



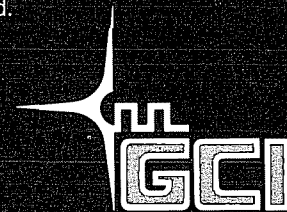
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Resource Review

January 1989

Congressional issues

Alaska under siege

ANWR in 1989

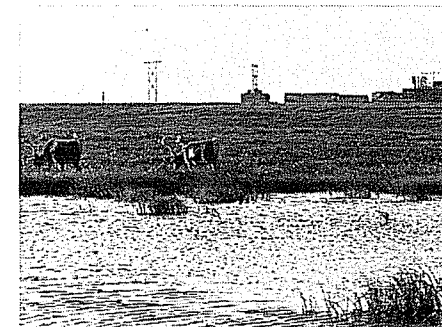
The congressional debate over oil development in the Arctic National Wildlife Refuge resumes this month as the 101st Congress takes a new look at the heavily studied issue.

Shortly after Congress reconvened in early January, Congressman Don Young introduced legislation (H.R. 49) to open ANWR's 1.5 million-acre Coastal Plain to oil and gas leasing. The Coastal Plain is considered this nation's most outstanding onshore petroleum prospect.

Young's ANWR bill is identical to legislation he introduced in the 100th Congress. The 1988 legislation had 147 cosponsors.

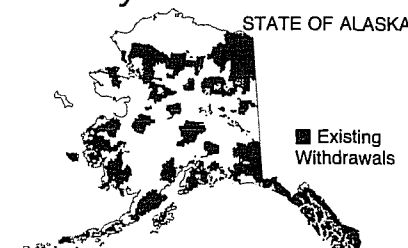
Both the Senate Energy and Natural Resources Committee and the House Merchant Marine and Fisheries Committee

(continued on page 4)



Prudhoe Bay, 65 miles west of ANWR, produces about 25 percent of America's domestic oil production from only 8,200 acres. Alaska's North Slope contains about 56 million acres.

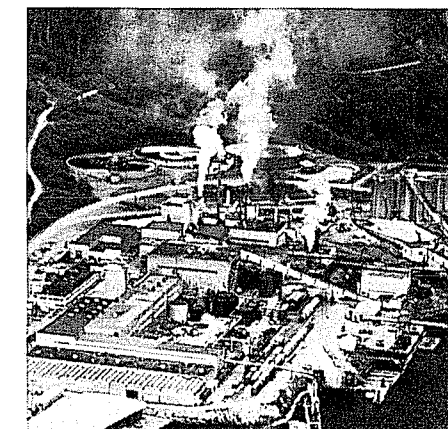
The dawning of a new year ...



... finds much of Alaska off-limits

As the new year dawns, Alaska remains in an economic recession, despite having the means and raw materials to systematically diversify its economy. Compromise has put much of this vast subcontinent off-limits and out of reach. Since 1980, massive portions of this great northern state have been withdrawn from resource development and Alaskans must bear the brunt of the lost economic opportunity.

1989 will prove to be a critical year for Alaska. Upcoming congressional action will have wide-ranging implications on opportunities to explore for and develop natural resources from Alaska's northern arctic tundra to its southeastern coastal forest. It is RDC's hope that Congress in this year will act to preserve multiple-use opportunities on the remaining Alaska lands. RDC will work to assure that Alaska's right to develop its natural resources is upheld. Only then can Alaska broaden its economic base and enjoy the same opportunities that other American states demand.



The Alaska Pulp Corporation's Sitka mill is a major provider of jobs in the Southeast Alaska region. Reforms could spell the end to its long-term timber contract.

Tongass under fire

The House Interior Committee of Congress is likely to take up legislation to reform logging operations in the Tongass National Forest as its first item of business, according to Congressman Don Young and various committee aides.

Environmentalists expect a major reform bill to move through the Congress quickly in 1989. If enacted into law, the bill could deal a crushing economic blow to Southeast Alaska, a region heavily dependent on a recovering timber industry.

Last year the House approved a reform bill that would have amended both funding and harvest level targets for the nation's

(continued on page 5)

JOB! Multiple Use and Resource Opportunities

Do you have a resource related job? Does a family member? Do you want one?

RDC works on many issues, land and management plans, draft EISs, and a host of other resource-specific subjects. What is less known is the common denominator for all these efforts — increasing the quality of life for individuals of our society. These individuals are citizens both rural and urban, family, seniors, friends, students, and all the generations to come, including the children of the present. Often, people seem to get left out of the land use picture in good-hearted, but misguided efforts to protect animals. What has happened to the human factor in resource allocations?

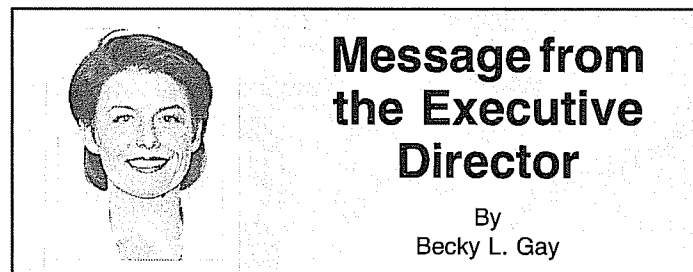
In Alaska, the visitor industry is often given the most positive attention in land-use analysis, since much of the rigorous management in conservations units, in particular parks, is aimed at allowing people to utilize the lands for viewing, if not access. But is this enough? RDC thinks not. Visitor allowances are good, but what about consideration for the residents? More attention needs to be given to the average worker in America, including here at home.

Without jobs and money to feed, house and clothe families, even the most caring person will soon become bitter over his lot in life. Without a way to make ends meet, individual self-worth tends to diminish. Without a way to pursue honest endeavor, people fall into other means, the illegal and subterranean economy being a disenchanting, but real, option. A non-taxpaying option at that!

It has been said that the best social welfare project is a job. This may be a less than perfect assumption, but each of us can grasp the substance of the statement. Providing a safety-net for the needy requires money, and money comes in great part from the wealth created by resource utilization and taxpaying citizens. Environmental protection is a luxury of a prosperous society, one which can afford to spend billions to protect its resources, even while exploiting resources in less-prosperous countries. In that case, not only does America find itself "exporting pollution," but also exporting jobs. In fact, if one is concerned about global problems, the case can be made that there is no better place than America to develop resources. Our society has the laws and technological capability to develop resources soundly. Our people want the jobs, it is clear.

The bottom-line consideration in even the most remote multiple-use land designation should be where the human factor fits in, i.e., allocation and utilization of resources for the benefit of civilization, while protecting the environment. In that light, RDC's February conference will explore the relationships between the resource sectors, the land managers, the public policy-makers and jobs for Alaska.

JOB! Multiple Use and Resource Opportunities is the theme for the February 24-25 conference to be held at the Sheraton Anchorage Hotel. Along with the All-Alaska Expo, the conference provides the forum for analysis, discussion and political change which will enable each attendee to make the most of his or her opportunity to actively pursue their job of choice in Alaska.



Message from the Executive Director

By
Becky L. Gay

It is a conference for the under-employed workforce, the owners and the managers of Alaska's resources and our policy-makers to come together to discuss the human factor in resource development. It is a conference to make Alaska a better place to raise a family, do business and yes — *work* for a living.

Stand up and declare yourself proud to work, ready and willing. Attend, whether or not you are employed at present, because the job you save by helping RDC might just be your own!

RDC's
9th Annual Conference
on Alaska's Resources



Multiple Use and
Resource Opportunities
for Alaska

February 24-25, 1989
Sheraton Anchorage Hotel

<p>Resource Development Council, Inc.</p> <p>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.</p>	<p>Executive Committee Officers</p> <p>President J. Shelby Stastny Vice President Ethel H. "Pete" Nelson Vice President John Forcaskie Secretary Stephen Ellis Treasurer Larry Laughman Past President Joseph Henri</p> <p>Staff</p> <p>Executive Director Becky L. Gay Public Relations Director Carl Portman Member Services Director Anne M. Bradley Projects Coordinator Debbie Reinwand Staff Assistant Kimberly R. Duke</p>	<p>Resource Review is the official monthly publication of the Resource Development Council, Box 100516, Anchorage, Alaska 99510 — (907) 276-0700.</p> <p>The RDC business office is located at 807 G Street, Suite 200, Anchorage.</p> <p>Material in the publication may be reprinted without permission provided appropriate credit is given.</p> <p>Carl Portman Editor & Advertising Manager</p>
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Legislative priorities ...

(continued from page 3)

the Senate. RDC hopes to push that bill through in the first 60 days of the session in order to allow the money to be used to influence the current Congress. Although the straightforward bill does not outline potential uses for the money, among the ideas being debated are to send well-spoken Alaskans to meet with editorial boards in key cities; to implement PR campaigns in areas where public opinion is anti-ANWR; and to better inform Congress of the importance of opening ANWR to exploration and development.

In addition, RDC is supporting forest management agreement legislation again. This year, a variety of groups have worked long and hard on the bill, and there appears to be agreement between larger companies and the small loggers. The bill will allow long-term renewable contracts based on performance and provides industry incentives for forest management, from harvesting to re-planting.

Legislative leaders have indicated that on the mariculture front, there isn't much chance the moratorium will be lifted, but most endorse funding the Fin Fish Task Force — an appropriation RDC will be backing.

Continuing its ongoing position in support of stable taxation of the oil and gas industry, RDC will advocate there be no changes to current law. In addition, the Council will pursue development policies and incentives which will encourage new exploration and development. Several legislators from both the Democratic and Republican parties have indicated they are interested in drafting incentives to do just that.

Working in concert with Alaska miners, RDC will back legislation that establishes a rent/royalty structure that encourages mineral development. This so-called 6(i) issue will likely be discussed in detail by legislators as they search for ways to assist Alaska miners while complying with the law.

A multiple use bill, similar to the one debated by the 15th Alaska Legislature, has been introduced this year. With jobs and multiple use the theme of its 1989 international conference, RDC plans to work hard to see that the statutory definition of multiple use is broadened to ensure opportunity on Alaska lands.

And finally, RDC will ask lawmakers to consider a resolution to Congress, asking that there be no more federal Wilderness designations in Alaska. The Alaska Land Use Council has supported this position, and RDC has filed official opposition to further Wilderness designations on federal land here. A draft resolution is currently being circulated.

As always, RDC staff and board members will be actively testifying on resource and economic development issues, and will be in close contact with key legislators in Juneau. With a renewed emphasis on economic diversification, legislators are predicting it should be a good session for sound resource development laws to be approved.

RDC President Shelby Stastny, a member of the group which flew to Juneau to meet with lawmakers January 12 and 13, believes the group's 1989 agenda will meet with success.

"Now, more than ever, Alaska legislators are embracing positive and productive resource development proposals. The time to enact legal changes to remove barriers to development is now. We will be putting our energy and ideas into the legislative process to ensure that our agenda is debated, approved and ultimately, put into action," Stastny said.

Boreal Forest. . .

(continued from page 7)

The RDC Education Foundation has published proceedings of the conference. The report features the presentations of 23 conference speakers. This useful reference document can be ordered by mailing a check in the amount of \$12 to the RDC Education Foundation, Inc., 807 G Street, Suite 200, Anchorage, Alaska 99501.

Getting the most from RDC

By
Anne M. Bradley



In her book entitled *Cities and the Wealth of Nations*, noted economist Jane Jacobs contends that strategies to stimulate economic development should focus on towns and cities. According to her theory, the local economy is strengthened each time a good or service, previously imported, is provided locally. This phenomenon, called import substitution, strengthens the local economy as more money circulates in the economy and the multiplier effect of each dollar is increased.

RDC agrees with Jane Jacob's theory. It's one of the reasons RDC has made community members the primary focus of our economic development efforts. Alaska, probably more than any other state, relies on imported goods and services. However, there is a growing recognition that "buying Alaskan" stimulates the local economy and benefits all Alaskans. RDC believes that sound and sensible resource development has always been and continues to be the best way for Alaska to achieve the needed economic revitalization and ensuing prosperity.

RDC's community members play a large role in this efforts. Not all these communities are at the same point on the path to prosperity, however, all these communities are hard at work revitalizing their economies. They are: the City of Valdez, the City and Borough of Juneau, Kenai Peninsula Borough, Ketchikan Gateway Borough, Mat-Su Borough, City of Kenai, the Municipality of Anchorage, City of Nome, City of St. Paul, City of Soldotna, City and Borough of Sitka, City of Fort Yukon, North Slope Borough, City of Cordova, City of Seward, City of Wasilla, Bristol Bay Borough, City of Wrangell and the City of Cold Bay. RDC salutes their efforts. We look forward to working with these communities in 1989 to make our vision of economic development a reality.

If your community is not on this list, call me at 276-0700.

Hatcher Pass...

(continued from page 8)

The resort will not spread across the majority of the Hatcher Pass area. Vast areas will remain undisturbed. The popular back-country areas near the existing Hatcher Pass nordic ski facilities will remain undisturbed as will most of the Hatcher Pass road corridor, including the Independence Mine area — leaving plenty of land for those seeking solitude.

Residents and visitors who do not go to the resort will still benefit from the project, according to the state. The state explained that these people can take advantage of the improved accessibility of the entire Hatcher Pass area for a wide variety of activities.

According to the state report, the project would also have a significant effect on the Mat-Su economy, creating nearly 500 net annual new jobs. The state would receive lease revenues as well as corporate income taxes and excise taxes. The Mat-Su Borough would receive property taxes from the resort and offsite developments.

For comparison, the Hatcher Pass resort would be on the same scale as the Alyeska ski resort in both size and visitor usage.

Results of a recent public opinion survey showed strong support of the project from both Mat-Su and Anchorage residents. Local environmental groups have expressed reservations about the proposed visitor complex and one group has filed a court challenge regarding the Sector B lease addition.

Hatcher Pass

RDC expresses support for new resort

The Resource Development Council expressed its strong support for the proposed development of a major international ski resort at Hatcher Pass in comments recently filed on a state draft evaluation of the project.

RDC has been working with the state Department of Natural Resources to review plans for the resort and provide input on the Hatcher Pass Management Plan amendment proposal. Randy Goodrich, RDC's Tourism Division Director, has been appointed to the Hatcher Pass Citizen Advisory Committee to represent economic development and tourism interests on this committee.

The State of Alaska owns most of the land in the Hatcher Pass area. The Hatcher Pass Management Plan allows for a downhill ski area on about 3,000 acres of land known as Sector A. After the plan was approved, the state invited private companies to bid on the right to develop the site.

The state later found that potential bidders wanted the size of the lease area to be increased to accommodate an international resort. The state increased the lease area to 11,000 acres, which includes an 8,000 acre parcel known as Sector B. The development rights in Sector B are conditional upon compatibility with the management plan or approval of an amendment to the plan that allows a ski resort.

Mitsui, a large Japanese trading company which holds a lease agreement on the land, is slated to present a conceptual plan by January 30.

The Hatcher Pass project would accommodate diverse needs of different types of visitors. The resort would provide a visitor destination-type complex that is an essential element in building a solid foundation from which Alaska's tourism industry can grow and flourish. The resort would help expand off-season recreation

and help transform Alaska's visitor industry into a strong year-round generator of wealth.

RDC noted that the draft project evaluation points out a number of so-called "negative" impacts could occur as a result of the development. However, the report notes that various measures to help offset or mitigate any negative consequences are available. Many of the "red flags" raised by those active in the planning process can be resolved through the permitting and oversight process and by enforcing existing regulations.

RDC's comments focused on a number of points, including water quantity and quality, wildlife and fish, geology and avalanche concerns, mining and commercial tourism and backcountry use conflicts.

RDC strongly supported the Sector B addition, noting that the larger parcel of land could play a significant role in harnessing more adequate water supplies for the resort. Sector B would also provide more suitable soils for waste water absorption systems to minimize or eliminate potential water quality problems. The additional acreage of Sector B would also mitigate avalanche danger and provide more alternatives for proper siting in geologically-sound areas: Unlike Sector A, the larger parcel provides flexibility and lends more to a convenient and functional contiguous site.

There has been some concern expressed by backcountry users that the scale of development would lead to unattractive consequences for those seeking solitude. However, RDC pointed out the project would enhance the recreation potential of the area. Backcountry users, even those demanding solitude, will benefit from improvements to roads and other facilities. Ski lifts would also provide easier and quicker backcountry access and open new remote areas for the backcountry user.

(Continued on page 9)

Telecommunications – a vital resource

Guest Opinion

by
Ronald A. Duncan
GCI



Starting in the 1960s and accelerating through the 1970s rapid technological change made new and cheaper communication services available to large commercial users even in Alaska. These users had effective choices and their rates went down.

At first the federal regulators — the FCC — and the existing monopolist — AT&T — resisted the idea of competition; but, as is the case today, innovation and the development of new technology were too powerful to stop. In the late 1970s the FCC recognized that the only way to effectively harness the benefits of new technology was through a competitive structure for the entire communication industry.

A similar scenario occurred here in our state. Prior to and even after GCI entered the market, other carriers opposed competition, claiming that the 49th State was a special case and competition would raise rates to rural areas and lower the quality of service.

However, since GCI entered the market, rates have continued to come down for all Alaskans. Both GCI and Alascom have adopted new and more efficient technologies, and the number of bush locations with telephone service has continued to expand.

Forty-five states have already adopted competitive structures consistent with the national system. Those who contend that Alaska is a special case are right. With our vast geography, communication is simply too vital to be left solely in the hands of one provider. The lessons of the interstate market are clear. Competition provides the right incentive for innovative and responsive service. We can invite the benefits of competition to in-state services while protecting service and rates to the bush. All we need is a little vision on the part of our public utilities commission and legislature to continue to build a resource that will take us into the twenty-first century and beyond.

Today almost all of Alaska is served by microwave and satellite systems linking rural Alaska to the urban areas and those in turn to the outside world. This communication system is a man-made resource every bit as vital to the state's economy and survival as any of our natural resources.

As with many natural resources, market place competition has played a major role in the development of the Alaska network in the past and will continue to be a primary factor in meeting Alaska's future needs.

Competitive forces have worked from both within and outside of Alaska to shape today's telecommunication systems. In 1969 RCA Alascom purchased the Alaska Communication System from the military.

By 1975, the State of Alaska applied to build and operate its own small earth station system. The competition from the state resulted in a negotiated agreement providing service to rural Alaska.

Competitive forces in the Lower 48 have also forced development and expansion of the Alaska telecommunication system.

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Golden Goose hunting season begins



Thoughts from the President

by
J. Shelby Stastry

In case you haven't noticed, it's goose hunting season again. Not to be confused with duck hunting season which traditionally begins about September 1 of each year, the season for bagging that wily golden goose begins for certain members of our Legislature and their administration counterparts about the second week of January. Each year they attempt to extract more of those golden eggs through wringing the goose's neck or even performing major surgery to extract them right from the source. It seems that our leaders did not read the same literature we did as youngsters or didn't learn the same lessons we learned from the reading. This year, as the last couple of years, those intrepid hunters in Juneau are creeping around, scalpel in hand, to extract the gold by doing major surgery on the Economic Limit Factor or "ELF."

It seems to not matter that Alaska needs a healthy goose to continue to provide the golden eggs. Nor does it matter that the public though they are continually trying to fill by their dangerous extractive methods have an insatiable ability to consume whatever gold could be extracted.

The voice of reason has yet to permeate those hallowed halls. The voice that will say "wait a minute, if we want a healthy goose to provide golden eggs for us well into the future, wouldn't it be better if we nurtured it and encouraged it? Wouldn't it be better if we used this time to examine areas we are using the gold that really could be cut back? Rather than critically injure our golden friend, wouldn't this be a good time to examine our public payroll and benefit package and make it more in line with private enterprise?"

Not even a healthy golden goose is going to be able to keep up with the retirement and health insurance benefits which we have conferred upon our employees (not to mention ourselves).

RDC launches legislative work plan

by Debbie Reinwand

Economic diversification, resource development and jobs. All these and more were promised by the candidates in the 1988 election. During the next two years, the members of the 16th Alaska Legislature will work to fulfill campaign promises.

For its part, RDC will be in the capital city informing legislators, backing positive resource development legislation, and making sure priority bills keep moving through the often-lengthy process.

From all indications, RDC's 1989 legislative agenda will be well-received by lawmakers. At a mid-December forum, RDC hosted Senate President Tim Kelly, and then-House Majority Leader Max Gruenberg. Both leaders had positive observations about the seven major issues RDC is pushing this year, and indicated it would be a good session for responsible resource development.

Rather than risk the health of our benefactor, wouldn't we be wiser to determine which programs passed in times of plenty are no longer necessary (or even desirable)?

A stable policy of taxation just makes good sense. The ELF concept made good sense when it was developed and it makes good sense now. Productive members of the Alaskan economy need to be encouraged to increase their production. Contrary to the feelings of some individuals, including members of the legislature and administration, it is not "bad" to have a profit motive or even to earn a profit. In order for all Alaskans to enjoy the benefits of our vast natural resource wealth, we must encourage those with the tools of production to invest here rather than somewhere else where the business climate and profit potential are greater.

If the state reneges and changes the ELF, will the oil companies continue to operate in Alaska? Absolutely! Will they change their investment strategy? I don't work for an oil company, so I have no inside knowledge; however, as a business advisor and tax advisor, I am certain that when various projects are considered, profitability and the degree of risk are the most important factors in determining which one will go forward.

Increased taxes will certainly add to the costs of doing business in Alaska, which could mean that projects Outside may get the investment dollars. More important is the necessity of factoring our unstable taxation policy in the risk portion of the analysis, which certainly tips the balance even further away from an investment in Alaska.

The State of Alaska has a history of unstable tax policies. In the early seventies, when oil companies were making only small profits in Alaska, the state insisted businesses that operated both in and out of the state report their corporate income using the unitary method of accounting (which had the effect of bringing income from outside of Alaska to be taxed in Alaska). As a prudent tax advisor, I explained to the administration that while this policy may lead to increased taxes now, they would suffer a much greater loss of revenues in the future when income from oil flowing in Alaska was replaced by less profitable projects outside through the unitary formula. Little did I know (and later found out) that their intention all along was to change the rules then and require direct accounting — sort of a have-your-cake-and-eat-it-too tax policy — or is it called kill the goose that laid ... you know the rest.

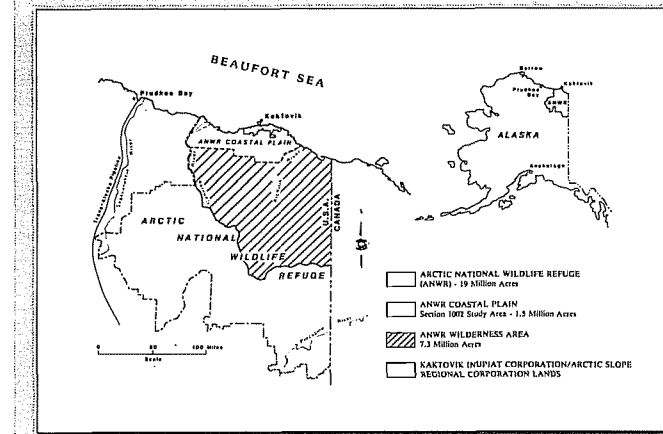
"We all know we have to look for new revenue sources and encourage new opportunities," Kelly said.

Several RDC issues such as lead-agency permitting and mariculture should see some action this year, according to the two leaders.

RDC board members participated in a two-day meeting in Juneau during the first week of the session to meet with Governor Steve Cowper and key lawmakers to inform them about the RDC 1989 agenda, and offer assistance as the session progresses.

Heading RDC's legislative work plan is the passage of a bill that would appropriate \$1.5 million for a national public relations campaign aimed at educating and informing Americans about the potential for ANWR, and to convince Congress to open the Coastal Plain. House Speaker Sam Cotten, D-Eagle River, has introduced a bill to accomplish that goal, and a similar measure is expected in

(Continued on page 9)



The part of ANWR being considered for oil and gas development — the 1002 area — represents 8% of the total wildlife refuge. However, 47% is already designated Wilderness.

ANWR Congressional debate resumes

(continued from cover)

adopted bills which would allow environmentally-sound development.

However, the issue was held up by the House Interior and Insular Affairs Committee.

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Interior Secretary Donald Hodel's position supporting ANWR development is not expected to change under the George Bush administration which has nominated development advocate Manuel Lujan of

New Mexico to be the new Interior Secretary.

In 1989, the hottest battles are expected to be centered around the House Interior Committee where Chairman Morris Udall has already introduced a new bill declaring the Coastal Plain Wilderness.

"We made significant progress on ANWR legislation last session and I'm confident the House will move an ANWR development bill this Congress."

—Congressman Don Young

Nearly half of ANWR's 19 million acres is already closed to development under a Wilderness designation. When combined to similarly manage lands within the refuge, some 92 percent of ANWR is off-limits to development.

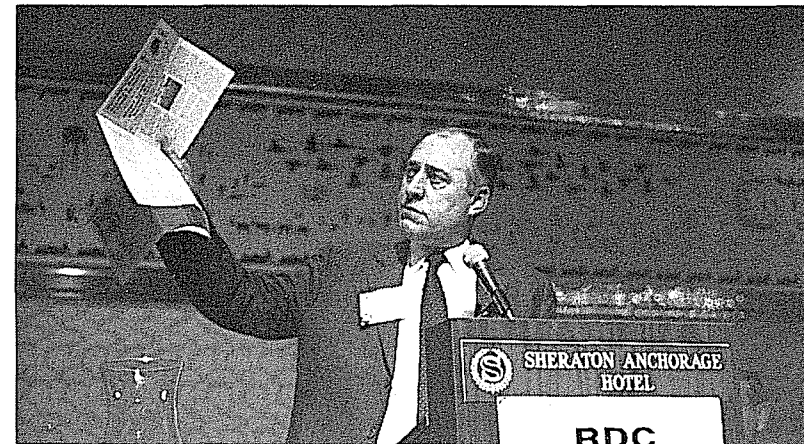
The part of ANWR being considered for development — the 1002 area — represents 8 percent of the wildlife refuge. Under a full leasing scenario and assuming development of three major prospects, petroleum operations would affect less than 15,000 of ANWR's 19 million acres — less than one-tenth of one percent of the refuge. Yet up to 25 percent of America's domestic oil production could be derived from this small stretch of coastal land well north of the Arctic Circle.

Young believes that prospects are good for a development bill to clear Congress later this year because this is not an election year. "This is shaping up well," Young said, noting the support his bill has from House Speaker Jim Wright.

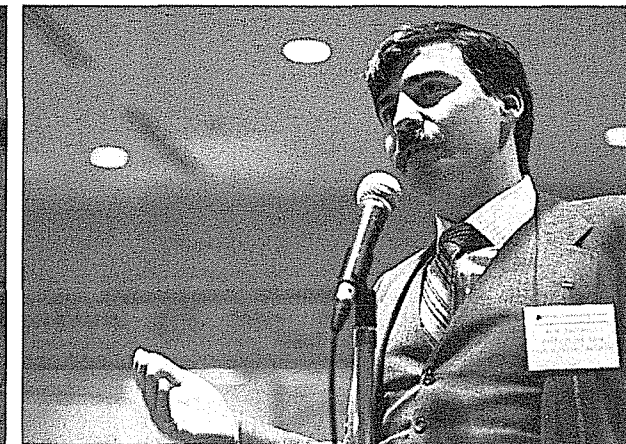
"My ANWR legislation is a pure leasing bill which would allow for the leasing of the Coastal Plain with environmental protections," said Young. "We made significant progress on ANWR legislation last session, and I'm confident the House will move an ANWR development bill this Congress."

In a report to Congress, the Interior Department stated that the impacts of exploration and development on wildlife resources would be minor or negligible. Federal, state and local regulations and the industry's own standards and procedures have prevented major pollution problems from developing at Prudhoe Bay.

Industry and the State of Alaska believe these safeguards, along with new advances in arctic oil development, would protect the ANWR Coastal Plain if oil operations are permitted there.



RDC Education Foundation President Joseph R. Henri urged Alaska to develop its boreal forest industry while Nick Saltarelli (right), a Canadian silviculturist, said Alaska could become a world model of forest management.



Developing Alaska's Interior forests

Alaska could develop its forest and wood products into a multi-billion dollar industry annually, but a combativeness on the part of government toward business frustrates efforts to broaden Alaska's economy, according to Joe Henri, President of the Resource Development Council Education Foundation.

Opening the Foundation's two-day conference on boreal forest development last month, Henri said one may not be so surprised about such an attitude in a state like New York, "where government land comprises less than one percent of the whole." But, Henri asked, "how sensible or productive is this antithetical, carping, harassing behavior in a place where government owns everything?"

Before Alaska can develop its vast northern forest and derive substantial economic benefits from it like Finland and Canada has over the past decade, Henri said the access roads, bridges, rail extensions, port facilities and other essential public works must be built.

"In truth, we have no plans, no programs," Henri said. "We muddle along; we peer into the crystal ball, trying to divine higher oil prices."

The University of Alaska joined the RDC Education Foundation in sponsoring the conference, attended by some 150 people from throughout Southcentral and Interior Alaska. Forestry experts from across the U.S. and Canada spoke at the event, designed to guide the way and set an example of how to run profitable wood operations in northern-latitude forests without detriment to the environment.

In a videotaped presentation, Governor Steve Cowper expressed state support for the timber industry.

"Alaska is America's boreal forest," Cowper said. "We have the opportunity to show the country and the world what forest development can do."

Mayor Robert Trail of Dawson Creek, British Columbia said his community and

several others in northern Canada have prospered under modern forest management.

Louisiana-Pacific Corporation recently built a \$40 million plant in Dawson Creek, employing 150 people directly and several hundred indirectly. The plant resulted in a major reduction of the region's unemployment rate, especially among the young.

"This establishment of a new forest industry was the beginning for Dawson Creek," said Trail. "There are now proposals for two more waferboard plants and two pulp mills all utilizing aspen," Trail said. "We have also been able to attract much interest in other industries such as chopstick manufacturing and prefabricated homes due to the original Louisiana-Pacific plant in Dawson."

When development comes to Alaska's boreal forest, policies and mechanisms for making timber available should already be in place, according to Perry Hagenstein, a natural resources consultant from Wayland, Massachusetts. He said the development of industrial infrastructure for the lumber and woodpulp industries in Alaska deserves at least equal attention to that assigned to developing the forest itself.

Lloyd Irland, President of the Irland Group in Augusta, Maine, said Maine's northern forest does share a good deal in common with Alaska's, but there are many differences as well. Irland said the most striking is that Maine has seen a long-term historic balance emerge between private management for timber and public uses for wildlife, fish and recreation. The biggest difference, Irland noted, is that timber harvesting over the landscape is a fully accepted practice in Maine while in Interior Alaska it is not.

Can Alaska learn anything from the Maine experience? Irland believes it can. He suggested that an Alaskan effort at timber development start slowly and build research and trust. He also recommended

an explicit, planned learning posture toward multiple-use forest development.

"We cannot afford the luxury of dividing our landscape into two portions — huge areas of Wilderness abutted by fertilized energy plantations and hydroponic gardens," Irland said.

Nick Saltarelli, a silviculturist with Abitibi-Price of Iroquois Falls, Ontario, urged Alaska to develop effective silviculture strategies in route to making the state a world model of forest management.

Dr. Peter Koch, President of Wood Science Laboratory of Corvallis, Montana, addressed the utilization of small diameter timber in a conceptual integrated wood products plant somewhere north of Anchorage on the Alaska Railroad.

Koch said the plant would use timber from state lands adjacent to existing roadways. Exclusive of harvesting and replanting operations, which would be done by contract, the model plant would employ 60 people, require about \$6 million in capital and have annual sales of about \$6 million.

One of the problems associated with such a project is the assurance of a sufficient and continuing wood supply for efficient large-scale operations competitive in world markets, Koch said.

"Until Alaska timber stand densities and accessibility can be increased through long-term management, harvesting of the low-density and scattered existing stands will be costlier than harvesting the more intensively managed boreal timberlands of Scandinavia," Koch said.

Another conference speaker, Gaston Mallette, President of the Waferboard Corporation in Timmons, Ontario, outlined how his family rebuilt a small sawmill, which had been destroyed by fire, into a multi-hundred million dollar industry that includes an integrated sawmill, an oriented strand-board plant, a medium density fiber board plant and a paper mill.

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Tongass reforms loom in 1989

(continued from cover)

largest national forest. However, the Senate Energy Committee deferred action late last year on the Tongass reform bill. The Committee will no doubt take a close look at the issue this year.

"This will be a tough fight," Young said of the upcoming Tongass show down. "My job will be to try to kill the reform bill or amend it."

Meanwhile, environmentalists will continue to pursue the wide ranging reforms with the added punch of increasing the number of areas covered by a logging moratorium in the Tongass. Another provision would cancel the 50-year contracts that Louisiana Pacific Corp., and Alaska Pulp Corp., have to log Tongass timber.

The Alaska National Interest Lands

Conservation Act of 1980 (ANILCA) set aside some 5.4 million acres of the national forest into Wilderness, barely leaving enough timber for the forest industry which depends on the Tongass for its timber supply. Congress compromised and balanced the measure by writing a guarantee into the bill that the Forest Service would offer at least 4.5 billion board feet of timber per decade from the commercial forest land remaining in the timber base. The Act also added \$12 million to the regular budget for managing the Tongass to access and utilize lower grade logs after the withdrawal of 1.7 million acres of prime commercial forest land into Wilderness.

These major provisions of ANILCA are now under fire by environmental groups,

despite the land withdrawal settlement made in 1980.

The annual funding, loggers contend, is a subsidy for Wilderness — compensation for timber lost to Wilderness. The level of funding would not be necessary had the 1.7 million acres of commercial forest land remained in multiple use.

Of the 16.7 million acres comprising the Tongass, 5.7 million acres are considered "commercial" forests, lands which are biologically suited for growing and harvesting timber in a continuous cycle. Wilderness areas contain about 1.7 million acres (30%) of this commercial forest. Another 2.3 million acres (40%) of the commercial forest land is not available for timber harvesting for non-Wilderness reasons. The final 1.7 million acres (30%) is the commercial forest land available for harvesting. Although open to logging, this small portion of the forest is strictly regulated with many areas preserved for the viewing pleasure of boaters, kayakers, and ferry and cruise ship passengers.

Although about 1.7 million acres of the 16.7 million-acre Tongass are programmed for harvest, only about one percent of that 1.7 million acres is scheduled for harvest in any given year. At the end of the first 100 year rotation, the same acres will be ready for harvest a second time.

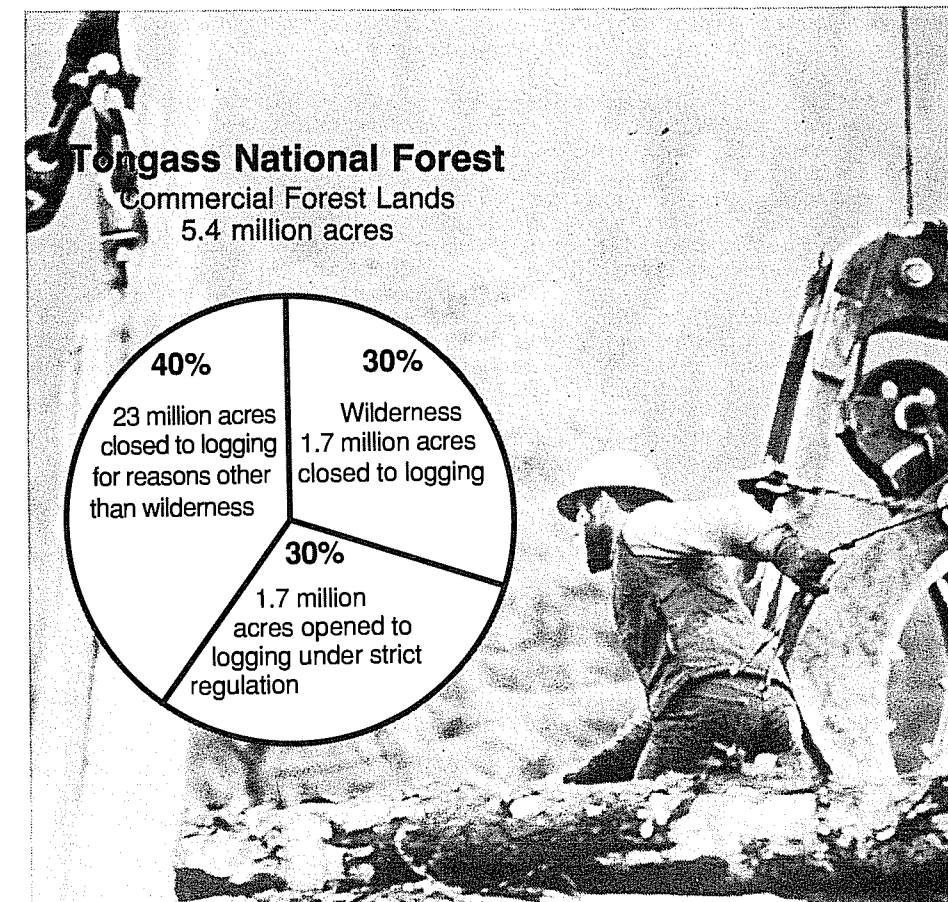
Because timber areas are being accessed for the first time, the cost of logging in Alaska is much higher than elsewhere. In this initial entry, the high costs of the roads are charged against the amount of timber stumpage revenue received. Yet these roads open up fishing and recreational areas for residents and visitors.

In addition, programs ranging from recreational enhancement and wildlife studies to public information and fish ladder construction are counted against timber revenues. Ignored, however, is the total lack of revenue derived from the massive Wilderness areas and its users.

The timber industry is a major element of the Southeast Alaska economy. The industry has recovered from a six year depression and is reaching new heights in production and employment. Logging accounts for 9,000 direct and indirect year-round jobs in Southeast Alaska.

Timber harvesting has occurred for some two generations in the Tongass. Evolving forest management practices ensure strict regulation of logging operations. As a result, deer harvests have more than tripled in just five years and salmon harvests have climbed, indicating that logging and fish and wildlife are compatible under modern forest management practices.

The Tongass reform bills before Congress would eliminate the balanced timber management provisions of the 1980 agreement while leaving the Wilderness designation intact. This would have a devastating effect on the forest industry in Southeast Alaska and the regional economy, as well as gutting the original compromise.



Of the 16.7 million acres comprising the Tongass, 5.7 million acres are considered "commercial" forests. Wilderness areas contain about 1.7 million acres or 30% of the commercial forest. Another 2.3 million acres or 40% of the commercial forest is closed to logging for a variety of reasons, including wildlife and fish habitat protection. The final 1.7 million acres is the commercial forest available for logging under strict regulation with areas preserved for the viewing pleasure of boaters, kayakers and cruise ship passengers. Only one percent of that 1.7 million acres is scheduled for harvest in any given year. At the end of the first 100-year rotation, the same acres will be ready for harvest a second time.

Forest Practices Act review underway

Industry offers perspectives

Three state agencies have joined together to review the state's Forest Practices Act, which governs the way timber is harvested on state, municipal and private land. The review will be conducted by a thirteen-member group representing agencies and organizations with particular interests and concerns regarding timber harvesting in Alaska.

At its first two meetings, the review committee identified issues, established two working groups to focus on potential problems with the Act, adopted ground rules and set a meeting schedule through mid-February.

The state's three resource agencies — the Departments of Natural Resources, Fish and Game, and Environmental Conservation formed the review committee, which is made up of representatives of forest owners and operators and five representatives of public resource users affected by forest practices, including fishing and environmental groups.

The Forest Practices Act review began at the direction of Governor Steve Cowper in response to concerns that the state's forest practices law does not provide appropriate protection for fisheries and other public resources on private lands.

Environmental and fishing groups have been the prime movers behind the movement to mandate legislative changes to the Act. These groups have been highly critical of Alaska's logging industry and have opposed a state plan to open Susitna Valley timber to loggers.

There is an overwhelming consensus among leaders of Alaska's timber industry that widespread changes to the Act could inhibit development of a wood products industry in Alaska, thereby dealing a blow to economic diversification and job creation.

In a letter to the Department of Natural Resources, RDC said the process to revise the Forest Practices Act merely gives the groups a new vehicle to advance their overtly non-development agenda.

The review committee will operate by unanimous consent through a mediation process. The state contracted with a two-person mediation team to work with the Committee: Jim Waldo and Frank Gaffney of the Northwest Renewable Resources Center in Seattle, Washington. Waldo and Gaffney directed a similar review process recently for Washington State.

Among a number of issues discussed in the first two meetings were riparian management practices, wildlife protection, viewshed preservation, allowable cuts, private land buffers, water quality, old growth, clear cuts, reforestation, road construction, Best Management Practices and the public process.

In brief, here is industry's perspectives on these issues:

Riparian Management: Industry recognizes the importance of riparian management and has taken steps to meet its objectives, which are to (1) protect stream banks, (2) provide sources of woody debris for fish habitat and food supply, (3) provide shade, (4) act as a filter to remove sediment from surface water runoff. Riparian



The Forest Practices Act regulates timber harvesting, thereby greatly influencing operating costs of timber operations, the ability of the resource to compete in the world markets and the net stumpage value of timber to the landowner.

management practices should be based on site specific conditions as evaluated in the field and based on scientific fact, not conjecture. The industry currently spends millions of dollars annually to meet riparian management concerns. If industry is expected to spend additional funds or forego revenues, then it should be compensated by the State for such things as large leave strips.

Wildlife protection: The retention of timber suitable for wildlife habitat already occurs because substantial components of private and public forest land is not economically operable. The requirement to retain additional timber for wildlife must have supporting justification including evidence that existing retained timber is inadequate to provide wildlife habitat, and the additional habitat is required to support some justifiable population level.

Since land management objectives on public land and private land are very different, private landowners should not be forced to manage their land exactly the same as public land unless that landowner is compensated.

Water Quality: The current provisions in the FPA are adequate to protect water quality. Until field investigations of current practices and their effectiveness in protecting water quality occurs, it is premature to amend current practices.

Viewsheds: On public lands, this is addressed through the planning process. On private lands that approach is not appropriate because it clearly amounts to the "taking" of property without compensation. Industry recommends that it be dropped.

Allowable Cut: Clearly related to ownership, allowable cuts should be strictly limited to public lands and deleted from review consideration on private lands. There are insufficient amounts of land available to many private landowners to economically permit a harvest at an allowable cut rate. If state and federal governments were to increase their offerings of timber, perhaps a

longer-term sustainable operation could be achieved in select areas.

Old Growth: Much of the old growth is protected through Wilderness withdrawals and other land allocations on state lands. On private lands, the timber is the property of the timber owner. If the advocates objectives are to retain a particular type of ecosystem, the suggested forum would be through the various public forest plans which attempt to balance multiple use objectives on public lands. Another alternative would be to purchase those trees from the owner.

Private Land Buffers: Since this issue is of land planning, not forest practices, it should be addressed through state forest management and timber sale planning.

Best Management Practices: BMP needs to be reviewed to incorporate new information now available. This should include only scientifically-validated data, not opinion.

Public Process: The extent of the public process with regard to private lands should go no further than the review of the FPA. Individual operations should not be subject to public review. The current process allows for adequate public input in many formal and informal ways.

Clear Cuts: The size and location of harvesting units is a function of the landowner's management objectives. On private lands, clear cut sizes should be up to the private owner. If the state wishes to restrict the size and location of these harvesting units, it should compensate the private landowner for any financial losses.

Reforestation: Alaska should have a strong reforestation program. There has not been adequate funding for reforestation of state lands in the Interior and Southcentral. Reforestation occurs naturally in Southeast.

Road Construction/Stream Crossing: The crossings are adequately regulated by ADFG and DNR. Definition of deficiencies of current system need to be defined.