



Bureau of Land Management

Comprehensive Monitoring Program Report Section 29 and the Alaska Native Utilization Agreement



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Our Message to Stakeholders

TAPS and JPO

The Trans-Alaska Pipeline System (TAPS) transports nearly 19 percent of the nation's domestically produced crude oil through the unique and fragile environment of Alaska. TAPS is critical to the nation's economy and security. Revenues and investment income from crude oil transported by TAPS account for 80 percent of the State of Alaska's general fund. Since start up in 1977, TAPS has safely transported more than 13 billion barrels of crude oil from Prudhoe Bay to Valdez. The Joint Pipeline Office (JPO), a unique consortium of six State and five Federal agencies, oversees Alyeska's management of TAPS.

JPO's Comprehensive Monitoring Program

JPO's vision is: *To work proactively with the oil and gas industry in Alaska to achieve safe operation, environmental protection, and continued transportation of oil and gas in compliance with legal requirements.* The JPO Comprehensive Monitoring Program (CMP) is intended to influence continuous improvement in Alyeska Pipeline Service Company's management of TAPS construction, operations and maintenance activities. The JPO CMP process is focused on problem prevention rather than reaction, emergency response, and damage control.

CMP reports periodically communicate to JPO stakeholders summaries of past monitoring efforts. The reports revisit critical TAPS audit deficiencies; incorporate concerns raised by TAPS employees and outside interest groups; address high risk activities; verify compliance with laws, regulations, permit conditions, and Grant/Lease stipulations; verify compliance with important internal Alyeska controls such as the quality, safety and environmental programs; and evaluate causal factors and trends related to recent TAPS incidents. Reports have previously covered one of twelve CMP functional topics:

- **Alaska Native Employment & Training*
- *Configuration Management
- *Employee Concerns Program
- *Equal Employment Opportunity
- *Quality
- *Environment

- *Maintenance
- *Safety
- *Project Design
- *Project Performance
- *Risk Management
- *Operations

About This Report

The JPO is pleased to present *Alaska Native Employment and Training for 2007* to our stakeholders.

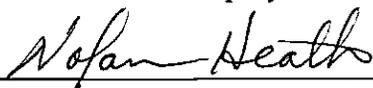

for Jerry Brossia Authorized Officer

Table of Contents

Commonly Used Acronyms.....	4
Introduction and Purpose.....	5
Requirement.....	5
Background/History.....	7
Methodology/Scope.....	7
Discussion and Results.....	7
Table I.....	8
Conclusions.....	13

Commonly Used Acronyms

AFN	Alaska Native Federation
ANCSA	Alaska Native Land Claims Settlement Act
ANUA	Alaska Native Utilization Agreement
APSC	Alyeska Pipeline Service Company
BFEP	Building Foundation for Excellence Program
CMP	Comprehensive Monitoring Program
EEO	Equal Employment Opportunity
JPO	Joint Pipeline Office
PPC	Pipeline Power and Communication
TAPS	Trans-Alaska Pipeline System

1.0 Introduction and Purpose

Section 29 of the Federal Agreement and Grant of Right-of-Way fulfills commitments made by the Owners of the Trans Alaska Pipeline for training and jobs for Alaska Natives.

Representatives of the Owners of the Trans Alaska Pipeline promised Alaska Native leaders contracts, training and jobs in the construction and operations of TAPS. These promises were made during meetings with Native leaders primarily from the TAPS corridor regions of Chugach, Ahtna, Doyon and their respective villages. Leaders of these regions and villages agreed to waive protests filed with the Secretary of Interior regarding transfer of land along the proposed TAPS route making way for the right-of-way withdrawal by the Secretary of Interior.

There is an important distinction to make between Section 29 and Equal Employment Opportunity (EEO) requirements. EEO is addressed under Section 28 of the Grant and Agreement of Right-of-Way and relates to a specific rules and regulations prohibiting discrimination. Section 29 arises out of commitments by the TAPS owners to the employment and training of Alaska Natives in exchange for non-objection to the right-of-way for the pipeline prior to the Alaska Native Land Claims Settlement Act (ANCSA).

The purpose of Comprehensive Monitoring Program is to evaluate compliance with Section 29 and this report provides background, discussion and status of compliance to stakeholders.

The purpose of this report is to explain JPO process for monitoring Section 29 of the Agreement and Grant of Right-of-Way and the related Alaska Native Utilization Agreement (ANUA).

2.0 Requirement

Overview

Section 29 of the Agreement and Grant of Right of Way, requires the Permittees to enter into an agreement with the Secretary for the recruitment, testing, training, placement, employment and job counseling of Alaska Natives.

This agreement, first renewed in 1995, is the Alaska Native Utilization Agreement (ANUA) and is renewable every three years. The formality surrounding the ANUA renewal signing has been highly visible in past years, taking place during the annual Alaska Native Federation (AFN) Convention in front of 4,000 Alaska Natives from around the state. AFN played a significant role in bringing Alaska Native hiring issues on TAPS to the forefront, which was followed by the 1995 renewal. Federal signatories have included the Secretary of Interior and the Deputy Secretary. The next renewal date is set for the end of 2007.

Alyeska is required to spend approximately \$2.1 million annually supporting ANUA programs. Annual expenditures include:

- appropriate staffing for APSC ANUA implementation,
- employee training outside of regular training afforded all employees,
- scholarships, and
- internships.

Employment Goals

The cornerstone of the Alaska Native Utilization Agreement is employment—expressed in terms of annual employment goals for APSC and contractors employing a significant number of employees. The ANUA required the employment goal on TAPS to increase from 5% to 20% from 1995-2007. Employment goals are broken down by job category: managers/supervisors, professionals, technicians and clerical; each expressed as a percentage employees.

Employment results by job category have been reported quarterly by APSC since 1996, as specified in the ANUA. Alaska Native employment on TAPS is currently 470 employees, 20% of the total number working in pipeline operations and maintenance.

Contractors

Contractors with 15 or more employees report employment results quarterly to APSC. Contractors with 50 or more employees, identified as “Designated Contractors” are required to submit annual plans to APSC describing full ANUA implementation methods.

Other ANUA Programs

The ANUA has other requirements key to affecting the progress and sustainability of employment particularly on-going recruitment, employee retention and advancement of Alaska Native employees within APSC. ANUA programs include:

- Recruitment
- Training
- Scholarships
- Job counseling
- Measurement of progress

Each of these programs areas are regularly monitored by JPO for compliance and is fully reported in Section 5.0 Discussion and Results.

Background/History

The 1995 Alaska Native Utilization Agreement renewal was a result of dismal employment levels of Alaska Natives for the previous 17 years, where employment hovered around 3-5%. Since the renewal, APSC employs an Alaska Native Program Manager responsible for implementing the ANUA and reporting regularly to the Joint Pipeline Office.

Since 1995 Alaska Native employment has steadily risen and is currently 20% of the 2,350 employees working on TAPS. JPO monitors program results and employment data through field surveillances and Assessment Reports.

Vital to programmatic success is the influence of the Alaska Native Program Manager within Alyeska, implementing the ANUA by working closely with APSC executive staff and managers. While assessments report compliance with major terms of Section 29, surveillances document periodic slippage in recruitment, employee advancement and other programs that could negatively impact employment goals. It is through the tenacity of the manager, committed to meeting the terms of the ANUA, that APSC stays in compliance with the agreement.

3.0 Methodology/Scope

The scope of ongoing JPO monitoring of the ANUA includes field surveillance of all ANUA programs required. JPO monitors both APSC and required contractors through personal interviews and document and file review and analysis. Field surveillances are analyzed and evaluated through assessment reports.

4.0 Discussion and Results

Results are documented in three Assessment reports completed from 2005-2006, summarizing field surveillances conducted during that same period. The first assessment, Assessment FBU-06-A-001, conducted in the fourth quarter of 2005 focused on APSC results for each ANUA program. The assessment resulted in five findings requiring corrective action by APSC. A follow up assessment, FAI-06-A-005 was conducted in 2006 to assess sufficient the closure of findings. The findings and closure actions taken are listed on the next page in **Table 1**.

Table 1

ANUA Programs not in compliance	Finding/Issue	Corrective Action Required	Corrective Action Taken
Contractors	Designated Contractors are not monitored or evaluated by Alyeska for ANUA program compliance.	Implement a contractor oversight program using internal controls including evaluation of effectiveness.	Letter issued from APSC President underscoring ANUA obligation, followed by individual meetings to discuss their employment status in detail, review strategies and offer additional resources for recruitment.
Recruitment	Internal recruitment processes are not well structured resulting in unqualified applicants to move into the interview pool and qualified applicants to be excluded.	Strengthen the recruitment and screening process.	<p>A weakness in the internal recruitment and screening process was addressed in the development of a recruitment data flow map to increase coordination among Alyeska human resource professionals with the hiring manager.</p> <p>The flow chart enhances internal operating procedures, strengthening and clarifying the role of the Alaska Native Program.</p>
Diversity Awareness	Alyeska has no program to provide annual training on Section 29 commitments for managers and supervisors	Develop an annual training program.	APSC updated training video to be provided to all employees beginning with the executive staff, followed by managers and supervisors.
Measurement of Progress	Alyeska has not conducted a thorough evaluation of the effectiveness of ANUA implementation	Design and implement an evaluation of all ANUA required programs	An Effectiveness Metrics Report (attachment 5) which provides for the systematic compilation and measurement of Job Retention; Recruiting; Training; Job Counseling; Promotions; Performance Evaluations and Scholarship Effectiveness.

Contractors

An assessment of the contractors was conducted separately from APSC. Assessment FAI-06-A-004 found contractors in compliance with their intent and efforts to employ Alaska Natives.

APSC corrected a deficiency noted in Assessment FBU-06-A-001, demonstrating increased oversight of their contractors by conducting review meetings and committing to follow up meetings to assess and monitor their ongoing performance.

JPO analysis of individual contractors reveal six did not meet employment goals while six exceeded the goal which boosted the overall combined TAPS workforce to meet the 20% employment goal.

Interviews, site visits and data analysis of contractor employment trends concluded there are two reasons companies are unable to meet the employment goal:

- 1) Contractor jobs require a four-year degree, often in a technical field such as engineering and computer science and professional experience of 8-15 years in areas such as project management or pipeline related work.
- 2) The current robust job market in Alaska among crafts and trades, allow workers to choose among the most desirable jobs, particularly jobs paying full-union scale, whereas the TAPS contract for craft workers pay 80% of union scale.

APSC is working with contractors to increase employment numbers through allowances for interns on some contracts, which add head-count to the total fee paid on the contract. These contractors include: Crowley Marine, Doyon Universal Services and Kakivik.

Contractor recruitment

Contractors have demonstrated good faith efforts to recruit and hire Alaska Natives. Their methods vary from posting ads in Alaska Newspapers to collaboration on post-secondary curriculum programs with educational institutions for the purpose of hiring program graduates. Some contractors also provide scholarships for training.

Contractors relying on newspaper ads, Udelhoven and Northwest Technical Services, provide a specialized workforce for APSC, primarily tied to the electrification upgrades of TAPS facilities which are of a specific duration. Udelhoven employs workers conducting functional check-out for the new systems. This requires skills in instrumentation and eight or more years experience. Northwest Technical Services provide technicians for pump station operations to alleviate strains on the technicians as they train and prepare for changing over to the new TAPS facilities. Technicians require two-years training and five or more years experience on TAPS. Neither have been able to identify and recruit Alaska Native employees.

Three contractors, Crowley Marine, Doyon Universal Services and SAIC work with higher educational institutions to develop curriculum that meets their job qualification requirements. Crowley Marine and SAIC work closely with Alaska Vocation and Technical Center on training programs that have resulted in employment of graduates with both companies. Doyon Universal Services working with the University of Alaska Fairbanks, provides scholarships to train a security workforce.

Hawk Consulting works with the University of Alaska Anchorage providing scholarships in the Project Management Program, targeting Alaska Native students. Kakivik Inspection Services also offers scholarships for Alaska Native students, employing them as interns during the summer months.

VECO works with the engineering program at the University of Alaska Anchorage to identify and recruit interns. They have successfully employed interns for the past four years, transitioning some upon their graduation.

Ahtna Construction and Pipeline Power and Communication (PPC) both employ trade and craft workers hired out of the unions. Ahtna has been successful in meeting, and far surpassing employment goals whereas PPC has struggled to meet the goals and falling short. Interviews have revealed that Ahtna is likely successful because most of their work is near the homes of their workforce in the Glennallen and Valdez area. PPC is faced with a robust construction/employment climate resulting in a workforce choosing to work jobs in Fairbanks or those paying full union wage scale.

Discussion and Results by ANUA Program Area

- Employment
- Recruitment
- Training
- Scholarships
- Job counseling
- Measurement systems documenting progress and compliance

Employment

The employment level on TAPS meets the goal of 20%, including credits. Provisions in the ANUA permit the inclusion of employment credits, increasing reportable employment levels. Alyeska regularly uses scholarship expenditures for allowable employment credits, calculated as one additional employee head count for every \$30,000 spent on scholarships. Alyeska reports an additional 25 employee head count for \$750,000 spent on scholarships.

The 2005/06 employment goal for technicians was 21% with reported employment at 17%. Efforts have been made to recruit and train technicians through the APSC training and internship program, yet employment levels continue to lag.

The 2005/06 employment goal for managers/supervisors was 14% with reported employment of 10% for both years. Alyeska has struggled in reaching employment goals for managers/supervisors, attaining the goal only twice since the 1995 ANUA renewal. In 1999 the employment goal for this job category was reduced from 10% to 6%, a concession made in the 1998 ANUA renewal--put forth as a good faith effort to assist Alyeska in meeting this goal. This concession had little effect on Alyeska meeting the employment goal for this job category. This deficiency is significant given the level of influence managers have among their peers including hiring decisions and developing company policy. There is also an economic impact with regard to lost earnings for Alaska Natives not hired at this level. Alaska Natives have potentially lost over \$1.1 million annually in wages and benefits by not meeting the employment goal provided for in the agreement.

Employment Impact of Pipeline Automation

Alyeska is undergoing significant downsizing as part of Strategic Reconfiguration (SR) whereby Alyeska will become increasingly automated in its operation. Alyeska employees were selected in the third quarter 2005 to work in the post-SR organization. Alyeska demonstrated their commitment toward Alaska Native employment, retaining a strong percentage during this process. The employment level of Alaska Natives in the post-SR organization is 19.9%. The employment level of managers and supervisors continues to lag in the post-SR organization.

Looking Ahead: APSC Staffing Strategy

APSC just completed a 30-Year Staffing Plan focusing on the first five years, particularly critical skill areas required for future operation of the pipeline. The staffing plan aligns programs of the Alaska Native Utilization Agreement (ANUA), moving participants through APSC programs: scholarship, internship, entry-level hire, full hire.

Recent Employment Results

APSC posted nearly 50 positions externally at the end of 2006 and the 1st quarter of 2007, representing the greatest number of open recruitment positions by APSC in over eight years. Positions represented all job categories.

Recruitment and hiring data provided by APSC shows early trends lacking in a good-faith effort to effectively recruit and hire Alaska Natives. An analysis of 35 open positions, eleven were filled, none by Alaska Natives. Eighteen Alaska Natives applied for those positions filled, eleven were interviewed.

The Alaska Native Program Manager estimates that APSC will fall short of employment goals in the first quarter of 2007 unless APSC managers hire qualified Alaska Native applicants.

JPO will closely monitor this cluster of job postings through the final candidate selection to assess compliance with the ANUA.

Recruitment

Alyeska has demonstrated compliance in recruitment but their internal job posting and hiring processes demonstrate weaknesses. There are documented instances where qualified Alaska Natives candidates were not interviewed and non-qualified candidates were. This resulted in Alyeska re-posting positions to meet their policy. Following JPO Assessment FAI-06 -A-005 documenting corrective action taken by APSC in their recruitment, full and sustained implementation needs to be monitored given the weak results in recent hires.

JPO further notes, perhaps one of the biggest “missed opportunities” is not tracking data of the individual scholarship recipients—those who have received scholarship funding from Alyeska Pipeline, offered since 1996. Recipients number well over 1,200 since program inception and those benefiting from the program in 1996 would today have their degree and four to seven years professional experience. Past scholarship recipients could likely improve the job candidate-pool available.

Training

Training, as provided in the ANUA, is a key component for Alaska Native to gain access to entry-level positions as well as advancing current employees within the company.

Entry level training is offered through scholarships and a comprehensive internship program designed to provide entry-level positions and seasonal hires for college students. The entry level program is called Building Foundations for Excellence Program (BFEP) and provides opportunity for new employees to join Alyeska and current employees to learn new skills to prepare them for advancement. This program has been instrumental in helping Alyeska achieve ANUA employment goals.

The other component of APSC internship program is seasonal hires which identifies talented students and employs them during school breaks.

In 2007 the Alaska Native Program manager is developing 22 new BFEP and 12-week seasonal positions, consistent with the 30-year staffing plan.

Employee Training

Alyeska awarded \$75,000 in training funds for Alaska Native employees under the new supplemental training and development program to broaden skills and provide potential for employee job promotion.

Alyeska approved 13 Alaska Native employees for the 80% educational reimbursement program for employees seeking college degrees. This is a regular program provided to

all APSC employees.

Scholarships

Alyeska has provided approximately \$750,000 in scholarships annually since 1996, awarding them according to a request-for-proposal process. Scholarship recipients Alyeska, in its quarterly employment report, includes up to 25 head count employment credits annually.

Scholarships are provided to universities, individual scholarships awarded through Alaska Native organizations, contractors and APSC employees for supplemental training.

Job Counseling

Job Counseling is an important component of employee retention. Alaska Native employees receive formal and informal coaching and counseling when there are signs of work-related issues or problems. Alyeska Human Resources has formalized a process whereby the Human Resource Generalists works closely with the Alaska Native Program Manager in managing the process.

Measurement of Progress

Until mid-2006 Alyeska had not kept data or developed systems for tracking the progress of Alaska Native employees that could result in statements of programmatic results or conclusions. This was a finding of the JPO Assessment FBU-05-A-001.

As a corrective action, APSC implemented an ANUA Effectiveness Metrics Report which provides for the systematic compilation and measurement of Job Retention; Recruiting; Training; Job Counseling; Promotions; Performance Evaluations and Scholarship Effectiveness. This report is maintained with current data and is monitored by JPO, verifying data for compliance.

5.0 Conclusions

Recent assessment reports find Alyeska in compliance with major terms of Section 29 and the Alaska Native Utilization Agreement. However, employment levels may falter, falling below established employment goals.

The Alaska Native Program Manager is working to positively influence processes and management in order to meet employment goals at all levels. The comprehensive approach of the ANUA programming plays an important role in meeting sustainable employment on TAPS. It is critical that all programs are fully functional and they require ongoing JPO surveillance to assure compliance.