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# Resource Review

December 1991

Mr. John P. Blackwell  
Blackwell Industries  
301 W. Northern Lights, #101  
Anchorage, AK 99503

## Resource producers tell where it hurts

Hostile regulatory, taxation climate transforming Alaska into land of disappointment

A hostile regulatory and taxation climate, overly restrictive government policies and excessive environmental legislation is transforming Alaska into the land of disappointment and high risks, according to representatives from Alaska's basic industries speaking at the Resource Development Council's recent conference in Anchorage this month.

Timber, minerals, energy, transportation and tourism executives told about 200 conference participants where it hurts in their industry and why some companies have either pulled out of the state or curtailed operations here.

"I would need a book, instead of a brief talk, about where it hurts in the Alaska timber industry," said Joe Henri, President of Southcentral Timber Development Corp. "To put it mildly, I am



"On the federal Forest Service front, the Chugach National Forest is essentially administered as parkland," said Joe Henri, President of Southcentral Timber Development Corp. "It is hard to believe that even the Kremlin in its heyday ran its affairs any worse."

not hopeful about its long-term future insofar as it must depend on publicly-owned wood," Henri added. "Our governments have little real concern for a

great timber industry in this Far North, like Scandinavia at the same latitudes has long enjoyed."

(Continued to page 6)

## Alaska stands to lose oil dollars abroad

Facing a continuing ban on drilling in the Arctic National Wildlife Refuge and a moratorium on offshore developments, U.S. oil companies are pumping more of their exploration and production investments abroad, warned energy experts speaking at the Resource Development Council's 12th Annual Conference at the Anchorage Sheraton Hotel December 4-5.



John Grace

Drilling prohibitions in highly promising areas and other U.S. regulatory obstacles now make finding oil relatively



H.L. "Skip" Bilhartz

easy and less risky in foreign lands, said John Grace, a Long Beach, California energy consultant specializing in Soviet energy affairs.

"In the past, Alaska had a posture that told the oil companies 'where else are you going to go?'" Grace said. "With Russia and other countries like Venezuela opening up, there are other places to go. Any monopoly Alaska had doesn't exist anymore."

ARCO Alaska President H.L. "Skip" Bilhartz echoed

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# Year of hard work brings results at RDC



**Message from  
the Acting  
Director**  
by  
Debbie Reinwand

It's time to count our blessings here at the Resource Development Council as the staff and board looks back on an action-filled year of promoting and educating people on a wide array of important issues. Believe me, there is plenty of reason to deck the halls and raise a toast to the year now behind us.

As we look in our stockings on Christmas morning, 1991, about the only thing missing will be a national energy policy that includes development of ANWR's coastal plain. But as the eternal optimists, those of us at RDC who have worked on this particular issue for many years have reason to hope that Congress may authorize ANWR drilling as a birthday present in 1992.

Despite the up-and-down blips that marked the economic scale in Alaska this year, RDC and the Alaska Wetlands Coalition worked aggressively to maintain and increase the membership base, while redoubling the efforts on issues such as the Tongass Land Management Plan, the Mining Law of 1872, the unitary tax, funding for a state ANWR campaign, the ANWR issue itself, and a workable national wetlands policy.

Education, which has always been a mainstay of RDC's outreach efforts, was a major focus in 1991, and the executive committee is working on a program to increase the economic and resource development education focus in Alaska's schools. Our staff and board currently serve as speakers on specialized resource topics in the school system, but a more packaged approach that emphasizes economics and science is under development and review. It is clear that if Alaska's youth are to have jobs in the future, they need an understanding of what drives our economy, as well as the tools to participate in the resource fields.

On the national level, the wetlands coalition again targeted congressional education through testimony on wetlands reform legislation, as well as providing input to the president's task force on wetlands.

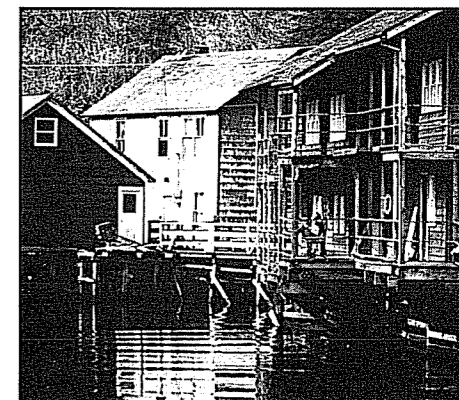
In addition, the coalition sponsored two congressional staff trips to Alaska - an increase from previous years. Through these trips, the staff members were able to gather information from all corners of the state. They were taken to King Salmon, Naknek, Prudhoe Bay, Anchorage, Juneau, Kotzebue and Red Dog Mine. The coalition showed the guests wetlands development sites that required communities like Juneau to mitigate before proceeding, and projects that could not have been economically feasible to develop had they tried to proceed after the 1989 "no net loss" policy was implemented.

While anti-ANWR forces won an initial battle by keeping the national energy bill that contained ANWR provisions off the Senate floor, groups like RDC and others continue to promote coastal plain development. Throughout 1991, RDC hosted educational talks, debated non-development interests, and organized its members to contact Congress on the issue. Board member Lynn Chrystal, then Mayor of Valdez, presented RDC's testimony before a House Merchant Marine & Fisheries subcommittee hearing in Anchorage during the fall. Chrystal provided a good perspective on the oil spill, and emphasized the continuing support ANWR development receives in Valdez.

At the annual conference December 4 and 5 in Anchorage, RDC tried to highlight these important federal issues, including the Mining Law of 1872 and revisions to the Tongass Land Management Plan. In addition, Alaska resource producers were called on to present their views on uniquely Alaskan regulatory, legislative and economic impediments to sound development. Topics such as the Forest Practices Act revisions, tourism funding, state timber policy and free market environmentalism were explored in depth. A hard look was also taken at alternative energy, current energy needs and options for the future. It was another example of RDC presenting a broad array of issues that all form pieces of the Alaska power puzzle.

While the pressing issues that continue to confront Alaska's economic future never seem to dwindle, RDC believes that continued hard work does bring results. The future of Alaska's economy is going to depend on individuals and businesses who support RDC and its work plan. As more companies down-size their operations, the need for advocacy groups like RDC becomes even more important. We at RDC hope that all our members will continue to support this critical organization in the years to come - We will continue to provide results! Happy Holidays to all!

# New Tongass plan must meet market demand for timber



Many small communities in Southeast Alaska depend heavily on the timber industry for their existence. Revisions to the Tongass land plan could further limit timber harvests, resulting in severe economic consequences for the Southeast Alaska economy.

The Resource Development Council expressed staunch opposition to proposed timber harvest reductions outlined in a plan revising federal management of the Tongass National Forest.

In a letter to Regional Forester Mike Barton, RDC supported a timber harvest supply for the forest industry that meets market demand. RDC also supported land use designations that allow multiple resource and recreation uses in the Tongass while opposing recommendations to Congress for the designation of Wild, Scenic and Recreation Rivers, except those now contained in designated Wilderness.

At issue is the U.S. Forest Service's new management plan for the nation's largest national forest. The plan would guide management of logging and other operations in the forest over the next ten years. Only 10 percent of the forest, which includes about 25 percent of the available commercial quality timber in the Tongass, is open to logging. The other 90 percent of the forest is already off limits to logging.

Of the four alternatives proposed in the plan, none would meet the requirement of federal law to provide for a timber harvest to meet market demand. The current limit is 450 million board feet a year, but the plan proposes alternatives ranging from 181 million to 470 million board feet a year. The Forest Service's preferred limit is 418 million board feet, but market demand is expected to reach 565 million board feet annually given current market conditions.

The Tongass is capable of producing one billion board feet of timber on a long-term, sustained-yield basis.

With regard to specific alternatives contained in the plan, RDC urged the Forest Service to select Alternative D — with changes to increase the allowable sale quantity to meet market de-

mand.

"Given the congressional restrictions placed on the Tongass, Alternative D is the only reasonable economic option that should be considered," wrote Debbie Reinwand, Acting Director of the Resource Development Council. She said the alternative would maximize resource-related jobs through recreation, tourism, timber, mining and fishing.

However, Reinwand warned that the plan has the potential to reduce timber related employment by 1,850 jobs. Furthermore, each of the four alternatives under consideration would, to varying degrees, have a negative impact on future mineral development and would further restrict public access, preventing roads or utility corridors and inhibiting community growth, tourism and recreation opportunities.

The current battle over the Tongass land management process has spread across the nation, with non-development groups and individuals flooding the Forest Service with letters opposing development.

"While RDC understands that all Americans have a right to comment on this public process, it is particularly irritating that those who have no stake in Alaska's economy are attempting to dictate to those who live and work in the forest," said Reinwand. "Non-development forces are attempting to eliminate Alaskan jobs and business by virtue of a manufactured, grassroots letter-writing campaign."

Governor Wally Hickel echoed Reinwand's concerns and threatened to take the federal government to court for a rewrite of the plan.

"We request a supplement to the plan that includes an alternative that supports the current level of the timber industry," Hickel wrote Regional Forester Barton. "If this is not allowed, the

responsibility for the loss of hundreds, perhaps thousands of jobs in Southeast Alaska, the shutting down of sawmills, and perhaps one or more of the pulp mills will be on your hands. A large number of our smaller communities will become ghost towns, and the area will be reduced to subsistence fishing and seasonal tourism jobs."

## Domestic oil industry looking beyond U.S.

(Continued from page 6)

hend the connection between a vital domestic oil industry, a healthy economy and the well-being of their people — a connection our government has yet to make."

In stark contrast, the U.S. has declared the federal lands where new supplies of oil are most likely to be found off-limits, Chamberlain complained. "It is a folly we as a nation can ill-afford."

Chamberlain said those who painted the filibustering of ANWR and the national energy strategy as a great victory haven't got their facts straight.

"It was no victory," Chamberlain insisted. "It was a vote against revitalizing our economy and creating 735,000 jobs. It was a vote against America's future energy security."

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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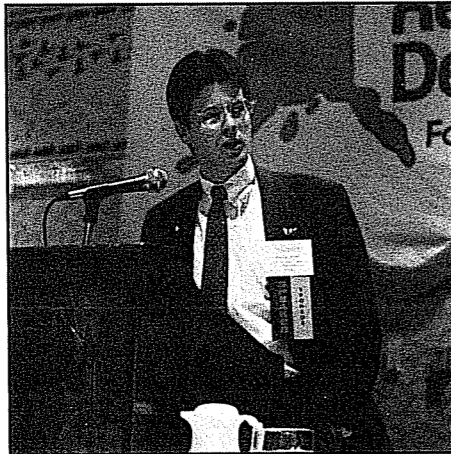
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# It hurts! Alaska producers sound off

(Continued from page 1)

Henri sees the U.S. Forest Service and the Alaska Division of Forestry amply staffed and well paid, but independent of the industry which hangs upon their favor for its very existence. "If it were otherwise, we would not witness the general indifference to closure of sawmill after sawmill in Alaska, the massive economic and political threats to our pulp mills or to the locking up of billions upon billions of board feet of timber, making wood scarce in a land of plenty."



David Stone, spokesman for Echo Bay Mining Company, said his company's efforts to mine gold from the A-J Mine in Juneau is faced with regulators with "little or no technical expertise in the sciences who enforce regulations to their own personal philosophies." In some cases, Stone added, "those same regulatory people have openly testified at public hearings against mining projects which they will be responsible for having to issue permits and ultimately monitor for compliance."

Stone also cited duplicity of oversight, the uncertainty of changing regulations and policies and low metal prices as black clouds hanging over the minerals industry.

"The environmental hysteria of the 90s will only make it easier to just say no to further resource development in Alaska," Stone said.

Gene Burden, Vice President for Government Affairs and Environmental Relations at Tesoro Alaska Petroleum Company, said the "recent avalanche of federal and state laws and regulations represent major issues for virtually all companies in the energy business and place immense pressure on the smaller value added businesses." He said inconsistent and unpredictable regulations will force some businesses and potential developers to leave Alaska.

Burden called on businesses to recognize the fact that environmentalism is a real factor in today's business world and "make it a component of corporate life that receives the same level of consideration as human and

*"The AJ has become to the mining industry in Alaska what ANWR is to the oil industry," said David Stone, Manager of Public Relations for Echo Bay Mines, Inc. "For the sake of the mining industry, AJ must be permitted to go forward, and I believe it will."*

natural resources." He advised government to conduct evaluations before promoting legislation or regulations, and to base recommendations for more regulations on a demonstrated need rather than solely as a political "knee-jerk" reaction.

The state does not have to outperform the federal government in the breadth or complexity of its legislation and regulations, Burden noted. He said government should be a partner in efforts to expand the value added components of Alaska, not an adversary or obstacle.

The executive director of the Alaska Trucking Association, Frank Dillon, said government taxes, rules and regulations will cost the trucking industry nationwide more than \$31 billion this year. While embracing some of these rules and regulations, Dillon warned that the industry can no longer absorb the escalating costs alone and that "we all have to step up and pay the bill" to keep highways safe and the environment clean.

Meanwhile, the seemingly endless flood of taxes, fees, assessments and double digit increases in public land leases have delivered a "solid body blow" to the tourism industry, according to Robert Dindinger, President of Alaska Travel Adventures, Inc. D i n d i n g e r

also noted that state funding of tourism marketing is a fraction of its historical level while competitive destinations have tripled their public investments. He said the industry has been forced to pass along price increases to its clients, and at some point, this may well spell diminishing sales.

"That prospect is not only distressing to the industry, but would necessitate the end of reinvestment and creation of new employment just when Alaska needs it the most," Dindinger said.

## Alaska loses monopoly on oil industry

(Continued from page 1)

Grace, pointing out that many countries are courting the U.S. oil industry's exploration and production dollars. And Alaska, with its harsh climate, remoteness and stringent regulations, is a costly place to do business compared with other places such as Southeast Asia, South America and the Soviet Union.

"There are a lot of places that are chasing what few investment dollars we have, and some of those places are proposing very attractive deals," Bilhartz said.

While U.S. oil production is slipping, the nation's use of petroleum is not expected to decline. Demand will be increasingly met by oil imports due to a lack of access to oil and gas prospects and regulatory and taxation policies which discourage investment in domestic energy exploration and production.

"No other government in the world shackles its oil industry as ours has done," noted Stephen Chamberlain, Director of Exploration for the American Petroleum Institute. "Other governments see that it is in their own best interest to produce the oil on their lands," Chamberlain continued. "They compre-

(Continued to page 7)



*"It is said you have to give up preservation to get development, but that is wrong. Growth is the answer because rich people care more about the environment than poor people. A 10 percent increase in income results in a 30 percent increase in a person's willingness to pay for environmental quality. The reverse is also true."*

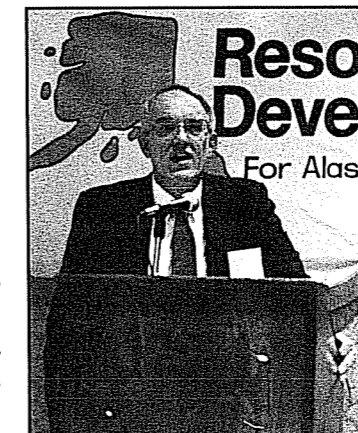
- Dr. Richard Stroup, Montana resource economist. Pictured with Dr. Stroup is panel moderator Kelly Campbell, a member of RDC's Executive Committee.

## RDC's 12th Annual Conference

# The Power Puzzle:

## Solving the Resource Production and Political Dilemma

*"Most people think conservation means going without. What it means is efficiency improvements. When you sell electricity, you're not selling electrons. You are selling comfort, convenience to the homeowner and good lighting to the retailer. Build energy efficiency around service, and you will get conservation."*



- Tom Trulove, Chairman, Northwest Power Planning Council, Cheney, WA



*"Consistent advances in alternate and renewable energy are reaching the point where they will have a major impact on the nation's energy sources."*

- Jonne Berning (at far right) of the Electric Power Research Institute in Palo Alto, CA.



*"The goal of business is not to fill state coffers, but to create jobs for those who live here."*

- Robert B. Stiles, President, Alaska Coal Association.



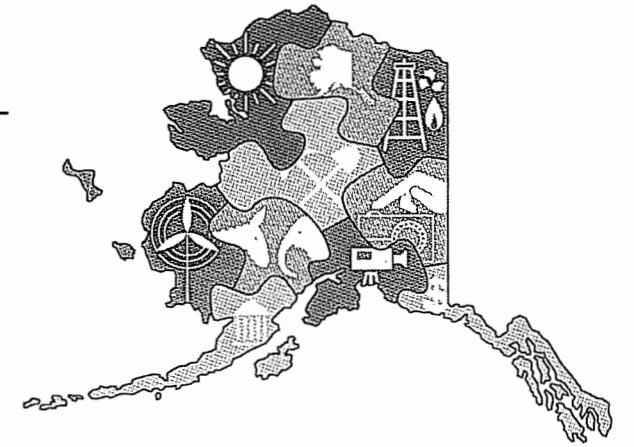
*"Interior Alaska has a lot of oil and gas basins, but we know little about them. We have received favorable support from the Legislature and will push a bill this season to offer incentives for the oil industry to help expand our knowledge of those basins."*

- Commissioner Harold Heinze, Dept. of Natural Resources

# Hundreds meet for RDC's "Power Puzzle" conference



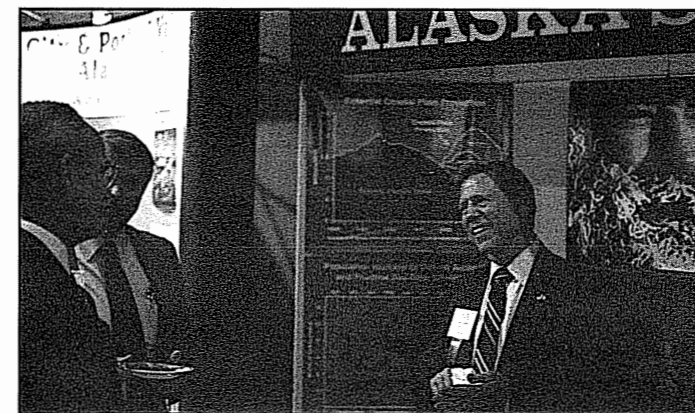
Conference speakers H.L. "Skip" Bilhartz, President of ARCO Alaska, Inc., and Lee Gorsuch, Executive Director of the Institute for Social and Economic Research, agree that steps must be taken to cut the cost of government in Alaska and to raise more revenue.



RDC President John Rense introduces lobbyists Jerry Reinwand, center, and Ashley Reed who spoke on ways to work the political system effectively.



Department of Natural Resources Commissioner Harold Heinze with former DNR Commissioner Esther Wunnicke.



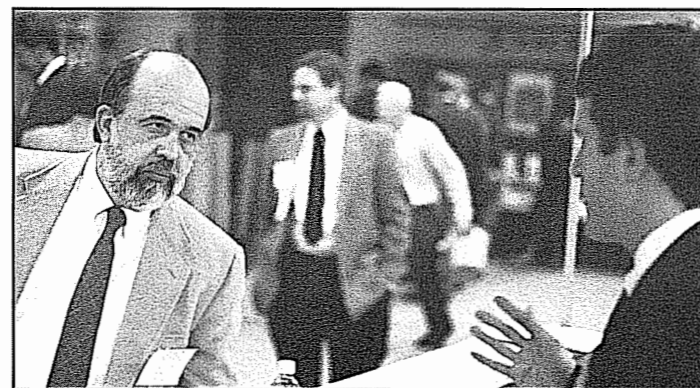
RDC Executive Committee member John Miller, right, provides information to conference attendees at the Alaska Oil and Gas Association's exhibit. The 1991 RDC Trade Fair was a sell-out.



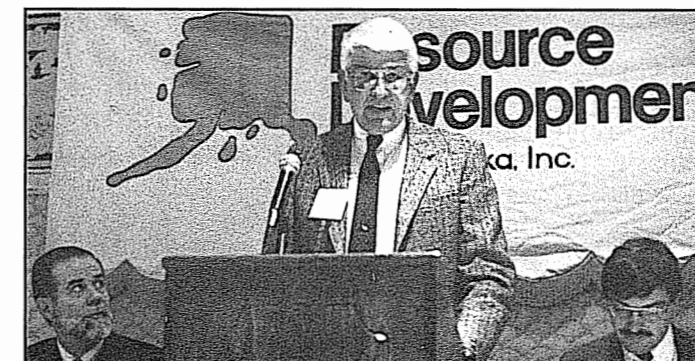
RDC board member John Forcskie, President of Teamsters Local 959, receives two one-half ounce vials of gold from RDC administrative assistant Michele Hendrickson for selling the most tickets in RDC's raffle. Forcskie sold 150 books. The prize was donated by Howard McWilliams.



RDC Acting Director Debbie Reinwand questions Anchorage lobbyist Ashley Reed during the opening segment of the conference.



Dennis Fradley, Editorial Page Editor of The Anchorage Times, discusses resource development issues with Jim Burling, an attorney with the Pacific Legal Foundation.



Keith Knoblock, Vice President of The American Mining Congress, addressed the critical issue of mining law reform and how such reforms may affect Alaska miners.



RDC Vice President Paul Glavinovich, center, enjoys his visit with board member Jim Cloud, left, and Steve Borell, Executive Director of the Alaska Miners Association.



## **Thursday Breakfast Forums**

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*Petroleum Club of Anchorage*

*4101 Credit Union Drive (South side of Sea Galley Restaurant)*

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**January 1992**

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Reservations are required for each meeting. Please call 276-0700 by noon Wednesday.  
Doors open at 7 a.m., presentations begin at 7:30 a.m.

\*Members: Breakfast: **\$10.50**, Coffee & Pastry, **\$5.50**

Non-Members: Breakfast: **\$12**, Coffee & Pastry, **\$6**

**\*Please present RDC membership card for lower rate. Your card will arrive soon!**

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### ***Happy New Year!***

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January 9: **The timber industry: What's ahead in '92?**  
John Sturgeon, President, Koncor Forest Products

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January 16: **Report on the proposed settlement of the  
Mental Health Trust Lands litigation**  
Jeff Jessee, Attorney, Advocacy Services

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January 23: **The Alaska economy: Where is it heading?**  
Neal Fried, Economist, Alaska Department of Labor

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January 30: **Charting Prudhoe Bay's consolidation**  
James D. Weeks, Senior Vice President, Prudhoe Bay /Lisburne,  
ARCO Alaska, Inc., David Pritchard, Senior Vice President, Prudhoe  
Bay Unit, BP Exploration (Alaska), Inc.

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Thank you!  
 Happy  Holidays! 