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Resource Review

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April 1987

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State policies earn Alaska mixed rating

Alaska has received mixed ratings on a report card reflecting the state's economic performance over the past several years.

Robert Friedman, director of the Washington-based Corporation for Enterprise Development, gave Alaska grades ranging from A to F in four major categories.

For the important category of state policies encouraging economic growth, Alaska scored an F, ranking 49th among 50 states. This category measured equity of tax structures, ease of state permitting and aid to distressed communities.

Friedman, who addressed RDC's "Great Opportunities" Conference, said Alaska's corporate tax structure, based largely on oil taxes, dragged down Alaska's rating. The state also failed a major test in the ability to sustain a predictable level of income over a long period of time.

For business vitality, which measures such things as self-employment, new business formation and international exports, Alaska scored an A. It ranked first among 50 states.

"In a worldwide economy where innovation, flexibility, resilience, and adaptability are the keys to business success, the strength of a state's economy depends upon our ability to develop and make full use of the talents of all people who are part of that economy," Finkle said. The strength of a state's economy also depends upon the willingness to invest in the business and industrial infrastructure that forms the foundation of the economy, he noted.

In addition, long-term investments in education and research and the strengthening of both large and small businesses that are part of the economy are important elements of a healthy economy, Finkle said.

Ironically, the ultimate goal of economic development efforts is one not even asked by traditional rankings, Friedman pointed out. He said business development is best seen not as an end in itself, but as a means to an end.

"The end we seek is long-term, widely shared economic well-being," Friedman said. In this index, Friedman suggested economic development plan-

ners measure the degree to which a state's economy is providing its citizens with increasing standards of living. He said performance should be measured in five subindexes, including employment, income, job quality, equity and quality of life.

Friedman pointed out that jobs and income and quality of life are largely determined by the health of in-state businesses. "We were struck by the overwhelming data indicating that the primary sources of employment growth, innovation and wealth were in-state businesses."

Friedman pointed out that 80 percent of new jobs come from businesses that start-up or expand in-state. One-half of new jobs created over the past decade, he said, have come from independent businesses under four years old.

"That is not to say that recruitment should not play a role in economic development; in fact, it turns out that the primary determinants of interstate plant location decisions are precisely the kinds of things conducive to in-state growth; quality of the labor force, quality of the educational system, access to growing markets, quality of life."

During the past five years, there has been a quiet revolution in state economic development policymaking, Friedman pointed out. State agencies that only a few years ago did little more in the way of economic development than "smokestack chasing" — trying to lure manufacturing plants away from other states — today wield a comprehensive box of policy tools by which to spur entrepreneurship and strengthen the competitiveness of "home-grown" businesses and industries.

These policy tools, develop cooperatively with industry, include tax and regulatory reform, development of finance programs, new labor-management experiments and long-term infrastructure investments.

Friedman recommended that any serious effort to advance economic development should include regulatory reform, an equitable and efficient tax code, mobilizing capital, enhancing technology and business development, building and maintaining public works, investing in human resources and helping distressed communities.



In his address before RDC's "Great Opportunities" Conference in Anchorage earlier this month, Governor Steve Cowper outlined his plan to attract more investments to the state.

Dubbed "Trade Alaska," the new campaign will organize a partnership of state officials and business people to promote Alaska exports abroad and help develop new entrepreneurs at home.

The governor also proposed creating an Alaska Science Foundation with a \$300 million endowment. The foundation would finance a wide range of research projects ranging from research on King Crabs to the high rate of suicides in bush Alaska.

Message from the executive director

By Paula P. Easley



After twelve years, Paula Easley to step to sidelines

are affiliated. To me it is a stellar group of unsung heroes.

While many of these very special people have known the triumph of high achievement and have become leaders throughout the state, they have never lost that zeal for making Alaska a better place to live. And they continue to see the Resource Development Council as a unique organization that brings people from all walks of life together to learn, to share ideas and causes and to help each other attain important goals.

When I step to the sidelines of RDC this June, it will be with a warm feeling of sharing and accomplishment that has greatly enriched my life. Each of you has given me so much, and if you remain committed to the great enthusiasms of our work to improve the quality of life for all Alaskans, I'll know the last twelve years of my life were well spent.

A search committee has been formed to consider applications for the executive director position. **Those interested in applying should send a resumé and writing samples to: Search Committee, Box 100516, Anchorage, AK 99510.**

It would be nice if Teddy Roosevelt could have known how many peoples' lives he influenced with a few well-spoken words. His observations have been an inspiration to me for many years. The words remind us:

"It is not the critic who counts, not the man who points out how the strong man stumbled or where the doer of deeds could have done better.

"The credit belongs to the man who is actually in the arena; whose face is marred by dust and sweat and blood; who strives valiantly; who errs and comes short again and again; who knows the great enthusiasms, the great devotions, and spends himself in a worthy cause; who, at the best, knows in the end the triumph of high achievement; and who, at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who know neither victory nor defeat."

When I reflect on these words, I see members of the RDC staff. I see people working in all our divisions, and I see the board members who stand up for RDC in all their communities. I see the activists who have upheld the principles of RDC both within the organization and through other groups with which they

The Alaska "Great Opportunities" Conference



Mayor Tony Knowles opens the Alaska "Great Opportunities" Conference at the Anchorage Sheraton Hotel. Visible to Knowles left is RDC board member Dorothy Jones. To his right are speakers Scott Fosler, Steve Huntington and Brian Bosworth.

RDC board member Joe Usibelli, Jr., gets Seward Mayor Harry Gieseler to validate his raffle card at the RDC exposition.

Master of Ceremonies Jim Barnett, Deputy Commissioner of the Alaska Department of Natural Resources, welcomes keynote speaker Yoon S. Park.

Resource Development Council, Inc.

The Resource Development Council (RDC) is Alaska's largest privately funded nonprofit 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 7:30 a.m. in the Northern Lights Inn. Reservations are requested by calling 276-0700.

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Carl Portman
 Editor & Advertising Manager
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RDC supports legislation on mariculture

As a means of diversifying the seafood industry and creating resident employment, the Resource Development Council is supporting legislation on mariculture development.

The Council's fisheries committee headed by Michael Broili has been working on legislation which addresses all types of mariculture projects. Existing law bans many forms of aquatic farming in Alaska.

"We must facilitate all shellfish, sea vegetable and finfish operations if we are to take advantage of the market opportunities that

mariculture presents," said Broili.

Mariculture products compete in markets separate from commercially caught and processed seafood products. By penetrating these new markets and introducing consumers to new, high-quality Alaska seafood products, all Alaska seafoods will benefit from a more positive image.

Mariculture operations require full-time, year-round labor forces, noted Lynn Gabriel of Arctic Seas Development Group. "Not all regions of the state will be suitable for mariculture,

but where it is feasible, it can provide a much-needed expansion and stabilization of local employment," said Gabriel, who is also a member of the Council's fisheries committee. "For some communities where traditional fisheries are declining and little or no opportunities exist in other industries, mariculture may be the brightest spot on the horizon."

House Bill 108 and Senate Bill 106 provide a framework within which all areas of mariculture can be developed with concern for the environment and existing fishery activities.

For more than 20 years, Joe Henri has been on the frontlines — in the U.S. Congress, inside government and throughout the private sector — struggling to remove barriers that unfavorably influence the viability of private industry.

Through his private ventures and his long-standing commitment to the Resource Development Council, Henri has played a leadership role in advancing responsible resource development and environmental protection. His efforts have been directed at influencing all sorts of factors, including legislation and regulations, to provide opportunity for the smallest mom-and-pop operation to projects employing thousands of Alaskans.

Owner and operator of South Central Timber Development, Inc., Henri is familiar with Alaska and its opportunities and barriers, having lived and worked in Southeast, Interior and Southcentral Alaska.

A native of Utica, New York, Henri moved to Skagway in 1956 to teach school. After serving in the Army for three years, Henri enrolled at the Georgetown University Law Center in Washington, D.C. While working as an aide for Senator Ernest Gruening, one of the state's first congressional members, Henri earned a Juris Doctor degree. He was admitted to the practice of law in Alaska in 1964.

Henri was invested as a state district judge at Fairbanks, where he served until his appointment as city attorney of Juneau in December 1964. He served in that capacity through 1968, during which time he served for six months as Juneau city manager.

He practiced law privately in Juneau during 1969 and 1970, representing U.S. Plywood-Champion Paper, among other clients, in its corporate effort to establish a pulp mill at Juneau, utilizing the 8.5 billion board foot timber sale it had purchased from the U.S. Forest Service, the largest sale ever made from a national forest.

Late in 1970, newly-elected Governor William A. Egan appointed Henri as Alaska's Commissioner of Administration, a post held until 1974.

In 1976 Henri drafted a bill that was later enacted into law, creating the Alaska Power Authority.

Henri is a former president of the Juneau Chamber of Commerce, the Juneau Kiwanis Club and a co-founder of St. Jude's Children Center in Juneau.

He is Secretary/Treasurer of Alaska Housing Ministries Corporation, a non-profit provider of housing for low and moderate income Alaskans. He is also a member of Commonwealth North.

Henri and his wife, Aletha, have four children; Joseph Chester, Carolyn, William and Stephen.

Portrait

Joseph R. Henri President



The Matanuska-Susitna Borough was selected as the best exhibit by delegates attending the "Great Opportunities" Conference. Mayor Dorothy Jones receives the award from Boyd Brownfield. Also present are Wells Williams and John Stein.

North Dakota economic specialist offers strategy

William Schott, economic development coordinator for Basin Electric Power Cooperative in Bismarck, North Dakota, told RDC conference delegates that economic development is not necessarily limited to the creation of wealth for new business and industry, but also includes modifications of existing business activities to meet needs of a community and its citizens.

"The challenge which confronts us all is structuring the political, social and economic characteristics of an area to stimulate economic development activity," Schott said.

Volunteers are the best answer to turn the economy around at the grassroots level, Schott noted. "Rural people, city people, business people and utility leaders must all work together to survive together. We must give them the tools for developing strategies to meet their needs and make events happen."

Schott said local economic development efforts fail because they don't develop even the basic intelligence such as detailed and precise costs and specific information on the community or region.

He offered three strategies to make community development work. The first calls for development of infrastructure, including a research process leading to a detailed community profile to identify and better understand the facts.

"My philosophy is that economic development is not an event, it's a process," said Schott. "This profile can help you understand this process to meet your community's needs so events can happen."



Bill Schott

The second strategy demands good training courses for community volunteers so that they can understand the economic process.

"Unless we are professionally working in economic development, we are volunteers," he said. "This includes a community's mayor and city commissioners."

The third strategy stresses technical assistance to volunteers. This strategy becomes important once a community has developed a profile and has trained its local leaders and volunteers.

"Good economic development people know how to package block grants, start development corporations, develop industrial parks, prepare business plans and put together innovative financing methods to get a business started," Schott said. "By getting to know the people on the state and national level, we can put them to use to help our volunteers get the job done."

Anchorage as an international financial hub?

Alaska could dramatically boost foreign trade and entice major worldwide investors if it successfully attracts an international financial center to Anchorage, according to Yoon S. Park, a leading George Washington University business professor.

Speaking at the April 4 keynote luncheon of the RDC "Great Opportunities" Conference, Park said, "Anchorage possesses many advantages as a potential international financial center." Some of the obvious advantages include political stability, convenient air transportation links to Europe and Asia and well-developed telecommunication facilities.

Because of Alaska's high-tech communication capabilities and time zone advantage, Anchorage could take over some of the international trading duties of New York and Chicago and serve the markets in Tokyo, Hong Kong and Singapore during their morning trading hours, Park said.

Park said the Anchorage financial center could provide valuable services in international trading of foreign currencies, domestic and international bonds and stock, Eurocurrency deposits, financial futures and options, currency swaps and interest swaps. As Anchorage develops its international financial expertise and reputation, Park believes it will also attract offshore Eurocurrency deposits, insurance and reinsurance business for the Asia region, commodity brokering, precious metals trading and other related business.

"Anchorage as an international financial center?" Park asked. "Difficult, yes, but impossible, no."

Conference report stacked with info

The proceedings of the 1987 "Great Opportunities" Conference, including a vast wealth of new economic development knowledge from specialists throughout the United States, will be available soon.

The bound several hundred-page document includes the prepared texts of 15 speakers, an executive summary of the conference and solicited papers for publication. Reports on the community leadership workshops, which followed the conference, will also be included along with a complete list of names and addresses of conference speakers and registrants.

This useful document may be ordered at a cost of \$35 per copy. Send check to Resource Development Council, Box 100516, Anchorage, Alaska 99510.

VHS-format videotapes of each conference presentation are also available for purchase. For details call RDC at 276-0700.

Thoughts from the president

By Joseph Henri



It is a privilege and a pleasure to be able to write these remarks as your new president. I started serious effort with RDC when Charles Herbert was chief; he was a fine inspiration, and we've enjoyed good leaders since. Bo Brownfield's year, just ended, was one of enthusiasm, joy and accomplishment. Congratulations to Bo for a job very well done.

The year ahead should be a momentous one for resource development. At our conference, we said Alaska is at a crossroads in her economic life. Shall we seize the day and make our economy stronger and more vibrant, or do we recede with the outgoing tide of indecision and fault finding?

Alaska has the wherewithal to effect a sea change in her economy — to lift itself up by its

own bootstraps. But getting the steed turned in the right direction is not easy. We are truly a democracy; the people rule. Often it is difficult to discern their wishes. Further, their wishes, as they pertain to public policy, should be argued and debated before a course is adopted. One's initial reaction is not necessarily the best long-term solution.

Helping educate and inform our citizens — Alaska and the nation at large — is the special goal of our RDC Education Foundation. During my time on watch, I want to see the Foundation well funded.

A strong education program should prompt our fellow citizens to insist that economic progress through resource development be a compelling component of Alaska life.

RDC elects new officers

Long-time Alaska businessman Joseph R. Henri has been elected President of the Resource Development Council.

Henri's election to the one-year term came at the Council's 13th annual meeting of the Board of Directors in Anchorage this week. A 78-member statewide board was also elected along with a new Executive Committee which meets weekly in Anchorage.

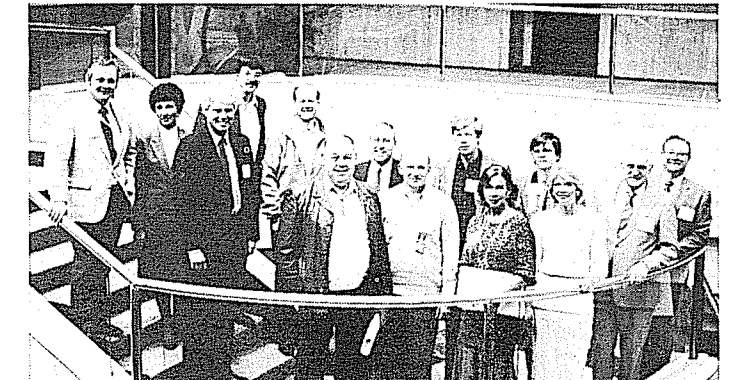
Owner and operator of South Central Timber Development, Inc., an Alaska logging and exporting firm, Henri served as a vice president of RDC last year. He has been an active member of the RDC board and executive committee and has engaged in the private practice of law.

Other new officers include vice presidents John Forcaskie, president of Teamsters Local 959, Shelby Stastny, a CPA with Arthur Young & Company, and John Rense, vice president for resources at NANA Development Corporation. Stephen Ellis, an attorney with Delaney, Wiles et. al, was elected secretary and Larry Laughman, senior manager with Peat, Marwick, Mitchell & Company, was elected treasurer.

The Council's Board of Directors also adopted a resolution forming a student chapter of the Resource Development Council. The chapter, recommended by university and high school students participating in the recent Great Opportunities Conference, would encourage involvement of youth in the Council and provide a significant contribution toward their education and understanding of resource development's vital role in the Alaska economy.

In addition to the new officers, the 1987 Executive Committee is comprised of Sharon Anderson, Seward, Earl Beistline, Fairbanks, Boyd Brownfield, An-

chorage, Easy Gilbreth, Anchorage, Uwe Gross, Anchorage, Karen Hofstad, Petersburg, John Kelsey, Valdez, Ethel H. "Pete" Nelson, Anchorage, Vince O'Reilly, Kenai, and Tom Pargeter, Bob Richards, Lin Sloane, Darrell Smith, Dave Stock, Doug Webb, and Chuck Webber, of Anchorage.



Members of the new Executive Committee include, left to right in back row, former president Boyd Brownfield, Pete Nelson, Vice President John Rense, Treasurer Larry Laughman, President Joseph Henri, Secretary Steve Ellis, and Karen Hofstad. In the front row are Doug Webb, Vice President John Forcaskie, Vice President Shelby Stastny, Lin Sloane, Sharon Anderson, Chuck Webber and Easy Gilbreth.

Tax law would cut new oil revenues

The Resource Development Council is urging Alaska legislators to oppose a bill that would change the Economic Limit Factor (ELF) in the state's severance tax. While higher oil taxes would be generated in the short run from the tax law change, the loss of hundreds of jobs and revenues would occur in the long-term, according to the RDC Oil and Gas Division.

Submitted by Governor Steve Cowper, House Bill 164 would postpone the application of the ELF at Prudhoe Bay for five additional years. Enactment of this bill would result in the Prudhoe Bay oil producers paying more taxes than they would under current law, which already makes the Alaska tax rate the highest in the nation.

If the ELF is applied to Prudhoe Bay as originally intended, the tax rate on that field would fall, but still exceed that of any other state.

If HB 164 becomes law, state revenues would decline in several years because oil companies would not be inclined to spend money to increase field production. Oil producers say the state house bill would penalize them for increasing production.

According to RDC, HB 164 is clearly "tax increase legislation." The Council

argues that increasing taxes on Alaska's depressed oil industry makes no sense. The new legislation would make new investments in Alaska petroleum development less attractive.

Oil companies are looking at ways to extend Prudhoe's production life by drilling new development wells. However, if application of the ELF is deferred, future drilling at America's largest oil field could be reduced by 25 percent, resulting in lower recovery rates and smaller state oil revenues.

Some of the 12 billion barrels of oil that is currently unrecoverable at Prudhoe Bay under today's technology could be captured once new technology is developed. However, major capital investment would be required to develop such technology necessary to extract the oil.

A change in the tax structure would serve only to dampen the economics of these new, marginal projects, the council has stated.

While Prudhoe Bay is currently not a marginal field, some industry activities there are marginal. As the field declines, marginal projects aimed at squeezing more oil out of the Prudhoe formation will hold the key to new recovery and state oil revenues.

Progress in resource lawsuits



By James S. Burling
Attorney, Pacific
Legal Foundation

The legal rights of Alaska's resource industries took several significant steps forward in the past few weeks. In the most wide-reaching case, the United States Supreme Court finally overturned the Ninth Circuit Court of Appeal's automatic environmental injunction rule.

Previously the federal appeals court ruled that an injunction should be issued immediately to stop any resource development project whenever a claim is made that an environmental statute has been violated. The Ninth Circuit said that the presumption of environmental harm was so important that the hardships that might result from not developing a project should not even be considered.

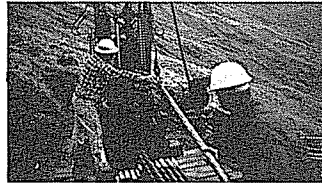
In litigation over the oil lease sales in Norton Sound and Navarin Basin, Pacific Legal Foundation filed a friend of the court brief arguing that this

position lacked balance and was not intended by Congress. On March 24, 1987, the Supreme Court agreed and ruled that before any injunction is granted, the courts must consider and balance the economic impacts of stopping a project as well as the environmental impacts from development. This decision will now enable consideration of these lease sales, as well as litigation over leasing in Bristol Bay, to continue.

In one of the first cases following the Supreme Court's new rule, the Ninth Circuit decided on April 3, 1987, not to stop all small mining operations on federal lands controlled by the Bureau of Land Management while an appeal of a district court ruling against the Sierra Club is underway. Now, while the appeal is pending, the miners will still be allowed to operate.

In a related development, the State of Alaska agreed to file a friend of the court brief in support of the position that the mining industry should not be made to suffer in lawsuits brought against the federal government where the miners have no responsibility for federal actions. This is a very positive step and will help demonstrate that there are better ways of solving resource development disputes than with a flood of lawsuits.

Mining is on the rise, except here



While gold mining is booming in neighboring Yukon Territory and British Columbia because of higher gold prices and improving technology, Alaska experienced a 26 percent decrease in placer mining, a 16 percent decrease in gold production and a loss of 390 jobs in 1986.

During the same period, the Yukon Territory welcomed 14 new mines and 1,560 new jobs while British Columbia has seen a 24 percent increase in gold exploration activity. Recently constructed infrastructure in remote areas of the two Canadian provinces is expected to spark additional mining development as projects become more economically viable with road access.

"Something is broken here and we ought to fix it," said Senator Jack Coghill, chairman of the Senate Resources Committee. Coghill and other colleagues in Juneau plan to find a solution to the problem.

Senator Bettye Fahrenkamp and Rep. Mike Miller are sponsoring bills proposed by the Resource Development Council and others which would revise water quality standards, making them more realistic to meet. The legislation would eliminate turbidity as one of the state's water quality measurements.

Miners say they could probably meet federal settleable solids requirements, but not the state's stringent turbidity standard.

Commissioner Denny Kelso of the state Department of Environmental Conservation believes that if legislators are successful in removing the turbidity standard, their actions would complicate, rather than alleviate regulatory problems under the federal Clean Water Act. He calls the revision in the state's water quality standards "a major policy departure."

DEC says what really controls the issue is the Clean Water Act. The state environmental agency claims that federal enforcement would be even more rigid if it weren't for DEC's intervention.

The federal Environmental Protection Agency claims its hands are tied in its water quality regulations because of the state's dif-

ficult turbidity standard. The federal agency itself uses a settleable solids limit, which miners have a much better chance of meeting.

Fahrenkamp and Miller are not convinced the federal regulatory picture will grow cloudy if turbidity is removed.

Turbidity became a water quality standard across Alaska in the 1970s when the state classified its streams under the most stringent category, that of drinking water quality. However, most Alaska streams in their natural state do not meet the state's standard.

Alaska is the only state with such an unattainable turbidity standard, one which the EPA even admits can't be met and for which no real need has been demonstrated.

Legislation proposed by RDC requires a person to meet only a standard which is compatible with the immediate downstream use. Except where immediate downstream use is drinking water, the requirements should reflect a range of values which are technically and economically attainable and which are satisfactory for other downstream uses. The Council is also calling for values to be no more restrictive than federal standards.

The Council believes that if there is to be a placer mining industry in Alaska, it is time for the legislature and administration to put this issue to bed by adopting SB 98 and HB 109 so the miners can get back to work.

Debate over "core calving area" continues

The consulting biologist who did field work on which the U.S. Fish and Wildlife Service is basing its designations of ANWR "core calving areas" claims the concept is unfounded.

Biologist Dave Roseneau of Fairbanks said "caribou are a highly migratory, versatile species capable of handling a variety of sometimes harsh, rapidly changing and often widely varying conditions in their environment. The annual variations that have occurred in wintering areas, migratory routes, calving areas and post-calving area are examples of the abilities of caribou to utilize successfully more than just one specific, fixed area."

Roseneau noted that despite such wide variations in habitat use, the Porcupine herd, the world's seventh largest, is healthy and has increased from an estimated 100,000 animals in the early 1970s to 180,000 in 1986.

The U.S. Fish and Wildlife Service has proposed that important sections of the coastal plain, which it calls "core calving areas," not be leased. The State is in agreement, calling for an additional ten years of caribou study before leasing is allowed.

Detailed studies over the last 14 years show that caribou cows use huge areas of the refuge and adjoining areas of Northwest Canada to calve. They were within the area proposed for oil and gas exploration for just a few years over the last decade. Yet the overlapping of areas periodically used by migratory caribou are now being used by government biologists to propose deletions of major sections of the coastal plain from leasing, without firm basis in research.

The issue has great significance because the area designated as "core calving" covers three major geologic prospects, two of them exceeding the size of the Prudhoe Bay field.

Despite the fact that their ranges lie in proximity to industrial developments, the world's seven largest caribou herds are increasing in size. The world's largest is the George River herd of northern Quebec, which contains about 600,000 animals. Within this herd's range is the massive James Bay Hydro development with several dams, reservoirs, roads and power transmission lines.

Stand up for the Tongass

A compromise approach to managing the Tongass National Forest that seeks to protect forest-related jobs and the Southeast Alaska economy would be wrecked by congressional legislation dubiously titled "The Tongass Timber Reform Act."

Senator William Proxmire of Wisconsin and Congressman Robert Mrazek of New York propose to gut the Tongass compromise crafted in the 1980 Alaska lands bill.

The compromise created over 5.4 million acres of wilderness in the Tongass. In exchange, a timber harvest level was set on a dedicated commercial timber base of only 2 million acres. An annual payment of \$40 million was established to help industry reach targeted harvest levels and maintain timber employment in the region.

Environmentalists have launched aggressive attacks on the compromise, aiming to abolish the annual fund and drastically reduce the annual harvest.

Proxmire and Mrazek plan to eliminate the Tongass fund and subject the forest management to the annual budget circus. According to timber officials, this "reform" would drastically reduce the amount of timber available to the dominant resource industry of Southeast Alaska.

The Council is asking its members to send a short letter to Congressman Mrazek and Senator Proxmire urging them to leave the Tongass Timber Supply Fund alone, thereby saving hundreds of jobs that Alaska cannot afford to lose.

From his headquarters in Cleveland, the chairman of the Standard Oil Company told Alaskans that the key to harnessing the state's great opportunities centers around ingenuity in developing natural resources and a government which is firmly on the side of encouraging enterprise.

Robert B. Horton, chief operating officer of the parent company of Standard Alaska Production Company, addressed the opening keynote luncheon of RDC's annual conference by videotape, played across a large 14-foot screen in the Sheraton ballroom. Horton had planned to deliver the presentation in person, but was forced to cancel because of British Petroleum's recent offer to purchase Standard.

He stressed that Alaska's future prosperity is dependent upon three pillars — raw material riches, inventive individuality and a government that supports enterprise.

"Take one pillar away and the whole falls down," Horton warned. "We must rely upon human ingenuity and encouragement from government to create opportunities."

Emphasizing that Alaska's opportunities depend upon the three pillars standing together, Horton said that Alaska has the opportunity right now at current prices to develop known resource deposits.

"The stark fact of life is that with prices low, we can hope to develop current prospects only if we lower our own costs," Horton said. "We will have to have the help — not hindrance — of government and society."

Citing the high cost of regulations, Horton pointed out that proposed federal regulations to classify drilling mud as hazardous waste could cost the oil industry \$20 billion. He asked how many wells and jobs would that one single regulation abort.

Metals mining and coal face similar problems, Horton noted. "I wonder how many more American miners will see their employers disappear because of new environmental rules?"

Horton said that if Alaska is to remove barriers to opportunity, then "the twin swords of regulation and taxation must be turned into plowshares for not just U.S. consumers, but producers, as well." He warned that raising more tax revenues from industry would "run the well dry sooner, with less overall revenue in the long run."

Horton stressed that oil and gas development in the Arctic National Wildlife Refuge would bring great opportunity to Alaska, noting that the industry spent over \$36 billion to develop other North Slope oil fields in an environmentally-sound manner. He assured his audience that new development would not spoil wildlife habitat.

"We continually pledge to work with every sensible expert to make sure wildlife continues to thrive," he said, "The oil industry minds its manners much better than Mother Nature."

Privatization boosts economic activity

Privatization should constitute an integral part of any economic development strategy, according to Philip E. Fixler, director of the Local government Center in Santa Monica, California.

The "Great Opportunities" Conference speaker pointed out that privatization, which refers to the transfer of assets and services from the public to the private sector, may apply to anything from ambulance service to zoning. If properly implemented, privatization has the potential to significantly contribute to economic development and growth, including new employment opportunities in the private sector.

In the post-World War II era, privatization, usually in the form of contracting out, was first applied to basic public works and support services, Fixler said. In the 1970s a major wave of privatization was prompted by economic recession, declining federal aid, and a growing tax revolt sentiment.

Fixler said many local governments began to apply privatization to other major functions, such as transportation, recreation and parks. In this decade, he noted, a more advanced application of privatization is developing, public works infrastructure projects where private firms finance, design, construct and operate large facilities such as resource recovery plants and wastewater treatment facilities.

The savings resulting from privatization can be used by government to provide more services or reduce taxes.

Fixler pointed out that privatization can help generate the cost savings on which tax reductions can be based. He said studies have shown that communities with increasing or high tax rates had



Philip Fixler

slower economic growth than ones with declining taxes or low tax rates."

Privatization benefits are especially important for the private sector development of infrastructure, which has a multiplier effect on economic development, Fixler said.

Privatization has also evolved to a point where it provides sophisticated techniques to mitigate impacts on current public employees and facilitate

Look to resource development to capture opportunity



the transfer of current public employees to the private sector, by creating incentives and new employment opportunities.

Fixler said major privatization opportunities in Alaska include public works infrastructure and utilities, health and human services, and some public safety functions.

Tacoma port offers service

The Port of Tacoma has offered Alaska state officials and the Port of Anchorage support of Tacoma's network of domestic and overseas sales offices to help Alaska officials traveling on business to the U.S. or Pacific Rim countries.

In addition to its main Tacoma office, the Port maintains two U.S. offices in the Midwest and one on the East Coast. The Port also has offices in Japan, Korea, Singapore and Hong Kong.

According to Port of Tacoma Commission President Joe Faker, "We think this offer will help both the Port of Anchorage and the State of Alaska to market themselves internationally. We realize how important the continued economic growth of Alaska is for our Port, and for the State of Washington as well."

The Port of Tacoma is the major gateway port to Alaska, handling over 65 percent of all waterborne commerce going north