

RDC Launches Campaign Supporting Watt

The Resource Development Council for Alaska (RDC) has announced plans to spearhead a statewide campaign to support policies of the new Secretary of Interior James Watt.

RDC officials say the effort will begin with a petition drive. The group will initiate the project by contacting associate organizations which actively support rational land-use policies.

"We are convinced the vast majority of Alaskans support his appointment as Interior Chief," said Paula Easley, executive director of the Council. "Our job is to get them to speak up. Petitions aren't

the best way to do this, but our effort is intended to neutralize the petition campaign being conducted by environmental and consumer groups demanding Watt's resignation," she said.

The Council, the state's largest citizens group, whose members come from labor, business, and government, also plans a letter campaign targeted to key members of congress.

Charles F. Herbert, newly-elected President of the Resource Development Council, explained the action of the group's executive committee.

"Jim Watt is not the pro-

development extremist he's being made to appear. His background, experience, and commitment to balancing development and environmental concerns are exactly what this nation needs," Herbert said. "We want Congress to know Alaskans support him."

Herbert said the project would be a major undertaking of RDC. "We're going to need a lot of volunteers--individuals and organizations working with their own members--to make this a success."

Herbert urged Alaskans wishing to assist the project, dubbed "Alaskans for Secretary Watt," to contact RDC at 278-9615.

House Research Agency, *Continued...*

Christine Johnson performs research on social and health services, the judiciary and law enforcement, and state taxes and expenditures. She is currently working on an evaluation of the child support enforcement program and an analysis of water right issues, as well as providing oversight of State loan program activities.

Jack Kreinheder focused his efforts the past session on revenue sharing, oil and gas, fisheries and health care. His present assignments include an analysis of coastal protection funds and research

relating to energy conservation, the Susitna Hydroelectric project, and telecommunications.

Leslie Longenbaugh has been hired as a temporary entry-level research analyst. Her research has focused on State loan programs and higher education issues.

At a recent hearing in Juneau dealing with Alaska coal, researchers Susan Brody and Ann DeVries were commended by RDC's executive director for their reports on Coal Leasing and Taxation and Markets for Alaskan Coal.

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RESOURCE REVIEW

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April - May 1981



What will the future hold for the Alaska Railroad?

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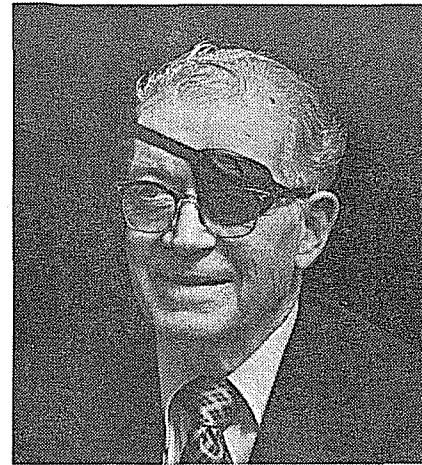
Executive Officers Elected

Former Alaska Department of Natural Resources Commissioner Charles F. "Chuck" Herbert has been elected President of the Resource Development Council.

Outgoing President Tom Fink handed the gavel to Herbert at the Council's annual meeting April 10 at the Captain Cook Hotel. Fink, an Anchorage insurance executive and former Speaker of the Alaska House of Representatives, stated, "any organization is only as good as its members, and if that is the criteria by which we are judged, you can be proud, as I am, to be part of the most

respected, effective organization of its kind in Alaska." He added, "we're just ordinary people who believe enough in Alaska's future to devote our time and money to fighting for change."

Herbert became Deputy Commissioner of the Department of Natural Resources in 1963, and seven years later Governor Bill Egan named him Commissioner. He has worked as an operator and mining consultant in Alaska, Canada, and Central and South America. Herbert served as Alaska's first chairman of the Alaska Public Services Commission and is currently active in the Alaska Miners



Charles "Chuck" Herbert

Association, the American Institute of Mining Engineers, the American Mining Congress, and Commonwealth North. For several years Herbert has been RDC's staff consultant on mining.

Other new Executive Committee officers elected were vice presidents Mano Frey, Laborers Local 341, and Dorothy Jones of the Matanuska-Susitna Borough Assembly. Bob Swetnam, Phillips Petroleum, was elected secretary, and Darrel Rexwinkel, Coopers & Lybrand, was chosen treasurer.

The 1981-82 Executive Committee also includes E.W. "Pete" Casper, Green Construction Company; Paul Dunham, Machinists Local 601; Tom Fink, Schroer-Fink Insurance; Bob Fleming, former Alaska broadcaster; O.K. "Easy" Gilbreth, Alaska Oil and Gas Association; H. Glenzer, Jr., Associated General Contractors; Dan Hinkle, attorney for Marathon Oil Company; Jed Holley, business consultant; John Kelsey, Valdez Dock Company; Tom Pargeter, National Bank of Alaska; and former District Seven Senator Bill Sumner, owner and operator of Aviation Alaska.

New members elected to the Resource Development Council's State Board of Directors from Anchorage are Rex Bishopp, John Creed, Erwin Davis, William English, Lloyd Pernela, Jim Sourant, Pat Starratt, Bill Sumner, Dale Teel, Dave Harbour, and Don Wold. Other new members include Bob Childers, Valdez; Pat Quinlan, Kenai; and Fairbanksans Tom Owen and Joe Thomas.

House Research Agency Progresses

In its first year of operation, the House Research Agency has responded to 187 requests for research from legislators in addition to 14 special projects resulting in major reports and papers, says the agency's annual report.

The House Research Agency's staff consists of six full-time researchers, one part-time researcher, and a research analyst in addition to the director, administrative assistant and two seasonal secretaries.

The organization's expertise and knowledge in several key issue areas has significantly expanded, the report states. The staff is now prepared to address various oil and gas-related issues, including petrochemicals, corporate taxes and leasing questions.

During the interim, the research agency provided information on finance, bonding, public utilities, telecommunications, higher education, worker's compensation, and various public assistance programs. Other projects involved coal, state loan programs, child support, enforcement, refugee resettlement, water rights, coastal protection funds and energy conservation.

According to the annual report, the agency takes requests for research on a "first come, first serve" basis to assure a non-partisan entity. Special projects requiring more extensive work are authorized by the bi-partisan governing committee of the agency, composed of the Speaker, Minority Leader, and the ranking House member of the Legislative Council.

In keeping with its mission of providing objective research, the agency compiles factual data, identifies and critically evaluates policy options. However, as a general rule, the agency will not render policy recommendations.

Research requested by legislators is treated confidentially unless the director requests otherwise.

The agency staff consists of:

Connie Barlow has been a special assistant on oil and gas issues to the Commissioner of the Department of Natural Resources, a research analyst, and deputy director of the Coastal Management Office, and a member of the reasearch staff of the Federal-State Land Use Planning Commission. To date, Barlow has researched issues related to oil and gas and the allocation of water

rights.

Betty Barton was formerly assistant city manager of Bethel and a local government specialist of the Department of Community and Regional Affairs. Her work has focused on health care, senior citizens programs, food and drug laws, and refugee resettlement.

Susan Brody serves as acting director in the director's absence. She has performed research on petrochemicals, other oil and gas related issues, coal, timber, and day care. She is a former member of the Anchorage office of CH2M Hill, a national consulting firm.

Anne DeVries has undertaken market analysis of various Alaska natural resources, including agriculture and coal. She has also researched issues relating to higher education, workers' compensation, telecommunications and public financing.

Alexander Hoke, a staff member of the former legislative research division, has performed work in the fields of taxation, state expenditures, transportation, energy conservation and alternative energy sources. Currently he is completing a preliminary economic and technological assessment of airships as an alternative transportation mode. *Continued on page 12*

Valdez Wins Environmental Award

The Resource Development Council presented its Environmental Enhancement Award to the City of Valdez at the organization's annual meeting, Friday, April 10 at the Captain Cook Hotel.

In accepting the award from Resource Development Council Executive Committee member Jed Holley, Valdez Mayor Stephen McAlpine thanked the Resource Development Council and noted that "growth and environmental qualities can be rendered compatible through sound planning." The award is given in recognition of a community or organization's outstanding efforts to improve the quality of life through well planned economic development and aesthetic improvements.

"Valdez has become one of Alaska's major growth centers in the past decade and while many people will assume that industrial expansion is necessarily accompanied by environmental deterioration, Valdez citizens have proved otherwise," Holley stated. Citing the accomplishments Valdez has achieved in the past two years, Holley noted that the city, along with volunteer service organizations, is pursuing the beautification of the city in tandem with industrial expansion designed to establish the community as a diversified center of commerce.

Projects recently completed in Valdez include the landscaping of the Mineral Creek Parkstrip, construction of the Camp Comfort Neighborhood Park, a softball complex, and the small Boat Harbor Boardwalk. Continuing improvements and programs in 1981 include construction of the Valdez Civic Auditorium, capital improvements to provide neighborhood parks, expansion of bike paths and improvements to historical hiking routes, the adoption of a Parks and Recreation Master Plan and Community Development Plan. In addition, annual landscaping programs consisting of flower and tree plantings, continue.

Runner-up candidates for the Environmental Enhancement Award were the Anchorage Recycling Center, Fairbanks North Star Borough Solid Waste Management System, and the City of Cordova for the Eyak Lake Management Study Team.

Coal Hearings

Continued . . .

spreading their infrastructure investments for rail, ports, roads, and utilities. This would lessen the investment risk by tying it to more than one project.

Eakins sees Anchorage or Seward handling Healy coal, and strongly supports state investment in a regional port for Beluga coal. In order to enter the world markets of coal, grain, and petrochemicals, "We need to become more sophisticated, and a world-class, multi-purpose bulk handling facility would greatly help accomplish that goal," Eakins said. "It would be a wise state investment that would establish the state's image as a resource development economy."

If the port facility is properly

planned and located, Eakins said it could be a model industrial complex.

Steve Hall of Mobil Oil, the largest holder of state coal leases, says "Mobil has no near-term plans to mine its deposits." To do so, a 70-mile spur from Mobil's leases in the Beluga field to the Alaska Railroad at Wasilla would have to be built.

Mobil emphasized the need for low royalties, taxes, and signals from the administration and legislature on creating the climate for coal development. Hall stated that high resource extraction fees would simply delay Alaska production.

Hall, who attended the RDC Coal Marketing Conference in January, said that with recent interest growing in the development of a transportation system, Mobil might take a closer look at its

Alaskan activities.

Lee Johnson, Arctic Slope Technical Services, spoke on port development in terms of non-coal resources of the Interior and Southcentral regions. "With proper planning, great economies could be achieved by design to accommodate grain, petrochemicals, fish products, minerals, and other possible exports," Johnson said.

Paula Easley, Executive Director of the Resource Development Council, reported on recommendations made at the RDC Coal Marketing Conference and the Council's policy on coal development. Easley concluded, "If Alaska is serious about getting into the coal export market, it should make some fast, courageous decisions to find solutions for handling and transporting the product."

SCDF Attorney Expresses Regret, *Continued* . . .

Because Mr. Schnabel had won every preliminary in the Haines eagle lawsuit, and because he seemed to have won every aspect of the trial, I stated in the letter that it was absurd for him to say the lawsuit closed the mill. (Let me add that I did not participate in any aspect of the case, nor did I see any of the trial. I read about it in the paper and heard some reports from those who saw it.)

In my opinion, as an outside observer, I didn't think the lawsuit could have caused Mr. Schnabel to close his mill. But here I may have been mistaken. I have since heard that the very existence of the litigation may have made it more difficult for Mr. Schnabel to get bonding. Mayor Halliwill's letter to the *Juneau Empire* set me straight about this.

I also said in the letter that the lawsuit was a longshot from the beginning. Environmentalists are usually the underdogs, fighting big development corporations. This is the case in the lower-48, and it goes in spades for Alaska. But giving the underdog his chance is a pretty important right -- a right I think most Alaskans support. Especially when the fight is about something as important as the unique eagles of Haines.

I hope this clarifies some of the misinterpretations of my letter. I'm really sorry if the letter offended Mr. Schnabel or others in Haines. I'm also sorry to have gotten off to a bad start with the citizens of Haines.

Before I finish, let me mention that the first lawsuit I personally brought in Alaska actually was on behalf of loggers, as well as environmentalists. The suit prevented the state from wasting \$18 million of timber at the Point McKenzie agricultural land disposal. It was settled March 11, less than a week after it was filed. Favorable editorials from the *Anchorage Times* and the *Fairbanks News-Miner* are enclosed.

In the future I plan to continue representing local loggers, fishermen, subsistence groups, environmental organizations, and anyone else who is interested in promoting the wise use of the state's natural resources.

As several people in Haines have pointed out to me, most Alaskans came here to enjoy the state's natural resources and most support their wise use.

Who knows, one day I may even be asked to represent the town of Haines, and if that day comes, I will consider it an honor. Durwood Zaelke

"A Fourth Branch of Government"

The host of federal regulatory agencies in Washington is an unofficial "fourth branch of government" independent of the system of checks and balances that constrain the Executive, Legislative, and Judicial branches, the U.S. Chamber of Commerce says in its recommendations to the Reagan Administration for federal regulatory reform.

According to the January edition of *Association Trends*, the new president must seek both a comprehensive fedreg reform bill and revision of specific regulatory programs on a case-by-case basis to correct the situation. *Association Trends* quoted the Chamber as saying that "some government entity must be given authority to oversee the

activities of all the regulatory agencies. At present, each agency regulates as if its mission were the only one in the world."

The Chamber observed that there is no government framework for measuring the overall burden of regulations, to identify and eliminate overlaps and duplication, or resolve jurisdiction conflicts.

"The critical question remains one of centralized authority over the regulators so the historical American government system of checks and balances can be restored," the Chamber said. "This is the key objective of meaningful regulatory reform; it should be a top priority of the new Administration."

Alaska Coal Exports Discussed

Robert LeResche, Commissioner of Natural Resources, has proposed the establishment of an export promotional program to quell Japanese fears about the quality of Alaskan coal and the state's sincere intentions toward entering the world coal market.

Speaking at the March Coal Port Hearings in Juneau, LeResche said government policy is very important to Japanese and Korean businessmen. The state needs to give them a simple statement of policy and establish a fixed royalty at a very low rate, LeResche said. The tax policy must be clear, the Commissioner said. "The legislature and administration must decide right now what the severance tax will be."

LeResche supports endorsement by state government of tax-exempt financing to encourage establishment of infrastructure. He envisions two or three export sites rather than one large facility.

To expand the Seward and Anchorage ports to handle three million tons of coal annually, a \$4 million appropriation would be necessary. LeResche said, "The state could be the financier of the last resort for infrastructure."

Although the coal buyer will determine which port to use, LeResche said, "We need to start monthly or weekly shipments as soon as possible to show them we are in business and serious."

LeResche said he hoped the administration and legislature, following approval by the Coal Task Force, would introduce legislation spelling out state policy and setting severance tax. He warned that severance taxes hit the coal industry much harder than the oil industry.

Dick Eakins, Director of the Division of Economic Enterprise, said he foresees Beluga coal serving as the catalyst for other major developments, thereby

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King Speaks at RDC Annual Meeting

"Alaska can look forward to a tremendous amount of activity toward strategic mineral production," says Llewellyn King, publisher of several industrial trade journals.

Speaking before a capacity crowd at the Resource Development Council's annual meeting at the Captain Cook Hotel, King said he expects the Departments of State and Interior to spearhead a drive to develop the state's hard rock minerals to avoid growing national shortages. "I would expect an initiative from this administration to build up the strategic stockpiles in these minerals and to open up where possible and how possible their development."

However, King noted that only at the Department of the Interior are Alaskan matters receiving much attention. He said that overall the administration isn't focusing much on Alaska and therefore many of the state's issues are taking a back seat in Washington.

Financing of the proposed gas line is far from secure, King said. In fact, he expressed doubt towards the actual construction of the pipeline and said "I wouldn't be surprised if other alternatives are discussed soon."

"By and large Alaska does not concern the average American," King explained. "Unfortunately the only people in the contiguous forty-eight states outside of those interested in



Llewellyn King, publisher of the Energy Daily, Metals Daily, and Defense Week, addresses a large crowd on international energy affairs at the Resource Development Council's Annual Meeting.

development...are those many interested in no development..." These people represent a strong lobby, the environmental movement, King asserted.

He warned that mineral and energy leasing programs will be closely watched by environmental groups. "They will be quick to challenge Interior Secretary James Watt's efforts in court if they believe he has exceeded his authority," King predicted. "I don't think the lands bill will be changed."

According to King, editor of *The Energy Daily, Metals Daily, and Defense Week*, the great majority of Americans is not aware that the state is enjoying an economic boom. Referring to the phrase, "blue-eyed Arab," the Washington D.C.

resident said he never heard of it until arriving in Anchorage. "My advice to you would be to forget it before somebody down there hears it and takes an interest in your prosperity." He added, "the last thing you need is a media campaign to apologize for being successful." If the state spends \$2 million on an advertising campaign to tell the country that Alaska isn't a "blue-eyed Arab," it would only create a problem where one does not now exist, King said. "Can you imagine what would happen if you went around telling people that you really weren't rich?"

King closed by saying, "I think with Alaska's resources and the attitude of this new administration, you will be infinitely more successful."

Sixteen Policy Statements Approved

The Resource Development Council adopted sixteen policy statements on renewable and nonrenewable resources, the Alaska Railroad, government control, taxes and state land policies at its annual meeting April 10.

The Resource Development Council statements represent several months of intensive work by over 100 people, each specialists in their field. Each policy requires urgent attention and will direct the Council's activities throughout the year.

The policy statement regarding the Alaska Railroad urges the state to take the necessary steps to acquire ownership from the federal government, create an independent authority to oversee its operation and contract with private enterprise to operate and manage the facility. Once the railroad becomes economically feasible, the Resource Development Council urges that it be placed in private ownership. The statement contained stipulations which brought lively discussion among

members of the Council's statewide board, but was unanimously passed once amendments were agreed upon.

The policy statement on natural gas and petrochemical development in Alaska calls for the state to analyze, investigate, identify and remove problems that are detracting from and retarding the establishment of a petrochemical industry in Alaska. Furthermore, the Council urges the legislature to develop a clear economic

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Energy Costs Continue To Soar In Rural Alaska, Report Says

If fuel prices continue to rise and household income and energy consumption follow historical trends, by 1988 the proportion of cash income spent on energy will rise from 29 to 43 percent for rural native households.

The projection was released in a report titled, "The Impact of Rising Energy Prices on Rural Alaska" by researchers William Nebesky and Oliver Goldsmith. Both men are with the University of Alaska's Institute of Social and Economic Research.

Study results indicated that between 1974 and 1978, rising energy costs sharply increased household expenditures on heating oil and electricity in rural Alaska. During this time the proportion of income spent on heating oil and electricity increased from 18 to 29 percent for native households and from 10 to 16 percent for all households in rural Alaska.

The report said energy costs in rural Alaska are determined in large part by storage capacity in each village, mode of shipment - surface or air - distance of the village from the main distribution center, village size, and the type of shipping container used. For example, shipping in barrels costs on the average over twice as much as shipping fuel in bulk lots. Also, the researchers found that smaller the village, higher the energy cost.

Between 1974 and 1978, the price of diesel fuel delivered to Alaska Village Electric Cooperative (AVEC) communities increased at nearly four times the rate of residential heating oil prices in Fairbanks. In addition, electricity prices charged AVEC consumers during the same period increased by an average rate of 17 percent per year, compared to an annual increase of only four percent in Fairbanks.

The report says the growth in consumer prices of heating oil and electricity in rural Alaska to 1988 will depend mainly on the future path of world petroleum prices, the long-term impact of decontrolling prices of U.S.

domestic crude oil, and the growth of transportation and distribution costs in rural Alaska.

In concluding, the study forecast that median household energy expenditures in rural Alaska will increase 50 percent, from \$2,000 in 1978 to \$3,002 in 1988. The researchers emphasize that these findings depend on the assumption that government programs aimed at reducing the impact of rising energy prices will not be functioning between 1978 and 1988. Should fuel assistance or weatherization programs be carried out over this period,

Advisory Committee Impressed With Petrochemical Plants

Members of a citizens advisory committee studying the effects of a petrochemical industry in Alaska say that three plants they recently visited in Michigan, Louisiana, and Texas operate cleanly and are a plus to their communities.

Kay Poland, Director of the Office of Commercial Fisheries Development for the State of Alaska, and Millett Keller, Anchorage businessman, discussed their findings before the April 2 meeting of the Resource Development Council. both

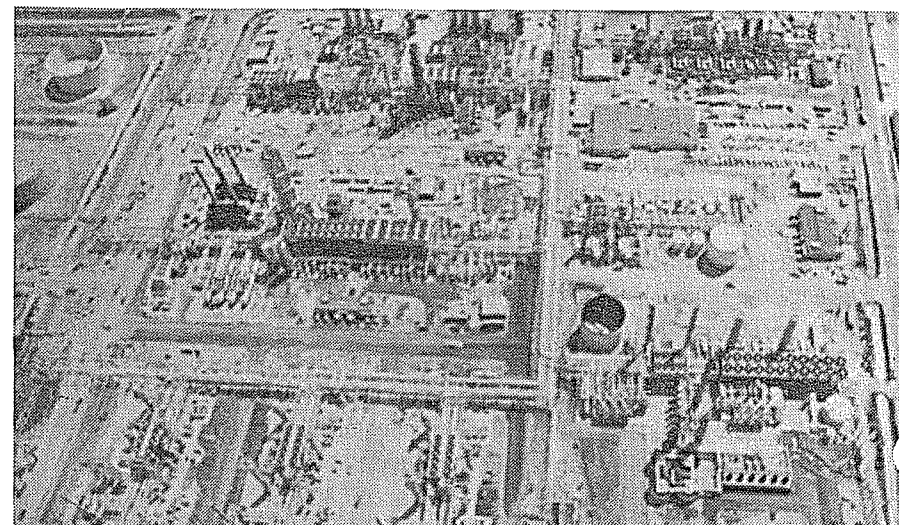
indications are that the energy portion of the household budget could be reduced by as much as 27 percent of projected 1988 levels.

Of the two programs, a fuel assistance program would require that the state provide continuous and increasing financial assistance to help residents pay rising costs of fuel and electricity. A weatherization program that would help residents caulk and insulate their homes, could permanently reduce the proportion of per capita household income required for future energy expenditures.

Poland and Keller were accompanied on the tour by Eric Myers of the Alaska Public Interest Research Group. Myer was invited to speak on the panel, but failed to respond.

Poland and Keller spoke highly of the facilities operated by Dow Chemical USA, the leader of a nine-member consortium studying the feasibility of a petrochemical complex in the 49th state. "The petrochemical business is not a smokestack industry," Keller said. "It's

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Dow Crude Oil Processing Plant -- Oyster Creek, Texas

Lumber Company Forced To Pursue Further Litigation

Schnabel Lumber Company of Haines is appealing for financial aid from companies and individuals throughout Alaska to help pay costs of new litigation in the firm's court battle with the Southeast Alaska Conservation Council (SEACC).

In a landmark ruling, Judge Allen Compton of Juneau on December 31, 1980 required the preservationist organization to pay \$25,000 in court costs and attorney fees to the private Haines lumber company they had sued, after the plaintiff's charges had been denied. SEACC appealed the ruling two weeks later, but on January 30, a court order was issued ordering SEACC to pay.

However, Schnabel Lumber Company is now forced with continued litigation and costs in preparing briefs for presentation to the State Supreme Court after SEACC filed an Appeal for Stay March 2.

John Schnabel, president of the lumber company, said "It is important that we not lose by default the opportunity to uphold this landmark decision." Schnabel said his company "is tapped out and does not have the funds to pay its aged trade accounts. We cannot finance another round of litigation," Schnabel added.

The Borough of Haines has provided \$3,500 to obtain a transcript of the trial

and Schnabel's attorney has agreed to continue the case in hopes the company can find a way to pay him.

"I need help and I am turning to those that have an interest in seeing this case closed to the advantage of all of us," Schnabel commented. "In this time of need, I ask you to contribute to Schnabel Lumber Company whatever assistance you can afford."

In the original court action, SEACC, represented by the Sierra Club Defense Fund, sued Schnabel Lumber Company and the State of Alaska over a long-term timber sale in the Haines area, which preservationists said would destroy eagle habitat and eagles themselves. The timber sale was the result of an extensive land use plan, compiled by local governments of the Haines area and the State, which addressed the eagle's needs. A special study conducted by the Haines-Klukwan Resource Study Group also showed that logging would not be detrimental to eagles utilizing the Chilkat River Valley.

Schnabel has been logging in the Haines area for 41 years. Today the eagle population is reportedly at an all-time recorded high in the valley. The Schnabel sawmill and other logging operations are the major private employers in the Haines area.

According to Paula Easley, Executive Director of the Resource Development Council, the preservationists have made a nationwide effort to turn the entire Chilkat Valley into an eagle haven to the discouragement of all other land uses. "Scientific research had shown eagles are not harmed by logging," Easley said, "yet preservationists have instigated a land lock-up in the Haines area."

An escrow account for the Schnabel Legal Defense Fund has been established at the law firm of Faulkner, Bonfield, Duggan, & Holmes, 311 S. Franklin, Juneau, Alaska, 99801. Any unused funds will be returned on a pro rata basis to contributors.

SCDF Attorney Expresses Regret

EDITOR'S NOTE: According to the American Bar Association Code of Professional Responsibility, a "lawyer shall not file a suit, assert a position, delay a trial, or take action on behalf of his client when he knows, or when it is obvious, that such action would merely serve to harass or maliciously injure another." Some observers in the Schnabel Lumber Company's court battle with the Southeast Alaska Conservation Council believe the Sierra Club Defense Fund has purposely engaged in litigation to harass and injure the lumber company.

Sierra Club Defense fund attorney

Dear Editor:

Thank you for the copy of your February 1981 issue of *Resource Review*, which contained a discussion of the Haines lawsuit, and a related editorial.

While I generally abide by the saying "don't explain and don't complain," I would like to try to correct some misinterpretations of my "infamous" letter to the editor of the *Juneau Empire* about the Haines lawsuit. I would also like to apologize to Mr. John Schnabel.

"Fresh from 'back east,' and breathing fire," to use Mayor Halliwill's phrase, I began directing the Sierra Club Legal Defense Fund office in Juneau. In November, I believe, I read in the *Juneau Empire* a story about Haines. In the story Mr. John Schnabel was quoted as saying that the eagle lawsuit had forced his mill to close down. (He also said the poor Asian market was a cause.)

Continued on page 10

Durwood Zaelke said in a letter to the Editor of the *Southeast Alaska Empire* that "even a casual observer could tell from the outset (20 months ago) that the case had only the slightest chance of being won. It was a valiant effort to protect the eagles."

Furthermore, Zaelke attacked John Schnabel by writing, "the citizens of Haines who want to diversify their economy and attract tourists should be wary of Schnabel and others of his ilk."

In a letter to the Editor of *Resource Review*, Mr. Zaelke writes about his controversial comments.

Oil Company Executive Takes Exception To Tax

Nuclear Bill Questioned

In a recently published position paper, the Resource Development Council finds that Senate Bill 29, pertaining to nuclear materials and hazardous wastes, is not in the best interests of Alaska.

The bill, a House Resource Committee rewrite, would ban most uses of nuclear materials and wastes in the state as well as clamping strong controls on the transport, storage and disposal of non-nuclear hazardous materials. The bill also contains provisions which require strict licensing procedures and approval of a majority of the registered voters within 100 miles of a proposed facility site.

RDC says the bill would create a duplication in areas which are already controlled by the federal government. "This means an increase of permits, regulations and bureaucracy," the Council report states.

"The recent RCRA regulations provide more than adequate protection from hazardous waste storage, transportation and disposal in Alaska," the report continues. "Determination of radioactivity that constitutes a threat to public health is presently regulated by the U.S. Nuclear Regulatory Commission and the Department of Transportation.

"The bill attempts to treat three separate problems as one, nuclear power plants, nuclear waste and hazardous waste. Each problem needs to be addressed on its merits."

After studying the bill, the Council finds that definitions within it are so broad that a person who is a small generator of almost any kind of waste will be subject to its provisions. The definitions could include everything from a smoke alarm, a digital watch, to old carburators.

"The bill is premature and not technically sound," the Council says. "It would make it impossible to use any sort of nuclear power pack and as technology improves, this could eliminate the possibility of inexpensive power in the complex, hotel, or perhaps a village."

Canada plans to market a "down-sized" nuclear reactor by 1984 that will generate enough power to heat a building complex, hotel, or perhaps a village.

Disappointment in the state's "apparent unwillingness to participate in working out a responsible solution to Alaska's present tax controversy" was expressed recently by Monte Taylor, Alaska Operations Manager for Exxon Company, U.S.A.

"Rather than accept the challenge of addressing the problems of tax reform in the legislature where the issue should be aired and resolved," Taylor stated, "it appears that the governor and the legislative leadership would leave the issue to be decided in the courts, a step which would leave the state's financial future clouded for years to come."

Taylor said Exxon still views repeal of the special oil and gas income tax as the "equitable" solution. "From the joint statement, (a position statement on oil taxes by Governor Hammond and the leadership of both houses of the legislature) it appears that the current coal to carriers at costs which enhance the economic competitiveness of Alaska in world markets. The state should develop a transportation system to move and off shore oil and gas leasing, repeal of the Coastal Zone Management Act, and a reduction in state and federal paperwork associated with development activities.

Copies of the complete statements are available from Resource Development Council.

Other statements address state and federal policies to aid in developing Alaska's forestry industry, increasing on federal policies to assist with development of bulk loading facilities capable of transferring taxes by Governor Hammond and the joint statement, (a position statement on oil taxes by Governor Hammond and the leadership of both houses of the legislature) it appears that the current coal to carriers at costs which enhance the economic competitiveness of Alaska in world markets. The state should develop a transportation system to move and off shore oil and gas leasing, repeal of the Coastal Zone Management Act, and a reduction in state and federal paperwork associated with development activities.

Our taxation policy calls for abolishing the special and discriminatory oil and gas income tax, all corporate income taxes, and highway, watercraft taxes on the oil industry, the history of last Legislature did not pass any new joint statement, that the state's tax policies have stabilized since 1978. "While it is true," Taylor said, "that the exception to the impression left by the reasonable resolution can be reached."

The oil company executive took reasonable resolution can be reached. "Taylor added, "that there is some middle ground between these positions where a joint statement, that the state's tax policies have stabilized since 1978. "While it is true," Taylor said, "that the exception to the impression left by the reasonable resolution can be reached."

Warren Olson, president of Alaskans for Equal Fishing and Hunting Rights, said a drive to repeal the priority subsistence law will begin soon. According to Olson, subsistence priority is unconstitutional and should be removed from state lands as it "purposely divides the people."

Subsistence

Continued

eleven tax increases in the ten years following the discovery of Prudhoe Bay are based on Prudhoe Bay, the largest oil field in the nation's history. Such policies are not appropriate for the smaller, more normal sized fields which are likely to be found from now on. A giant field like Prudhoe Bay can support a high level of taxation and still be profitable, but such is not the case with the smaller fields.

In fisheries, the Council supports increasing Alaska participation in the bottomfish sector while minimizing natural gas and gas liquids within the policy which will encourage development of energy industries and future clouded for years to come."

Taylor said Exxon still views repeal of the special oil and gas income tax as the "equitable" solution. "From the joint statement, (a position statement on oil taxes by Governor Hammond and the leadership of both houses of the legislature) it appears that the current coal to carriers at costs which enhance the economic competitiveness of Alaska in world markets. The state should develop a transportation system to move and off shore oil and gas leasing, repeal of the Coastal Zone Management Act, and a reduction in state and federal paperwork associated with development activities.

Copies of the complete statements are available from Resource Development Council.

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Warren Olson, president of Alaskans for Equal Fishing and Hunting Rights, said a drive to repeal the priority subsistence law will begin soon. According to Olson, subsistence priority is unconstitutional and should be removed from state lands as it "purposely divides the people."

Disappointment in the state's "apparent unwillingness to participate in working out a responsible solution to Alaska's present tax controversy" was expressed recently by Monte Taylor, Alaska Operations Manager for Exxon Company, U.S.A.

"Rather than accept the challenge of addressing the problems of tax reform in the legislature where the issue should be aired and resolved," Taylor stated, "it appears that the governor and the legislative leadership would leave the issue to be decided in the courts, a step which would leave the state's financial future clouded for years to come."

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EDITOR'S NOTE: The following resolution by the Washington State Senate was presented before the Alaska Resource II Conference in Seattle recently. The conference was sponsored by the Seattle Chamber of Commerce, the Alaska State Chamber of Commerce and the Port of Seattle. Don Dickey, President of the Alaska Chamber, is rumored to have had an "evil hand" in the resolutions composition.

STATE OF WASHINGTON
Senate Resolution 1981-11

By Senator Talley

WHEREAS, The Citizens of Washington have an ingrained tradition of proffering aid and assistance to the citizens of Alaska in times of crisis and need, and

WHEREAS, When Alaska found itself plagued with an extreme number of deposits of a shiny yellow metal substance littering its shores, streams and mountainsides, the ever-generous citizens of Washington not only made their way north by the thousands to clear this litter from the land of the Last Frontier, they also graciously hauled it out of Alaska by the ton; and

WHEREAS, When the waters of Alaska became clogged with salmon, crab and other edible marine creatures, the fishermen of Washington without hesitation rushed to Alaska to clean its waters of these creatures and, in the spirit of generosity and neighborliness, continue this practice to this day; and

WHEREAS, When the State of Alaska was in grave danger from great pools of black residue of dinosaurs and other decomposed prehistoric materials, the State of Washington benevolently sent men and materials to the great frozen north to build a huge disposal tube; and

WHEREAS, The appearance of vast amounts of invisible flammable materials in the State of Alaska caused the State of Washington unselfishly to seek many ways to transport this material away from the imperiled Alaskans; and

WHEREAS, The State of Washington, without regard for its own needs, has for many years served as a transportation center to move thousands of men and women to Alaska with the sole charge of removing postcards, souvenirs, artworks, crafts and hotel linens by the millions, lest they bother our brothers and sisters to the north; and

WHEREAS, The openhearted citizens of Washington have come to realize that still another plague faces the citizens of Alaska; and

WHEREAS, The State of Washington realizes that the current surplus of funds in the overburdened coffers of the State of Alaska is a source of great embarrassment and discomfiture to Alaskans citizens; and

WHEREAS, The Evergreen State can retain its green appellation and remove the red from the faces of our brothers and sisters to the north with a simple heartfelt gesture;

NOW, THEREFORE, BE IT RESOLVED, That the citizens of the great and generous State of Washington offer to annex the State of Alaska and to share the Evergreen State's economic shortfall with our brothers and sisters of the Last Frontier; and

BE IT FURTHER RESOLVED, As a token of our good faith and kindheartedness, the citizens of the State of Washington will send to the frozen north the budget directors of the Washington State Department of Social and Health Services, the Office of the Superintendent of Public Instruction and the Washington State Department of Transportation to provide timely and detailed instruction on how to avoid future excesses of revenues; and

BE IT FURTHER RESOLVED, That the citizens of Washington freely and unequivocally guarantee that with annexation of this State of citizens the State of Alaska will never again be forced to face the crisis of surplus revenues.

The Alaska Railroad

By
Bob Gilliland
RDC Rail Expansion
Committee

Within recent months several events occurring both in and out of Alaska, have spurred renewed activity and interest in the role of the Alaska Railroad in Alaska's future growth. For the first time the state is in the position to initiate changes in the ownership and operation of the railroad for the betterment of all Alaskans.

Studies made by the United States Department of Transportation, the State of Alaska DOT, and the Canadian government have explored the economics and possible routes of making a railroad connection with the outside, as well as to extend the railroad all the way to the Arctic shores. At the time these various studies were made the realization of completion of such large scale endeavors seemed almost beyond reach. The construction and maintenance of such projects across so much wilderness could not be justified by either public policy or private sources in spite of known natural resources in the areas.

The key to having the ARR play an ever-increasing role in the economic growth of Alaska is to utilize its capacity to provide transportation of natural resources in a manner which will enable private industry to market these resources to their greatest potential.

Since its inception as a government-owned railroad in 1914, the ARR has had as its primary goal the connection of an open harbor on the Pacific Ocean with the interior of Alaska, to provide aid in the development of resources, and in the settlement of public lands; as well as to provide transportation for military needs. No one will deny that these goals have been accomplished, but only to a limited degree. One cannot imagine the growth and industry that has developed

along the railbelt taking place without the railroad, including the settlement and economic growth of the Matanuska Valley.

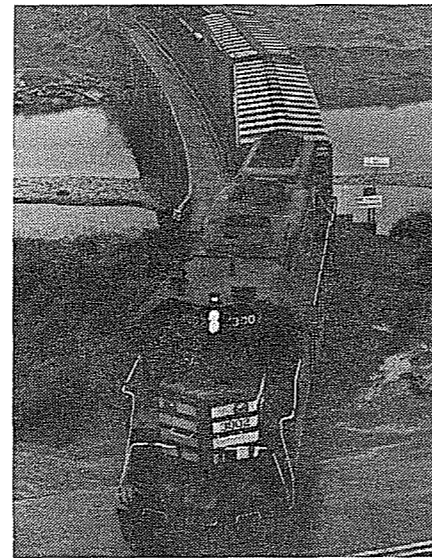
As an aftermath of the heavy traffic during the war years and after the 1964 earthquake, the ARR was essentially renewed along its entire length with a heavier load-carrying capacity and upgrading of engines and rolling stock. However, it must be agreed that at times, because of budgetary and policy restraints placed on the federally-owned and operated railroad, its step-child treatment often resulted in lost opportunities for improvement and in the reduction of services.

The federal policies of management and operation emanating from Washington have at times delayed adoption of planned expansion programs and equipment needs which have been proposed by the railroad management.

For some years the federal government has endeavored to interest prospective buyers in the ARR, including the State of Alaska. While in past years, the state was not capable of purchasing the ARR or to make expenditures which would add to the present facility, such is not the case today.

Because of the present and future supply of money made available from extraction of our oil resources, Alaska is in the financial position to purchase the ARR from the federal government in the immediate future. It also has the opportunity to do so with objective planning to attain the maximum benefit for Alaska's future economy.

Even though the state presently has the financial means to acquire the ARR from the federal government and possibly to pursue expansion and improvements, the question should still



be asked, why should the state use its excess funds in such an undertaking?

One frequent response to the state's acquisition of the ARR is that it is nothing more than replacing one government owner with another. However, this does not recognize the many opportunities available to the state for development of both the transportation system and Alaska's natural resources which can occur with the state's control of the ARR's destiny.

A common element is found in the various studies and reports concerning the railroad's extension of planned improvement which would open up natural resource areas. All recommendations have cautioned that until such time as a market demand was sufficiently developed to warrant the huge expenditure required for transportation and extraction facilities, there would be no justification for making any appreciable new investment.

Transportation is the critical element in development of natural resources and has long been controlled by interests outside the state. The opportunity to alter this factor in the near future will allow the state to become more aggressive in addressing market opportunities which have recently emerged.

Various factors have caused Japan and Korea, as well as other possible users, to make serious inquiry into becoming buyers of Alaska's coal on a long-term basis. Thus for the first time

Continued on page 7

Railroad, *Continued...*

Alaska needs to examine its transportation system in terms of marketing a resource which could successfully compete in the demanding international marketplace. Placing the many problems and opportunities confronting both the state and local governments, and private industry, in the perspective of making a responsible and intelligent utilization of this valuable resource was the goal of the Alaska Coal Marketing Conference in January, 1981, coordinated by the Resource Development Council. Although the conference was limited to the specific theme of coal, much of the information and the conclusions regarding the coal resources would be applicable to the ARR's role in any future resource marketing. It was proposed that the federal government launch a determined effort to find a possible buyer for the railroad with the State of Alaska being the most likely candidate. Participants of the conference, representing a cross-section of legislators, government personnel, private industrial companies, and the public from different areas of the state, felt the state should acquire all the federal interest in the ARR. Additionally, it was concluded that the state's interest should include not only all the existing

facilities but also those rights-of-way which would be required to cross federal lands in any future extension of railroad lines, whether eastward to Canada or elsewhere. However, these conclusions were followed with several recommendations. It was strongly felt that the state should create a non-political entity apart from any existing state agency which would function as a separate corporate body. The role of the state would be to provide, as the owner, any major new infrastructure requirements. Such requirements might include capital investments in the railroad itself and terminal and port facilities which would enable private industry to proceed with acquiring and marketing natural resources in the most reasonable and expeditious manner. However, it was strongly urged that the state should not go into the railroad operating business in the manner of the federal government. This would require, from the start, that the state's policy be that the operation and management of the railroad be contracted to private industry.

Such a separation of interests would allow participation by the state in the various federal railroad programs. It would also allow the state to exercise its authority to acquire right-of-way and

exert ownership rights. Thus the state could utilize this particularly useful feature of any railroad expansion while permitting the operator of the railroad to market its services as a private carrier.

Acquisition by the state and the private operation of the ARR would have its immediate benefits felt most heavily along the present railbelt. However, it is assured that the direct and indirect involvement could soon include activities of most Alaskans.

World Trade Week Is May 17-23

May 17-23 has been proclaimed World Trade Week by President Ronald Reagan.

The Anchorage Chamber of Commerce, in cooperation with the U.S. Department of Commerce's International Trade Administration and many local organizations, will present a series of programs and seminars to help focus Alaska's position in world trade. A complete schedule of events will be mailed under separate cover from the Chamber of Commerce. Inquiries should be directed to the Anchorage Chamber of Commerce at 272-2401.

Petrochemical Plants, *Continued...*

not like a pulp mill where there are clouds of smoke rising from the stacks."

Poland described Midland, Michigan - headquarters for Dow - as "very clean and prosperous, a community that I would be proud to live in."

Keller added, "I noticed in Midland that the people were very friendly and had no peculiar lumps on their faces or bumps on their backs." He continued, "there was no indistinguishable obnoxious odor" coming from the plants. For the most part," Keller said, "emission is of steam which dissipates within a very short distance."

Keller explained that there is more

smoke and dust generated from an asphalt plant than a petrochemical complex. There are some carbon dioxide emissions, basically generated by the facility's power plant, Keller recalled.

The Anchorage businessman praised Dow for its efforts toward eliminating water pollution. Dow says that all water in the complex, including rainfall and snow melt, is filtered through a special purifying treatment system that discharges the water in a cleaner state than when it entered the plant.

In the communities visited, Poland said Dow provided "good community assistance programs...they went far

beyond their call." She added, "we were told their (Dow) policy is to employ people locally." She said Dow has employed many local high school graduates and provided them with considerable training.

"It's not the type of place you'd be reluctant to send your child to work in."

Correction

The March issue of Resource Review referred to Walter Parker as the first Commissioner of the Department of Transportation and Public Facilities. Don Harris served as the first Commissioner. Resource Review regrets the error.