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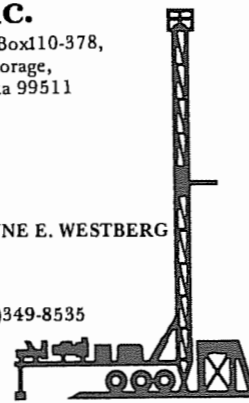
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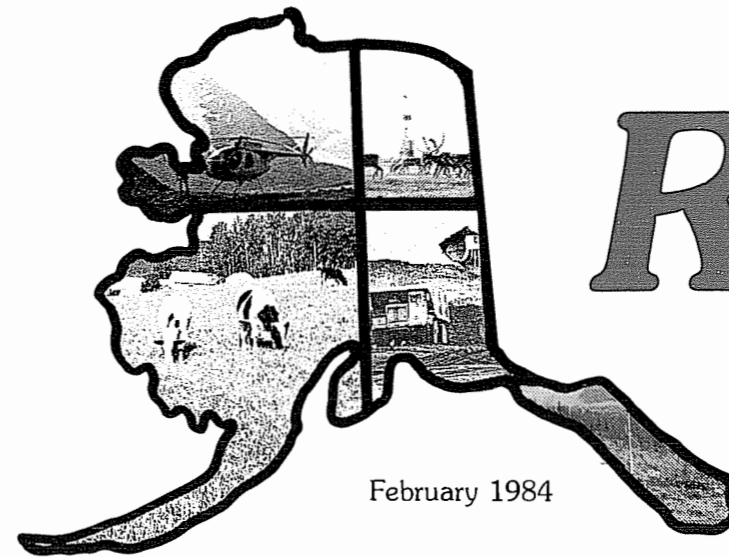
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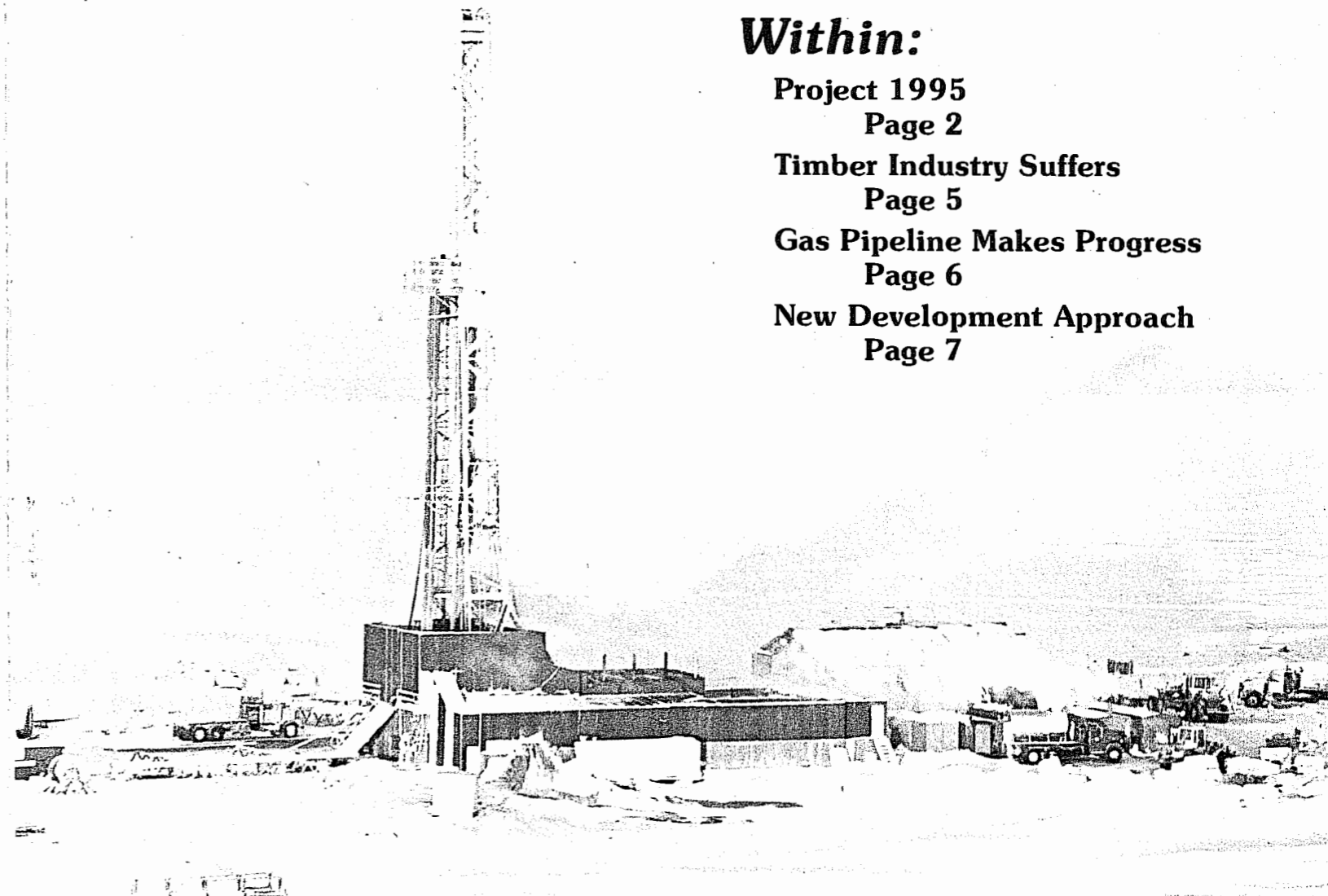
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Message From The Executive Director

By Paula P. Easley

Project 1995

The Resource Development Council is seeking a partnership between the public and private sectors in a forcefully directed project aimed at developing realistic strategies to broaden Alaska's economic base.

Tentatively named "Project 1995," the proposal would involve participation by all industry segments, government, labor, the universities, regional corporations and environmental groups to develop these strategies. While Project 1995 is still in the scoping process, we expect to announce its structure in February.

Our Council's leaders recognize there are numerous organizations throughout the state which are struggling to address the problem of Alaska's future in the light of declining state revenues. With all of us working together to implement the project, we believe it can be successful. We have all been wringing the same handkerchief, so to speak, and the time for action is long overdue.

On January 23 we announced the proposal at an international marine development conference. To summarize, it concerns short and long-range strategies for strengthening Alaska's economy and focuses on the eventual decline in oil revenues.

While the paper is too lengthy to include in the Resource Review, following is the background from which the proposal developed.

For a long time many of us rejected the forecasts of declining oil revenues with the optimistic view that new production would offset losses, but the chances for that in the necessary time frame are diminished. The state's confrontational attitude toward oil development, high industry operating costs and long project lead times and the marginal nature of discoveries now in place support this contention.

We concluded that since Alaska can no longer rely on the premise that billions of dollars will be received annually in the treasury, actions need to be taken now to prepare for the time when revenues are likely to be half what they are now. For example, the state ought to begin reducing its overall budget by

ten percent each year, or at least to the extent that the cuts would not be recessionary. A serious look at state programs which could be reduced or eliminated is called for, with emphasis on unnecessary regulatory programs.

In order to prevent massive budget cuts in five years, local governments should consider following suit with corresponding annual budget reductions.

Since budget reductions are not going to solve the entire problem, the state should consider spending dollars in such a way to create additional revenues farther downstream. In so doing, the administration and the legislature need to eliminate the "pork barrel" approach to state appropriations. Alaska can no longer afford to divide up the pie to the extent that funding of major capital improvements is precluded.

Under an option of reduced budgets and carefully targeted spending to help generate new income, the state would have to look hard at repealing the Permanent Fund dividend program and redirecting those funds elsewhere. Evaluation of all 38 state loan programs for cost effectiveness would also be in order.

Another option outlined in the paper was that of generating new income through targeted annual ten percent increases in state revenues derived from economic sectors such as agriculture, forestry, fishing, manufacturing, transportation and mining. Currently, these non-oil revenues account for only ten percent of the state's income.

Another option includes reducing industry's operating costs, thereby creating higher profits and tax revenues. Proposed and existing regulations would be analyzed for their dollar impacts on business and government enforcement costs.

Since much of the prosperity Alaska enjoys today is from oil leases issued in the '60s, the state would do well by exercising the option of finding more oil.

If the state is deeply interested in encouraging new oil exploration, it should support an orderly schedule of federal on-shore and offshore leases and remove impediments that might stand in the way. Under such a policy, sales now on the schedule would not be delayed and leasing on state tracts would be encouraged.

Before broadbased growth can occur in any resource sector, decisions must be made soon to expand the state's transportation, communications and energy facilities. The decisions made in this decade will radically alter industry's ability to quickly respond to opportunities in the next.

We must realize that any efforts to raise taxes on the state's resource industries should be an absolute last resort to solving the state's fiscal problems.

However, reinstatement of the state personal income tax should be considered as it is one source of increasing revenues as industry and the population grow. Several hundred million dollars of new tax revenues each year could go a long way toward financing major capital investments, but for it to be politically palatable, government will have to show its good faith by running a much tighter ship.

Some very hard decisions will have to be made in the very near future. It is up to the state's leaders, public and private, to accept the challenge of deciding the state's future, and through Project 1995, it can be done.

RDC: Revise Hazardous Waste Regs

The Resource Development Council Friday urged Governor Bill Sheffield to revise proposed Hazardous Waste management regulations to achieve a realistic regulatory program that more accurately reflects the economic and environmental concerns of Alaska.

In a telegram that was also sent to Department of Environmental Conservation Commissioner Richard Neve, RDC president Charles Webber said that certain groups would have the state administration implement the draft regulations without fully evaluating their economic and social impacts.

While agreeing on the need to properly manage truly

hazardous waste materials, Webber said Alaska cannot afford to have regulations which result in the economic demise of many businesses and jobs and do not significantly contribute to the protection of the environment.

Supporting RDC's claim that the current proposals could have a catastrophic economic impact on Alaskans and industry were the Alaska Support Industry Alliance, Alaska Oil and Gas Association, Alaska Farmers and Stockgrowers Association, Alaska Loggers Association, Alaska Miners Association, Anchorage Chamber of Commerce, Laborers Local 341, Western Alaska Building and Construction Trade Council and the Alaska Association of Petroleum Landmen.

Freedom to try is worth taking some risks

In 1981, 16,794 businesses went bankrupt. In 1982, that figure grew to 25,346. Taking those numbers by themselves, the nightly news portrayed a gloomy picture of the American economy; dying small businesses closing their doors and disappearing. The death of entrepreneurship.

But the bankruptcies did not occur in a vacuum. There are two other numbers you may not have seen reported; the number of new business incorporations. In 1981, 581,242 new businesses incorporated. In 1982, 566,942 new companies sprang into life.

The past two years have not seen the death or decay of American entrepreneurship, but rather a vigorous revival,

thanks in large part to the reductions in the capital gains tax of 1978 and the cuts in personal income taxes in 1981.

The genius of America is not that we are all guaranteed to succeed whatever we undertake, for we have no such promise — there is no midas touch. The genius of America, of the free market, is that we are all free. Free to make our own choices. Free to succeed. Free to fail. Free to try again.

—President Richard L. Leshner
U.S. Chamber of Commerce
In Voice of Business #426, July 25, 1983

TAGS Proposal . . .

(Continued from Page 6)

The company's proposal would still require construction authority from the Department of Energy, right-of-way approval from the Bureau of Land Management and Congressional approval to export the gas to Pacific Rim markets.

Hickel insisted that the TAGS project is more financially viable than the Northwest project because Alaska's natural markets for its gas are in the Far East, not the Midwest where supplies are derived from plentiful Mexican and Canadian fields.

"Alaska is just like any other country on earth, it has to seek its natural markets," Hickel said.

In 1981, for the first time, Pacific commerce was greater than Atlantic commerce, Hickel said. "It's been growing ever since, it will never go backwards. The future of this part of the world, and America as a whole, is out there."

Hickel predicted that the TAGS project would not be pursued if there is no market in Asia for Alaska gas.

"If there is a market for that gas in Asia, we're only asking for the right to try."

Notable Quote

"The freeze (nuclear) is as simple as a can opener — and useful as a can opener for preventing nuclear war. There is no such thing as a two-sided freeze. If 750,000 people demonstrate for a freeze in Manhattan, then the Kremlin applauds. When seven people demonstrate in Moscow, they are promptly sent to the Gulag Archipelago. You see, while the terror is certain, the balance is not. We need to defend ourselves with something more stable."

— Dr. Edward Teller, in response to the question of whether war might be prevented altogether by the nuclear-freeze movement.

RDC Action Supports Southeast Mining

The Resource Development Council has asked U.S. Department of Agriculture Secretary John Block to adjust the boundaries of the Admiralty Island National Monument to remove the Greens Creek mineral deposits and surrounding areas from the monument.

In a recent letter addressed to Block, RDC Executive Director Paula Easley said such action is in the best economic interest of Alaska and the nation. She said the exclusion of the Southeast Alaska lead-silver-zinc-gold deposit from the monument would remove the 1985 deadline for exploration of the deposits and permit the operators to conduct more economic and environmentally compatible drilling exploration activities.

Easley reminded Block that the Alaska economy is largely based on the extractive resource industries and almost all of the current economic activity comes from the oil sector. However, Easley pointed out that



Surveyor performs his work within sight of a major Southeast mining project.

there must be a diversification of the economic base if Alaska is to have a stable economy in which it can prosper and contribute to the nation's well-being.

"Projects such as the Greens Creek Joint Venture represent our

greatest and most immediate hope for economic diversity," Easley wrote Block. "To have this diminished by Greens Creek's inclusion in the Admiralty Island National Monument is counter to the national ethic of encouraging economic growth."

New Approach . . .

(Continued from Page 7)

another act by the Knowles administration to stifle development. They claim the administration frowned upon new arterials in the past, claiming that mass transit would solve the traffic problem. Since the mass transit approach failed to alleviate the traffic congestion, the critics believe the administration is now changing gears to oppose new housing.

Knowles' critics contend that the administration's new approach toward development can be compared to opposing the building of additional hospitals as a way to keep people from getting sick.

Sierra Club Sues Friend

The California Coastal Commission has suddenly found itself in an unusual position with an organization that has usually sided with it in controversial development rulings.

Seeking to reverse approval of a luxury home residential project in the coastal zone of San Mateo County, the Sierra Club has filed suit against the Commission and the County in September.

The Coastal Commission's decision was viewed by environmentalists as evidence of an increasingly pro-development stance on the part of the Commission under the administration of Governor George Deukmejian.

The proposed 4,000-acre development is situated at Cascade Ranch, a major open area between Big Basin State Park and Ano Nuevo State Reserve. The Commission approved the development, citing that no substantial issues under the Coastal Act were raised.

In its suit, the Sierra Club argues among other points that the project threatens prime agriculture lands, destroys the scenic beauty of the San Mateo coast and that no adequate review of environmental impacts of the project has been presented.

Conference Keynote Speakers To Address Resource War, Energy

An internationally respected energy executive and the president of the American Land Alliance will deliver the keynote addresses at the fourth annual International Conference on Alaska's Resources February 15-16 at the Anchorage Sheraton Hotel.

Dr. Gerald Decker, President of Decker Energy International, and Joseph Gughemetti of the American Land Alliance, will



Dr. Gerald Decker

join 25 other speakers from across the Northern Hemisphere to focus on a northern development strategy. The conference is sponsored by the Resource Development Council and the Alaska Department of Commerce and Economic Development.

Over 500 people are expected to register for the conference, which will cover strategic and economic implications of Alaska frontier development and factors affecting the State's competitiveness in world markets. Energy experts from Korea, Japan, Taiwan and Germany as well as Canada and the United States will cover the latest developments in Alaska's various resource sectors and study critical issues such as transportation, government policies and resource needs of trading partners.

Discussions on repealing the Jones Act and exporting Alaska oil to the Pacific Rim will also take place.

Decker's Wednesday address, on intelligent uses of energy will relate to the efficient use of Alaska's resources in contrast to other areas where resources have been wasted through poor management and government policies.

Decker has more than forty years of experience with every phase of industrial energy generation and utilization, from the operation of coal-fired steam-electric plants to the highest levels of planning and policy making.

For 38 years Decker was affiliated with the Dow Chemical Company where he was responsible for



Joseph Gughemetti

company-wide coordination of power and steam generation, utilities distribution and pollution control and abatement activities.

During his employment at Dow, Decker acquired extensive experience in the burning of coal, having spent 17 years in various aspects of operating a cogeneration system. He also initiated and coordinated planning for a \$3 billion dual-purpose nuclear power station in Midland, Michigan.

In Thursday's keynote address, ALA's Gughemetti will spotlight "The Sands of Armageddon: The Resource War." His presentation will outline the effects of radical environmental policies and how such policies have systematically closed or severely cut resource production — from strategic minerals to nuclear energy — in the United States.

In Chicago recently, Gughemetti said that the failure of the Reagan administration and others to implement a national energy policy would lead the United States into a devastating war with the Soviet Union over strategic resources. He pointed out that both superpowers will be in direct competition for scarce

(Continued on Page 5)

COVER: Over 29 trillion cubic feet of gas remains under the frozen North Slope, 15 years after discovery. A new gas line proposal aims to transport the gas to Pacific Rim countries. See Story, Page 6.

Printed the second week of each month, **Resource Review** is the official monthly publication of the Resource Development Council Box 100516, Anchorage, Alaska, 99510 — (907) 278-9615.

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Carl Portman
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Resource Review encourages its readers to submit articles, announcements and letters to the editor for publication. Send all correspondence to Resource Development Council, Resource Review, Box 100516, Anchorage, Alaska 99510.

Resource Development Council, Inc.

The Resource Development Council (RDC) is Alaska's largest privately funded non-profit economic development organization working to develop Alaska's natural resources in an orderly manner and to create a broad-based, diversified economy while protecting and enhancing the environment.

RDC invites members and the general public to its weekly breakfast meeting featuring local and nationally-known speakers on economic and resource development issues. The meetings are held on Thursday at 7:15 a.m. in the Rony Room of the Pines on Tudor Road. Meeting charge is \$2 and reservations are requested by calling 278-9615.

Membership Information

The Resource Development Council extends an invitation to all persons interested in the responsible development of Alaska's resources to join the Council's efforts. For membership information, contact:

Mike Abbott
Financial Development Director

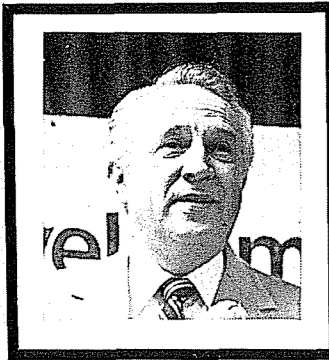
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The RDC business headquarters are located at 444 West 7th Avenue in downtown Anchorage.



A Letter From Our President

By
Charles R. Webber

Welcome!

The Resource Development Council promises the attendees of its February International Conference on Alaska's Resources an exciting and educational two days of constructive dialogue and accomplishment.

As a delegate to this conference, you will be part of the action as we strive together to provide direction for our state and nation in developing our resources. It is a complex subject, but the people here can find the right solutions.

On the twenty-fifth anniversary of Alaska statehood, our conference recognizes the successes of the past and their contributions to the economic progress and well-being of our state and the nation. We eagerly anticipate the challenge of helping realize the great opportunities yet to come.

Those attending the conference from outside Alaska are encouraged to become involved with the Resource Development Council. Join with Alaskans in charting a course for future development and management which will in turn stimulate additional economic opportunities.

Coal Company Donates Land

In the largest donation ever made to a conservation group, Consolidation Coal Company of Illinois has donated 6,621 acres of land to Nature Conservancy.

Once part of Consol's Norris surface mine, which was closed in early 1980, the multi-million dollar land gift will allow the Conservancy "to further its important work of conserving natural resources," said Jarvis B. Cecil, Consol's executive vice president.

More than 5,000 acres already have been restored, and the company will complete reclamation on the remaining 1,600 acres. In addition, corn and soybeans are now under cultivation on 3,200 acres while pasture lands occupy another 1,825 acres.

The national conservation group is devoted primarily to the identification and preservation of ecologically significant lands and the diversity of life they support.

Because the donated land does not provide a habitat for a rare species or a threatened ecosystem, it will probably be traded for funds that could be used to buy more natural areas.

Sierra Club Raps Alaska Development

"Nature may lose the battle for Alaska's lands, as she has in so many of our other states," unless the Sierra Club Legal Defense Fund gets some immediate help.

In a fundraising letter sent to Americans throughout the southern 48 states, Sierra Club's Juneau, Alaska attorney Durwood J. Zaelke warned that **"we could very well lose some of the most beautiful land on Earth, and witness the destruction of pristine wildlife habitat. All in the course of surrendering America's last great wilderness to the bulldozers and chainsaws of the careless developers."**

In his fundraising appeal, Zaelke assured his readers that proceeds of the new fund drive would be targeted to several key areas **"to protect Alaska's lands from ruthless exploitation."** Zaelke specifically addressed the Club's efforts to blocking logging operations on Admiralty Island, strengthening environmental opposition to the U.S. Borax molybdenum mine project within Misty Fjords National Monument, and preventing herbicide spraying by the Alaska Railroad.

In the case of the logging operation, the Sierra Club has filed suit against Shee Atika Corporation to stop plans for logging 23,000 acres of timber and the construction of a log transfer facility. The Club claims the operation would render Cube Cove useless as a haven for young salmon and as a habitat for Dungeness and King Crab.

The Club's actions in Southeast Alaska, according to Zaelke, are aimed at keeping the contested areas as they have been for 10,000 years. In other words, a STOP ALL DEVELOPMENT mentality.

A New Approach Toward Development in Anchorage

A decision by Anchorage Mayor Tony Knowles to deny construction of a Turnagain subdivision on the basis of inadequate arterial streets in the area may have established a negative approach toward development in Alaska's largest city.

In an Anchorage Times editorial, former Speaker of the Alaska House of Representatives, Tom Fink said the administration should be anticipating and providing for growth, not trying to control or direct it. Fink insisted that stopping construction of more homes or apartment buildings would no more solve the (traffic) problem than did increases in mass transit.

At least five new subdivisions opened last year in the Turnagain area, intensifying traffic jams along West Northern Lights Boulevard and other roads in the area.

The Turnagain Community Council (TCC) asked for a moratorium on building in the area until the infrastructure was capable of handling the additional population. However, last fall the municipal platting board approved plats for a new housing development in the area, Columbia Park.

The TCC filed an appeal, which was rejected by the platting board and, subsequently, the assembly.

On December 1, 1983, the developer appeared before the TCC to explain plans for three additions to the subdivision. At that meeting, the council adopted a resolution opposing development of those plats, and the mayor followed with his decision to stop the development.

Frank Keen of the Turnagain Community Council said his board's opposition was based on the impact the proposed density would have on traffic and the quality of air. Keen applauded the mayor's action, and called on city planners, members of the

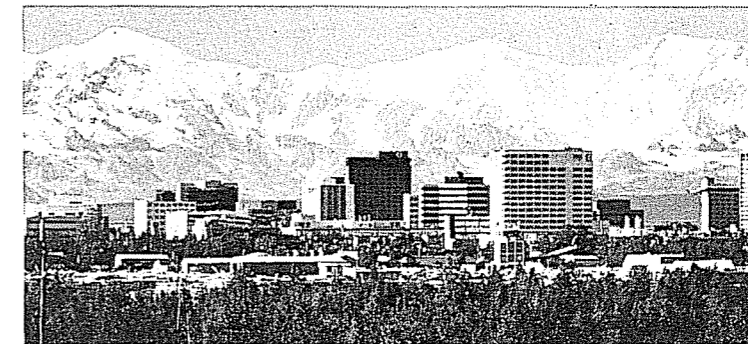
planning and zoning commission and the platting board to critically evaluate the impact of all development proposals.

Fink holds that much of the traffic problem and the lack of adequate arterial roads in the bowl has

Fink said that fighting growth results in rising residential rents and housing costs. He said an anti-growth approach will result in an increase in the number of accidents on congested streets and would make moving about town a slow and irritating process.

"Those of us who have been here for some time have a right to fight for that lifestyle," Fink said. "However, we ought to be smart enough to realize there's no choice but to provide for the many newcomers."

Meanwhile, many West Anchorage resi-



Anchorage, home of 230,000 Alaskans.

developed because "for too many years, too many people have fought new roads. They have also fought them because some of the arterials would be disruptive to abutting property owners and some secluded subdivisions."

dents praise the mayor's assertion that roads, schools and utilities should be upgraded before additional housing developments are built. However, others believe the mayor's decision was wrong, and is but

(Continued on Page 8)

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Timber Industry Near Collapse

Declining harvests, collapsing markets and expensive environmental laws combined to make 1983 one of the worst ever for Alaska's timber industry.

"We've seen bad times before, but we've never seen them like this," says Don Brown of Mud Bay Logging Company. Like other Southeast Alaska logging companies, Brown's firm scraped the bottom of the barrel in 1983.

Last year, Brown harvested only 4 million board feet of timber, compared to 50 million annually in previous years. This year the company will employ only 30 workers, a drop of approximately 120 over previous years.

"The situation is a lot more far-reaching than most people seem to think," Brown points out. "It's not just a case of some companies losing money. It's a case of a whole industry going under and the people dependent on that industry being caught in the middle."

Martin Pihl, comptroller and assistant manager for Louisiana-Pacific pulp mill in Ketchikan (LPK), says he can only hope the situation will get better, because "it can't get much worse." In the 30 years LPK has been in Southeast Alaska, the markets have never been so depressed, Pihl says. "Our losses have been substantial, and we're facing another year like '83."

LPK is currently working on a sale of the firm to the plant's 800 employees. If an employee stock ownership plan can't be arranged, the company may simply close its doors.

Meanwhile, Alaska Lumber & Pulp Company in Sitka has sustained millions of dollars in losses over the last few years and is looking at a \$50 million deficit for the fiscal year ending in March. If markets or condi-

tions don't change, the mill is likely to lose another \$40 million in fiscal 1985.

In addition, both pulp mills may be forced to spend about \$70 million — on top of \$121 million already spent — to meet federal water purity standards. If the mills don't spend the money by July, they'll be in violation of federal standards. If they do, both will go bankrupt.

To add insult to injury, the new standards will not result in any significant improvements in the environment surrounding the pulp mills.

One of the principal culprits in the depressed market for Alaska is the drop in housing construction in Japan, a weak market in other states and a weak worldwide market for pulp.

However, in the years ahead, growth in the China and Korea lumber markets could give Alaska timber a sizeable boost, provided state firms learn how to market their timber in the newer, more rapidly growing Far East markets.



Southeast Timber awaits new markets.

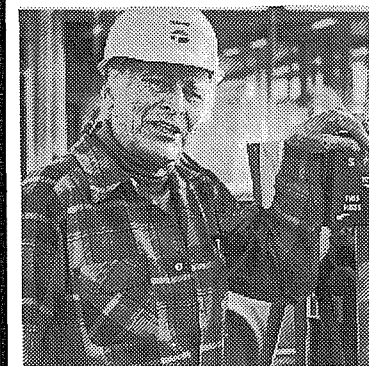
Conference Speakers

(Continued from Page 3)

resources within the next three years and that both nations will eventually risk war for the resources of the Middle East.

As president and founder of the American Land Alliance, an organization spawned two years ago as the first national coalition of private property rights advocates, the 35-year old San Francisco Bay area attorney is outspoken on such issues as runaway regulatory agencies, private property rights, the environmental movement and restrictive land use policies.

Registration fee for the conference, which includes meeting materials, luncheons and receptions, is \$175. Persons may call 278-9615 to register.



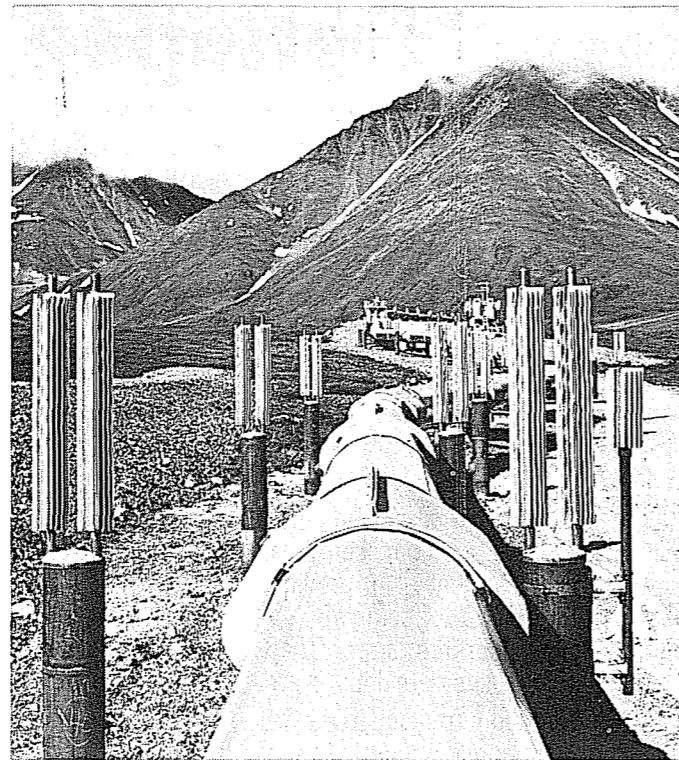
"We're Energizing Alaska!"

Gas Pipeline Proposal Progresses

A proposal to build an all-Alaska natural gas pipeline may get a boost this month when Alaska's Congressional delegation introduces an amendment that would give Alaska the right to export its natural gas.

Addressing a standing-room-only meeting of the Resource Development Council January 9, former Alaska Governor Walter Hickel, a key backer of the Trans-Alaska Gas System (TAGS), said the legislation could clear potential legal hurdles that could block construction of the all-Alaska gas line. The amendment would be introduced during an expected debate over the extension of natural export restrictions.

The Executive Committee of the Resource Development Council adopted a resolution late in January supporting construction of Trans-Alaska Gas System to complement a future line through Canada. The Council resolution pointed out that the project would help reduce the national trade deficit with Asian nations while providing less reliance on Middle East and Communist countries for energy supplies.



The TAGS would utilize 48-inch pipe as does the oil pipeline.

Hickel disclosed that the project is also making progress in gaining political support from leaders of Japan, Korea and Taiwan, besides the Reagan administration. Early this month Hickel was to meet with heads of five major Korean trading companies to secure markets for liquefied natural gas and help assure equity participation in the project by that country.

In September 1983, Hickel along with former Governor William Egan and other executives, created Yukon Pacific Corporation to press for construction of the gas line. As proposed, the 800-mile line would carry North Slope natural gas to tidewater at Kenai for liquefaction and sale to Pacific Rim nations, while permitting the construction of Northwest Energy's overland Alaska Highway gas project through Canada and the Midwest.

Estimated cost of the project is \$26.6 billion in 1992 dollars. A high-pressure 48-inch pipeline would be built from Fairbanks to Kenai, where the gas would be split into its various petrochemical components. A branch at Fairbanks would permit part of the North Slope's 29 trillion cubic feet of gas to be carried down the Northwest gas line.

In December, Hickel said that in his view the Federal Energy and Regulatory Commission (FERC) would not have regulatory authority over the project. By bypassing FERC, Yukon Pacific hopes to shave a year or more from the time it would take to acquire permits.

(Continued on Page 9)

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