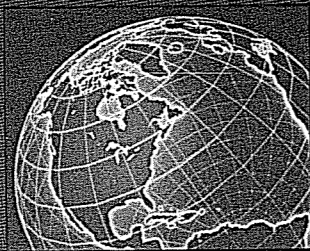


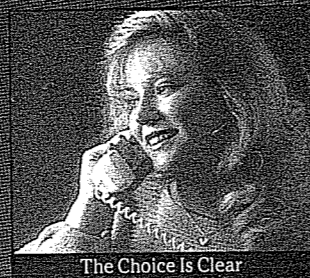
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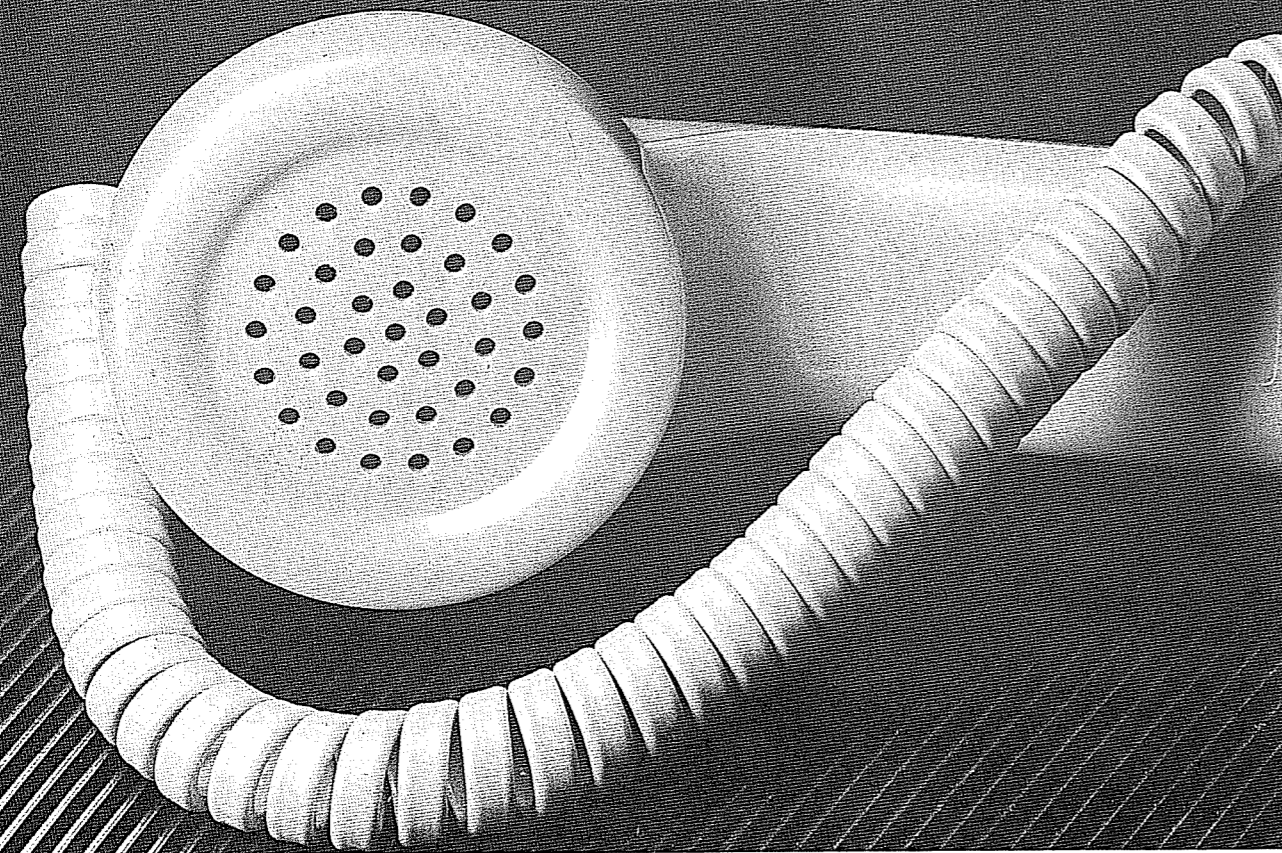
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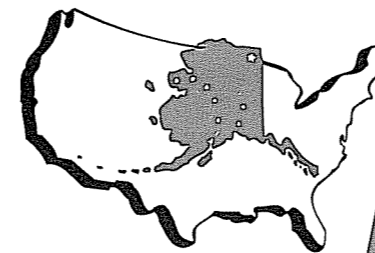
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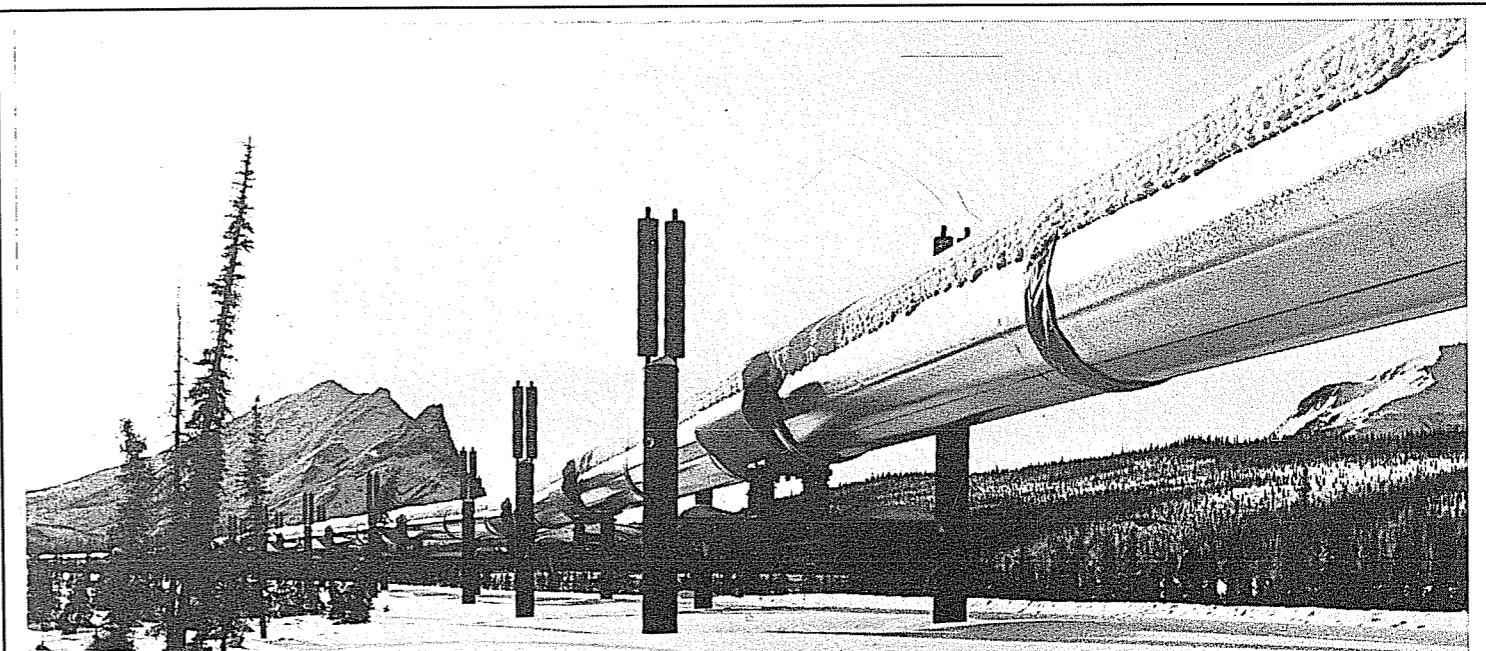
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The trans-Alaska pipeline, which currently carries 20% of the nation's domestically produced crude oil, could run dry after the year 2010 when North Slope oil fields play out. Major new discoveries in unexplored areas such as ANWR could boost production back up to pre-decline period rates, extending the life of the pipeline and Alaska's contribution to the nation's energy security.

Alaska

Cornerstone of America's
energy strategy

With its abundant and diverse energy resources, Alaska should figure prominently into a national energy strategy, according to state, federal and industry officials testifying at a U.S. Department of Energy public hearing in Fairbanks August 27. The regional hearing was chaired by Deputy Secretary Henson Moore to gain direction on a future energy strategy for America.

Regardless of the range of components in a national energy strategy, new oil and gas leasing and development in Alaska will remain extremely important to both the state and the nation, said Governor Steve Cowper. "The timely exploration and development of the Coastal Plain of the Arctic National Wildlife Refuge (ANWR) must be an integral part of the

(Continued page 6)



Message from the Executive Director

by
Becky L. Gay

Change of season activities

The season of federal people in Alaska is finally drawing to a close — thank goodness fall is here!

RDC staff and board members spent the last of the summer working with policymakers from Washington, D.C. regarding issues of importance to Alaska. This included giving wetlands tours of



Pictured above is part of the team on the way to Bethel and Kwethluk for RDC's wetlands field trip in August. From left to right: Duane Gibson, Sen. Ted Stevens office; RDC Deputy Director Debbie Reinwand; Executive Director Becky Gay; Wetlands Coalition Coordinator Michele Hendrickson; Christine Hughes, staff to Congressman James Inhofe, Glenn Fredricks, and Ben Grumbles, Assistant Counsel for House Public Works and Transportation subcommittee on Water Resources.



Mary Mertz, legislative director for Congressman Bob McEwan, and the RDC group examine revegetation sites at Prudhoe Bay led by Dr. Jay McKendrick of University of Alaska. (Photo by Heather Hall)

Bethel, Kwethluk, Prudhoe and the Municipality of Anchorage to Congressional staff, testifying before Deputy Secretary Henson Moore at the national energy strategy hearings in Fairbanks and working with the Alaska Wetlands Coalition to advance solutions-oriented ideas before the Domestic Policy Council Task Force at the Anchorage hearing.

All involved are to be congratulated for their perseverance and stamina. RDC thanks those who made the trips and testimony successful. Congressional staff not pictured below, but also on the field trips, were: Rod Moore (House Merchant Marine & Fisheries subcommittee on Fisheries, Wildlife Conservation and the Environment); Lee Forsgren (House Interior and Insular Affairs); Dan Brindal (office of Senator Frank Murkowski) and Jay Hughes (legislative director for Congressman Bob Clement.)

Please mark your schedules right now for RDC Thursday breakfast forums which resumed September 20 in a new location, the Petroleum Club. Also, RDC's annual conference will be December 5 & 6 at the Sheraton Anchorage. We look forward to seeing you all!



Dr. Jay McKendrick of the University of Alaska and the Congressional staff examines test plots on the gravel vegetation experiment at Prudhoe Bay. (Photo by Heather Hall)

Ted Van Der Meid, Counsel to Congressman Robert Michel, "groundtruths" wetlands in the Anchorage bowl with Thede Tobish of the Municipality of Anchorage. (Photo by Michele Hendrickson)



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.

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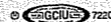
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Writer & Editor
Carl Portman



Tongass: Closing of the last frontier

By Don Finney
The Alaska Loggers Association

The Tongass National Forest is facing pending legislation that will forever change how it is used. One bill before Congress will, over time, eliminate timber harvesting in Southeast Alaska — a region with 70,000 residents and a region where timber supplies the highest payroll of any resource industry and accounts for about one-fourth of the economy. In Southeast Alaska the only sustainable timber supply is the Tongass National Forest. It is our lifeline; it is the economic heart for many of our communities.

The Tongass controversy has created so many numbers and myths it is hard to determine a middle ground. We have heard individuals such as EPA's William Reilly and Senator Tim Wirth equate logging in the Tongass to destruction of the Amazon rain forests. In the Tongass there is twice as much old growth forest reserved in no-harvest zones as the industry would need to maintain its mills, jobs, and towns in perpetuity. Foresters estimate that second growth forests will yield twice as much wood per acre as the original, old-growth stands.

In the last three years, we have met with dozens of reporters, magazine writers and film crews — many of which have prejudged the issue on hearsay evidence, on propaganda or on outdated information. Some have looked more at one side or have taken isolated incidences and models and have applied them universally to the entire forest. Others have failed even to get any perspective from the providers of forest products.

We are not afraid to speak out on the issue. I have worked in the Alaska logging industry for 37 years. I know the Tongass. I know others in Alaska that can speak for their part of the forest. But we are seldom heard over the cries that the forest is being so quickly cut that it will soon be gone. Look at the facts.

The timber program is now producing more revenue than expenses. Timber jobs are stable. Other industries in the region — fishing and tourism — are thriving. We have no endangered or threatened species.

Recently, the Senate voted 99-0 on its version of Tongass Reform (HR 987). That effort, which was made through bipartisan

compromise, now must be reconciled with the House version of HR 987 — a bill that is radically different than the Senate version and which could erase many of our towns from the Alaska map.

Alaska's congressional delegation, the State of Alaska, the Forest Service's land and management plan, and the Southeast Conference all stand united in support of the Senate version of HR 987. However, certain environmental special interest groups do not support the Senate version. They have little concern for the maintenance of our lifestyles, our communities or our industries that rely upon natural resources.

As Governor Steve Cowper said recently, "We now have to work to make sure the more moderate provisions of the Senate-passed bill become law rather than the overly restrictive House version."

The House version of HR 987 goes beyond reform of Tongass forest management. The Senate bill is bipartisan, yet it is not a bill we designed or want. However, it is our only hope for survival. As one of our industry members put it, the choice of the two Tongass bill versions is like choosing "between having an arm cut off or having terminal cancer."

The two versions of HR 987 are now being considered by conference committee.

Tongass Q & A

What are the basic differences between the Senate and House versions of the Tongass Reform bill?

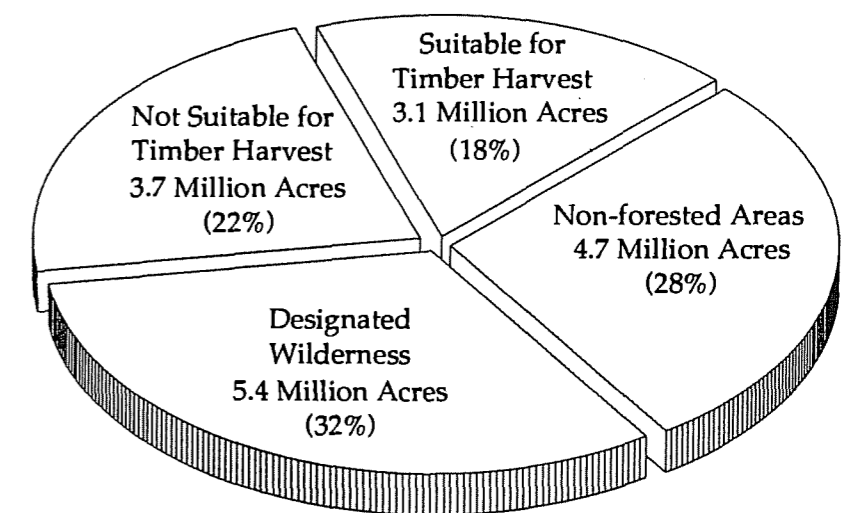
First the similarities: Both bill versions delete provisions of the Alaska National Interest Lands Conservation Act which came as a result of taking huge areas out of multiple use and timber production. These provisions included an automatic appropriation for the U.S. Forest Service's budget for the Tongass and additional monies to access marginal timber stands. It also set a sustained-yield timber goal of 450 million board feet per year.

Now the differences: The Senate version of HR 987 forces the two long-term contracts to be renegotiated on eight points. The House version of HR 987 cancels them unilaterally — a move the timber officials say will drastically impact the industry.

Both bills remove more lands from timber harvest production. These are lands in addition to the 5.4 million acres of Tongass National Forest Wilderness set aside in 1980. The House version creates 1.8 million additional acres of Wilderness, while the Senate version places 670,000 acres off limits to timber production, but available for other uses such as road and utility corridors and fish projects.

The House version creates mandatory 100-foot buffer zones along all streams in the Tongass whether they support fish or not, while the Senate version mandates buffers on Class I streams (salmon streams) and Class II streams that flow into Class I streams.

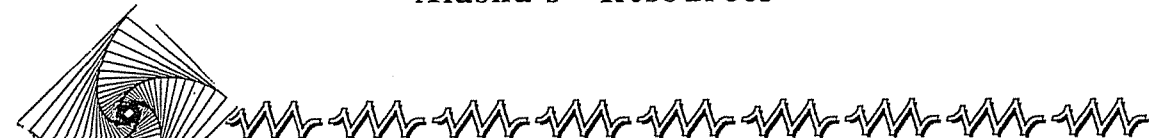
Comparison of Major Land Divisions on the Tongass National Forest



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Development of Alaska petroleum resources key to energy strategy

(Continued from cover)

nation's energy policy if our goal is to strengthen domestic production and reduce foreign oil imports," Cowper stressed.

While the debates on the merits of exploring ANWR continue, the reality of declining North Slope production and its impact on domestic energy production cannot be avoided, warned Cowper. "Unless the opportunity for making significant new discoveries is made available, production on the North Slope will decline each and every year," Cowper said.

North Slope oil fields averaged 1.8 million barrels of oil daily last year. The majority of this production came from Prudhoe Bay, the most productive field ever tapped in North America. However, Prudhoe, which accounts for 20 percent of domestic oil production, is now declining at a rate of 10 percent a year.

The United States imported a record 54 percent of its oil in the first half of 1990 while domestic production declined to its lowest level in decades. "Common sense, as well as national security and economic efficiency argue strongly for an early confirmation of ANWR's potential," Cowper said.

America's future energy mix

Brian Davies, Vice President for Development Programs at BP Exploration (Alaska) Inc., emphasized that development of new domestic oil deposits, conservation and the utilization of alternative energy sources such as nuclear, are three important steps that must be taken if America is to come to grips with its energy problems.

"None of these practices is a short term fix, and none, alone, can solve our energy problems," Davies noted. However, the U.S. must face the probable reality that oil will remain the most plentiful and cheapest source of energy in the world for the next 50 years, Davies predicted.

"A positive decision by Congress to allow leasing on the Coastal Plain (of ANWR) would be the most important single action that the United States could make to plan for its energy future," said Davies. "Leasing there would probably result in a bigger in-

cremental increase in domestic oil production than could be obtained from any other action."

Alaska supplies about one-fifth of all domestic oil production, and may contain an estimated 34 percent of the undiscovered oil and gas resources of the nation.

If oil companies are not allowed to drill in highly prospective areas such as the Coastal Plain, the decline in domestic production will continue at an alarming rate, warned Al Fleetwood of the Alaska Coalition for American Energy Security. Fleetwood cautioned that a drilling ban would only increase U.S. dependence on imported crude. "If the present trends continue, the nation may be dependent on foreign sources for 75 percent of the oil used by the year 2000," Fleetwood said.

With over 100,000 American troops deployed in Saudi Arabia to protect the flow of oil to the U.S., it is imperative that the true energy potential of the Coastal Plain be delineated, said Becky Gay, Executive Director of the Resource Development Council. Geologists believe the Coastal Plain may contain enough energy reserves to markedly reduce American dependence on Middle East oil, supply jobs and positive economic benefits throughout the nation. Gay said the Coastal Plain can be explored with minimal impact, and developed safely without damage to the wildlife.

The RDC director concedes the aesthetics of the Coastal Plain would be temporarily altered if drilling occurs, but she insisted the biology would not. Under a full development scenario, only about 5,000 acres of the 1.5 million-acre Coastal Plain of the 19 million-acre refuge would be modified to support drilling and production facilities.

But Gay expressed alarm that any additional oil field development on Alaska's North Slope could be effectively halted if the federal government's "no net loss" wetlands policy is strictly applied to Alaska. She noted that virtually the entire North Slope, including ANWR, can be characterized as wetlands on top of permafrost.

The RDC testimony also expressed concern about the Environmental Protection Agency's hostile attitude toward the construction of offshore gravel roadways in the Beaufort Sea.

"Causeways that reflect sensitive envi-

ronmental concerns are likely to play a major role in the development of future North Slope oil fields," Gay said. In addition to environmental factors, Gay stressed that economic and national energy issues should also be addressed when causeways are considered.

Causeways may be the key to the development of oil fields like Niakuk and Point MacIntyre. The Point MacIntyre discovery north of Prudhoe Bay has been heralded as the biggest oil strike of the 1980s in Alaska.

Environmental groups and some federal agencies object to the construction of causeways, claiming gravel roadways threaten fish by blocking water circulation. Oil industry scientists, while agreeing causeways do bring about oceanographic changes, say there is no evidence fish are threatened, especially when fish culverts and breaches are built in.

The State has not concluded its deliberations on the issue, but Governor Cowper said it has addressed the specific permit requests for the Niakuk and Point MacIntyre development projects. Cowper said he fully supports these projects and firmly believes they can go forward with causeways in an environmentally-safe manner.

Energy strategy should include Alaska coal

Robert B. Stiles, Manager of the Diamond-Chulitna Coal Project, suggested that a future energy strategy include the utilization of Alaska's huge coal reserves.

Stiles noted Alaska possesses adequate reserves of ultra-low sulfur coal to make a significant contribution to the near and long-term energy supplies of the U.S. He said use of ultra-low sulfur Alaska coal could improve air quality in many areas of the nation without the addition of costly flue gas desulfurization.

Stiles said that high marine transportation costs associated with the Jones Act make Alaska coal more costly to U.S. consumers than to foreign consumers. He said a national energy strategy which does not address this problem places an unreasonable cost burden on U.S. consumers and could eliminate Alaska as a viable coal supply source.

"No net loss" leaves Alaska between a rock and a wetland

Direction offered in formulating wetlands policy

Editor's Note: The following testimony was presented before the Domestic Policy Council's Task Force on Wetlands by William E. Schneider, President of the the Resource Development Council. Schneider's comments were presented on behalf of the Alaska Wetlands Coalition at the September 7 public hearing in Anchorage. Due to space limitations, the testimony has been edited and condensed for Resource Review readers.

The Alaska Wetlands Coalition, an organization representing municipalities, native corporations, villages, labor, resource companies and small businesses, is gravely concerned over the prospective impacts on Alaska of grafting a "no net loss" of wetlands goal onto the existing Section 404 Program. That program, in its present form is already working hardships on many Alaskans. It is not melodramatic to note that Alaska's future is at stake. An overreaching Section 404 program can affect and stymie virtually every community expansion effort and resource development enterprise in Alaska.

Alaska is clearly not part of the wetlands loss problem and should not be forced to be part of a "solution" geared to Lower 48 concerns. If activities that contribute to over 80% of the problems are exempt, Alaska, with over 99% of its original wetlands still intact, should be exempt, too.

The vast bulk of wetland related activities are beyond the scope of Section 404. Over 80 percent of wetland losses are attributable to activities exempt from the program. It is impossible and intellectually dishonest to try to fashion a comprehensive



RDC President Bill Schneider, second panelist from the right, presents testimony on behalf of the Alaska Wetlands Coalition at the recent Domestic Policy Council's public hearing in Anchorage. Other panelists, from left to right, are Steve Taylor, BP Exploration, John Sturgeon, Koncor Forest Products, Paul Rusanowski, the Alaska Miners Association, John Zuck, Bering Sea Fishermen's Association, Schneider, and Robert Kratsas, Arco Alaska. (Photo by Carl Portman)

wetlands conservation effort around a program that does not reach four-fifths of the problem.

Thorough reform of the Section 404 program is needed and can be accomplished in tandem with development of an appropriate "no net loss" objective. Reform and no net loss must go together.

Approximately 170 million acres of Alaska—nearly half of this vast state—are classified as wetlands. The overwhelming proportion of these lands provide little in the way of traditional wetland functions and values. This is especially true of many permafrost and muskeg areas. Wildlife productivity is minimal on most of these lands. In the Lower 48, remaining wetland habitat is insufficient to support dwindling populations of waterfowl and other wetland dependent species. That is not the case in Alaska.

Available wetland habitat in Alaska exceeds the "demand" and is not a limiting factor on wildlife abundance or productivity. This fact alone clearly demonstrates that regulatory flexibility can be employed in

Alaska without adverse effects on wetland dependent fish and wildlife.

In addition to low productivity, most of Alaska's physiographic wetlands are isolated and remote from rivers, streams, major lakes and estuaries. Millions of acres of wet tundra are far removed from waterways. Often tundra remains wet because the land does not drain into streams or rivers and water does not percolate or filter down because the underlying permafrost soils act as a barrier to the flow of groundwater.

The Coalition's fundamental concern is that the Section 404 Program has become a federal land use planning measure. This is completely beyond the intent of Congress and represents a substantial transfer of power from local and state governments. Moreover, the program focuses exclusively on wetlands and creates a grossly unbalanced scheme.

The U.S. Court of Claims has recently found that the existing program is "taking" private property. The consideration of the "no net loss" program provides the opportunity to pursue reform. An unacceptable

(Continued page 4)

Coalition outlines needed reform in wetlands program

Alaska needs discriminating wetlands program

(Continued from page 3)

alternative is an avalanche of taking cases as private property owners rebel against federal overreach.

The existence of 44 million acres of private lands in Alaska owned by Alaska native corporations puts the property rights issue in sharp focus. These lands have been transferred to Alaska's natives through the Alaska Native Claims Settlement Act of 1971. Congress intended that these lands be conveyed to for-profit corporations for the purpose of facilitating economic development and the economic well-being of the natives. Section 404 and no net loss threaten to stop the economic utilization of the settlement lands and shatter the promise of ANCSA.

These facts create a persuasive case that Alaska ought to be exempt from the no net loss objective. Alaska is clearly not part of the wetlands loss problem and should not be forced to be part of a "solution" geared to Lower 48 concerns. If activities that contribute to over 80 percent of the problem are statutorily exempt, Alaska, with over 99 percent of its original wetlands still intact, should be exempt too. Moreover, a simple exemption would obviate the need to tailor program provisions to unique Alaska features such as permafrost and the fact that

most communities are "isolated" within a sea of designated wetlands.

If no net loss becomes policy, then it must contain critical elements. First, **conservation, which includes wise use**, is the explicit goal. Second, the goal is to **protect significant wetland values and focus protection and mitigation efforts on high value/scarcely eco-types** that are the key to waterfowl and fishery resources. Third, the **benefits of the effort will be measured over time**. Intermediate impairment of wetland values is acceptable if such values will be restored following temporal use.

The Alaska Wetlands Coalition recommends the incorporation of the following eight items into the program:

1. Amend the definition of jurisdictional wetlands. One of the most troublesome features of the Section 404 Program is its excessive reach. A refocus on areas where the federal government has clear interests will do much to limit intrusiveness, focus conservation efforts on important areas, and bring the program in line with the original direction from Congress.

2. Establish a discriminating regulatory system keyed to function, value and abundance. All wetland are not created equal. The regulatory system must sort out



Most communities in Alaska are built on or adjacent to wetlands. Alaska's economic base and vital community development in urban and rural Alaska would be crippled if a nationwide policy of "no net loss" is applied to the 49th state. Pictured above is the community of Bethel. (Photo by Becky Gay)

the various types of wetlands and establish a flexible regime that makes development easier in low function/value, high abundance types. The redefinition of jurisdictional wetlands and regulatory system which classifies wetlands based on the real functions, values, and abundance of wetlands are the most critical elements to reform of the Section 404 Program. No net loss can be effectively pursued in terms of productivity, function and value.

By and large, biological productivity is concentrated in high value wetland types. Water related benefits of wetlands (water quality and flood control) are also associated with high value wetlands. But the preservation of isolated tundra areas, temporar-

ily inundated flats, glacial depressions and black spruce muskegs will not significantly contribute to restoration and maintenance of waterfowl populations, improve community water supplies or enhance fisheries.

3. Eliminate rigid sequencing in mitigation consideration. The infamous Corps-EPA Memorandum of Agreement (MOA) initially sought to impose rigid sequencing on the consideration of mitigation. The executed revised version backed away from rigid sequencing. Guidelines should be further amended so that compensatory mitigation proposals can be considered at all stages of the process. This would create a more flexible regime that could serve the purposes of agencies and permit applicants.

4. Consider public interest at all stages. EPA continues to press for elimination of public interest values when evaluating Section 404 permit applications. Failure to include consideration of broader public interests throughout the process results in skewed decisionmaking.

5. Relax water dependency test. The current Section 404(b)(1) guidelines provide that if there are any alternatives to using wetlands for non-water dependent projects, the project cannot receive a permit regardless of other factors including the public interest or mitigation proposals. EPA has grown increasingly hardnosed on this matter. Since water dependent projects are generally limited to docks, marinas, etc., many potential Alaska projects do not qualify. Stringent application of the water dependency test means a rigid system that will adversely affect many Alaskans. A moderate rule should be adopted.

6. Prohibit mandatory "interstate" compensatory mitigation. It is inappropriate to compel a Section 404 permittee in Alaska to undertake compensatory mitigation in the Florida Everglades or California's Central Valley. The Section 404 Program must not become a thinly disguised vehicle whereby federal agencies compel permittees to engage in land acquisition for public purposes.

In the Alaska context, compensatory mitigation is not a frequently used tool. Much of the land affected by Section 404 activities consists of "wetlands" that are low in value and highly abundant. Compensatory mitigation would be difficult to execute in Alaska. There are virtually no degraded or damaged wetlands to restore — a marked contrast to the Lower 48. Moreover, creation of wetlands, particularly in permafrost and mus-

keg areas, is not only difficult, but it would serve no purpose.

The Section 404 Program would be improved, especially in Alaska, if mandatory "interstate" compensatory mitigation is prohibited except in cases within the same watersheds or unless two or more states petition to allow it.

Mitigation banking has become a popular issue in the context of Section 404 reform. The Coalition believes that this concept can have utility in Alaska if credit is given for the unprecedented amount of already "banked" wetlands. Nearly 140 million acres of the 49th state are set aside in federal conservation system units. Many of these units are centered on vast wetland complexes. In addition, Alaska boasts the largest state park system and a wide reaching state habitat protection system. Wetlands conservation on a vast, unprecedented and unmatched basis has already occurred here. Express recognition, and credit, for this fact could facilitate judicious employment of the banking concept in Alaska.

7. Reform the Advanced Identification Process (AID). The Task Force should be acutely aware of the "takings" consequences of advanced identification. EPA's determinations can adversely impact property values and can constitute defacto condemnation.

8. Facilitate State/Local Program Assumption. The Section 404 Program provides for state takeover, but the requirements are so onerous that only one state has assumed Section 404 permitting responsibility. The state takeover option should be streamlined and states should have wide latitude in tailoring the program to their circumstances. Federal oversight and veto authority must be restrained.



The Domestic Policy Council's Task Force on wetlands attracted a large, passionate crowd to debate the no net loss issue at the September 7 Anchorage hearing. (Photo by Carl Portman)

Community leaders address "no net loss" policy

"Some people will tell you Anchorage has filled 50% of its wetlands. Indeed, Anchorage would not exist had the proposed policy governed development in the past, nor would just about any other community in the state.

"A more accurate estimate is that five percent of our wetlands - not 50% -- has been used as living space for our community. This municipality was one of the first in the country to develop a local wetlands management plan and designate which wetlands would be preserved and which would be available for human uses. A 'no net loss' policy would ultimately undo these land use compromises reached during an arduous study and public hearing process."

-Anchorage Mayor Tom Fink

"The value of my back yard should be determined by me and not my neighbor, not someone who has never been to Alaska."

- Nome Mayor John Handeland

"Sitka has demonstrated a high degree of environmental responsibility in all of its land use planning and development. We have adopted some of the most restrictive coastal management program policies in the state and set aside large amounts of land for public use and preservation.

"Federal intrusion into our local land use planning authorities severely infringes on municipal and state land use planning rights by applying an arbitrary national policy constituting a federal 'taking' of our lands. This policy may have merit in the Lower 48

but is totally inadequate to address Alaska's vast wetlands and the minimal development of wetlands that could possibly occur. Further, this policy could jeopardize the economic future of our communities."

-Sitka Mayor Don Keck

"All development in Alaska to date has impacted less than one-third of the acreage of wetlands that are lost each year in the Lower 48 states. Most of this activity in Alaska has occurred within the last two decades of increased environmental awareness, and has been mitigated by the accompanying scrutiny. And, in fact, tens of millions of acres are completely off limits to development via Wilderness and other protective designations. Such regional

differences throughout the United States must be accounted for, and the spectre of one region having to bear a disproportionate burden for past failures in another should be dispelled.

"The policy must recognize that Alaska supplies 26% of the nation's total domestic oil production and that all onshore oil production in Alaska is located on wetlands. And, almost all Alaskan communities are located in, or adjacent to, wetlands. These communities must retain reasonable opportunities for development and growth while considering the value of nearby wetlands."

- Governor Steve Cowper