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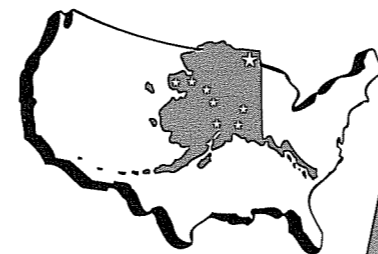
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Resource Review

January 1992

Battle for economic and environmental balance

Part I of a two-part series

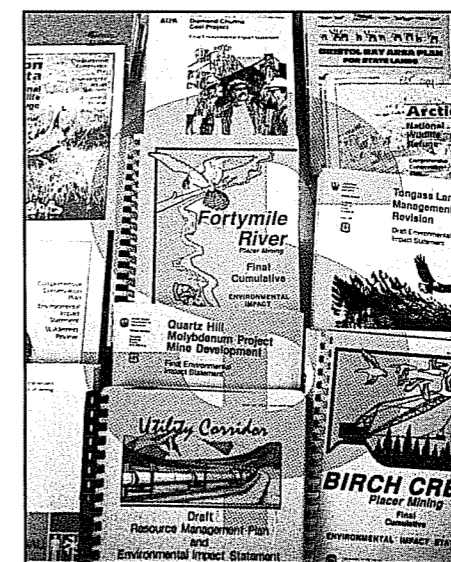
While most Americans support reasonable measures to protect the environment, is it good business to spend \$60 million to mitigate a possible threat to \$2,500 worth of fish? Can America afford a risk-free environment? How much are you willing to pay?

A pounding surf of environmentalism is striking America. As the tide rises, businesses from the Atlantic to the Pacific are finding it increasingly difficult to cope with mounting regulatory burdens that produce only minimal benefits for the environment, but present major economic impediments for industry.

"This tendency to save the planet by throwing vast sums of money at the environment needs to be reversed," warned Paula Easley, Director of Government Relations for the Municipality of Anchorage. "This won't change until the little guy sees how much of his paycheck goes to so-called environmental solutions that don't fix the problems."

Easley said it would help the battle for economic and environmental balance if local government and private industry isolated their regulatory costs and talked about them in "back-pocket" terminology.

"How much will endangered spe-



cies habitat protection take out of my back pocket?" asked Easley. "Today no one knows, and the environmental lobby doesn't want us to know."

The government has a responsibility to study those costs and balance them against environmental benefits, said Debbie Reinwand, Acting Director

of the Resource Development Council.

With no test in the regulatory process that effectively balances economic and environmental concerns, the Resource Development Council believes government places too much emphasis on environmental impact statements while giving too little consideration to the economic side of the equation.

"We must require an economic impact statement to determine the effects of government policies and regulations on the economy and to identify the impact on jobs, taxes, and competition with other countries," Reinwand said. "Regulatory burdens that produce small environmental benefits, but stand as a major economic impediment for business, should be re-evaluated."

While many Alaskans agree that environmental protection is good business, not all environmental solutions are good business. More often than not the costs outweigh the benefits.

For example, the federal govern-
(Continued to page 4)

Prevent bad things from happening to good companies



Message from the Acting Director

by
Debbie Reinwand

If a self-help book were to be written around the theme of environmental regulations and laws, it could be titled "When Bad Things Happen to Good Companies."

The common theme that many RDC members and their companies have been throwing out as they enter the 1992 legislative session is the need for stability - stable taxation policies, stable environmental legislation and a stable regulatory climate. But this is an election year, and the anti-development forces have an agenda of their own, so it's likely that some bad things could happen to good companies, unless we write our own self-help manual and take some steps to thwart the evil that often lurks behind the mask of "public policy."

As one who spends some time tromping the halls of the Capitol, I would ask that those of us who favor economic development and resource production do more than give money to favorable candidates this year, and send an occasional public opinion message. In addition, let's give something more valuable - let's give our time. Through this column and this newsletter, as well as our issue mailings, we will keep our members advised of the important bills that could adversely or positively impact the private sector.

Your job, to prevent bad things from happening to good businesses, will be to take the time to respond to this legislation and regulation with personal phone calls to legislators, visits to the Capitol if possible, and yes, attending the dreaded Saturday teleconference hearings that seem to drag on endlessly. If there is one area that the pro-development side needs to address this year, it's to increase its presence in the legislative hearing process.

Many responsible businesses and communities annually hire well-informed and well-respected lobbyists to assist their efforts in Juneau. And that's great - but as most of these lobbyists will tell you, when it comes to the hearing process, it's much more influential when a corporate president, VP or

Support sensible legislation

other employee gives up a weekday afternoon or a Saturday to sit through an important hearing and offer the company's perspective in person. The lobbyist can help get the bill scheduled, can provide background information directly to the legislators, and assist in drafting amendments, but every one of us must take the initiative to offer our opinions in person or via the teleconference network. That's how we can turn the tide in 1992.

As was pointed out by lobbyist Ashley Reed at RDC's annual conference in December, the environmental movement has been successful in Juneau for several reasons - but primarily because they're "everywhere." They may not always have the best factual arguments, but when a legislator encounters a dozen or more emotional arguments on a piece of legislation, it's not hard to see why the non-development forces are successful.

In 1992, RDC's board and staff would like to stop some of the bad things that have been happening to good companies, and prevent further bad things. Sure, we'd also like to put on our rose-colored glasses and assume that the state would authorize increased timber harvesting, tax incentives for oil exploration and reasonable regulations for miners - and you can be sure that if such opportunities have even remote potential, that's what we'll push for.

In the meantime, we plan to back sensible legislation, reasonable regulation, and will work to "enlighten" our legislative leaders at every turn. Only with support from our members can that happen in a big way.

The first assignment for RDC members is to show your support for SB 330, sponsored by Sen. Al Adams, D-Kotzebue, HB 373, by Rep. Eileen MacLean, D-Barrow, and HB 366, by Rep. Cheri Davis, R-Ketchikan. These bills would permanently exempt natural resources in place from municipal property taxation. RDC's executive committee has endorsed the legislation and will be working to ensure its passage. Feel free to contact the sponsors of this legislation now and let them know we appreciate their support, and are willing to testify in favor of the bills.

By working with pro-business groups, and volunteering our time to present our message, we can honestly assert that we did our part to stop bad things from happening to the companies and individuals that drive our economy and maintain our jobs.

America facing runaway environmental protection costs

Taxpayers will pick up the tab

Keeping America clean and beautiful costs money, but whose money is it?

In 1988, the Environmental Protection Agency (EPA) said the private sector paid 78 percent of the environmental protection bill. State and local governments paid 18 percent and the federal government, which used to fund the lion's share, paid just 3 percent.

Paula Easley, Government Relations Director for the Municipality of Anchorage, emphasized that even though local government may pay to clean up groundwater or hazardous wastes, the private sector ends up paying for it through user fees and taxes.

"In addition to the 78 percent the private sector pays, you get more tacked on," Easley said.

The EPA itself says environmental protection costs will double by the year 2000. The total national costs just for regulations already in effect will cost \$171 billion by the year 2000, according to the federal environmental watchdog. That doesn't include the 1990 Clean Air Act's cost of \$40 billion a year or some 20 or so other bills now pending.

The President's budget pegs these regulatory impacts at \$185 billion a year - that's \$1,700 for every taxpayer.

America's cities are not happy about the environmental protection bill being charged to their accounts, especially since neither the federal agencies nor Congress knows what these programs really cost.

In California, water officials say it will cost the state's communities \$3 billion in capital costs and \$540 million in annual operating costs to abide by an EPA rule to regulate radon in drinking water. That more than three times EPA's cost estimate for the entire nation. California says the costs far outweigh the benefits and wants EPA to go back to the drawing board.

In another example of inaccurate cost projections, EPA said Anchorage could complete the municipal stormwater discharge application for under \$50,000. Like many other cities, Anchorage found in reality that the work couldn't be done for under \$1.2 million.

Ranked by total environmental expenditures	Ranked per capita expenditures	Environmental expenditure as a % of budget
1. CA \$1,486,124,000	1. WY \$267.33	1. WY 7.73
2. NJ 523,874,000	2. AK 251.31	2. MT 4.29
3. FL 465,591,276	3. MT 86.41	3. ID 4.22
4. Ill 392,844,000	4. NJ 67.85	4. AK 4.00
5. PN 288,766,000	5. OR 67.38	5. NJ 3.61
6. WA 246,873,000	6. ID 61.26	6. OR 3.03
7. MA 237,936,245	7. WA 53.11	7. LA 2.64
8. NY 236,484,000	8. CA 52.49	8. WA 2.63
9. MI 221,424,840	9. DL 50.26	9. CA 2.60
10. LA 193,835,955	10. ND 48.76	10. NV 2.57
11. OR 186,438,200	11. LA 43.97	
12. WI 167,779,368	12. MA 40.40	
13. VA 152,149,051	13. FL 37.75	
14. MD 150,091,393	14. VT 36.31	
15. AK 131,684,237	15. RI 36.13	
16. WY 128,050,724	16. NV 34.62	
17. MN 126,236,105	17. WI 34.56	
18. OH 125,669,234	18. Ill 33.83	
19. KY 120,289,400		
20. TX 113,796,559		

Average expenditure per manufacturing industry

WY \$124,805.77
AK 101,217.71

Source: The Council of State Governments

"These dollars do nothing to clean up the environment; they just buy paperwork," said Easley.

According to the Council of State Governments, Alaska spent \$131.6 million on the environment, more than 35 other states. On a per capita basis, Alaska's environmental spending is second only to Wyoming. As an average expenditure per manufacturing industry, Alaska is also in second place. As a percent of the state budget, Alaska is in fourth place.

These state budget ratings reflect nothing local governments spend on the environment, except some pass-through grants.

"People need to know how much of their paychecks go to environmental regulation and the creation of spotted owl habitat," Easley said. "Only then will they get mad enough to fight."

RDC Briefs

Wetlands Coalition meets

The Alaska Wetlands Coalition met in Anchorage last month to receive a policy briefing from members of Alaska's congressional delegation staff.

Debate on the wetlands issue will flare up early in the new year as the White House moves closer to implementation of its new wetlands policy which recognizes Alaska's unique position.

The Coalition has been active both in Alaska and in Washington, D.C. The Coalition hosted two congressional staff tours to view Alaska wetlands and meet with business officials and local leaders. In addition, the Coalition testified in favor of comprehensive wetlands legislation, provided information to the White House and presented comments on the Delineation Manual.

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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Writer & Editor

Carl Portman



American industry struggles to cope with environmental mandates

(Continued from page 5)

90 percent of the nation's largest national forest to logging. As a result, mills are closing and job losses are mounting.

"There is a rapidly shrinking land base on the Tongass for timber development, mineral exploration, transportation and utility corridors and roaded recreation," warned Don Finney, Executive Director of the Alaska Forest Association. "If you take away the forest products industry, \$179 million in payroll and 4,500 jobs would disappear from Southeast Alaska."

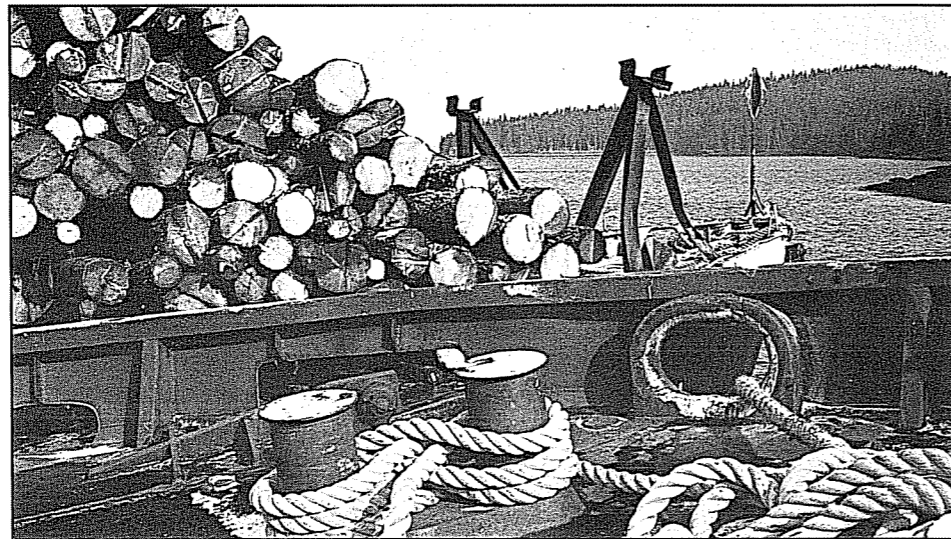
As many as 100,000 jobs might be lost in the Northwest because of the Spotted Owl. The National Forest Products Association claims over 12,600 timber jobs have been eliminated in Oregon and Washington since 1989. In 1992, at least 50 mills are likely to close their doors, sending thousands out on the street.

Purchasers of a \$100,000 house must pay an additional \$6,000 to pay the increased price for lumber, because less is being milled.

"Saving the habitat for the owl is costing all of us," noted Dean Kleckner, President of the American Farm Bureau. "Anyone who bought lumber for repairs or new buildings has paid this Spotted Owl tax."

The public wants clean air, water and a safe environment. But the public also wants a strong economy and a good lifestyle. How much is the public willing to pay for a pristine environment?

Senator Bob Packwood, in the Oregonian last August, said that "if there was a single Act that we did not grasp the consequences of, it was the Endangered Species Act." Packwood, who said he thought the act was intended to



Congress has now designated 40% of the commercial forest land in the Tongass to be off limits to timber harvest. This could supply the industry with over 500 million board feet per year forever. Overall, 90% of the Tongass is now closed to logging.

apply to specific federal projects — not used to devastate entire regions of the country — is very unhappy with the act. The act forbids the government from considering the human, social and economic impacts of setting aside land for the protection of endangered species such as the Spotted Owl. Moreover, there is no provision for weighing the costs against the benefits of listing a species as threatened or endangered.

Industry and government are at a critical juncture in determining what the prevailing environmental policy will be for the 1990s. The public wants clean air, water and a safe environment. But the public also wants a strong economy and a good lifestyle. How much is the public willing to pay for a pristine environment? Should Americans spend \$100 million in Riverside, California to create a reserve for the Stephens Kangaroo rat or would that money be better used to solve western water shortages? Should huge amounts of money be spent in Alaska to create more wetlands when what the state really needs are uplands for new schools and housing?

While modern industry has come to accept expenses for environmental protection as a cost of doing business, it is

becoming increasingly evident that local government, businesses and consumers cannot afford environmental protection at any cost. Some businesses have closed their doors or moved overseas where regulations are more reasonable and production costs are lower. Economists warn the economy is gradually shifting from less manufacturing to more services, losing many jobs in the process.

Protecting the environment is an important aspect of doing business. However, when rules and regulations get out of hand, "it's time to 'just say no,'" said Easley of the Municipality of Anchorage.

Easley claims an environmental backlash is developing, citing the President's August statement on wetlands as a clue that the climate is changing. Another clue is the Senate's surprising 55-45 vote supporting Steve Symm's Private Property Rights Act. Easley also pointed to recent court decisions ordering federal agencies to pay when regulations destroy peoples' rights to use their property.

Easley said the key to economic and environmental balance is to "show the taxpayers what they're paying now for environmental protection. Unfortunately, that's a well kept secret."

RDC's legislative priorities

On Monday, January 13 the gavel came down and the Alaska Legislature was in session once again. Economic development, the state budget and the general direction of Alaska will be a major focus of the legislative activity, and legislators we've met with during these past months fully recognize the importance of their decisions on Alaska's long-term stability.

This is the time for our members and supporters to put the information they've learned during weekly breakfast meetings and from RDC research and mailings to good use. With your help, we can be successful in influencing the legislative process in this new year.

Dedicated action is necessary if we are to achieve our goal, and in this regard, I urge you to voice your opinion when and where it is needed.

Here is a brief summary of RDC's major legislative priorities:

- Taxation of resources in place - Support legislation permanently repealing the "in-place resources" tax. Sen. Al Adams, Rep. Eileen MacLean and Rep. Cheri Davis have submitted nearly identical bills that would exempt natural resources in place from general taxation.
- Good Samaritan legislation - Support bill that allows oil spill response contractors to respond or attempt to respond to a spill without fear of being sued unless they are grossly negligent.
- Simplify permitting process - Work administratively and legislatively, if necessary, to further simplify the current



Thoughts from the President

by
John Rense

permitting process for resource projects, with emphasis on a "cookie-cutter" approach to permit applications from companies that have successfully permitted and operated a similar project in the past.

- Restrictive land designations - Oppose legislation, such as the Susitna Remote Recreation Area bill, that restricts land use in areas with potential resource development value.
- ANWR effort - Support ANWR advocacy and funding proposals as deemed appropriate by the RDC Executive Committee.
- Regulatory input - Work with state agencies, providing comment on upcoming regulations that relate to resource and economic development, and encourage timely administrative action.

RDC will be working hard in Juneau to advance measures that will help provide for new economic opportunity and prosperity in Alaska. We welcome your cooperation.

RDC Briefs

President urged to address ANWR

The Resource Development Council has joined the State of Alaska and the Alaska Coalition for American Energy Security in urging President Bush — in his January 28 State of the Union address — to recognize the importance of developing the potential oil reserves beneath the Coastal Plain of the Arctic National Wildlife Refuge.

As the nation's recession deepens, RDC believes the President should look at development proposals such as ANWR to stimulate the economy. Development of the Coastal Plain's energy reserves could create over 700,000 new jobs nationwide, increase the GNP by \$50 billion and generate \$325 billion in net economic benefits.

Alaska timber executive optimistic

The future outlook for Alaska's timber industry is bright, according to John Sturgeon, President of Koncor Forest Products.

Citing an increase demand for wood products in world

markets over the long term and a diminishing timber base in the Pacific Northwest, Sturgeon said demand for Alaska trees will grow.

Speaking at the RDC January 9 breakfast meeting, Sturgeon said a stable regulatory climate, a dedicated timber land base and a set allowable cut on that land base are essential ingredients to a successful recipe on developing a forest products industry in Central and Interior Alaska.

RDC responds to West Sak story

In a recent Wall Street Journal article, environmentalists and other oil industry critics claim the West Sak oil field near Prudhoe Bay is a mega "hidden oil field" that industry is hiding to bolster their pro-ANWR arguments.

In a sharp reply, Debbie Reinwand, Acting Director of the Resource Development Council, noted that extensive studies have shown of the field's approximately 10 billion barrels, only 500 million can be retrieved - and potentially at an economic disadvantage.

"To those who understand economics and science, the reason West Sak oil remains in the ground is clear," Reinwand said, citing unique problems with the reservoir.

(Briefs continued to page 7)

Can the U.S. afford environmental protection at any cost?

(Continued from page 1)

ment wanted the project owner of the Quartz Hill molybdenum project near Ketchikan to build a \$60 million tunnel to dispense mine tailings in Boca de Quadra, a deep water fjord over the mountain from the mine. In a "worst case" environmental impact projection, the tunnel alternative would save about \$2,500 worth of fish annually as compared to another alternative which would dispose tailings in another watershed closer to the mine. The latter alternative would actually result in less impact to the land because all development facilities would be restricted to one drainage.

Imagine having to build an expensive bridge over a two-foot wide uncharted stream. That was the case when an Alaska logging company applied for a permit to build a road to its timber holdings in Prince William Sound.

Spend \$60 million for \$2,500 worth of fish? Today the Quartz Hill molybdenum deposit remains in the ground, stifled by multiple regulatory and permitting costs and sky-high environmental measures. The cost of developing this massive deposit is just too high. Commodity prices would need to rise considerably to recapture mitigation costs. In the meantime, the hundreds of jobs, state and local revenues and other economic benefits generated from the development of the resource will remain buried potential.

The Quartz Hill scenario is repeated time after time. Every indus-

try can relate similar horror stories.

Imagine having to build an expensive bridge over a two-foot wide uncharted stream. That was the case when an Alaska timber company applied for a permit to build a road to its timber holdings in Prince William Sound. The company had planned to install a large culvert over the stream, but because the steam might contain fish at some time during the year, the Alaska Department of Fish and Game (ADF&G) wanted the company to build a bridge at much greater expense. Common sense eventually prevailed and the company was allowed to proceed with the culvert.

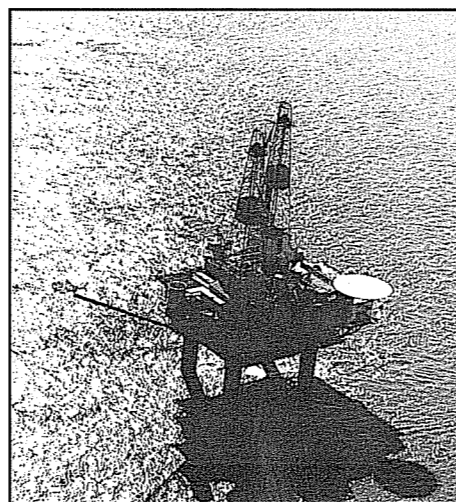
"They (Fish and Game) didn't even know if there were fish there in the first place," said Carl Propes, a land consultant for the company. "This was a good example of environmental overkill."

On a much larger scale, oil development in the arctic is another model of the lack of environmental balance.

If America can produce up to one-quarter of its future domestic oil production from less than one-eighth of one percent of the Arctic National Wildlife Refuge, then isn't it in the nation's best interest to do so? Development could increase employment nationwide by 735,000 jobs, raise the U.S. Gross National Product by \$50 billion and generate \$325 billion in net national economic benefits, according to the Department of the Interior (DOI) and an economic analysis prepared by Wharton Econometrics Forecasting Associates.

"Development impacts are basically aesthetic. Nowhere else onshore in the U.S. is there the potential to produce such huge quantities of oil with such a small environmental impact."

In the process of developing and producing the oil, some 7,000 of ANWR's 19 million acres would lose its wilderness character, according to the U.S. Office of Technology Assessment. However, DOI



Increasing regulatory burdens and land closures are forcing the domestic oil industry to foreign shores.

and ADF&G agree that wildlife would not suffer significant adverse effects from development as long as new technology and knowledge gained at Prudhoe Bay are applied.

"What right does the federal government have, with the stroke of a disputed regulation, to confiscate Juneau's land? If residents can't use that land, and Juneau loses it from the tax base, shouldn't there be some recourse?"

"Development impacts are basically aesthetic," explained John Miller, Manager of Exploration and Production Affairs for the Alaska Oil and Gas Association. "Nowhere else onshore in the U.S. is there the potential to produce such huge quantities of oil with such a small environmental impact."

Yet the U.S. Senate, responding to a powerful environmental lobby, recently refused to vote on an energy package which would have opened the Coastal Plain to strictly regulated development.

The far-reaching effects of environmental activism is also driving government policy on wetlands protection.

Under EPA jurisdiction, Section 404 of the Clean Water Act is now the single-

most important land use control measure in America. The Clean Water Act was passed by Congress to prevent polluted, dredged and fill materials from entering navigable waters of the United States. It was not intended to be a wetlands protection law. Nor was it a migratory bird protection law.

The late newspaper columnist Warren Brooks refers to life under the 1989 wetlands manual as the federal government's "reign of terror." According to Mayor Tom Fink, that is not an exaggeration.

"The pervasive nature of wetlands areas in Alaska makes it virtually impossible for any community expansion or prudent development to proceed without encountering the Section 404 program," said Bill Horn, Washington, D.C., Technical Advisor for the Alaska Wetlands Coalition. "The federal government, for all intents and purposes, has become a local zoning authority in Alaska," Horn added. "The problem may be more serious in Alaska than elsewhere because 98 percent of the communities in Alaska are located in, or adjacent to, wetlands as broadly defined."

Horn has urged lawmakers to pay particular attention to the unique physical, legal and social circumstances that exist in Alaska. "We want to save the diminishing wetlands of the Lower 48 states, but in doing so, we do not want to impose undue restraints and hardships on Alaska," Horn explained.

The wetlands issue is really a property rights issue. Ever since President Bush uttered a pledge for "no net loss" of wetlands, property owners have come under attack. Thousands of acres have been closed to development. In many cases, private residents have been forbidden from using their land.

"There were no votes, no public hearings, no environmental impact statements, not even a thought on what



Most Alaska communities are located in or adjacent to wetlands. Federal regulations could pose undue economic hardships in Alaska where wetlands are so plentiful.

such land withdrawals would do to the social and economic fabric of a community; no concern over housing costs or jobs or anything else but wetlands," said Anchorage's Easley in response to an EPA advanced identification which found only 3,000 acres out of 3,000 square miles in the Juneau borough suitable for development.

"What right does the federal government have, with the stroke of a disputed regulation, to confiscate Juneau's land?" Easley asked. "If residents can't use that land, and Juneau loses it from the tax base, shouldn't there be some recourse?"

The late newspaper columnist Warren Brookes refers to life under the 1989 wetlands manual as the federal government's "reign of terror." According to Anchorage Mayor Tom Fink, that is not an exaggeration.

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Last year, Fink and the Nationwide Public Projects Coalition surveyed county commissioners and mayors from around the country to learn about their wetlands permitting experiences. Instead of returning the completed survey, some 40 local officials called Fink to say they couldn't participate, fearing their permits would never see the light of day if their complaints became known.

From the local government perspective, the outcome of the wetlands debate has frightening implications. While the average person does not understand that wetlands protection involves huge costs, that person does understand higher taxes. At the same time, communities need more revenues to pay for environmental programs mandated by Congress, yet more of their industries are leaving the country for less restrictive climates overseas. And as more land is taken out of production for wetlands conservation, the community tax base shrinks even further.

H.R. 1330 was introduced in the House last year to rectify many of the wetlands protection abuses. Horn sees the legislation, with 170 cosponsors in the House, as the vehicle for reform.

Loggers are also struggling with the tide of environmentalism sweeping America. Battles over logging in the Tongass National Forest have closed

(Continued page 6)