



ESSENTIAL FISH HABITAT RULE TO IMPACT NON-FISHING ACTIVITIES FAR INLAND

BY CAPTAIN BOB PAWLOWSKI

New regulations for Essential Fish Habitat (EFH), promulgated by National Marine Fisheries Service (NMFS), have greatly expanded the agency's jurisdiction from traditional fishery management in coastal areas to non-fishing activities far inland.

Timber, oil and gas, mining, home construction and local community infrastructure development are likely to be impacted by the new regulations which extend the scope and burdens of EFH designations and consultations authorized by Magnuson-Stevens Fishery Conservation and Management Act (FMCA). Under the regulations, many non-fishing activities occurring in a watershed used by species managed by NMFS and regional fishery management councils are now open to comment by the agency if those activities could potentially impact EFH. NMFS is following an open-ended definition that describes all fish habitat as essential, versus following a classical management approach that is based on fishery assessment, as required by the Councils.

Essential Fish Habitat is a term introduced in the FMCA in the early 1990s to allow comment on activities affecting the spawning and nurturing areas of anadromous and estuarine species managed by the Councils. Coastal development, population pressures, and non-point source pollution in Lower 48 coastal waters were impacting recruitment of herring, winter and summer flounder, striped bass, redfish, and salmon. With these resources being over-fished, it was apparent that NMFS could not rebuild the fisheries by controlling harvest, but needed to influence activities that impacted recruitment.

It was a cause with merit as fisheries declined. However, EFH has evolved to



New EFH regulations will greatly expand National Marine Fisheries Service jurisdiction from traditional fishery management in coastal areas to non-fishing activities far inland.

encompass the complete watershed associated with managed species. Under the new regulation, EFH means those waters and substrates necessary to sustain fish for spawning, breeding, feeding, or growth to maturity. EFH is further supported by broad parameters on the terms "waters," "substrates" and "necessary," enabling EFH to encompass the full life history of a species in an ecosystem approach. It also includes special areas called "Habitat Areas of Particular Concern," a designation above "Essential."

Under this new regulation, NMFS is to guide the Councils and the Secretary of Commerce in identifying and describing EFH in Fishery Management Plans (FMP); identifying adverse effects on EFH; and identifying actions to conserve and enhance EFH. NMFS is also developing a Supplemental

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Alaskans Launch Full-Court Press to Get ANWR Vote

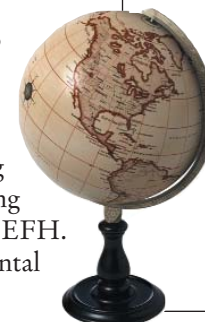
As the debate on Capitol Hill intensifies on a national energy bill, Alaskans turned up the heat to convince the Senate to include ANWR as a centerpiece of the legislation.

"As we approach this key vote on the Energy Policy Act of 2002, we urge you to carefully weigh the facts," Governor Knowles and Lt. Governor Fran Ulmer wrote in a letter to every Senator which argued that "careful development and effective protection of resources can coexist" in ANWR. The Knowles-Ulmer letter noted that America sorely needs the oil and gas from both ANWR and a natural gas pipeline project and that the state administration would not

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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 a responsible manner and to create a broad-based, diversified economy while protecting and enhancing the environment.



RDC FOCUS IN JUNEAU IS ON PERMITTING AND REGULATORY ARENA

As we have throughout the past several legislative sessions, RDC remains focused on the regulatory and permitting arena.

This session three different issues, each with important technical ramifications to resource development in Alaska, have risen to the top of the RDC agenda: Alaska Coastal Management Program (ACMP) reform, temporary water-use authorizations, and best available technology for oil spill prevention and response. Four different bills have been introduced to address these issues. Collectively they represent a significant commitment to sound, streamlined regulations that protect the environment while providing for responsible economic development.

First is reform of the ACMP. Two bills have been introduced to address this issue: SB308, by Senator Gene Therriault, and HB439, by the House Oil and Gas Committee. Together these bills remove the program's redundant and ineffective petition process, allow for the consistency review of a potential gas line project on the North Slope to be phased-in and restrict coastal districts from adopting state statutes by reference into their local plans.

Each of these measures serves to provide industry with regulatory certainty and more predictable timelines. Neither bill compromises the ability of the public or a coastal district to participate in the consistency review process. Both pieces of legislation have wide spread industry support and are not opposed by the Department of Governmental Coordination.

RDC has also worked closely with the Department of Natural Resources (DNR) over the past two years to promote clear statutory authority for temporary water-use authorizations. The House Resources Committee introduced HB420 this session allowing DNR to administer the temporary water-use program as they have for the past twenty years. DNR, in conjunction with the Department of Environmental Conservation (DEC) and the Department of Fish and Game, issues a temporary water-use authorization only after careful consideration of its potential impact to fish and wildlife resources and the environment.

This program is an important tool in streamlining the process for state approval of water use. Construction projects

“The Legislature’s proposed actions to reform the ACMP program, to support DNR’s temporary water-use program, and to validate the Department of Environmental Conservation’s best available technology regulations are all important steps in keeping environmental protection and economic development in proportion.”

all across the state and ice road construction on the North Slope are the most common users of temporary water-use authorizations. Without this tool, businesses would be required to receive a formally adjudicated water right from DNR for nearly every use of state water — a process sure to unnecessarily delay projects across the state.

On February 1, 2002, the Alaska Supreme Court ruled that two provisions governing best available technology (BAT) determinations were contrary to the Court’s interpretation of the

Legislature’s intent in enacting Alaska’s oil spill prevention and response legislation. Without clear legislative support for the regulations governing BAT and C-Plans, companies seeking new plan approvals will face significant delays and uncertainties, and DEC will be forced to allocate valuable resources to another rulemaking process.

The Senate Resources Committee introduced SB343 as a direct response to the question raised by the Alaska Supreme Court regarding the Legislature’s intent with respect to BAT requirements in C-Plans. The bill provides DEC with the flexibility necessary to fairly apply BAT requirements over Alaska’s diverse environmental and operational conditions while maintaining Alaska’s cutting-edge spill prevention and response regulations. RDC has worked closely with the Alaska Oil & Gas Association to move this bill forward.

RDC is committed to working toward a reasonable, science-based middle ground between environmental protection and economic development. This philosophy is particularly relevant in regard to Alaska’s regulatory regime. Without clear, streamlined, predictable environmental regulations, we can not expect to attract private-sector investment, nor can we expect to enhance economic development opportunities in Alaska.

Finding the right balance between economic development and environmental protection is a constantly evolving process. In Alaska this balancing act is often on the center stage of our public policy debates. The Legislature’s proposed actions to reform the ACMP program, to support DNR’s temporary water-use program, and to validate DEC’s best available technology regulations are all important steps in keeping environmental protection and economic development in proportion.

ALASKA EXPORTS REMAIN STABLE IN 2001

Final numbers reveal Alaska exports decreased \$46 million or 1.9 percent in 2001 to settle at \$2.41 billion.

According to the Alaska Division of International Trade and Market Development, crude oil exports declined to virtually zero in 2001 from \$288 million in 2000 and over \$500 million in 1999. Excluding oil, Alaska's exports in 2001 were up more than \$240 million, an increase of nine percent.

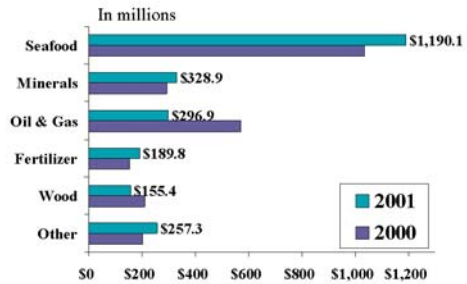
Despite many problems facing the fishing industry, seafood exports in 2001 jumped 15 percent to \$1.19 billion, taking up much of the slack from declining oil exports. Pollock products such

as fillets, surimi and roe accounted for most of the increase. Seafood remained Alaska's largest export, accounting for nearly half of the state's total.

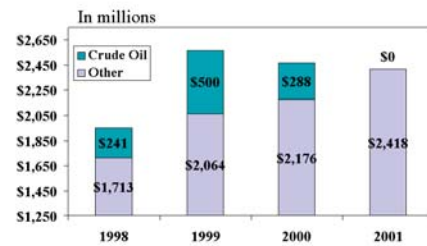
While prices for zinc ore, Alaska's largest mineral export, have been steadily declining for several years, mineral exports increased by 12 percent in 2001 due to an increase in volume. Though production value was up, profits were down in 2001 for mineral exporters.

Exports from the energy sector declined nearly 48 percent due to the change in destination for the small fraction of North Slope crude that had been exported overseas. However, sales of lique-

Alaska's Export Commodities

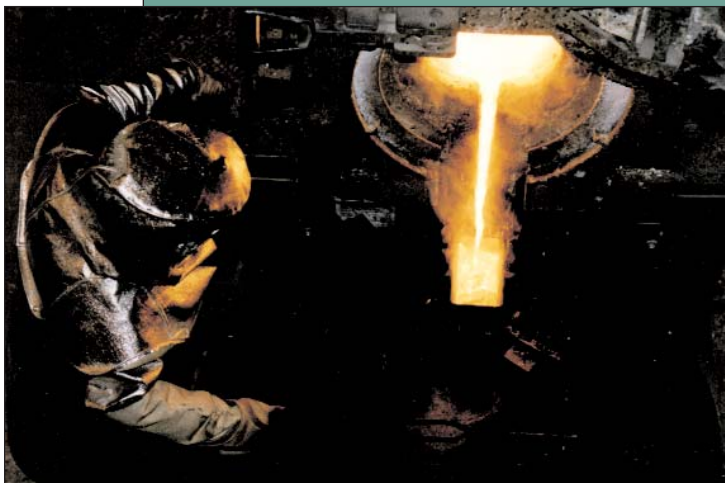


Alaska's Exports



fied natural gas to Japan and coal to Korea remained stable in 2001. Fertilizer exports, mainly from Agrium's Nikiski plant, totaled \$189 million, an increase of 23 per-

cent over 2000. Exports of forest products continued to decline, totaling \$155.4 million last year, a decrease of more than 25 percent from 2000.



The Ft. Knox gold mine north of Fairbanks is one of several major flagship mines in Alaska. Production is expected to increase this year at Ft. Knox and the Red Dog zinc mine near Kotzebue.

MINERALS COMMISSION LAUDS PROGRESS

The Alaska Minerals Commission urged state regulatory agencies and the Legislature to continue efforts to improve the business climate for Alaska's mining industry.

In its annual report to the Governor, the Commission pointed to expanding transportation and energy infrastructure and increasing access to state lands as keys to sustaining a warm business climate for industry.

"Partly as a result of the responsible actions of the Governor and the Legislature over the last few years, the global mining industry presently considers Alaska a favorable place to do business and is demonstrating its growth potential," said Commission Chair Irene Anderson.

The Commission applauded recent state efforts to

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ENERGY POLICY MAY COME DOWN TO CONFERENCE COMMITTEE

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tolerate any attempt to trade one for the other.

Meanwhile, Senator Frank Murkowski has met with President Bush and has been heavily lobbying virtually every undecided Senator on the issue. Arctic Power has launched a full-court press at those Senators and RDC has urged its members and their contacts in the Lower 48 to pull out all the stops to convince them to include ANWR in the energy policy.

As of mid-March, pro-drilling forces were still working to achieve the 60 votes necessary in the Senate to vote ANWR into the energy bill. Senate Leader Tom Daschle has promised to filibuster any attempt to put ANWR into the package.

Should the Senate pass an energy bill, with or without ANWR, it will go to a conference committee to be reconciled with the House energy bill, which passed in August 2001. That bill, HR 4, recognizes both ANWR and conservation as major elements of a comprehensive energy policy aimed at reducing America's dependence on foreign oil.

In the event that ANWR is not included in the Senate package, the final stand and last chance for Alaska will come in the conference committee, an ad hoc panel composed of House and Senate conferees convened to resolve differences on major and controversial legislation.

House conferees are expected to uphold the

components of HR 4 when negotiating with the conferees from the Senate. A compromise product negotiated by the committee would then return to each chamber for approval or disapproval.

The House will have more members in the conference committee and is expected to fight hard to keep ANWR.

"The White House can play a significant role in the conference committee process, and we expect that President Bush will weigh in heavily in support of retaining the House language," said Kim Duke, Executive Director of Arctic Power. "The President understands the national security implications of our increasing dependence on foreign oil and fully supports increased domestic production. He knows we need to keep the jobs and money we export every day as we buy oil from Saudi Arabia, Iraq and others."

In the event that the Senate passes an energy policy without ANWR, Duke urged ANWR proponents to encourage President Bush to work the conference committee hard.

If ANWR fails to make the Senate bill, please call, write or fax the White House and tell the President you want to see the energy bill come out of conference committee with language to open the Coastal Plain of ANWR to oil and gas development.

ULMER ADDRESSES RDC

Lt. Governor Fran Ulmer spoke before RDC March 4th. She suggested a comprehensive audit to resolve permitting issues.



MURKOWSKI'S WASHINGTON REPORT HITS NUMEROUS ISSUES

Senator Frank Murkowski outlined important state and federal issues when he spoke before RDC February 21st.



EPA'S IANI WANTS TOP ALASKA PRIORITIES

John Iani, the newly-appointed administrator of the EPA's Region 10, encouraged Alaska industry to establish real priorities for EPA to address rather than a laundry list of numerous projects.

"Give us your real priorities, not 40 projects but those you really want done and we'll try to see that they happen," Iani told a packed RDC breakfast forum in February.

Iani reaffirmed his goal of streamlining the permitting

process and delegating authority over environmental issues to state programs. He spoke favorably of partnering with Alaska's Department of Environmental Conservation and suggested industry work to keep its good relationship with the state.

"Trying to take out DEC would be a bad move," Iani warned. "The EPA is the 800-pound gorilla that would step in and I'm here to tell you that you don't want a guy in a blue suit from Seattle trying to tell you what to do."

Iani, who was raised in Kodiak, listed Alaska oil and gas projects as among Region 10's top three priorities.



RDC NEWS DIGEST

Beluga Count in Cook Inlet Encouraging

For the fourth year in a row, the Cook Inlet beluga whale population appears not only to be holding its own, but reversing a ten-year decline.

An aerial survey conducted last summer by the National Marine Fisheries Service estimated that there are 386 belugas in Cook Inlet waters, which indicates more than a three percent annual growth rate. The population declined steeply throughout the 1990s, but bottomed out at about 350 in 1998. Federal biologists blamed the decline on overharvesting by Subsistence hunters.

Hunting was halted by the Marine Mammal Protection Act, but under a co-management agreement with NMFS, Native hunters harvested one beluga last summer.

RDC and the Alaska Oil and Gas Association, as well as local governments, have intervened on behalf of NMFS in a lawsuit filed by environmentalists who argue the belugas need additional protection under the Endangered Species Act. A U.S. District Court judge in Washington, D.C., upheld the agency's decision to list the whales under the Marine Mammal Protection Act, but environmentalists are appealing.

Wilderness Review Underway

The U.S. Forest Service is developing a Supplemental Environmental Impact Statement (SEIS) to evaluate new Wilderness recommendations for roadless areas of the Tongass National Forest. The SEIS is being prepared in response to a recent court decision.

The designation of additional Wilderness areas would have social and economic effects, including those related to the recreation, tourism, timber, mining, utility and transportation industries. The designation of new Wilderness areas is of particular concern to Southeast Alaska communities which have been struggling economically following the closure of many timber industry operations.

The SEIS will include a range of approaches, including the No-Action Alternative to other recommendations which could establish anywhere from 700,000 to 9 million acres as new Wilderness. More than five million acres of federal Wilderness already exist in the forest. Alaska as a whole has approximately 58 million acres of federally-designated Wilderness, an area larger than the entire states of Utah or Idaho.

A draft SEIS is expected to be released for public comment later this spring. To track progress on the document, visit www.fs.fed.us/r10/.



Less than one-tenth of the forested-land base in the Tongass is available for logging. Most of the forest has been preserved for other uses.



Speaking at the March 21 RDC breakfast meeting, Fairbanks North Star Borough Mayor Rhonda Boyles said that resource development is a vital element of the Interior's economy. She noted that the Ft. Knox Mine is the largest taxpayer in the Borough and a provider of many high-paying jobs. Pictured to her right are RDC Board member Joe Henri and Diane Prier, President of Williams Petroleum.

RDC Supports Wastewater Program

RDC is supporting legislation in Juneau that directs the Alaska Department of Environmental Conservation to assess the costs and benefits of assuming primacy over the National Pollutant Discharge Elimination System (NPDES) program and to develop a plan for implementation.

At present, Alaska is only one of six states which does not administer its own program.

A wastewater permit group in which RDC will participate will play an active role in evaluating the program and the overall review will be subject to public comment.

House Passes HB 439

The House passed legislation to end a process in which individuals may challenge development projects along the state's coast. The process has become a tactic for forcing costly delays in coastal development.

The bill improves the Coastal Management Program by removing an unnecessary and duplicative process from the consistency determination procedure. The petition process has resulted in no

meaningful improvements of oversight ACMP provides to coastal communities.

Alaskans will continue to have opportunities to participate in and comment on ACMP consistency determinations, as well as individual state and federal permits associated with any project.

HB 439 provides for permit streamlining that makes sense.

Transportation Plan Endorsed by RDC

RDC has endorsed a revised transportation policy applying to the existing road system inside national forests.

Unlike the previous policy designed by the Clinton administration, the revised policy separates direction for managing roads on national forests from direction on managing the actual land base.

The revised policy is only an interim measure, but RDC and others have argued that it be made permanent.

The policy is an important step for analysis and management of the road system. The major use of the Forest Service road system is for recreation while the timber industry amounts to about one percent of vehicle use.

INDUSTRY OVERVIEW

MINING



RDC Board members visit the Usibelli Coal Mine at Healy. The mine produces 1.5 million tons of coal annually with 700,000 tons exported to South Korea while 825,000 tons are used for power generation in the Fairbanks area.

Selected Exploration & Development Projects

Industry Facts

- Preliminary numbers indicate total mining industry value fell from \$1.25 billion in 2000 to \$992 million in 2001. Industry value includes exploration and development expenditures, and production value.
- Exploration and development totaled \$105.3 million in 2001, a sharp drop from \$168.3 million in 2000. Development expenditures totaled \$83.2 million while \$22.1 million was spent on exploration.

- The total value of production in Alaska in 2001 was about \$886.9 million (\$769 million for metals, \$69 million for industrial materials, and \$48 million for coal and peat). Zinc was again the most valuable commodity. Placer production in 2001 was approximately 23,000 ounces of gold, continuing a decline as operators put operations on hold due to soft metal prices and high diesel costs.

- The mining industry in Alaska consists of three open pit and two underground hard rock mines, one coal mine, plus approximately 250 placer operations.

- Mining accounted for 2,882 direct and high-paying full-time jobs in Alaska in 2001.

- Donlin Creek: Placer Dome US, Inc. and Calista Corporation continue to examine this hardrock gold project in southwestern Alaska, with NovaGold signing on as the operator. Donlin Creek deposit is one of the largest undeveloped gold resources in the world, with an estimated 23 million ounces.

- Pogo: Exploration is in progress on an underground gold property 38 miles northeast of Delta with a minimum of 10.7 million tons of 0.52 ounces of gold per ton (5.6 million ounces). Teck-Pogo, Inc. is hoping to begin construction in 2003. It would be an underground mine with a surface mill producing up to 500,000 ounces of gold each year.

- Kensington: Located northwest of Juneau, Coeur d'Alene's Kensington project is an underground mine expected to produce about 200,000 ounces of gold per year from about 15 million tons grading about 0.133 ounces per ton. Coeur has launched a comprehensive optimization study at Kensington to enhance the economic return of the project.

- Northwest Arctic Coal: A resource of about 1.2 billion tons of high-rank coal has been identified in three distinct fields. Arctic Slope Regional Corporation has test-mined in the Deadfall Syncline field.

- Chuitna Project: A "green field" coal development located in the Beluga Field of Southcentral Alaska with a measured reserve of more than one billion tons.

Major Production Sites

- The Northwest Arctic Borough is home to Cominco and NANA Development Corp.'s Red Dog Mine, a surface mine and mill that recovers zinc and associated metals (lead and silver). In 1999, Red Dog, the largest zinc producer in the world, achieved a rate of return of 15 percent on capital employed, making it also one of the most profitable zinc mines in the world.

- Located 25 miles northeast of Fairbanks, Kinross Gold Corp.'s Fort Knox Mine has been the largest gold producer in Alaska since its inception in 1997. Gold production in 2001 was 411,221 ounces compared to 362,959 ounces in 2000. The company recently brought on line its nearby True North gold prospect.

- Usibelli Coal Mine, a family owned mine located outside Healy, is the only operating coal mine in Alaska. The mine produced approximately 1.525 million tons of coal in 2001. Some 700,000 tons were exported to South Korea and 825,000 tons were used in power generation facilities in the Fairbanks area.

- Kennecott Exploration's Greens Creek Mine, located in Southeast Alaska near Juneau, is an underground polymetallic mine producing silver, gold, zinc, and lead. In 2001, Greens Creek Mine milled a record 658,000 tons of ore to produce around 10 million ounces of silver, 129,000 ounces of gold, 53,000 tons of zinc, and 19,000 tons of lead.

Source: State of Alaska, "Alaska's Mineral Industry 2001: A Summary." Compiled by RDC. At the time of this publication, all statistics were preliminary.

ESSENTIAL FISH HABITAT IS NOT NECESSARILY ESSENTIAL

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Environmental Impact Statement (SEIS) to define the impact of EFH in FMPs. Until the impact of EFH is defined in the SEIS and EFH is included in the management plans, non-binding recommendations from NMFS will influence decisions of other agencies having oversight on a project. Those agencies must either use NMFS recommendations in permitting a project or explain why they disagree. Once EFH is approved as part of a FMP, recommendations become binding.

To provide recommendations, NMFS is interpreting and posting “life history” data for managed species. The maps for Alaska, posted at www.fakr.noaa.gov/maps/, help define the fishery habitat, but do not necessarily exemplify how essential that habitat is. Of particular note is the map of salmon, showing the predominance of watersheds throughout Alaska. With over 3,000 rivers in Alaska, that is a significant burden to objectively determine the difference between fish habitat and essential fish habitat and the potential of actions to adversely affect the fishery.

What can be done with the new regulations? First, it is imperative to recognize the Council process is allocation-dominant. Rights to harvest managed fishery resources are decided in each meeting. Given that EFH has to be included as part of an FMP, it is essential that non-fishery in-

terests join in the Council process and help define the extent of EFH for relevant FMPs (e.g. salmon).

Secondly, it is important for vested interests to help support science in the management decision of what is EFH and not allow decisions based on limited data. NMFS has managed the fisheries effectively in Alaska through resource assessment and conservation. It has a proven record in the fishery, but needs good science to make good decisions. EFH should support fishery management and conservation, but not preservation, as seen by lawsuits associated with Marine Mammal Protection Act or Endangered Species Act listings.

Third, Alaskans need to work with their congressional delegation which has worked diligently to ensure the sustainability of our fisheries.

Alaskans share a common interest in seeing their land and natural resources responsibly developed while sustaining the state’s vital fisheries and local economies. Alaska is a great state with much potential. Let us not block that potential by measures that are not supported with good science and are too broad-brushed to be truly “essential.”

Captain Bob Pawlowski serves on the RDC Board of Directors and is Alaska Program Manager for Thales Geosolutions (Pacific), Inc. Bob is surveying fishery habitats in Alaskan waters.

“Given that EFH has to be included as part of an FMP, it is essential that non-fishery interests join in the Council process and help define the extent of EFH for relevant FMPs.”



With over 3,000 rivers in Alaska, NMFS will be challenged to objectively determine the difference between fish habitat and essential fish habitat, as well as the potential of actions to adversely affect the fishery.

LAWSUIT FILED AGAINST EFH RULE

Three counties in two Northwest states and several industry associations have filed a lawsuit against the U.S. Department of Commerce challenging the Final Rule issued earlier this year by the National Marine Fisheries Service (NMFS) on Essential Fish Habitat (EFH).

The Alaska Forest Association, the National Association of Home Builders and several counties in Idaho and Washington, say the government did not adequately consider the adverse effects of the rule on non-fishing entities and that it will result in excessive costs, delays and restrictions on land use and development activities that are near any waters capable of sustaining fish.

The rule will directly affect any industry in Alaska operating on land containing rivers, streams and wetlands that are subject to broad EFH designations.

Industry activities are heavily regulated by federal and state laws. But the new rule, once implemented, will bring additional oversight by NMFS of non-fishing activities far inland and previously outside its jurisdiction. Projects potentially impacting EFH will be required to undergo consultations with NMFS, which in turn will issue recommendations to state and federal agencies having authority over the activity.

The North Pacific Fisheries Management Council is preparing to implement the rule through a Supplemental Environmental Impact Statement that will guide fishery management plans for Alaska.

Last year RDC urged NMFS to identify and describe EFH through specific criteria that limits its extent to offshore marine or estuarine environments that are truly essential for fish.

KETCHIKAN SAWMILL WINS GRANT FOR DRY KILN

The Pacific Log and Lumber sawmill in Ketchikan has won a \$570,000 grant from the U.S. Forest Service for construction of dry kilns and related infrastructure.

A dry kiln at the Ketchikan sawmill would make processing more efficient by reducing the transport time of sending wood south for drying and then returning it to Ketchikan for processing.

The project will set the stage for additional infrastructure adjacent to the dry kiln for secondary manufacturers. The dry kiln will result in new jobs, as well as

ensuring the stability of the existing job base.

In a letter to the Forest Service supporting the grant, RDC noted the dry kiln “would take the local forest products industry to a higher level and help strengthen the local economy.”

Steve Seley, President of Pacific Log and Lumber said, “Securing a predictable supply of fiber is the only hurdle that stands in the way of a healthy timber industry in Southeast Alaska today.”

Seley said support for the dry kiln grant has been tremendous and is very much appreciated.

UPCOMING RDC EVENTS

- April 18: Thursday Breakfast-Petroleum Club
Southcentral Power Projects and Issues
Tony Izzo, Enstar Natural Gas Company
Eugene Bjornstad, Chugach Electric Assoc.
- May 2: Thursday Breakfast-Petroleum Club
Placer Dome & Alaska: Perspectives
from Donlin Creek and Beyond
Joe Danni, Placer Dome Exploration, Denver
- May 16: Thursday Breakfast-Petroleum Club
Program TBA
- June 5: RDC Annual Meeting Luncheon
Native Corporations: The Future Face of
Alaska's Economy
Jacob Adams, Arctic Slope Regional Corp.
Carl Marrs, Cook Inlet Region, Inc.
Marie Greene, NANA Regional Corporation
Chris McNeil, Sealaska Corporation (Invited)
Sheraton Anchorage Hotel
Janie Leask, Moderator
- June 12: Alaska Coal Classic Golf Tournament
Anchorage Golf Course
(Proceeds benefit AMEREF)

2002 LEGISLATIVE FLY-IN BOARD ADDRESSES INDUSTRY PRIORITIES

A strong contingent of RDC board members representing the oil and gas, mining, timber, fishing and tourism industries hit the halls of the Capitol building in Juneau last month to highlight priorities and concerns ranging from the need for a comprehensive fiscal plan to permitting and regulatory issues.

Board members met with Governor Tony Knowles and DNR Commissioner Pat Pourchot, as well as the House and Senate leadership. Meetings were also held with the House and Senate Resource and Finance Committee co-chairs and other key legislators.

RDC was also briefed by Juneau Mayor Sally Smith on Southeast Alaska issues. Rep. Gretchen Guess of the Fiscal Policy Caucus also briefed the board on a bi-partisan



Above, Board and staff meet with House Speaker Brian Porter and Majority Leader Jeannette James. Top inset, Governor Tony Knowles meets with the board. At right, Executive Director Tadd Owens and Executive Committee member John Shively meet with Rep. Ben Stevens.



plan to fix the fiscal gap through Permanent Fund earnings, income taxes and other revenue measures.



MINING AND ALASKA'S ECONOMY

Juneau, Fairbanks and Nome were all founded on the discovery of gold. A slogan adopted by a Fairbanks elementary school reads, "If it weren't for gold, we wouldn't be here." Below, RDC Board member Elizabeth Rensch looks over an old mining dredge near Nome.



"Could it be the relentless actions of non-development interests have finally begun to show in economic data?"

The Southeast Alaska Conservation Council and the Northern Alaska Environmental Center recently released a report by University of Montana economics professor Michael Power on the Role of Mining in the Alaska Economy. The 40-page report downplays the importance of mining in the 49th state's economy by comparing its contribution in the larger context of oil and gas revenues. It is no secret that nothing really can, and probably never will, compare to the revenues generated by oil and gas development.

What is most troubling and deceiving about the new report is how it minimizes the importance of mining to local economies. This is simply wrong because the positive economic impacts large mining operations create are very significant to Alaska in the form of high-paying jobs, property taxes and economic growth and diversity.

The report gives the impression that wilderness over resource extraction would be more beneficial to the economy, yet it doesn't clearly show what would sustain the economy in the absence of resource industries. The report does correctly point out that service sector and retail jobs are replacing lost timber, mining and oil jobs. However, how can service jobs continue to grow or be sustained when basic industry jobs have disappeared and facilities have closed? It's no wonder the report has been criticized sharply in Southeast Alaska where deteriorating economic conditions have led to rising poverty and business closures.

The report in general disregards the overall impact mining has on Alaska's economy and local communities.

Take Juneau, for example, where the Greens Creek Mine is the largest private employer with a \$28 million annual payroll, providing the highest-paying jobs of any local employer. Greens Creek is the largest property taxpayer, although the mine doesn't receive any services from the local government. The company's employees

living in Juneau also pay property taxes. And both employee and company support local charities, doctors, banks, contractors and a wide variety of other businesses. The report downplayed these economic factors and neglected to take into account the \$17 million Greens Creek spent on supplies, much of which went to Alaska businesses. Greens Creek also spent another \$3 million locally with contractors.

The Greens Creek story is familiar to Fairbanks where the Ft. Knox mine is a major contributor to the economy. In a recent speech before RDC, Borough Mayor Rhonda Boyles pointed out that the mine is the largest taxpayer in Fairbanks and its high payroll and expenditures for supplies are vital to local businesses.

As oil production declines and resource development in general becomes a smaller pillar in the economy, fundamental changes are beginning to emerge. The replacement of high-paying jobs with lower-paying service jobs has resulted in a sharp decline in household income. Government reports have recently shown that Alaska is the only state to show a decline in median household income.

Moreover, between 1992-1999, Alaska was 49th in growth of gross state product and that over the last decade the per capita income in the state has grown by only one percent while it has climbed 14 percent on average across the Lower 48.

Could it be the relentless actions of non-development interests have finally begun to show in economic data?

Alaska's economic vital signs are in critical condition yet there's opportunity to reverse the negative trends by capitalizing on the wealth of natural resources that exist here. Alaska can develop its resources responsibly while protecting the beauty of the Greatland.

WHAT IS RDC?

RDC is the Resource Development Council for Alaska, Inc., a statewide nonprofit, membership-funded organization made up of individuals, local communities, Native corporations, organized labor and businesses from all resource sectors, including oil and gas, mining, fishing, timber and tourism. Through RDC these interests work together to promote and support responsible development of Alaska's resources.

RDC was formed in 1975, originally as the Organization for the Management of Alaska's Resources (OMAR). Today RDC is a consensus building organization linking diverse interests. It has become a leader in resource education from the classroom to the newspaper.

Get involved and help RDC advocate and educate for today, for the future.

MEMBERSHIP APPLICATION

Resource Development Council for Alaska, Inc.
121 W. Fireweed Lane, Suite 250, Anchorage, AK 99503-2035
Phone: (907) 276-0700 Fax: (907) 276-3887

Name: _____

Title: _____

Company: _____

Mailing Address: _____

City/State/Zip: _____

Phone/ Fax: _____

E-mail Address: _____

Website: _____

ANNUAL MEMBERSHIP CATEGORIES

	CORPORATE	INDIVIDUAL
PLATINUM	\$2400 or more	\$500 or more
GOLD	\$1200	\$300
SILVER	\$600	\$150
BASIC	\$300	\$50

PLEASE CIRCLE 1 OR 2 TOPICS OF MOST INTEREST:

Oil & Gas	Transportation	Water
Timber	Agriculture	Tourism
Mining	Energy	Land (Wetlands)
Fisheries	Labor	Education/AMEREF

METHOD OF PAYMENT: Enclosed is a check for \$ _____ or

MC/VISA/AMEX # _____ Exp. Date: _____

The Resource Development Council for Alaska, Inc. is classified a nonprofit trade association under IRS Code 501(c)(6). Membership dues and other financial support may be tax deductible as an ordinary and necessary business expense, however, 15.9% of the dues are non-deductible. Dues are not deductible as charitable contributions for federal income tax.

Minerals Commission Recommendations

(Continued from page 4)

facilitate mining activity, including the reconstitution of a core permitting team at the Alaska Department of Environmental Conservation and continued funding for airborne geophysical surveys. Recommendations of the Commission included using third-party contractors to provide permit development support, updating water quality standards by adopting criteria approved by the Environmental Protection Agency and developing a plan for state administration of the National Pollutant Discharge Elimination System program. The Commission also recommended working with user groups to develop mixing zone regulations that will not adversely affect

fish spawning areas or include plans to mitigate anticipated adverse impacts.

Other recommendations included research on important topics such as arsenic toxicity, total dissolved solids and pH; reinstating a centralized, systematic navigability program within DNR and encouraging a new process for approval of permits for road, rail and powerline projects to help develop infrastructure.

In its overview of the industry, the Commission's report noted a substantial decline in metal prices and a subsequent decrease in exploration and development investment. However, production at both Red Dog and Ft. Knox mines is expected to increase this year, and recent news of larger-than-expected reserves at Donlin Creek bode well for the industry.

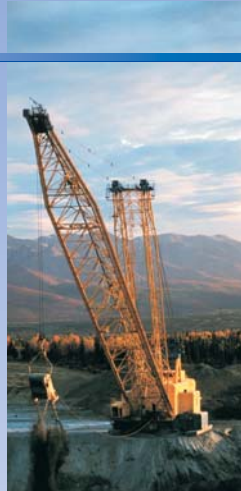


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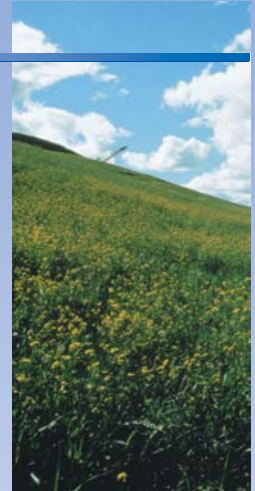
For nearly 60 years, Usibelli Coal Mine's production has grown to 1.5 million tons of coal per year supported by the most modern mining equipment and state-of-the-art engineering. UCM could mine for another 100 years on their active coal leases and still have only scratched the surface.



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