL-CIO and international union representatives, which I believe will be in Alaska's best interest and the interest of gas line sponsors, as these international unions represent both workers in Canada and Alaska across the border.

We anticipate the pipe for the project will move on American ships manned by maritime crews represented by the AFL-CIO. We anticipate AFL-CIO longshoremen in Alaska will unload the ships and, once unloaded, we believe the pipe will be moved by the Alaska Railroad, represented by railroad unions of the AFL-CIO or by trucks driven by Teamsters. We anticipate the Alaska Laborers to coat the pipe, members of the Operating Engineers to do the trenching and the dirt work and UA welders to weld the pipe. We also anticipate the other Alaska building trades to be involved in construction of compressor stations and the gas conditioning plant on the North Slope.

We believe it's extremely important to Alaska that efforts be made early on to prepare the Alaska workforce for the project, and those of us here today from labor thank the committee for your interest in this area. All of us, the state, labor and pipeline sponsors need to look at the past and improve our efforts to give qualified Alaskans, regardless of where they live, whether it be urban or rural Alaska, an opportunity to work on the project before non-Alaskans.

Our efforts to prepare for the project will be determined by the amount of work in the market between now and the start of any natural gas pipeline project. As legislators what you do today will determine whether Alaskans work on the project or not. Under the Stranded Gas Act, you approve any contract the administration negotiates with gas line sponsors and we believe our legislators must do everything they can to assure that whatever they can do be done to give Alaskans and, just as importantly, Alaskan contractors, the opportunity to work on the project.

Yesterday you spent considerable time on risk and reward. Labor costs are a big component of any pipeline project, especially one of this size. The state and sponsors need to understand the labor costs. They need to know that they will be able to secure qualified workers. They need to ensure that the project is built without any interruption of work and we need to have appropriate labor protections for Alaska workers. We can do this by working together now to ensure that these protections are put in place. Labor is prepared to work with the state and the sponsors to do this.

We have been working closely with our congressional delegation over the last couple years to ensure the availability of federal funding for training Alaskans for our project. We encouraged Senator Stevens and Senator Murkowski to include training funds in the federal legislation. In the military construction appropriations report passed earlier this week, as other speakers have said, there's \$20 million and I'm sure there's a lot of people looking at that \$20 million. Labor also requested funds. It was our request for \$3 million up to 15 percent, to expand our training facilities in Fairbanks. We believe that Fairbanks, the Interior, will be central to any project, whether it's an all Alaska project or whether it's an LNG project. Our request that those funds will be included in federal legislation was to help us expand and augment and supplement our existing training program that we have in Alaska. Our hope is that that facility will be built primarily - it will be built to be used by pipeline unions and contractors and it will have a residential addition on there for the purpose of bringing in workers from rural Alaska to house them so we can train rural Alaska workers in some of the more complicated aspects of training - the training that we can't deliver out to rural Alaska.

The skilled construction workforce that Alaska has today is directly tied to the commitment of Alaska's construction industry led by the Associated General Contractors, the National Electric Contractors, the Mechanical Contractors, the trucking industry and others. Labor in the industry has 29 jointly administered apprenticeship programs that exist in Alaska at this time and these programs account for about 85 percent of all actively registered apprentices in the state and about 95 percent of all construction apprentices in the state. We have 15 jointly managed training facilities in the state, with a combined value of \$25 to \$30 million. We have training instructors and training facilities that employ 90 people full-time and 60 part-time contract instructors. All of these facilities, for the most part, are funded by private contributions from our contractors.

Last year we brought in about 350 new construction apprentices. Teamsters 959, even though they're not here today, is prepared to offer opportunities in training to Alaskans in preparation of a gas pipeline, as well as the three pipeline unions that are here today. Recently Teamsters 959 director of training for Alaska, Mark Johnson, was appointed to be the director of training for the Teamsters nationwide. His 40 or 50 years in Alaska and his commitment to the state, I think, is going to be beneficial for [indisc.] sponsors and Alaskans in the training of Teamsters on that project.

There was a discussion of the Stranded Gas Act and the AFL-CIO's position on that. I will provide the committee with a copy of a letter I sent to Governor Murkowski on March 4th, which contains some of our recommendations for contract negotiations for [indisc.] sponsors, including the inclusion of a project labor agreement. So with that, that concludes my remarks.

CO-CHAIR SAMUELS asked, when it comes to international rules, whether Alaskans will be able to work in Canada or whether Canada must address its own citizens first.

MR. SAMPSON said he is not an expert on immigration but he has found, in his experience, that it is easier for Canadians to work in Alaska than vice versa. He noted interest among [indisc.] sponsors about worker movement between the two countries. A lot depends on how the Canadians would build the line and where the spreads would begin and end. He said from the view of labor, the project will take thousands of skilled people so if all pipeline spreads fire up at one time, manning the spreads will be very problematic. He said a lot of piping has already been done in Canada but a lot of work remains to be done. In one case, extra help was needed on a British Columbia project so workers were imported from the Northwest. He explained that Mano Frey is the regional vice president of an international pipeline union. He is responsible for seven or eight western states and four or five provinces in Canada, including Alberta, British Columbia and the Yukon. He represents pipeline laborers in those areas. He felt if Canadians needed help, Alaskans would be willing to go whenever called.

CO-CHAIR SAMUELS asked Mr. Sampson to comment on Commissioner O'Claray's statement that during the construction of TAPS, all of the welders came from outside of Alaska because of the agreement.

MR. SAMPSON deferred to the representative of the welders' association for an answer but stated that all of the union representatives present were involved in TAPS and there are many opinions on how that project worked out.

SENATOR BUNDE expressed concern that the international unions were not friendly to Alaskans during the construction of TAPS. He cautioned Mr. Sampson not to follow the same procedure used then.

MR. SAMPSON said he is very familiar with the TAPS agreement and what support Alaskans got. He believes that Alaskan labor will be leading at the table in these negotiations. The Alaskan unions have a relationship with the national building trades in Washington. He said he does not believe a president of an international union would say that Lower 48 workers should have a work priority over qualified Alaskans. He said Alaskan union representatives are prepared to make big commitments to Alaskans in a negotiated contract.

SENATOR BUNDE said he was not casting aspersions about Mr. Sampson's good will but was just cautioning him that Alaska is sometimes a small fish in a big pond.

SENATOR COWDERY said his understanding is that the pipe to be transported is very heavy so that even if overload permits are obtained, many of the bridges cannot handle those loads.

MR. SAMPSON said the size of the pipe differs among the proposals so that is yet to be determined. He suggested several transportation scenarios but said he is sure the industry will ask for waivers on road to weight and that those problems can be addressed relatively easily.

SENATOR COWDERY said he is hoping his bill to extend the railroad through Canada will come about.

MR. SAMPSON agreed, but said the pipe can also be trucked if need be and jested that the unions are willing to build roads, bridges, dams or any other project that might be required.

MR. JIM LAITI, Business Manager with Pipefitters Local 375, Fairbanks, introduced Mr. John Kanabe, retired training coordinator, who was instrumental in implementing some of the corrections to the lessons learned during TAPS. He read the following prepared statement.

Thanks, Mr. Chairman, and committee members, for this opportunity. I appreciate that. As I said, I'm the business manager of the United Association of Plumbers and Pipefitters, Local 375, in Fairbanks. We are one of three pipefitter locals in the state and we were chartered in 1946. My personal experience began with my apprenticeship in Local 375, beginning late in 1969. Back in those days you could still join an apprenticeship program if you were under 18 and many of us, while we were still in high school, started then.

My timing was very fortunate. It was right in the middle of the construction boom we witnessed in the 1970s. I gained a tremendous amount of experience that many others weren't able to gather prior to those times here in Alaska. I also experienced first hand the decline that we saw following that boom.

Regarding the issue of maximizing Alaska's workforce involvement in a gas project, the best way, in my opinion, to prepare Alaskans for this project is to utilize the existing programs, facilities and instructors already in place. These apprenticeship programs have evolved tremendously, like I said with ours, but I think ours is a good example of most all of them from the lessons that we learned from TAPS. Prior to that time there wasn't a project similar to that, not just in our area but probably in the world.

The Local 375 apprenticeship program is representative of many others in the building and construction trades. In order to produce journey level craft persons, the pipefitters 5-year program requires completion of nearly 2,000 hours of shop and classroom training and 8,000 hours, approximately, of on-the-job mentoring type training under the supervision of qualified craftsmen to turn out each journeyman at the end of the typically 5-year period. I'd like to re-emphasize that training by itself will not create an effective workforce. There's got to be a linkage to on-the-job experience. An analogy would be you wouldn't build a competitive football team solely on play books and videos and there's got to be a translation into field experience. You can't beat that on-the-job experience and, as an example, you know pipeline level of welders, because of the productivity and the quality requirements, those guys need to work most of the year-round. I mean their skills deteriorate and they're capable of being employed full time. If there's not a project here in-state...

CO-CHAIR SAMUELS interjected to ask if the unions factor into their decisions about training the downside risk that the trainees will have no marketable skills after the pipeline is completed. MR. LAITI said these large projects create a bell curve as far as employment goes for skilled craftsmen but Alaska will need more skilled craftsmen after the project is completed for maintenance and operations and the unions can estimate that amount. He noted the pipefitters' union tries to keep people working while they are in the apprentice program and is pretty successful. It is also market driven.

SENATOR ELTON said Mr. Laiti's play book analogy suggests a potential problem in that if training begins now, a presumption must be made that once that training is done, projects will be available for possibly 5,000 hours of on-the-job training.

MR. LAITI said that is correct. He acknowledged there will be some conjecture that will have to be made about the timeframe between project approval and when it starts. He said some of the skilled workers will have to be imported since it will not be beneficial to have 1,000 pipeline workers unemployed in Alaska after the project is finished. He noted that he was forced to leave Alaska to work in 1979 and 1980.

MR. JOHN KANABE said many workers can be trained to a certain level and then "polishing" them would take a short period of time.

SENATOR ELTON said if unions begin training Alaskans now for Alaskan jobs, they may not be able to get the on-the-job training necessary for them to become welders; they may end up as welders' assistants.

MR. LAITI said these folks will need continuous employment until the project starts to maintain their skills.
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MR. LAITI continued his prepared statement.

... into the construction industry is without comparison. According to statistics compiled by Information Insights in their May 2004 report, labor and management JATCs in Alaska accounted for 84 percent of nearly 1400 active registered apprentices. These apprentices benefit directly from the culture that we've seen developed in the oil industry in the last probably 10-12 years.

Attention to safety - a safe workplace, workforce productivity, producing a quality product with careful consideration for our environment - I mean these are all refinements and changes we've seen probably in the last, as I said, 10 or 12 years and that's good for the state, good for our workforce, good for the product that we build. We've come a long way since TAPS. Let's make the most of our collective experience using language for a project labor agreement that will ensure utilization of our proven apprentice programs.

MR. KANABE added that the pipefitters union has been training continuously since 1951. The union is market driven, meaning it can only train for the jobs that are out there. He noted that the union has hundreds of trainers, all of them journeymen. Classroom training is only one component and most learning occurs in the field. He said journeymen have a vested interest in training new workers.

CO-CHAIR WAGONER asked how many people will be trained during the project during the next year on the Slope.

MR. LAITI clarified that that project consists of about 24 miles of pipe and he expects that everyone who goes through the pipefitters union pipeline orientation will have an opportunity to work on that, but not at the journeyman level. He explained that the four pipeline crafts have gotten together in the past to provide training at different levels. Everyone who participates as a pipefitter is at the welder's helper level, apprentice level or lower. Some of them will have the opportunity to work as journeymen prior to the pipeline project. He said there has been interest in dictating total Alaska hire. The Plumbers and Pipefitters Union national pipeline director has visited Alaska and is very sensitive to the Alaska hire issue. Its general president has also visited a number of times, which did not happen when the TAPS was underway.

CO-CHAIR WAGONER said he wants to hire as many Alaskans as possible, but questioned how many certified pipe welders are available in Alaska today.

MR. LAITI estimated 200 to 250, depending on the type of certification. He said the Local 798 union began to train to that standard in the early 1980s and helped [Local 375] welders to learn to perform to the non-destructive testing standards, which are almost to nuclear standards.

CO-CHAIR WAGONER surmised that many of those welders will not leave their current jobs to work on the pipeline.

MR. LAITI said some will, some won't.

CO-CHAIR SAMUELS called Mr. Bishop to testify.

MR. CLICK BISHOP, Apprenticeship and Training Coordinator for the Operating Engineers Local 302, introduced district representative Bob Morigeau from Anchorage, and thanked members for the opportunity to speak. He told members he has been with the operating engineers for 30 years and worked on the TransAlaska Pipeline right after completing high school. He has also worked on civil, heavy and highway work and spent 17 winters working in Prudhoe Bay. He began his current position in 1991, at which time he had 17 apprentices. Today he has more than 120. He said technology has changed so that today, the project will rely on hydraulic excavators with GPS technology and trenching machines. This new equipment requires much more training than was required 30 years ago.

CO-CHAIR SAMUELS asked if the new technology will require fewer people.

MR. BISHOP said the peak manpower numbers provided by Mr. Palmer showed the need for a lot fewer operating engineers than the 1974 project required. He noted that as the pipeline crafts came together in 1997 and 1998 with the industry, labor and the oil companies, it did some training for North Slope work. Out of the 28 students that were trained in his craft, 25 were employed. His apprenticeship program is designed to only train the number of people that can be actively employed. He works hard to recruit from rural Alaska. Apprenticeship numbers for Alaska Natives depend upon timing but run from 30 to 40 percent of participants. He said the unions can collectively do a better job to assure training for this project than they did in 1974. He commented that the Pebble Mine project may be starting at the same time as the gas line and that could create a manpower problem. He offered his services to the committee for any help it may need.

MR. BOB MORIGEAU, District Representative, Operating Engineers 302, told members that he traveled to Alaska 30 years ago from Montana and remained here. He explained that most of the work done by the Operating Engineers is heavy highway work; 7 out of 10 of its projects have no mandated training or apprenticeship hours. This project would be a perfect vehicle to increase its numbers because many contractors will not employ trainees on their own unless mandated in the job specifications. Close to 7 out of 10 Department of Transportation and Public Facilities projects have no training hour mandates. If projects contain such mandates, the union could increase its number of trainees from 15 or 25 per year to 50 or 60. That would provide a perfect vehicle to ramp up for the pipeline project.

REPRESENTATIVE JOULE said one disadvantage of union membership for rural Alaskans is that if there is no work in their areas, the chance of being called for a job is remote. He asked if they are called regardless of where the work site is located once they are in an apprenticeship program.

MR. BISHOP said the fact that apprentices leave the villages because steady work is not available in the villages is one of the things that he gets "beat up" on by elders when he goes to the villages. He explains to the elders that at some point in time, the workers will be able to retire in the villages. He lamented that is a tough issue and said they keep apprentices actively employed and work hard with rural students.

MR. MORIGEAU commented that the hiring hall recognizes local hire issues and gives preference to rural workers who live within the vicinity of a job, regardless of where that person's name sits on the out-of-work list. Hiring is done via telephone so, if a person is on the out-of-work list, they get called and offered a job no matter where it is.

MR. MIKE GALLAGHER, Business Manager of Laborers' Local 341, Anchorage, said he is responsible for the geographic area of Southcentral Alaska. His counterpart, Tim Sharp, is responsible for the geographic area up North. The Alaska Laborers' Training School is jointly managed with contractors appointed by the Alaska General Contractors (AGC). They have two training facilities in Anchorage and Fairbanks. Trainees from other areas are provided with room and board. He noted in 2003, the laborers' union trained over 2000 people at those facilities. It also does satellite training in Kenai, Kodiak, and Southeast. Training consists of pipe laying for water and sewer lines, grade checking, building construction, concrete, pipeline construction, road building construction, drilling and blasting, and upgrade training for certification. The union spends an average of \$1.3 million per year on training of the Alaska

workforce and has spent over \$2.5 million on training assets.

MR. TIM SHARP, Business Manager of Laborers' Local 942, Fairbanks, told members he represents 1100 members from above the 63rd parallel and in Southeast Alaska. He said his members can be likened to the "Marines" of the industry and would do the drilling and blasting on the right-of-way for a pipeline job. They also do pipe coating, carpentry, sheet metal work, insulation, and load and unload trucks. He said the consistent themes he heard during the last two days are risk management, maximizing value, rate of return and best policies. He said his programs tie into those themes well. He explained:

I saw a lot of heads nodding here yesterday that the Legislature, along with the people of Alaska, decided on a southern route and they did that for a lot of reasons but I think the main driver was jobs and opportunities for Alaskans. I think the issue before us and the thing that we help bring to the table is how do you develop that integrated approach to manage the risk or maximize the value out of these jobs and opportunities. Those are our programs. Those are all the trade programs because they're the best in the industry - I mean they're just recognized as the best. They have that track record, and even had we never testified, it's just the accepted fact that no one does it better than the unions. We can turn on a dime. We can train for any new particular skills that the contractors bring before us. If there's new cutting edge stuff we're right there for them. We just need to know which way we're going and we go there.

It's been covered before that we're market driven. We don't train for the sake of training. There's an outcome for our training programs. There's a job or we don't do it. We deliver a seamless career package for Alaskans. We get them right to work at the end of these programs. We - and Mike covered it - and I think this is key and I would like it to be maybe noted that all of our training programs are administered jointly. There are contractors on the other end of this equation. We don't just go do what we think is a good idea. There's a check and balance and it's well thought out.

I guess the other thing, in terms of what makes us different, is whatever projects we do, whether it was the TransAlaska Pipeline up to today, we leave in our wake residual benefits. We're not a drain on the local economy. We nurture the local economy with health benefits. We pay our own way. We have pensions that are created as a result of our jobs and projects that we are involved in, leaving Alaskans a chance to retire here. We help feed the equation here in terms of local economy. Because we're market driven, and I think the representative from TransCanada mentioned it earlier, the need to get going. You can't train, for instance, a journeyman pipefitter in a year. No one has a crystal ball but we don't have the luxury of waiting for all the certainty that we might need to get going on this but I'll tell you right now, if we don't get going, we will be - and [Representative] Joule mentioned it, how do we not make the same mistakes we made the first time. Well this is the whole key. If you have the project labor agreement, if you have the glue that kicks this all into gear, you have the certainty that gives the trades a target to know how many people to prepare for, when this is going to happen, what the needs of the contractors are, it guarantees results as opposed to some of the other language we've seen in past bills. It's enforceable language as opposed to words like 'endeavor,' or 'may,' or 'we should strive for Alaskan hire' - we can get Alaskan hire this way.

I guess I'll try to keep it short because there were four people before me that might have given you everything else.

CO-CHAIR SAMUELS thanked Mr. Sharp.

REPRESENTATIVE JOULE asked Mr. Gallagher how well his local union is doing recruiting people who have moved from rural Alaska to Southcentral.

MR. GALLAGHER said he believes they are doing well. About 27 percent of their apprentices are from rural Alaska. One problem is that people come from rural Alaska on an interim basis so housing is problematic. The AGC and organized labor discussed that issue this year and devised a mechanism to

resolve that problem in which workers will be provided with either housing or per diem.

MR. SHARP invited all members to the pipeline demonstration in Fairbanks in November.

CO-CHAIR SAMUELS thanked Mr. Sampson for attending and apologized to the non-union groups that wanted to testify. He explained that he set the agenda and did not intend to omit any point of view but the number of people who wanted to testify was overwhelming. He said he would try to invite those people to speak at the next hearing. He then called Mr. Cattanach to testify.

MR. DICK CATTANACH, Executive Director, Associated General Contractors, told members he would share his perspective on some of the comments made earlier. He stated:

You need to understand what the construction industry is and how big it is. We talk about 8,600 employees at the peak. You have to recognize that in 2004, we're expecting an average construction employment of 17,400 workers. So we're looking to grow by 50 percent if these projections are correct. And that's all construction workers. That's laborers, that's operators, that's Teamsters, that's carpenters, that's bricklayers, that's a lot of people who aren't going to be involved in this. So if you look at the impact on the trades, you're going to see that we're probably going to increase the impact to trades by two-thirds or more. We'll double them in some cases.

To think that we can hire everybody locally is a fool's errand. I mean it's not going to happen and I think we need to understand that. The commissioner pointed out some very good reasons why we couldn't do that. Some of the other gentlemen have talked about what happens after and if you were here in the late '70s, you saw all those construction people and unemployment lines. There was no work for them. What we need to do is be concerned about that as well.

Some of the things that I think are important for us to think about - our construction ranges from an average in 2004 of about 13,700 in January. January, if you look at the graphs, is traditionally the low time of the year for construction employees - to a high of about 22,000, which will be in August. That difference is about 8,300 employees. If we could construct the pipeline in the winter, we could have a relatively even transition from people that would be laid off normally into the pipeline. But when we add it on top of summer construction, those are 80-some hundred more people that are going to have to be trained and come into the industry.

We also need to remember, and it was pointed out, training is not homogeneous. You don't provide training and then you have somebody that can go and do everything. A carpenter that's been trained is not a finish carpenter when he's gone through his minimum training. That takes time. That takes an awful lot of time. So what you're going to have is a lot of entry level jobs that you've prepared people for. They're not going to be doing the skilled labor jobs. Those, unfortunately, are going to come out of our existing workforce. When I say 'unfortunately,' you have to recognize what happens. They're going to come out of the workforce but they've got to be replaced so the roads that are built in Southcentral and northern Alaska - all over Alaska, are going to be built with people that don't have any experience because the experienced people are going to be working on the pipeline and who would deny them the opportunity to work 12 hours a day, 7 days a week and take home those huge checks, rather than work highway construction for 40 hours a week. You're going to see that. You're going to see the skilled labor moving to this pipeline. That's going to have a huge impact on construction, as we commonly know it. So if you think you've got delays right now driving around Anchorage or other places, imagine what it's going to be like when you take the skilled workforce and they're building the pipeline. It's a problem we're going to have to learn to live with and it's a problem that it's actually nice to know in advance so we can start doing some planning.

One of the things that was pointed out is that what you see in construction is we have a very good construction labor force. It's there because of a relationship developed between management and labor many years ago. An apprenticeship program paid for by the private sector through negotiated agreements with labor unions - they provide 86 percent, a comment I heard, of the

trained workers in construction. The government doesn't play a role in this. So if we're going to get the government involved in training when they're not involved in the job placement and everything else with that, we need to make sure that we all understand what that role is so they're just not training people that end up standing in an unemployment line because nobody's looked at the job opportunities. There needs to be a better thought process going into what the role of government should be. They have to be part of it. They've got money but what should their role be? I really don't have the answer.

We've heard discussions today about local hire. We're all in favor of local hire. I haven't heard one mention about maintaining local contractors. When the pipeline was built, principal contractors were Bechtel, Fleur, Parsons - these are outside companies that owe nothing to Alaska. They contribute nothing to Alaska. They leave nothing when they leave except, if we look at the missile defense system, some broke contractors, broke subs who have to work with them and end up going broke. I would like, when we think about local employment, to extend that to try to get local contractors involved and you say do we have local contractors. You have VECO. You have AIC. Who mentioned AIC or, actually, one of the gentlemen mentioned AIC. You have Kewitt - Peter Kewitt, one of the largest companies in the world. You have Wilder who is owned by Granite Construction. You have Alasko (ph) - Alaska Quality, owned by a French company. These are Alaskan companies. They can certainly provide some of the expertise we need.

What I fear is we're going to see Bechtel and Fleur and these people who owe nothing to the state, have no allegiance to the state, you'll never see them in Juneau saying we've got some laws we need to change, we've got some conditions we need to address. Instead they'll come, they'll take their money and they'll leave the state and that's of concern. That's something that my membership is very concerned about. And with that, my remarks are concluded.

SENATOR BUNDE said when he thinks of Alaska hire, he thinks of the people who do the hiring, as well as the people who get hired. He then asked if recruiting young people into the trades has been challenging.

MR. CATTANACH said the construction industry has to grow by about 1,250 workers each year right now just to replace the growth predicted by the Department of Labor and turnover. He said according to statistics, the state has had no in-migration since 1990 so that demand is not going to be met by importing workers. The demand must be met by high school graduates or unemployed workers yet Anchorage's unemployment level is below the national average. Alaska high schools graduate about 7,000 workers per year, of which an estimated one-third will go to college, therefore, the construction industry has to attract about 20 percent of those graduates to meet its needs. He said that schools are doing an abysmal job at training. Students do not graduate ready to go to work. They do not know how to show up for work every morning. Counselors are not advising students to go into the blue-collar trades. He noted that labor is doing what it can to improve the image of blue-collar workers and money is what attracts those graduates.

SENATOR BUNDE said enticing people to get trained should be part of the legislature's discussion.

CO-CHAIR WAGONER said he left the community college system in 1986 when the university system and legislature decided to merge the two. That merger has been very unsuccessful because the community college mission got lost. He believes in reconstituting the community college system because they are strong in vocational training and thinks something will be done about that in the next few years. He said it is important to increase awareness among high school students and students who do not complete high school. They can be enticed into the community college system for further training.

MR. CATTANACH said students must be proficient in math to enter the construction trades.

CO-CHAIR WAGONER agreed but said math can be taught using an applied method rather than with a theoretical method.

SENATOR ELTON asked Mr. Cattanach if he has any suggested course of action to protect Alaska contractors or whether he has been working with the administration on that issue.

MR. CATTANACH said the AGC has been shut out of that discussion so he raises his voice about it whenever he can. He said the AGC got shut out during the oil pipeline construction. He said he is bothered by the fact that the trained workforce in Alaska was trained by the contractors who are here and have made a commitment to the state, yet they get left out. He said he has carried that message to the administration but he is not sure how well it resonates.

SENATOR ELTON said it would be helpful for both labor and management to come forward with ideas that would work.

REPRESENTATIVE JOULE said he is glad Mr. Cattanach raised the issue of Alaska contractors. Regarding vocational education and whether students are prepared, he sees that as a great opportunity but certain things must be fixed first. Our secondary school system does not offer much in the way of vocational education because of the [foundation] formula so that is a change the legislature would have to address. He said Representative McGuire mentioned the King Career Center earlier. His belief is that because the economies of rural Alaska and the rest of Alaska are joined at the hip, the legislature needs to figure out how to make those kinds of partnerships that can reach across Alaska to get students to take advantage of those systems. Some school districts are talking about the need for boarding schools in Anchorage to allow rural students to take advantage of those opportunities. He said the legislature needs to look down that road as these discussions take place.