

# RESOURCE

July  
200

WELLS  
FARGO

## REVIEW

A PERIODIC PUBLICATION OF THE RESOURCE DEVELOPMENT COUNCIL FOR ALASKA, INC.

[www.akrdc.org](http://www.akrdc.org)

This Edition Sponsored By:



WELLS  
FARGO

*Past issues of Resource Review (1978-2006) are available at [www.akrdc.org/newsletters/](http://www.akrdc.org/newsletters/)*

## THE ALASKA GAS PIPELINE

### RDC TAKES CLOSE LOOK AT CONTRACT



The Resource Development Council's (RDC) statewide Board of Directors is working diligently to formulate the organization's position on the gas pipeline contract negotiated between the State of Alaska and the North Slope producers – BP, ConocoPhillips, and ExxonMobil.

RDC has engaged in a number of meetings and work sessions with additional activities scheduled in the weeks ahead. The Board hopes to finalize its position by July 24, the close of the extended public comment period.

At work sessions in May and June, the Board received a detailed sectional analysis of the contract from the administration and the producers, and also met with key legislators and former Department of Natural Resources employees – Commissioner Tom Irwin, Deputy Commissioner Marty Rutherford and Oil and Gas Director Mark Myers.

The Board also heard from affected RDC members, independent oil and gas companies and a local utility. Other directly impacted RDC members, including local communities, continue to participate.

RDC's Board encompasses all of

*(Continued to Page 4)*

### INSIDE



Gas Pipeline	1, 4-5
Oil Production Tax	3
Ballot Measure 2	6
Pebble Project	7-8
RDC Annual Meeting	8-9
Cruise Ship Initiative	10
RDC News Digest	11

# Life Savers



## When every second counts, count on Aeromed.

When you have crews working miles from nowhere, make sure they have a lifeline. Aeromed International's fleet can reach the most remote sites in the world with unrivaled response time, state-of-the-art technology and highly trained and experienced medical flight teams. At Aeromed, Critical Care Air Transport is our only job – 24/7.

**Contract Services:** 907.677.7501

**Medevac Services:** 888.283.7220

[WWW.AEROMED.COM](http://WWW.AEROMED.COM) 



A DIVISION OF YUKON KUSKOKWIM HEALTH CORPORATION

### Resource Development Council

121 W. Fireweed, Suite 250  
Anchorage, AK 99503  
Phone: (907) 276-0700  
Fax: (907) 276-3887  
E-mail: [resources@akrdc.org](mailto:resources@akrdc.org)  
Website: [www.akrdc.org](http://www.akrdc.org)

Material in this publication may be reprinted without permission provided appropriate credit is given.  
Writer & Editor Carl Portman

### Executive Committee Officers

President	John Shively
Sr. Vice President	Rick Rogers
Vice President	Wendy Lindskoog
Secretary	Tom Maloney
Treasurer	Stephanie Madsen

### Staff

Executive Director	Tadd Owens
Deputy Director	Carl Portman
Projects Coordinator/AMEREF E.D.	Jason Brune
Finance/Membership	Deantha Crockett

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.



## A MESSAGE FROM THE EXECUTIVE DIRECTOR

TADD OWENS

“Coupled with federal taxes and other state taxes and royalties, a 20/20 PPT results in a total government take of nearly 60 percent — the highest rate in North America.”

### EXERCISE CAUTION IN CRAFTING PPT, ROBUST OIL AND GAS INDUSTRY KEY TO ALASKA’S ECONOMIC HEALTH

Beginning July 12, during this summer’s second special session, the Alaska Legislature will have another opportunity to dramatically overhaul the state’s oil severance tax system by finally striking a compromise on Governor Murkowski’s petroleum production tax (PPT) proposal. Those who have followed PPT since the governor’s original bills were introduced on March 22 know it is a politically controversial and technically complicated issue. How it is resolved will be critical to the future of Alaska’s oil and gas industry.

The Legislature and the public have been inundated with numbers — base tax rates, tax credits and deductions, cost definitions, progressivity factors and price and revenue forecasts to name a few. And they have heard from various independent consultants and a host of directly impacted stakeholders. Access to all that information and opportunity for months of debate has not, however, resulted in a bill acceptable to a majority of legislators. Rather it has generated stalemate and allowed election-year politics to creep into play.

RDC recognizes the need to restructure the ELF system. However, we find the direction the Legislature is heading with PPT extremely problematic. We are very concerned the base tax rate remains too high. In addition to the base rate, the Legislature seems intent on enacting a number of other troubling provisions.

The Legislature’s refusal to view Alaska’s severance tax as one of a number of revenue streams from oil and gas production has contributed to the deadlock. While the production tax is significant, it makes up only a fraction of the total revenue the state receives from the industry. In fiscal year 2005, the industry generated \$2.8 billion in unrestricted revenue to the state’s general fund. The production tax equaled \$860 million. The remaining dollars came from royalties (including bonuses and interest), corporate income tax and property tax.

Despite the state being awash in cash, many legislators have advocated for a series of provisions designed to turn the governor’s 20/20 compromise with industry into a tax system destined to have significant negative impacts on future investment. Legislators have proposed a retroactive effective date for the tax, considered establishing a tax floor and even argued for increasingly onerous progressivity provisions. All under the guise of “maximizing” benefits for Alaskans.

Of course, none of these provisions make sense when the PPT is viewed together with income from royalties, property tax and corporate income tax. A retroactive effective date is intended to be punitive to the industry, plain and simple. Even under the current, out-dated severance tax system the state generated more than \$1 billion in surplus revenue for the

current fiscal year. The main argument for retroactivity appears to be the need to pay for this year’s gargantuan capital budget. If that is indeed the case, the business community has truly failed in its efforts to promote fiscal stability.

A tax floor is absolutely counter to one of the main premises of a net profits tax — the idea of shared risk. Industry is willing to share profits when prices are high knowing the state has shared in the risk of exploring for and producing oil by providing tax credits for investments. It is an appropriate balance especially given the state will continue to be buoyed by revenue from corporate income taxes and royalties when prices are low.

What has become known as “progressivity” is nothing more than a windfall profits tax. A net profits tax such as the governor’s original proposal is, by definition, progressive. As profits increase so does the state’s share of the revenue generated from a healthy industry. A windfall profits tax will cap the upside for industry in Alaska and depress future investment leading to less revenue for the state.

If any or all of these provisions are included in a new severance tax structure, they will work against the stated goals of growing the industry and its corresponding revenues to the state. The Legislature will have made a clear choice in favor of short-term state revenue over long-term investment and private sector economic growth.

RDC has argued from the beginning for the lowest possible tax rate. The governor’s 20 percent proposal was a doubling of the effective severance tax rate — a historic increase. Although our industry members reluctantly accepted the 20/20 compromise, they stated very clearly that it would have a negative affect on investment versus the status quo. Coupled with federal taxes and other state taxes and royalties, a 20/20 PPT results in a total government take of nearly 60 percent — the highest rate in North America.

RDC believes the Legislature should create a production tax system as easy to understand and administer as possible. We support a system that gives Alaska a competitive advantage for capital investment and we support a conservative system that errs on the side of long-term production, not short-term tax revenue.

The key to Alaska’s long-term economic and fiscal health is a robust oil and gas industry. Don’t begrudge the industry for being profitable, but rather celebrate our shared good fortune. Profits equate to new investment, jobs and business contracts for Alaskans and a healthy state revenue stream.

## GAS PIPELINE: BIG REWARDS, HIGH RISKS



*An Alaska gas pipeline would not only provide America with a significant portion of its future natural gas needs, it would result in far-reaching benefits to Alaska, including \$2 billion or more a year in revenues to the state, thousands of jobs, gas for Alaskans, new private sector business opportunities and encourage the development of a new gas exploration industry. It would also lead to new oil development, extending the life of the existing oil pipeline.*

*(Continued from Page 1)*

Alaska's basic industries, including oil and gas, mining, fishing, timber and tourism. The Board also includes major construction companies, labor organizations, Native corporations, local communities and a wide variety of support firms.

"In many respects, the RDC Board is a microcosm of the state and as such we're viewing the contract from a variety of perspectives," said RDC Executive Director Tadd Owens. "The Board is working to identify and analyze issues of importance to the membership in order to develop a well-reasoned RDC position on the contract. The importance of a gas pipeline project to the future of Alaska cannot be overstated. The Board is making sure RDC participates responsibly in the public process."

In extending the public

comment period on the contract to 75 days, Governor Murkowski said, "It is clear that many members of the public still have questions or still need explanations regarding the contract."

Under the Stranded Gas Development Act, the administration is authorized to negotiate tax and other state terms should the producers decide to build a 2,100-mile pipeline from the North Slope to Alberta or all the way to Chicago (3,600 miles). "We have done that part of the job," Murkowski said. "It is now up to the Legislature to give its approval."

The governor acknowledged the public and legislators have identified several areas of the contract that need revision, or better explanations. "Those that need it will be renegotiated with the producers," Murkowski said.

Murkowski gave as exam-

ples the provision to lock in oil tax rates for the term of the contract, the decision to take the state's royalty and taxes in-kind (in the form of gas) and the 20 percent state ownership interest in the pipeline.

The administration has been pitching the contract during public meetings throughout the state and defending the provisions that are aimed at offsetting some of the huge risks to the producers.

The producers insist the

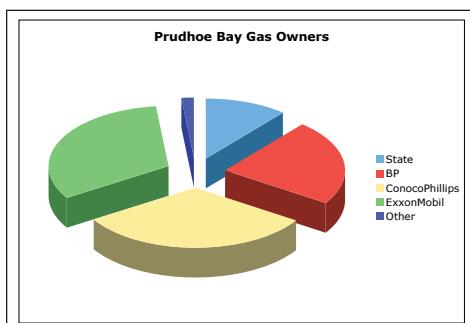
tax provisions are an important part of the overall package and that at the end of the day investors need to know what the rules are before planning, financing and building a project with this magnitude of risk. They and the administration also consider the state's 20 percent equity position in the project, as well as taking its royalty gas in kind, as core components of the contract that enable the project to move forward.

The cost of the pipeline is estimated at \$19 billion to \$27 billion, one of the largest construction projects ever planned. If built, it could bring Alaska thousands of jobs and more than \$100 billion in revenue during the next 35 years, as well as extend the life of the oil pipeline for an additional 20 years, netting the state billions of dollars in additional tax and royalty revenue.

With the 460-page contract, the administration has gone further than any other toward making the long-deferred project a reality. The administration views the contract as a mechanism that will finally help bring the pipeline project to life. However, legislative consultants and others have expressed

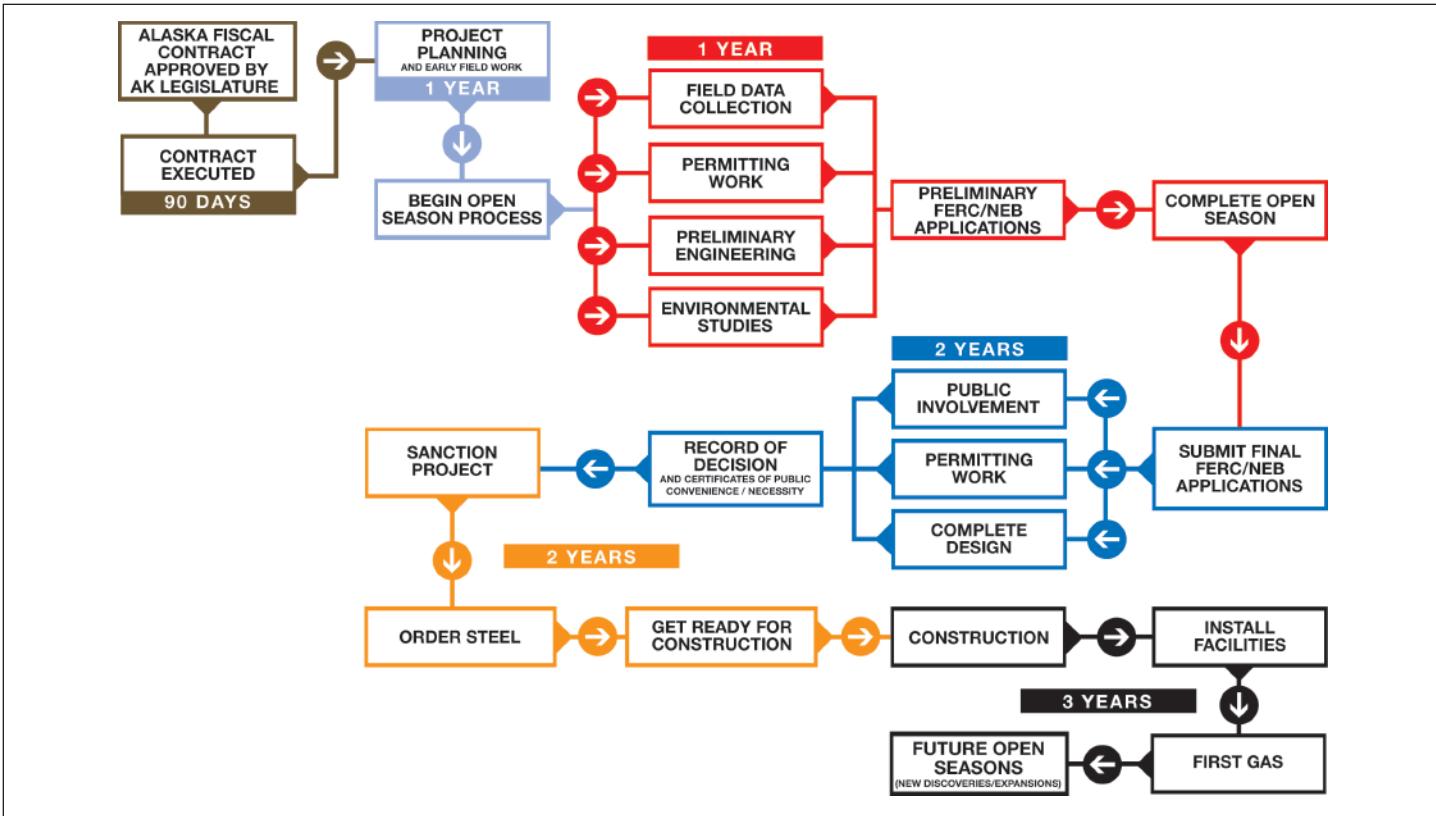
concerns about a number of provisions contained within the contract.

Specific concerns expressed by critics include the lack of a firm start date for construction, the absence of a project labor agreement,



*Prudhoe Bay gas ownership, excluding Pt. Thompson, is shown above: ExxonMobil, 36.39%; ConocoPhillips, 36.07%; BP, 26.36%; State of Alaska, 12.5%; other, 2%.*

# Key Milestones – Alaska Gas Pipeline



industry payments to local governments in lieu of taxes, and access and capacity provisions should new explorers discover additional gas. Others say the contract contains too many ways for the producers to delay or back out of the project.

The administration continues to stress the importance of considering the balance of the proposal as a whole rather than targeting individual contract elements.

Proponents of the contract point out a gas pipeline has been a dream of Alaska since the 1970s and they believe this contract is the most viable means of transforming that dream into reality. They warn if Alaskans insist on getting everything they demand from the contract, the state runs the risk of getting nothing at all – no pipeline and corresponding jobs, lost private sector business op-

portunities, no gas for in-state use, and no long-term revenues associated with a new gas industry.

State lawmakers must approve the contract before it can be signed by the governor and the producers. Due to terms of the contract, they must also hammer out an agreement on the oil production tax revision and change the state's natural gas development act to address statutory issues. They failed to do either during a 30-day special session this spring, however, the governor has announced a second special session will begin July 12.

The contract does not guarantee construction of the pipeline nor does it set a timeline for development because there are a number of variables that can affect the project's economics and the starting date of construction. For instance, once the project

is engineered, designed and permitted, substantial cost overruns could make it uneconomic.

The project could also be endangered if gas prices return to historically low levels. Moreover, the rigorous and time-consuming permitting process and Canadian regulatory authorizations combine to make an absolute starting date for construction highly uncertain at this stage.

Once the final contract is approved, the companies would have 90 days to begin the planning phase, followed by engineering and permitting activities. Planning, engineering and permitting the project will cost the companies about \$1 billion.

The state's most optimistic timeline shows that construction wouldn't start for at least five years and that gas would not reach Lower 48 markets until midway through the

next decade.

Once the "open season" (the period where shipping commitments are made) is concluded, a company cannot back out of the project. If it does, it faces losing its oil and gas leases under the contract's nonperformance provisions.

While there are no shortages of opinions on the draft contract, both proponents and critics agree that a pipeline would bring tremendous economic benefits to Alaska and is the key to establishing a long-term gas industry in the state. The challenge is achieving resolution on a contract that ultimately transforms Alaska's 30-year pipe dream into reality.

For copies of the contract and other gas pipeline related documents, please visit: [www.gaspipeline.alaska.gov](http://www.gaspipeline.alaska.gov).

# BALLOT MEASURE 2 BAD FOR TOURISM AND ECONOMY



*Ripple effects of Ballot Measure 2 would be felt throughout the travel industry, which generated over \$2 billion in spending last year. There are more than 2,000 Alaska businesses, from small eco-tourism operations to large hotels, that provide goods and services to visitors. Even a 1 percent reduction in the number of visitors would mean the loss of \$20 million from the economy and the loss of over 250 jobs.*

*By Carol Fraser, Aspen Hotels  
RDC Executive Committee member*

Ballot Measure 2, which would levy additional taxes and regulations on the tourism industry, will go before voters in the August 22 Primary Election. RDC's leadership and members have been working with Alaskans Protecting Our Economy (APOE), the coalition organized to educate the public on the negative economic impacts of the initiative.

Hundreds of individuals and businesses, along with industry and business groups, have joined this coalition to help defeat Ballot Measure 2 by sending in resolutions of opposition.

Measure 2 has nine pages of complex and confusing provisions - new taxes, a new vessel permitting system, new state employees on every vessel, duplicative water and environmental sampling programs, citizen suit provisions, and more. It will likely result in numerous, unintended consequences negatively effecting local businesses.

Tourism is a growing industry and is Alaska's fourth largest employer. Ballot

Measure 2 will not only directly hurt tourism businesses, but it will also hurt the services and infrastructure businesses that support the industry. With more than 26,000 local jobs provided by tourism, contributing tens of millions of dollars to Alaska's economy, there is a lot at stake.

Measure 2 would increase costs, discourage tourism and reduce spending at local businesses. It mandates four additional new taxes, including a statewide head tax of \$50 per person, \$100 per couple, and \$200 for an average family of four.

Visitors have many options worldwide. Many are on a budget for what they consider the trip of a lifetime. Since most are not wealthy, ticket prices do matter. Together with extra fuel costs, visitors already pay millions of dollars in taxes and fees on plane tickets, hotels, hotel bed taxes, restaurants, tours, shopping, and sales taxes in certain communities. Imposing more taxes and fees on top of all the other additional travel costs will keep visitors away and further

depress spending in local communities.

Measure 2 has another alarming new requirement that forces the disclosure of confidential business pricing information about Alaska's local small businesses. This is particularly disappointing since no other business in Alaska is required to publicly disclose pricing strategies in any setting. These disclosures could reduce the amount of tours and excursions taken by visitors, hurting Alaska-based businesses the most.

The citizen suit provision in Measure 2 could pose a significant threat to Alaska-based businesses, as well. The measure creates opportunities for frivolous and predatory lawsuits by allowing lawyers to file suit and collect up to 50% of any fines collected. This is an open invitation to lawyers from across the country to file suit in Alaska.

RDC's members are all too familiar with how Alaska's timber industry has been decimated by frivolous, predatory, and unnecessary lawsuits, costing thousands of timber jobs. Measure 2 provides the same lethal medicine to tourism workers.

RDC opposes Measure 2 because of the potential harm it will do to Alaska's economy. Here are a few things you can do to ensure we defeat Measure 2:

- Discuss the measure with your friends, co-workers, and employees. Explain its negative affects on local business and encourage people to vote "No."

- Encourage your employees who are residents of the state to register to vote. If they are already registered and working away from their polling location, encourage them to request an Absentee Ballot.

- Set aside time on Election Day to vote. Provide the opportunity for your employees to vote. If they are interested, offer to provide transportation to and from their polling location. Make sure you set aside time outside of breaks and their lunch period for them to vote.

For more information about Measure 2's impacts or to join efforts by signing a resolution of opposition visit: [www.protectoureconomy.com](http://www.protectoureconomy.com).

# THE PEBBLE PROJECT

## Balancing Community Values And Economic Opportunities

A consortium of large mine operators is likely to emerge later this year to permit, construct and operate the big Pebble copper-gold-molybdenum project in Southwest Alaska.

That's the goal of Robert Dickinson, Chairman of the Hunter Dickinson Group, which operates Northern Dynasty Mines, the company pursuing development of the Pebble deposit, the largest accumulation of copper and gold in North America.

"Consortiums are a typical structure for most large mine developments and generally include large mine operators and smelter groups," Dickinson said. "Discussions are well underway with the world's senior mining companies and I fully expect we will achieve our consortium goal before the end of this year."

Dickinson joined Mayor Glen Alsworth of the Lake and Peninsula Borough and Jason Metrokin, Vice President of Shareholder and Corporate Relations at Bristol Bay Native Corporation, in speaking before more than 500 people attending RDC's 31st Annual Meeting in Anchorage June 13.

Both Alsworth and Metrokin said it is too early to judge the controversial project and they each emphasized their decisions to support or oppose the mine will be based on fact, not rhetoric or speculation.

Many consider Pebble a world-class opportunity for Alaska, representing billions of dollars of investment and thousands of well-paying



*Robert Dickinson noted, "Discovery of Pebble East has given us the opportunity to consider different mine plans for the project." Jason Metrokin said, "It would be irresponsible of us (Bristol Bay Native Corporation) to indicate support or opposition for a project that is not yet defined." Mayor Glen Alsworth said, "When I make a decision, it will be based on fact."*

jobs for as long as 50 years. The project would also bring much needed economic and infrastructure development to rural Alaska.

Others, however, have voiced concerns about potential environmental impacts of a large mine on the region's commercial and sport fishing industries and local subsistence activities.

The project is in its early days. Environmental, social and geological studies are ongoing, and the lengthy permitting process of the project is not expected to begin until 2008 at the earliest.

Pebble is located on state land within the Lake and Peninsula Borough, about 230 miles southwest of Anchorage. Initially the Pebble West deposit was thought to contain about one billion tons of moderate to low copper grades, Dickinson said.

Following extensive drilling programs, the first major breakthrough for Northern Dynasty came in 2003 and 2004.

"Not only did the Pebble West deposit grow fourfold, we discovered more than 500 millions tons of higher grade starter ore to enable early payback of the construction

capital for a large mine," Dickinson said.

After Northern Dynasty started feasibility studies for an open pit mine, Dickinson explained, "Late in 2005, we hit the home run when our exploration drilling discovered the new, higher-grade Pebble East deposit." Pebble West is a 4.1 billion ton open pit style deposit and Pebble East is a 1.8 billion ton underground style deposit which is still open to expansion.

Dickinson said project feasibility studies and permit applications for an open pit mine are now being deferred while the new, underground-style, Pebble East deposit is fully delineated.

"Discovery of Pebble East has given us the opportunity to consider different mine plans for the project," Dickinson said.

By the end of this year, Northern Dynasty will have invested more than \$111 million dollars advancing Pebble. Over one third of the expenditures are on extensive environmental and socioeconomic baseline studies. "These studies will enable Northern Dynasty to design the very best mine project to eventually propose to the

state's permitting process," Dickinson said.

Dickinson also reported that a deep sea port site has been selected on Cook Inlet and an 88-mile road from the port has been surveyed. He said power for the project will be delivered via a 41-mile submarine cable hook up to the Alaska electrical transmission grid near Homer, followed by a standard overhead transmission line to the site. Incorporated into the mine's energy plans is power distribution to local communities in the region.

Dickinson said the growing global demand for copper bodes well for Pebble.

"Analysts are currently predicting that by 2016 the world will require 26 new Pebble deposits to fill the void between copper consumption and copper supply," Dickinson said. "Here in the U.S., production of copper is falling due to the exhausting of major open pit copper mines in Arizona, New Mexico and Utah. The inability by the U.S. to fully supply internal demand has lead to a growing need to import substantial amounts of copper."

*(Continued to page 8)*

## NEW MEMBERS ELECTED To RDC BOARD



Above, members of the RDC statewide Board of Directors gather on the jade staircase of the Sheraton Anchorage Hotel following the 31st Annual Meeting. New members elected to the 2006-07 Board were Ella Ede, Northern Dynasty Mines, Inc.; Kip Knudson, Tesoro Alaska Petroleum Company; Karen Matthias, Canadian Consulate; Lance Miller, Juneau Economic Development Council; Judy Patrick, Judy Patrick Photography and Cam Toohey, Shell Exploration and Production Company. (Photos by Judy Patrick)



RDC's current slate of officers were all re-elected to an additional term. Pictured above are Executive Director Tadd Owens, Treasurer Stephanie Madsen, Senior Vice President Rick Rogers, Secretary Tom Maloney, President John Shively and Vice President Wendy Lindskoog. Shively was elected to his fourth consecutive term as President.

## Pebble Decisions Should Be Based On Fact, Say Mayor, Native Corp

(Continued from page 7)

Both Metrokin and Alsworth struck a neutral tone in their comments about the project, noting that while the economy in Southwest Alaska is in need of economic diversification, historically commercial fishing is the economy's mainstay and subsistence is the heart and soul of the region.

While Pebble is not on Bristol Bay Native Corporation land, Metrokin said it is monitoring the project while evaluating both opportunities and risks.

"It would be irresponsible of us to indicate support or opposition for a project that is not yet defined," Metrokin said. "We will take a position when the time is right. We will participate in the process should it move ahead. We will represent our shareholders, and make our decisions from a position of sound scientific knowledge."

Metrokin noted there are a number of resource development opportunities in the region. Most of the projects are for hard rock minerals, but exploration for hydrocarbons is also being considered south of the region. He said total expenditures on these projects will approach \$50 million in 2006 with much of it staying in the region.

"There have already been many benefits of the exploration activity," Metrokin said, ranging from major donations to training and scholarship programs to new business opportunities and employment of local residents.

"Even if no mines or gas fields are developed, our people have

gained skills they can use to obtain employment elsewhere," Metrokin said. "The skills they have learned are exportable."

He also pointed out that with all the attention to the region's lands, much has been learned about the area's geology, biology, sociology and geography.

"We should all hold ourselves accountable – as Alaskans and Bristol Bay residents – to become educated on this project's potential benefits and risks, so that we can make informed decisions at the right time," Metrokin said.

Alsworth struck a similar tone, emphasizing it is premature to judge the project before it has been engineered, designed and routed through the state and federal environmental and permitting process.

"When I make a decision, it will be based on facts," Alsworth said. He said the borough would not support the mine if the facts ultimately indicate unavoidable, significant impacts to fish, wildlife and the environment.

Dickinson expressed confidence that the rigorous permitting process will conclude the project can be developed in an environmentally-sensitive manner and he said Northern Dynasty is working hard to be a good neighbor.

"I believe Pebble provides the opportunity to create one of Alaska's most important sustainable developments, potentially 50 years or more, while at the same time it is of strategic importance to America."



## RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

31<sup>st</sup>

# Annual Meeting Luncheon

**The Pebble Project:** Balancing Community Values  
And Economic Opportunities

In sincere appreciation to all Gold and Silver sponsors, as well as all of our members on the 31st anniversary of the formation of the Resource Development Council for Alaska, Inc.

### *Gold Sponsors*

AIC

Anadarko Petroleum Corporation

Barrick Gold Corporation –

Donlin Creek JV

BP

Bradley-Reid & Associates

Carlile Transportation Systems

Chevron Corporation

COEUR Alaska, Inc. – Kensington  
Gold Mine

Cook Inlet Region, Inc.

ConocoPhillips Alaska, Inc.

Doyon Family of Companies

ExxonMobil

Flint Hills Resources, Inc.

GCI

Holland America Line

Kennecott Greens Creek Mine

Kiewit Companies

Koniag, Inc.

NANA Development

Corporation/Teck Cominco

Northern Dynasty Mines, Inc.

Northrim Bank

Shell Exploration & Production  
Company

Udelhoven Oilfield System  
Services

Veco Alaska, Inc.

Wells Fargo Alaska

Westward Seafoods

# *Thank You!*

### *Silver Sponsors*

Aero-Metric, Inc.

Agrium, Inc.

Alaska Airlines

Alaska Industrial Development  
& Export Authority

Alaska Railroad Corporation

Alaska USA Federal Credit Union

Alyeska Pipeline Service Co.

Anchorage Sand & Gravel

Arctic Slope Regional Corporation

ASRC Energy Services

At-Sea Processors Association

Calista Corporation

Colville Logistics, LLC

CH2M Hill

Chugach Alaska Corporation

Chugach Electric Association

Dowland Bach Corporation

DRven Corporation

Evergreen Helicopters of Alaska

Fairbanks Gold Mining/Kinross Gold

Fairweather

First National Bank Alaska

Golder Associates, Inc

Great Northwest, Inc.

Harbor Enterprises, Inc./

Petro Marine Services

Hartig, Rhodes, Hoge & Lekisch, PC

Hawk Consultants LLC

H.C. Price Company

Judy Patrick Photography

Kakivik Asset Management

Key Bank

Koncor Forest Products

Laborers Local 341

Lynden

Marathon Oil Company

Mikunda Cottrell & Company

Nabors Alaska Drilling

Nome Joint Utilities

The Palmer Group

Peak Oilfield Service Company

PenAir

Peratrovich, Nottingham & Drage

Perkins Coie LLP

Petrotechnical Resources of Alaska

Pioneer Natural Resources Alaska

Princess Cruises

Royal Caribbean Cruises

Sealaska Corporation

Shaw Alaska

Sheraton Anchorage Hotel

Southeast Stevedoring

STEELFAB

Teamsters Local 959

TeckPogo, Inc.

Tesoro Alaska Petroleum Co.

Totem Ocean Trailer Express, Inc.

TransCanada

Ukpeagvik Inupiat Corporation

Usibelli Coal Mine

Wilder Construction Company

Wyndham Publications



## **CRUISE INDUSTRY FEEDS ALASKA ECONOMY**

On page six of this month's Resource Review there is a piece by Carol Fraser of Aspen Hotels that discusses in some detail the reasons for voting against Ballot Measure 2, which is a nine-page voter initiative designed to punish the cruise industry in Alaska.

I am not going to repeat the arguments that Carol makes so well as to why the ballot measure is a particularly onerous piece of work. What I do want to address is why this initiative has caused concern throughout the tourism sector and may well have implications for other industries trying to build Alaska's economy.

In many ways the cruise industry is the feedstock for much of what goes on in tourism in Alaska. Cruise ships bring about half of the visitors to Alaska each year. In doing so, the industry helps feed hundreds of Alaska businesses, large and small. On the large side of things, the industry provides tens of thousands of passengers for the airlines. In the summer, it helps fill the hotel rooms in Anchorage, Denali, and Fairbanks.

However, the industry also feeds the smaller operators. The list of Alaska businesses that have grown up to serve cruise ship passengers is practically endless. River boat rides, river rafting, kayaking, guided hikes, canopy walks in our forests, sport fishing, flight seeing in fixed-wing aircraft and helicopters, salmon bakes, whale watching, sport fishing, a tramway, horseback rides, and a narrow gage railway, are just some of the Alaskan businesses that have sprung up to serve the people cruise ships bring here.

Then there are the numerous restaurants, bars, coffee shops and souvenir emporiums that benefit from the cruise ship traffic. Chris Anderson, the owner of Orso and the Glacier Brewhouse in Anchorage, has stated on numerous occasions that, if it were not for the summer visitor business, his restaurants would not be here in the winter.

Our visitors help support institutions such as the Seward Sea Life center, the Anchorage Museum of History and Art, Sitka's Raptor Recovery Center, and the Alaska Native Heritage Center, places residents can visit year round. The cruise industry brings tens of thousands of visitors to Alaska's national parks each year and helps pay for the costs of operating some of those parks. It has worked with the National Park Service to develop new interpretive programs for our visitors. It is also a major source of revenue for the state's Totem Bight Park.

Let's take a look at taxes. In Anchorage alone, cruise ship passengers provide over 70,000 bed nights a year to the hotels in the city. The bed taxes paid on these bed nights will make a substantial contribution toward the building of Anchorage's new convention center.

The Denali Borough was formed around the property tax base from the hotels and other tourist facilities that serve visitors to Denali National Park. In communities such as Juneau and Ketchikan businesses are growing and constructing new buildings, further adding to the local tax base so that these communities can fund education, police protection and other services for their citizens. In addition, our visitors leave behind millions of dollars in sales tax to help support those communities that have such a tax.

Another way the cruise industry helps feed the Alaska economy is through our aggressive marketing programs. As an industry, it spends about \$70 million a year to encourage people to visit Alaska.

This effort is considerably more than the state puts into its tourism marketing arm, the Alaska Travel Industry Association (ATIA). However, as part of our partnership with Alaska's tourism businesses, we contribute about \$2 million a year to ATIA's program, a significant boost to its budget.

Another example of how the cruise industry acts as the feedstock for tourism in Alaska is by giving thousands of people their

first taste of Alaska. Obviously there are many spectacular places in Alaska that can not be visited by a cruise ship. However, the cruise passenger can get a good idea of what we have to offer for future visits. A survey conducted by ATIA a few years ago found that 27% of return visitors first came to Alaska on a cruise.

It should be no surprise to anyone that Alaska businesses, large and small, have lined up to oppose Ballot Measure 2, as have organizations such as RDC. They recognize the symbiotic relationship between the cruise industry and Alaska's economic well being. They know that the punishment intended for the cruise industry by those who promoted Ballot Measure 2 will be felt by hundreds of Alaska businesses.

So take Carol Fraser's advice. Vote "no" on Ballot measure 2 and help educate your friends, neighbors and co-workers as to why they should do likewise.

*Editor's Note: John Shively is Vice President, Government and Community Affairs, Holland America Line.*

# RDC NEWS DIGEST

## SCOPING PROCESS BEGINS ON CHUITNA COAL

The Environmental Protection Agency has opened the scoping process for the proposed Chuitna Coal Project 45 miles west of Anchorage. The public comment period closes July 24.

The scoping phase is part of the EPA's process in preparing a Supplemental Environmental Impact Statement (SEIS) to evaluate the potential impacts of the proposed project, a surface coal mine and export development in the Beluga coal fields. The project is based on the development of a one billion ton, ultra low sulfur, sub-bituminous coal resource, the center of which is 12 miles from the coast of Cook Inlet. The project area is largely undeveloped, except for a system of primitive roadways that remain from oil and gas exploration and production, and logging activities.

The proposed project includes a surface coal mine and support facilities, an access road, a coal transport conveyor, personnel housing, an air strip facility, a logistic center and coal export terminal. The export terminal would include a 10,000-foot trestle built into Cook Inlet for the purpose of loading ocean-going coal transport ships. PacRim Coal, the project developer, predicts a minimum 25-year mine life based on proven reserves in one of three mining areas within the 20,571 acre lease area.

A previous project design was evaluated in an Environmental Impact Statement (EIS) and permitted by most state and federal regulatory programs in the early 1990s, but the mine did not proceed to development. There have been substantive changes in the project design and in the regulatory requirements since the project went through the first permitting and EIS process, requiring a new stand-alone SEIS.

The scoping document and the previous EIS is available on EPA's website at: [www.epa.gov/r10earth/water/htm](http://www.epa.gov/r10earth/water/htm). Comments should be sent to Hanh Shaw, Chuitna Project Manager, EPA, 1200 Sixth Avenue, OWW-130, Seattle, WA 98101. Email: [shaw.hanh@epa.gov](mailto:shaw.hanh@epa.gov).

## SUPREME COURT HANDS PLF ANOTHER VICTORY

The U.S. Supreme Court handed the Pacific Legal Foundation (PLF) and its supporters its fifth win out of six cases in which the law firm has appeared before the court as Counsel of Record.

In the latest case, the court ruled the U.S. Army Corps of Engineers does not have jurisdiction over every puddle or "dry arroyos in the middle of the desert." Before it can claim jurisdiction, the court said the Corps has the burden of showing that the property activity it seeks to regulate will have a significant effect, not an insubstantial effect, on the nation's waters. The ruling is a significant blow to the agency which has taken a position in its own rules that if private fill activities "could" possibly have some effect on the nation's waters, it has permitting jurisdiction.

In one of the most important property rights cases before the court this year, PLF represented John Rapanos, who has stood up to federal regulators in an 18-year battle after he attempted to move sand on his property without a federal permit. The property is 20 miles from any waterway that could trigger federal oversight. The law limits federal jurisdiction to "navigable waterways" used for shipping and commerce and adjacent wetlands; inland wetlands are protected by state and local rules.

## MAGNUSON-STEVENS ACT PASSES SENATE, RDC RAISES CONCERN OVER POTENTIAL AMENDMENTS

In a victory for Senator Ted Stevens, legislation reauthorizing the Magnuson-Stevens Act, which manages and regulates fisheries in the U.S. Economic Exclusion Zone, unanimously passed the Senate last month.

"The Senate has now acted and I will work closely with the House to get our bills resolved in conference and get this important legislation to the President for his signature," Stevens said. Stevens has worked hard for the passage of the progressive bill updating the nation's fisheries laws.

RDC is concerned over potential amendments to the bill which would place limitations or restrictions on the ability of American corporations having foreign ownership to participate in future fishery management programs. The amendments could emerge during conference committee deliberations.

RDC said such an action would ignore the benefits foreign capital in the fisheries has generated to Alaska and its fishing-dependent communities. Without foreign investments, the onshore processing industry would not have been developed. Instead, the industry has become a pillar of the state's economy, providing thousands of jobs and paying millions of dollars in taxes and fees to the state and local governments.

RDC also noted such limitations would create a tier of second-class companies by government fiat and put them at a competitive disadvantage. Amending federal law to discriminate against foreign-owned firms is the wrong message to send to Alaska's trading partners and investors, RDC argued.

RDC noted restrictions on foreign investment in the fishing industry would set a dangerous precedent for other capital-intensive, resource development activities, especially in Alaska. No other state relies on foreign investment more for economic development or is better positioned to attract and benefit from foreign investment in the future. In every major Alaska industry sector there is substantial foreign investment.

## AMEREF COAL CLASSIC RAISES NEARLY \$20,000 FOR RESOURCE EDUCATION

The 14th Annual Coal Classic Golf Tournament in support of AMEREF was held on June 7 at the Anchorage Golf Course. The sold out event raised nearly \$20,000 for objective resource education in Alaska.

A list of the many generous sponsors and pictures from the event may be found online at: [www.ameref.org/coalclassic/](http://www.ameref.org/coalclassic/)



WELLS  
FARGO

The Next Stage®

# Introducing **Desktop Deposit<sup>SM</sup>** Service

## From Wells Fargo

These days, saving time and money is what running a small business is all about. And Wells Fargo has the solution. *Desktop Deposit* service is a unique and convenient new way to make electronic deposits, improve cash flow and even receive deposit confirmation – right at your desk!

There's no software to purchase, nothing to install and nothing to maintain. And *Desktop Deposit* service is available only through Wells Fargo. Call us today!

©2006 Wells Fargo Bank, N.A. All rights reserved. Member FDIC

- End employee – or courier – trips to and from the bank.
- Deposit checks anytime, from any location with extended ledger credit deadlines.
- Link deposits more efficiently to accounts receivable.
- Eliminate the risk of transporting checks.
- Access deposits, information and even check images via Wells Fargo's proprietary *Commercial Electronic Office®* business portal (CEO®) internet portal.
- Take advantage of new CHECK 21 legislation.

**Call or visit your  
Wells Fargo Business  
Banker today!**

[wellsfargo.com](http://wellsfargo.com)



**RESOURCE DEVELOPMENT COUNCIL**

Growing Alaska Through Responsible Resource Development  
121 W. Fireweed, Suite 250, Anchorage, AK 99503

PRSR STD  
U.S. Postage  
PAID  
Anchorage, AK  
Permit No. 377

ADDRESS SERVICE REQUESTED