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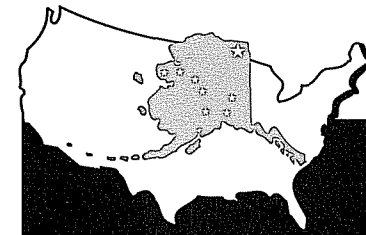
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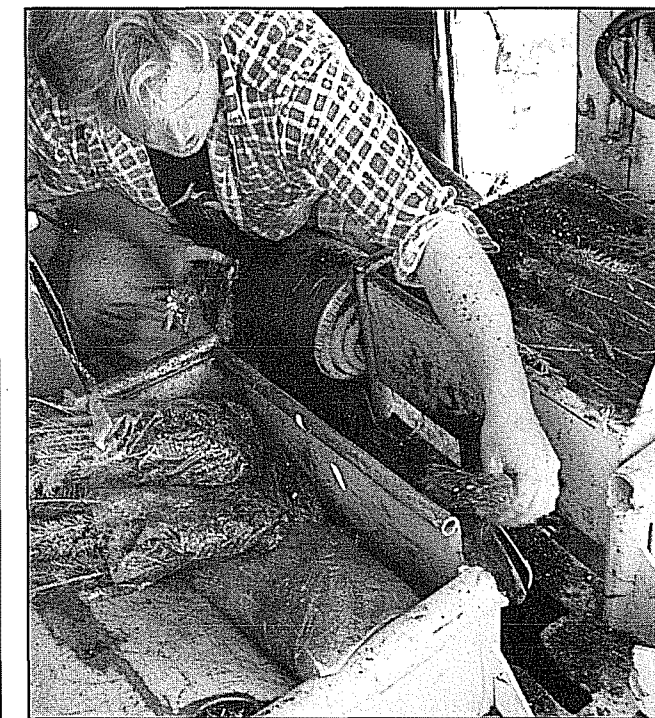
National Bank of Alaska

Resource Review

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

**1.1 million acres of dead and dying spruce, infestation increases
61 percent in two years, impacts are far reaching**

Spruce beetle infestation reaches unprecedented proportions



A mechanical tree-planting system is used to plant spruce seedlings on lands logged near Ninilchik by Circle DE Pacific. The company planted nearly 500,000 seedlings last year on 1,600 acres of state and university land. All state-owned land must be reforested after logging. (Photo courtesy Circle DE)

The spruce bark beetle infestation in Southcentral Alaska has reached unprecedented proportions and is now the largest spruce beetle event ever recorded in North America.

Statewide aerial surveys mapped more than 1.1 million acres of dead and dying beetle-infested spruce in 1996, a 61 percent increase over the past two years. The beetle infestation continues to have the most significant ecological impact of any natural agent of change in Alaska forests, according to the recently-released Forest Health Management Report, prepared by foresters from the Alaska Department of Natural Resources and the U.S. Forest Service.

State and federal foresters estimate that 20 million to 30 million trees are being killed annually by the beetle attacks — more than 90 million in recent years.

Foresters stress it's the intensity of the infestation that sets it apart from previous infestations. Because of its intensity, foresters are concerned about the lack of spruce regeneration and other far-reaching impacts.

Jerry Boughton, Program Manager of the State and Private Forestry Section of the U.S. Forest Service, warned that impacts associated with the beetle infestation range from direct economic loss in lumber, forest fiber and real estate values to a decline in scenic beauty and wildlife species dependent upon mature spruce stands. Boughton noted that impacts to fisheries is also a concern as salmon spawning streams need a continual supply of large woody

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Message from the Executive Director
by Becky L. Gay

RDC seeks sound water legislation

With the Legislature out early and a batch of bills headed to the Governor's desk, RDC thanks the leadership for its achievements on bills of interest to RDC members.

A legislative matrix is included in this issue, but early successes, one surprise and a failure bear comment.

With two access bills passed, along with RS 2477 and Alaska Highway reconstruction resolutions, this session successfully addressed issues of critical and long-term interest to the resource community and the state. With resolutions on ANWR leasing, North Slope natural gas, NPRA leasing and Northstar, the 20th Alaska Legislature reconfirmed to the world that Alaska is still supportive of onshore arctic oil and gas development.

A success for everyone who worked on it, tort reform passed after

being on RDC's agenda for years. The Legislature supported the Alaska Congressional delegation with resolutions on Tongass and reforming the Endangered Species Act. On the resource education front, AMEREF funding was renewed. With respect to mining, adjustments to Title 38 had overwhelming support in legislation.

Surprising to many was the Governor's veto of the environmental audit bill. Prolonging no agony, the Legislature prevailed with a veto override.

Lack of reasonable water quality legislation remains a disappointment. As revenues decline, it is increasingly important to get realistic permitting standards and enforceable agreements, not only for the agencies, but for the public.

RDC and the regulated community have been working with DEC on water quality issues for years under different administrations. It has taken years to get a legislature willing to talk about water quality and permitting from the regulated community's point of view. Last session, a limited water quality bill passed but was vetoed.

Many ensuing meetings, task forces, workshops, hearings and regulatory discussions have taken place. Even with different players in the process, RDC consistently urged DEC to help make the bill better and articulate its qualified opinion, with solutions-oriented proposals and valid arguments.

RDC believes statutory authority is compelling on certain agency activities. Giving clear policy direction on water and funding the agency are both appropriate legislative actions in RDC's view. Following are notable initiatives in the pending water legislation.

An efficient change mechanism: It is left to each state to legislate an automatic adjustment process to undergo when federal changes result in less strict standards or when federal man-

dates are deleted from law. Presently states are required to adjust only upward, when federal regulations become more restrictive. This is a one-way street which the Legislature can fix.

Natural background threshold: This means using natural (not affected by man) conditions which currently exist as the Alaska standard for that waterbody. This is present DEC policy in some cases. Since a discharge must be as good or better than the receiving water, this provision will not allow degradation. Nor can DEC hold a single user responsible for cleaning up naturally-occurring pollutant loads.

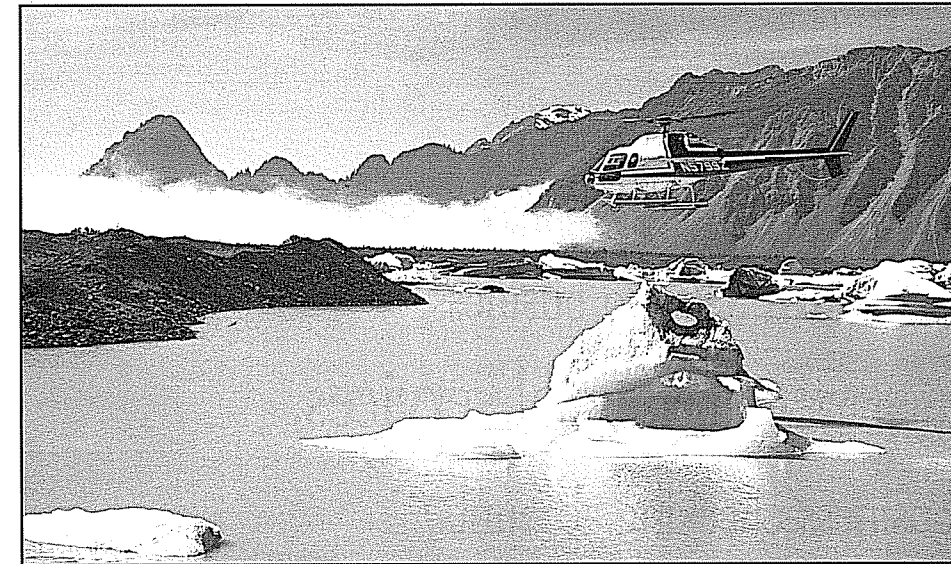
Statutory authority for activities: The authority is given to DEC for maintaining primacy on drinking water programs (which DEC requested), for permitting mixing zones, for enforcing higher standards on shellfish beds, for creating stricter standards and using non-EPA approved methods. The bill allows DEC to create standards, criteria or regulations that have no federal basis. It recommends continuing investigation for primacy on NPDES permitting.

Scientifically-defensible standards: Science, technology, methodology and economics are recognized as important. Standards must be consistent with federal requirements or DEC must be able to defend its "stricter-than-necessary" position.

Administrative appeal: In response to federal changes only, the public gains a new procedure to petition DEC action. DEC is given a response deadline three times longer than the current one under Administrative Procedures Act to reply.

None of these actions sacrifice Alaska's clean water nor do they degrade Alaska's surface water. This is another step on the road to Alaskan water quality standards, just as Governor Knowles recently finalized the push

(Continued to page 6)



Helicopter flightseeing and landing operations are an important component of the tourism industry and provide benefits to the local economy. Flightseeing is among the most popular and highest-rated activities for Alaska visitors seeking to experience remote, rugged lands.

RDC supports heli-landings in Denali State Park, Tongass

A Matanuska-Susitna Borough appeals panel has upheld a conditional use permit allowing Era Aviation to operate a heli-port on private property inside Denali State Park. The heli-port is to serve as a base for the company's flightseeing and landing operations in nearby Denali State Park.

RDC presented oral arguments earlier this spring before the appeals panel defending the issuance of the permit for the heli-port at Mary Carey's McKinley View Lodge. Local residents had appealed an earlier decision by the Borough to issue the permit, but the appeals panel upheld it.

RDC Executive Director Becky Gay told the panel that it makes sense for Era to operate from Mary Carey's private property since flights into the park would be shorter and avoid more heavily-populated areas to the south. In addition, Gay pointed out that the site is near the new Denali Princess Hotel and is centrally located to visitor facilities and services to be developed in the Central Development Zone of Denali State Park.

Era is working closely with the FAA to address safety issues and has given

serious consideration to local concerns and potential impacts. Era's operating plans address many of those concerns through voluntary mitigation measures, as well as mandatory restrictions.

Era's base operations would occupy land that already includes an airstrip, parking for private vehicles and other improvements. By locating its operations near the McKinley View Lodge, Era would avoid disturbances to raw, undeveloped land south of the park. The footprint for base operations will be confined to land that has already been disturbed along the busy highway corridor.

A separate permit issued by the State gives Era permission to land at three sites inside Denali State Park, but that permit is being appealed by the Mat-Su Citizens Advisory Board which opposes a decision allowing helicopters to fly as low as 500 feet in some areas of the park.

Era helicopters, however, will be operating under more restrictions than other fixed-wing flightseeing operations that pass over the park. Other aircraft can fly at any height, and Era's permit requires the company to stay 1,500 feet

away from any nesting or animal dens. Other stipulations intended to protect the environment accompany the permit.

In addition to supporting the Era flightseeing operations at Denali, RDC recently urged the U.S. Forest Service to issue a special use permit for heli-hiking opportunities in the Tongass National Forest. Temsco Helicopters has proposed heli-hiking tours at a number of remote locations.

Statistics show that heli-flightseeing and landings are among the most popular and highest-rated activities for Alaska visitors. Helicopters often afford the only viable access to Alaska's largely inaccessible land base. With virtually no environmental impact, heli-flightseeing and hiking tours are one of the best ways to experience Alaska's dramatic backcountry.

Unable to access roadless areas of the Tongass, people need aircraft, including helicopters, RDC noted. Helicopters often are able to land where no other aircraft can and require little clearing or building.

RDC told the Forest Service that a decision to deny the permit would essentially eliminate practical, user-friendly access, not only for the physically impaired and those on a limited time margin, but people of all physical abilities who seek an array of recreational opportunities.

The Forest Service is expected to announce its decision on the Temsco permit soon.

RS 2477 provision...

(Continued from page 6)

Stevens said his provision merely preserves Alaska's rights to assert its RS 2477 claims for access across federal lands. He said it won't lead to massive road construction through parks, wildlife refuges and wilderness areas.

Environmentalists have adopted the issue as a cause, sending news releases across the country claiming the Stevens provision would result in a million miles of new roads in Alaska, destroying national parks, forests and wilderness.

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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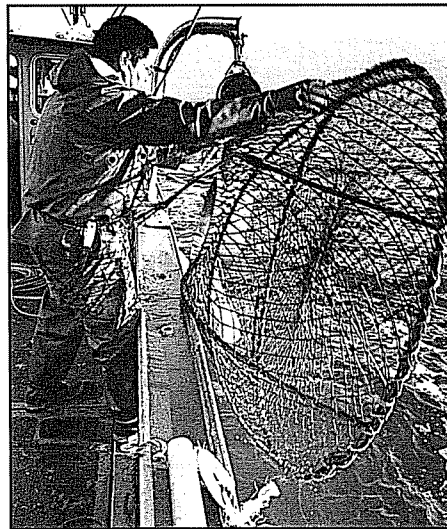
Alaska exports rise in '96

Exports of Alaska oil and minerals increased last year and the handling of foreign-bound cargo rose to record levels, but timber and seafood exports were down in 1996.

Alaska's international trade reached a record \$5.9 billion in 1996, a 4.4 percent increase over 1995, according to the Alaska Center for International Business. Some of that increase was a result of North Slope oil exports to South Korea after the lifting of the oil-export ban last year. A boom in cargo handling at Anchorage International Airport was also a factor.

Alaska's position between Europe, Pacific Rim countries and other nations make it a strategic hub for the booming international cargo industry. United Parcel Service is tripling the size of its cargo facilities at the Anchorage airport and United Airlines has launched a new air-freight service using Anchorage as a hub. Some 2,700 jobs in Anchorage are now tied directly to the air-cargo business.

The export of petroleum products rose sharply to \$762.2 million in 1996, up from \$416.3 million in 1995. The value of mineral exports increased from \$172.9 million in 1995 to \$194.6 million in 1996, partly due to the reopening of the Greens Creek lead and zinc mine near Juneau.



Seafood exports were down in 1996, partly due to a stagnant Japanese economy and increased competition from farmed salmon.

The value of Alaska timber exports fell from \$568 million in 1995 to \$497.7 million last year.

"Lower pulp prices and lower pulp output caused the major declines in timber exports," noted Eric Downey, Public Services Manager at the Alaska Center for International Business. "Reduced lumber production and smaller log harvests from the Tongass also contributed to the declines."

Water quality...

(Continued from page 2)

to "Alaskanize" arsenic criteria, setting it 277 times lower than federal criteria. If DEC claims the bill lowers other standards, DEC needs to produce a list of such standards. If there are any to be lowered, DEC shouldn't make it a guessing game to let us know which ones they object to. If DEC wants to regulate stricter standards than required by law, the bill requires DEC to justify the harsher treatment.

Every state must conform to federal mandates stemming from the Clean Water Act and the Safe Drinking Water Act, both which leave some discretion to the states. Where there is discretion, the debate takes place in all branches of government, some more public than others.

There is no doubt the pending bill can be made better, but there must be a con-

scious effort to do so by all. To make good water policy legislation by next session, the Administration must be more constructive in its criticism. The regulated community must be more active and get the same attention from DEC that EPA and the opposition expects on water legislation. The Legislature should be willing to pass a water bill. After all, it has held water legislation, waiting for the Administration to come to the table with the regulated community.

There needs to be honest discussion and clarification on water quality issues in both the administrative and legislative branches, or we will all be arguing in court. There really is enough work for everyone on water issues. Although blame for failure may be easier to spread, there is certainly enough credit to go around for this Administration and Legislature to each do their fair share to achieve sound water policy for Alaska.

Alaskans challenge rights-of-way policy

In a move to protect the rights of Alaskans to cross federal lands, Governor Tony Knowles has filed suit against the federal government under an 1866 law known as RS 2477, which reserved rights of way to historic roads and trails.

"Alaskans have a right to access various lands for a number of legitimate purposes and we will not relinquish that right," Knowles said. "The State of Alaska will assert its rights to these roads and trails to protect legitimate economic development, subsistence use, recreation and other purposes, and we will do so in a way that is consistent with our values and a rational transportation plan."

Knowles chose to initially press the state's case on the Harrison Creek-Portage Creek trail near Fairbanks.

The State's announcement of the case to assert its rights to RS 2477 claims comes after Secretary of Interior Bruce Babbitt announced a recent policy change which would limit states' rights to such claims. In a letter to Babbitt, Knowles criticized the policy change, which he noted came without consultation with Alaska or other western states.

Meanwhile, Senator Stevens has introduced a spending-bill rider in Congress to scuttle Babbitt's policy revision which confines the RS 2477 claims to routes used by "vehicles" and where mechanical improvements had occurred. Many claims in Alaska are for foot or dog sled trails that have not been improved for motorized access. The Stevens provision would protect Alaska's ability to claim ownership of the historic trails.

The Stevens rider has become a hot issue in Congress. Babbitt has said that unless the rider is removed from a bill providing flood relief money to the upper Midwest, he'll urge a veto.

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Thoughts from the President by Scott Thorson

Another Tongass land grab

They're back and asking for more

Those environmentalists just won't quit. After all the damage they have done to the timber industry in Alaska, after all the concessions they have won, they are working to further reduce the timber harvest in Alaska's forests. Many Alaskans are now asking themselves how much is enough.

The Sierra Club, which recently proclaimed that one of its top priorities is to eliminate timber harvests from all public lands, has taken action to stop timber sales in Alaska and other locations in the Lower 48. The Southeast Alaska Conservation Council is also working hard to hold up timber sales. While claiming to support a sustainable Alaska timber industry focused on value-added processing, these groups and others have challenged every recent timber sale in the Tongass National Forest. What's with these people? It seems they don't remember what they said when the Tongass Timber Reform Act (TTRA), known as the "Grand Compromise," was finalized in 1990. According to an October 27, 1990 report in the Anchorage Daily News, Californian Congressman George Miller, a long-time champion of environmental interests, said the compromise was intended to bring "finality" to the lands preservation controversy.

Before TTRA, an earlier compromise in 1980 -- the Alaska National Interest Lands Conservation Act (ANILCA) -- reserved one-third of the forested lands in the Tongass for logging on a 100-year rotation cycle. The remaining two-thirds of the forested lands were preserved for wilderness preservation and other uses. ANILCA provided the timber industry with a \$40 million annual fund to build roads and prepare remote and lower-quality tim-

ber for harvesting. The forest's management plan, adopted in 1979, limited timber harvests to no more than 450 million board feet in a single year.

The 1980 compromise, however, lasted only a few years until environmentalists went back to Congress demanding more Wilderness. In 1990, they pushed TTRA through Congress, creating six new wilderness areas and 12 other protected zones totaling nearly 1 million acres. In addition, TTRA struck down the \$40 million provision for road building and timber preparation, deleted a 10-year harvest target of 4.5 billion board feet and unilaterally changed the forest's two long-term timber contracts, which eventually led to the demise of the Ketchikan and Sitka pulp mills.

In passing TTRA, Congress said the new law struck a reasonable balance between environmental concerns and providing enough timber to sustain a healthy forest products industry. Environmentalists hailed TTRA as a balanced compromise that would bring peace to the forest.

Since the passage of TTRA seven years ago, Southeast Alaska has lost \$400 million per year in economic activity and more than 2,000 timber jobs, a big hit for the region. Timber harvests, which averaged 419.6 million board feet between 1959-1990, have been falling steadily and hit an all-time low last year of only 120 million board feet. That "Grand Compromise," which was supposed to bring peace to the Tongass, has not proved out as the Forest Service has consistently fallen short on its timber offerings, due in part to administrative and legal challenges from environmentalists. Under the current forest plan, harvest levels should be averaging somewhere near 420

million board feet annually.

Now there is yet a new plan for the forest underway which promises to drastically cut annual harvest levels and close more areas to logging. Work began in 1987 on the new Tongass Land Management Plan (TLMP), and after years of delay, a draft released last year showed allowable harvest levels falling from 450 to 300 million board feet. The Forest Service, however, is now reviewing that draft for a second time. Under pressure from environmentalists and Clinton administration bureaucrats, the second review is expected to formulate a justification for an annual cut of only 100 million board feet.

Who knows what they will release. For that matter, who knows what the new TLMP will contain. The Forest Service is seven years late and has spent over \$13 million on its new plan.

If 100 million board feet is what is called for in the new plan, look for more sawmill closures. That's not enough wood to keep the Ketchikan, Metlakatla and Klawock sawmills operating, much less allow for the reopening of the Wrangell sawmill and the continuation of the many small family-operated mills in the Tongass. Where will the trees come from to feed new, environmentally-friendly value-added timber processing facilities that environmentalists are so keen on supporting? Without an annual timber supply of at least 300 million board feet, no new forest products facilities will rise from the mill closures in Sitka or Ketchikan.

If you are an environmentalist, it's nice to have friends in high places. If you are unfortunate enough to work in the Southeast Alaska timber industry, you know the sting of poor, ineffective government and special interest rule-making.

Forest health in sharp decline as beetle infestation spreads

(Continued from page 1)

debris, which will decline as large diameter spruce are killed by beetles. Boughton said the intense beetle outbreaks may also kill large amounts of interception vegetation, impacting the dynamics of stream flow, which in turn could pose a threat to the overall watershed.

Boughton warned that "fuel-loading" has increased throughout Southcentral Alaska forests because of the beetle-killed trees. Fuel loading on the Anchorage Hillside alone has risen from about two tons per acre to more than 35 tons per acre, increasing the risks of a catastrophic wildfire.

The areas of most intense beetle activity are in Southcentral Alaska where 837,499 acres were infested last year, an increase of almost 20 percent over the previous year. Spruce mortality in many areas of Southcentral now exceeds 80 percent. In the Copper River Basin, 234,581 acres were hit by the bug, an increase of 65,000 acres over 1995.

The beetle continues to make inroads into the central part of the Kenai Peninsula around Skilak Lake, the southwestern part of Kachemak Bay near Seldovia, the valleys of Turnagain Arm and the west side of Cook Inlet. In the Anchorage bowl, infestations are moving down the Hillside area and spreading across the city. Beetle pressure also seems to be building in the Mat-Su Valley.

In Anchorage, the beetle activity nearly doubled for the second consecutive year to 15,310 acres. Forty percent of the total, over 6,000 acres, occur on the Hillside.

More than 418,357 acres of state and private land have been hit by the beetle while 338,754 acres of Native timber have been infested. Some 26,772 acres of national forest lands have been impacted while 346,873 acres of other federal lands have been hit by the bug.

Boughton and other foresters point



At the 1996 Annual Board of Directors meeting, RDC Board member Paula Easley referred to a newspaper account of the 1996 Big Lake fire. Many large landowners risk the immediate, potentially catastrophic loss of an economic resource as the beetle infestation increases the risk of wildfires. Fire management costs may dramatically increase in coming years.

out that there are a variety of techniques that can be used to prevent, mitigate and reduce impacts associated with beetle infestations. However, before pest management options can be developed, the resource objectives for a particular stand, watershed and landscape must be determined.

Foresters note that properly applied silvicultural practices, including timber harvesting and fire management, can maintain the forest diversity needed to provide the range of products and amenities available in the forest.

In Southcentral Alaska, the logging of beetle-killed timber is the first stage in a reforestation process that will lead to healthier forests faster than if nothing is done. On some federal, state and private lands, trees are being replanted and modern silviculture practices are being implemented to encourage natural regeneration.

The U.S. Forest Service has designed a series of timber sales in the Chugach National Forest to address specific recreation, wildlife and visual resource interests while still

accomplishing the objective of logging dead or dying spruce while lowering the fire danger through "fuel removal." Those sales, however, continue to draw opposition from environmentalists who contend nothing should be done.

Logging opponents have dominated the public process in determining appropriate approaches to addressing the decline in forest health. Their influence within government agencies has blocked any significant actions toward mitigating the impacts of the infestation and restoring forest health.

RDC urges its members to write letters to the Forest Service and the State Division of Forestry supporting timber sales targeting dead or dying spruce. Members are encouraged to write their local newspaper, especially in response to anti-logging letters from environmental activists.

Editor's Note: For residents in outbreak areas, the window of opportunity to protect large, live spruce trees may be as short as this spring. Contact the Alaska Cooperative Extension at 279-6575 for information.

BP, ARCO target smaller oil deposits

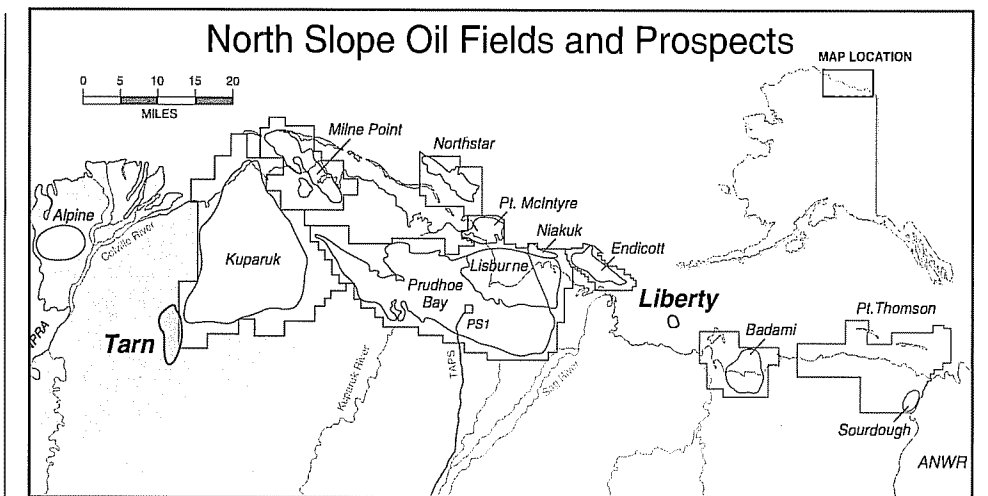
North Slope producers aim to stem decline in overall production

BP Exploration (Alaska) Inc. and ARCO Alaska, Inc. have announced plans to develop two more oil fields on the North Slope, continuing a trend toward developing smaller hydrocarbon accumulations around the giant, but declining Prudhoe Bay and Kuparuk oil fields.

ARCO and BP will move forward with development of the 50 million barrel Tarn oil field, a project that could add \$100 million to state revenues and help offset the decline in North Slope production. Oil from the Tarn field is expected to be flowing down the trans-Alaska pipeline by late next year or early in 1999. Production could hit 15,000 barrels a day at its peak.

Construction work on Tarn, located southwest of the Kuparuk field, will begin in 1998 and a 9-mile pipeline will move Tarn oil to Kuparuk facilities. As many as 50 wells may be drilled. Approximately \$150 million has been budgeted for the project.

The companies have known for years that smaller accumulations of oil existed at different levels around the Kuparuk field, but development of those accumulations have now become more cost effective because of surplus capacity at Kuparuk processing facilities.



The surplus capacity has developed in part because of a decline in overall production from the Kuparuk field. This has enhanced the economics of new discoveries and small accumulations near Kuparuk because those new fields will not have to be large enough to pay for new processing plants to be commercially viable.

Meanwhile, appraisal drilling earlier this year confirmed an estimated 120 million barrels of recoverable oil at BP's offshore Liberty prospect southeast of the Endicott oil field. BP believes the discovery has commercial potential and is proceeding with permit-

ting work needed to facilitate development of the field.

The Liberty well was drilled in February and March from Tern Island, an existing man-made gravel island about 11 miles southeast of Endicott and five miles offshore. Liberty will require the construction of a subsea pipeline. Production will be "piggybacked" on existing infrastructure at Endicott.

Development of smaller prospects like Liberty and Tarn is part of a strategy North Slope producers are pursuing to stem the overall decline at Prudhoe Bay and Kuparuk, the two largest oil fields in North America.

Court sides with property owners in ESA case

In a unanimous decision, the U.S. Supreme Court in March clarified that the Endangered Species Act's (ESA) "citizen's suit" provision can be used to protect both threatened species and property owners adversely affected by regulations imposed by the government to protect those species.

The "citizen suit" provision has been used for years by environmentalists to force stricter enforcement of the law. The ruling essentially gives ranchers, farmers and multiple use advo-

cates a new means of fighting environmental regulation that goes too far.

The decision overturns an appeals court ruling that said only people with an interest in preserving endangered species could use the act to challenge federal regulation of land and water resources. The new ruling is a big win for property rights advocates, an upcoming political force that has long felt abused by Washington and overburdened by federal regulations.

"The opinion levels the playing field,"

said Gregory Wilkinson, who represented Oregon ranchers and irrigation districts before the high court. "The opinion does not put people who have economic interests at a disadvantage in terms of getting into the courthouse."

Although the ruling gives landowners new legal standing to challenge environmental laws, their success in loosening government's grip on land policy won't be known until individual cases are brought to and resolved in court.