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Resource Review

A periodic publication of the Resource Development Council, Inc. July 1997

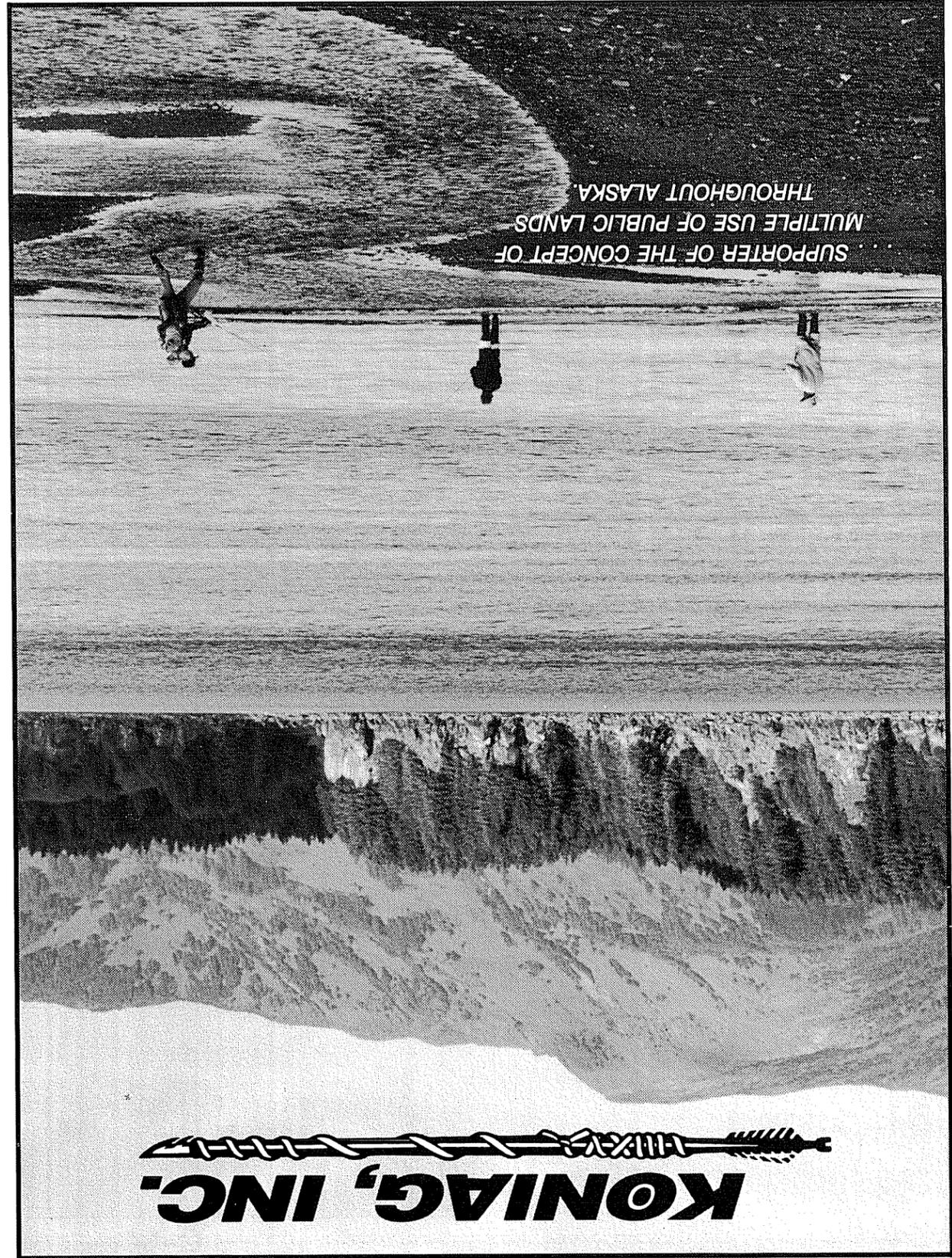
New Tongass plan leaves little for loggers

Proposed harvest levels institutionalize recent closures, fail to provide enough wood to revitalize industry

"In writing this new plan, the government made a huge effort trying to prove the unprovable, and paid scant attention to the needs of the people who live and work here. Trying to get an 80 percent certainty that animals will be able to interact with each other 100 years into the future clearly took precedence over determining how the new restrictions would affect people. This is worse than inappropriate and wrong; it is utter foolishness." - Jack Phelps, AFA

new plan would provide approximately 180 million board feet of timber annually. In addition, the land base available to logging will be reduced by half to 676,000 acres, preserving continuous stretches of old-growth forest for wildlife. The new habitat conservation areas would leave 95 percent of the forest or 3.5 million acres of old-growth timber off-limits to harvesting. About 84 percent of all old-growth would remain after 100 years of TLMF implementation. No cut buffers along rivers and streams would be expanded and 32 rivers would be recommended for protection as Wild and Scenic Rivers. Of the areas still available for logging, 69 percent would be preserved through conservation restrictions and set-asides. "The forest industry agrees completely that we should take measures to protect cutters and to harvest the national forest for sustained yield," said Jack Phelps, Executive Director of the Alaska Forest Association. "But the vast majority of

The prospects for a sustainable, healthy timber industry in Southeast Alaska dimmed with the recent unveiling of the new Tongass Land Management Plan (TLMF). Confirming widespread speculation among industry and Southeast community leaders, the final terms of the recently-released TLMF will slash maximum harvest volumes in half and sharply reduce the amount of forested lands available for logging. The forest plan is supposed to provide a blue print for balancing multiple uses within the 17 million-acre Tongass, America's largest national forest. If it survives expected appeals and lawsuits, the plan would reduce the Allowable Sale Quantity (ASQ) to 267 million board feet, compared to 520 million board feet under the previous plan. However, only 220 million board feet of the ASQ is considered economic to log. The net effect of the new plan is even worse because a new definition of ASQ includes a utility volume, logs of such poor quality they cannot be run through sawmills. When factored on sawlog production, the



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MULTIPLE USE OF PUBLIC LANDS
THROUGHOUT ALASKA.

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Message from the Executive Director
by Becky L. Gay

RDC aims to get Alaska off NTR list

RDC recently prevailed upon Chuck Clarke, Regional Administrator for the Environmental Protection Agency (EPA) Region X, to help resolve the National Toxic Rule (NTR) issue for Alaska.

The NTR is the rule that applies to a handful of "bad states," i.e., ones which have not been able to gain EPA approval of their water quality standards. This rule imposes stringent EPA numeric, surface water quality criteria for toxic pollutants to bring these states into full compliance with the requirements of Section 303(c)(2) of the Clean Water Act.

The application of NTR, for example, is how arsenic levels in discharge water came to be regulated 277 times more stringent than drinking water, which is ridiculous in the minds of both the regulators and the regulated.

Resource Review is the official periodic publication of the Resource Development Council (RDC), 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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RDC is working actively in the regulatory arena where the solution is supposed to occur instead of pursuing a court remedy. RDC remains focused on getting the whole state of Alaska — not just one pollutant or waterbody — off the NTR list. EPA holds the key to the solution, but DEC must act.

In a letter to Clarke, RDC requested exact information on how to get Alaska off the National Toxic Rule (NTR) list. DEC and EPA have been arguing since 1990 about the details of adopting criteria by reference. Consistently there have been mixed messages and confusion regarding the specific actions Alaska must complete to be in compliance with EPA requirements and removed from NTR listing.

Imet with Mr. Clarke and Phil Millam, head of the Office of Water, in December in their Seattle headquarters to discuss this very issue.

In that meeting, Mr. Millam said EPA and DEC were "close" on removal of 19 acute criteria from NTR, the so-called "partial" removal approach. At that point, RDC was confident that EPA and the state were working closely on this issue.

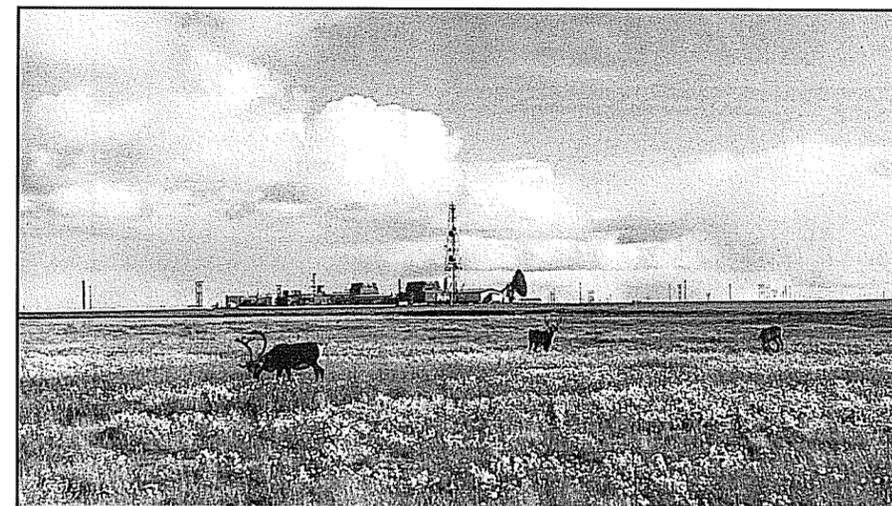
The Alaska Department of Environmental Conservation (DEC) also said the EPA would be giving it a "road map" of what actions were necessary to get Alaska off NTR. EPA finally approved the 1994 (revised 1996) Alaska Water Quality Standards this April. However, as of mid-June, Alaska is still on the NTR list. No "road-map" has been published that I am aware of and no acute criteria have been de-listed. Only arsenic was elevated to the Governor and is now in the federal register process for de-listing consideration.

RDC additionally asked the following questions of Mr. Clarke and EPA:

1. If Alaska removes the phrase "after June 1995," from the human health risk level section, will EPA consider the risk level adopted by Alaska applicable to criteria adopted before that date, and the human health criteria approved?
2. Will the above (#1) enable EPA to remove Alaska from NTR?
3. What specific actions must DEC complete for Alaska to be in compliance with EPA requirements and removed from NTR?
4. What specific actions must EPA complete to release Alaska from the NTR?

5. Are there statutory actions which could expedite this de-listing?
6. What is your best guess for how long the de-listing of Alaska will take?

In its letter, RDC emphasized that NTR de-listing is of great concern to RDC and its regulated members. Many believe NTR was unfairly imposed to begin with and that Alaska's status will never be resolved without court action. RDC is working actively in the regulatory arena where the solution is supposed to occur instead of pursuing a court remedy. RDC remains focused on getting the whole state of Alaska — not just one pollutant or waterbody — off the NTR list. EPA holds the key to the solution, but DEC must act.



Research has provided no evidence that oil field activities have produced any measurable change in population of any fish or wildlife species using the North Slope.

System two decades ago. Three of those are among the six largest producing fields in the United States. These fields have played a major role in offsetting production declines from the giant Prudhoe reservoir.

Utilizing new technology and a lower cost structure, North Slope producers believe oil production at Prudhoe can be stabilized by the year 2000. North Slope production is then expected to begin rising as new, smaller prospects are developed. In fact, the industry has a good shot of adding an additional four to six billion barrels to its Alaska reserves over the next ten years. Sixty percent of those added reserves will come from the application of enhanced oil recovery techniques in existing fields.

There is no doubt the North Slope today is substantially different than what it was 20 years ago. More infrastructure is in place now, helping make the development of smaller and more remote accumulations east and west of Prudhoe more economically viable. Development can be piggybacked on existing infrastructure and oil flowing from these accumulations can utilize surplus capacity from the giant processing facilities at Prudhoe and Kuparuk.

BP, ARCO, Exxon and other partners invested more than \$25 billion to develop the Prudhoe Bay field and the transportation system necessary to bring Alaska crude to market. The industry has committed billions of dollars to keep oil flowing through the system and to prepare for the next 20 years.

To evaluate the future integrity of

the steel in the pipeline, new monitoring projects are underway. A one-of-a-kind ultrasonic "pig" can detect variations as minor as 4/100ths of an inch. At Valdez, a \$100 million tanker vapor recovery project is underway and new oil spill response technologies and strategies are being pioneered. In the future, a new fiber optic system will provide faster, cleaner communication and improve data transmission from remote areas.

Alaska has collected more than \$47 billion in royalties and taxes from North Slope production, using its oil wealth to build modern schools, health care facilities, sewer and water systems, airstrips, ports, telecommunication and power transmission facilities. With an expanded community infrastructure, Alaskans have vastly improved their standard of living and now enjoy many "quality of life" amenities that did not exist before Prudhoe Bay and the pipeline. Ironically, many of these amenities, such as urban bike trails, libraries and civic centers are used and enjoyed by even those who oppose oil development. More than 80 percent of the state's annual revenues come from oil production, and Alaska's oil-funded savings account, the Permanent Fund, now tops \$20 billion.

Big changes have come to Alaska over the past 20 years. Alaskans now enjoy the best of both worlds — wide open wilderness in their backyard, balanced with modern amenities and comforts of the 20th century. TAPS has changed the face of Alaska — for the better.

Usibelli, North Pacific sign sale agreement

North Pacific Mining Corporation, a subsidiary of Cook Inlet Region, Inc., and Usibelli Coal Mine signed on the sale of the Wishbone Hill Coal Project June 10. Final completion of the transaction is subject to formal assignment approvals of leases and permits from the State, Mental Health Trust Land Office and the Matanuska-Susitna Borough.

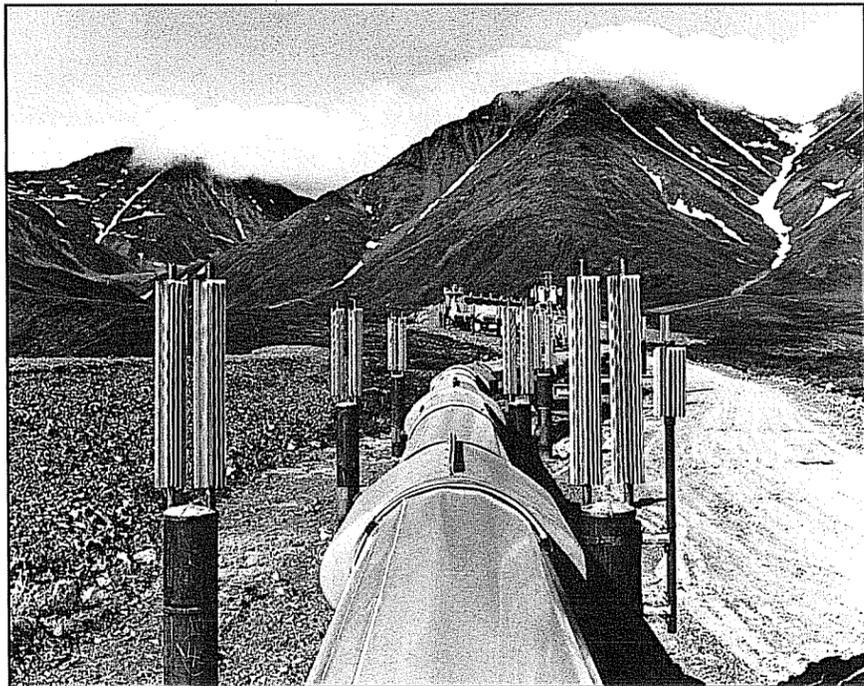
The Wishbone Hill Coal Project is located 40 miles northeast of Anchorage near the community of Sutton. According to NPMC President Jerry Booth, "we could not have found a better buyer for Wishbone Hill than Usibelli Coal Mine, Inc. Usibelli has a strong commitment to local and CIRI shareholder hire, in addition to Alaskan experience and know-how to help ensure the success of the project."

Joe Usibelli, Jr., President of UCM, pointed out that the high quality surface bituminous coal at Wishbone Hill will complement the company's production at Healy. "Wishbone Hill coal is suitable for sale into domestic and international markets either as a direct marketed product or as a blend with Healy coal," Usibelli said. "Our staff is excited about the Wishbone Hill Coal Project and is continuing to work on plans for bringing the property into production as soon as is feasible."

Production to begin at Illinois Creek

The State of Alaska has issued the necessary permits allowing production to begin at the Illinois Creek Gold Mine, 50 miles southwest of Galena. This is the second major gold mine to begin production in Alaska this year.

The Illinois Creek Mine will employ up to 90 people and is expected to produce 55,000 ounces of gold annually and 390,000 ounces of silver per year for the next six to eight years.



Twenty years have passed since the Trans-Alaska Pipeline was completed in June 1977. The pipeline and North Slope oil have brought big changes to Alaska.

Twenty years of North Slope oil production

11.5 billion barrels of oil and still pumping

In the summer of 1977, Alaska joined the ranks of the world's top oil producers with the initial surge of North Slope crude from the Prudhoe Bay field into the Trans-Alaska Pipeline. Since that time, 11.5 billion barrels of oil have been pumped down the 800-mile pipeline to the ice-free port of Valdez.

This summer marks the 20th anniversary of oil production from the super-giant Prudhoe Bay field and the safe and efficient transportation of oil down the 48-inch steel pipeline. This year also marks a broader milestone as it was 30 years ago that the first well to tap into the Prudhoe Bay field was drilled. That event, in turn, came 10 years after oil was discovered on the Kenai Peninsula. The Swanson River oil discovery set the stage for statehood two years later.

Geologists first estimated there were 9.6 billion barrels of recoverable crude oil at Prudhoe, out of 22 billion

barrels in place. Through the use of new enhanced oil recovery techniques and other advances in technology, that figure since has been



Milepost "O" at Pump Station 1 is where Prudhoe Bay oil begins its 800-mile journey to Valdez. More than 14,000 tankers have sailed from Valdez carrying 11.5 billion barrels of oil to U.S. markets. North Slope oil fields now account for 20 percent of domestic production.

revised upward to more than 13 billion barrels of recoverable oil and 30 trillion cubic feet of natural gas.

ARCO, BP, Exxon and their partners began development of the Prudhoe Bay field in 1969. After Congressional approval of the pipeline right-of-way in 1973, construction of the pipeline and its 12 pump stations began. Temperatures ranging from minus 80 degrees in winter to 95 degrees in summer tested some 70,000 men and women who worked on the \$8 billion line during its construction phase. From Prudhoe Bay, the engineering marvel snakes through three mountain ranges, crosses 834 rivers and streams and traverses three earthquake faults. Because of permafrost, some of it as deep as 2,200 feet, about half of the pipeline is elevated above ground.

Since the Prudhoe Bay field came on stream June 20, 1977, 14,000 loaded tankers have sailed from Valdez to U.S. markets. For more than a decade, Prudhoe Bay produced 1.5 million barrels of oil a day, and at its peak the pipeline carried more than 2 million barrels of oil a day, accounting for 25 percent of domestic oil production. Production began to decline in 1988 and today the Prudhoe Bay field is pumping just under 900,000 barrels a day, down 45 percent from its 1987 high. Meanwhile, daily throughput in the pipeline has fallen to 1.35 million barrels and five of the system's 12 pump stations have been shut down.

Six new oil fields, however, have come on line since Prudhoe Bay oil started flowing through the Trans-Alaska Pipeline

Bingham elected President of RDC

Three hundred turn out for Annual Meeting

Approximately 300 people attended RDC's Annual Meeting Luncheon in Anchorage June 5 featuring Charles Logsdon, Chief Petroleum Economist for the State of Alaska. Logsdon focused on global energy trends and how evolving markets in the Pacific Rim will affect future energy development and production in Alaska.

In a three-hour business meeting held prior to the public luncheon, the RDC board elected Allen Bingham of Anchorage as its new President. Bingham, a Partner at the accounting firm of Deloitte & Touche, previously served as Senior Vice President of RDC. He succeeds Scott Thorson, President of Network Business Systems. Thorson will remain on the RDC Executive Committee.

John Sturgeon, President of Koncor Forest Products, was elected Senior Vice President while Jerry Booth, Cook Inlet Region, Inc., was elected Vice President.

Uwe Gross, Chief Executive Officer of Koniag, Inc., was elected Secretary and Mike Stone, Managing Partner of KPMG Peat Marwick, was reelected as Treasurer.

Bingham is the Partner in charge of taxes at Deloitte & Touche. He has more than 23 years of tax and accounting experience and has been in Alaska since 1974. He has experience serving individuals, partnerships and corporations throughout the state in a variety of industries, including financial institutions, natural resources, hospitals, tourism and commercial fishing.

A long-time Executive Committee member of RDC, Bingham also serves on the AMEREF Board and is a past board member and treasurer of the Alaska Miners Association.

Newly-elected members of the Board are Donald Argetsinger, Klukwan, Inc., Juneau; James Arnovitz, Harding Lawson Associates, Anchorage; William Cheek, Natchiq, Inc., Anchorage; Jim Chatham, ENSR, Anchorage; Mayor Dave Cobb, Valdez; Stephen Connelly, Ketchikan Pulp Company, Ketchikan;



Members of the RDC Board of Directors gather for RDC's 23rd Annual Meeting at the Anchorage Hilton Hotel June 5.



RDC's newly-elected President Allen Bingham presents a plaque to past president Scott Thorson for his outstanding service to RDC. In bottom right photo, luncheon guests review RDC educational materials on resource development issues.



Charles Logsdon, Chief Petroleum Economist for the State of Alaska, focused on global energy trends in his keynote address before a luncheon crowd of 300.



George Erickson, Alaska Railroad Corporation, Anchorage; Jeffrey Foley, Calista Corporation, Anchorage; Stan Foo, Placer Dome U.S., Anchorage; Mayor John Handeland, Nome; Charles Johnson, Era Aviation, Inc., Anchorage; J.W. Konst, Phillips Petroleum Company, Kenai; Brian Lettich, Eyak Corporation, Cordova; Mayor Benjamin Nageak, North Slope Borough, Barrow; Gary Paxton, City and Borough of Sitka; Rob Shoaf, Alyeska Pipeline Service Company, Anchorage and Steve Wells, Bering Sea Ecotech, Anchorage.

Prospects for sustainable timber industry diminish

(Continued from page 1)

the Tongass is already in protected status. There is no reasonable basis for further damaging the livelihoods of the remaining timber workers to satisfy those who promote comic book science."

In writing the new plan, AFA said the federal government made a huge effort trying to prove the unprovable and paid only scant attention to the needs of Southeast Alaskans.

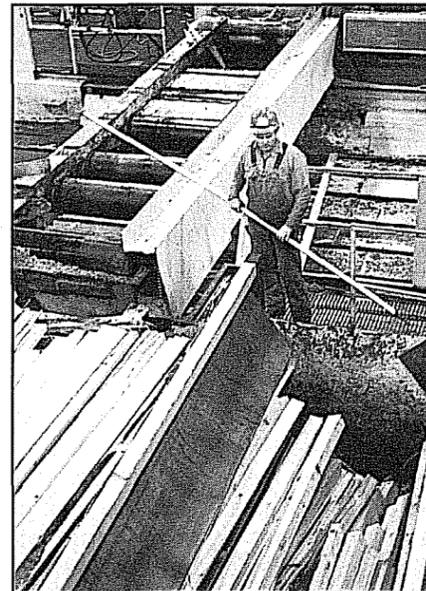
"Trying to get an 80 percent certainty that animals will be able to interact with each other 100 years into the future clearly took precedence over determining how the new restrictions would affect people," Phelps added. "This is worse than inappropriate and wrong; it is utter foolishness."

While the Forest Service says the new ASQ will be enough to keep what remains of the Southeast timber industry alive, industry and community leaders

say the plan will hinder any possible resurgence.

Mayor Jack Shay of the Ketchikan Gateway Borough said the new plan's harvest levels are at the "lower reaches of what is needed to revitalize the industry." He said Southeast Alaskans are working hard to attract a veneer plant and ethanol manufacturing facility to process wood waste, but those prospects are likely to fade without a larger supply of wood. The plan also doesn't give any consideration to supplying enough timber to allow for the reopening of the Wrangell sawmill.

AFA's Phelps emphasized that the plan's ASQ represents the maximum amount of timber the Forest Service is allowed to release for harvesting in a single year, but realistically, the actual offerings are likely to be less. Under the previous plan, environmentalists routinely challenged timber sales through administrative appeals and lawsuits.



The U.S. Forest Service says the new TLMP will provide enough timber for the remaining operations in the Tongass, but others say the plan's harvest levels are insufficient to sustain the timber industry.

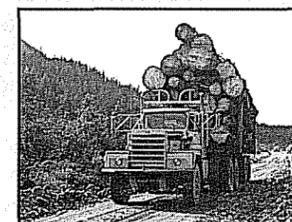
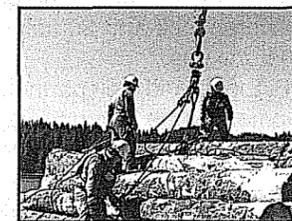
"My best guess, based on standards, guides and other issues like appeals and lawsuits, the Forest Service will be lucky to release 125 million board feet annually," Phelps said.

Dick Coose, a former district ranger with the Forest Service who is now heading CARE, a Southeast Alaska organization supporting multiple uses on public lands, said it will be virtually impracticable for a viable timber industry to exist in the Tongass under the standards outlined in the new TLMP. Coose said the plan confirms widespread speculation that "apparently the Clinton administration values politics over science, jobs and families."

Meanwhile, Ketchikan, Wrangell and AFA have formed a coalition to challenge the new TLMP in court. Last month the coalition committed more than a half million dollars to the effort.

In Washington, D.C., Alaska's congressional delegation will formally review the new plan in oversight hearings set for the end of June. Senators Ted Stevens and Frank Murkowski, along with Congressman Don Young, have questioned the methods and scientific data used to develop the plan. They believe political pressure from the White House may have affected the outcome.

Congress has 60 days from when



Source: U.S. Forest Service

Tongass Land Management Plan

	1979 Plan (as amended)	1996 preferred alternative	1997 selected alternative
Reserve Strategy	None	900,000 acres	1.1 million acres
Small reserves	None	Unmapped	Mapped
Stream Habitat			
Beach buffers	None	500 feet	1,000 feet
River mouth buffers	None	1,000 feet	1,000 feet
Average Allowable Sale Quantity (ASQ)	520 MMBF	357 MMBF	220-267 MMBF
Scheduled for timber harvest (100 years)	1.4 million acres	920,000 acres	670,000 acres
Wild & Scenic Rivers	None	25	32
Miles of W & S Rivers	None	431	541

Key Elements of New Plan:

- Natural Setting Land Use Designations (LUD's) on 14 million acres of 17 million acres
- 1.1 million-acre mapped old-growth habitat reserve system
- About 84% of all productive old-growth will remain after 100 years of TLMP implementation
- Of 10 million acres of forested land, 9.33 million acres will remain closed to logging

TLMP was printed in the Federal Register on June 20 to reject the plan, but the Alaska delegation will have to convince a majority members of Congress that sufficient holes exist to reject it.

There are some obvious big holes in the plan, according to Ketchikan publisher Lew Williams.

"For one, the scientists considering fish and wildlife habitat failed to consider the habitat in the areas set aside for Wilderness," Williams said. "So how can they say the wolf is endangered when 95 percent of the forest is closed to logging and was before the TLMP revision? How can they say more habitat is needed for the goshawk when the largest numbers of goshawks were found around Juneau where there has been no logging?"

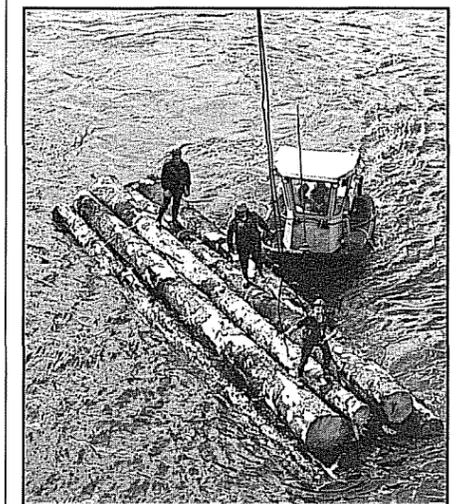
The Tongass plan is under review by the U.S. Fish and Wildlife Service to determine if the new logging levels will provide adequate protection for the

Queen Charlotte goshawk and Alexander Archipelago wolf. The agency has until August under a federal court order to consider listing the animals as endangered species.

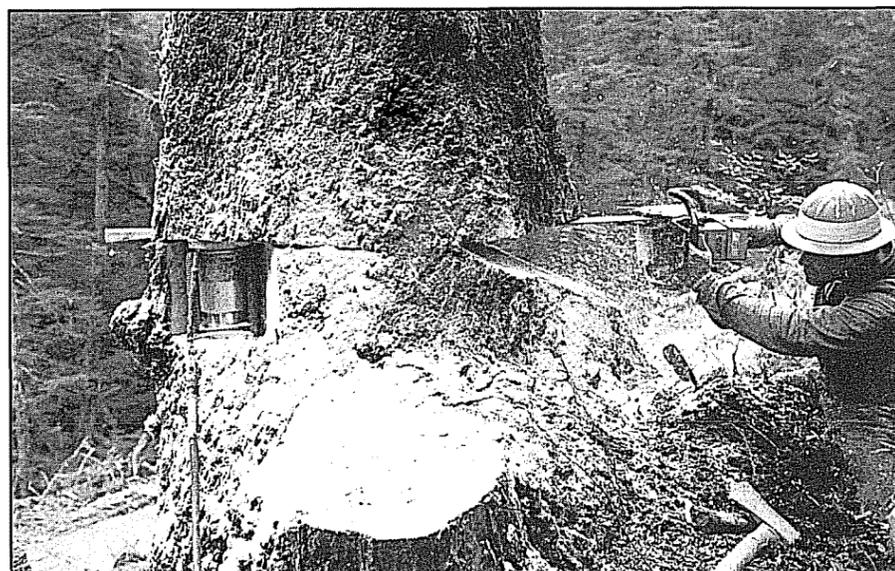
Without a reliable and sufficient timber supply, the private sector will be reluctant to invest in a forest products industry in transition as a result of the pulp mill closures. Residents in timber-dependent communities like Wrangell, Ketchikan and Sitka believe the economic foundation of their region has been unnecessarily sacrificed to appease environmental special interests in the Lower 48.

"The timber industry has been operating on the Tongass for more than 40 years," explained RDC Executive Director Becky Gay. "The air and water are clean, fish and wildlife populations are at or near historic highs and annual harvests have always remained well below the biological sustained yield.

Yet the timber base reserved for logging has been reduced again. It's pro-development politics pure and simple."



Many Southeast Alaskans who live and work in the Tongass believe the TLMP decision was based more on politics than science and sound forest management.



Under the 1979 forest plan, two-thirds of Tongass old-growth was closed to logging. The new plan slashes harvest levels over the next 10 years in half, leaving 84% of all old-growth in place after 100 years. Environmentalists say the new plan doesn't go far enough.