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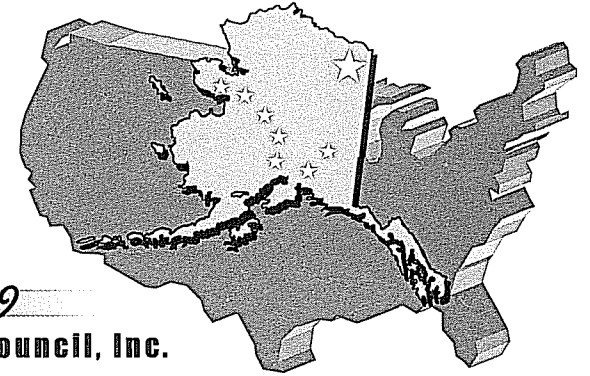
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# Resource Review

May 1999

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## Strong preservation bias emerging from Chugach plan revision process

*New prescriptions emphasize conservation agenda for forest*

The Resource Development Council, the Alaska Forest Association and the Alaska Miners Association recently voiced concern to the U.S. Forest Service over its planning process and draft revisions to the Chugach National Forest Land Management Plan.

The three organizations, along with the Alaska Visitors Association, Chugach Alaska Corporation and the Anchorage Snowmobile Club, are participating in a lengthy and time-consuming planning process with the Forest Service to ensure that the multiple use mandate of the National Forest System is maintained in the revised Chugach National Forest Land Management Plan.

The group's participation in the process has been directed toward securing adequate resource development opportunity on public lands. The organizations also want to make sure access is maintained to private inholdings and adjacent private lands, and that forest wide standards, guidelines and management area prescriptions are applied in such a way as to allow access to management areas designated for development. In addition, the groups want to ensure that standards, guidelines and management area prescriptions are consistent with current federal law, especially ANILCA.

RDC is concerned that a strong preservation bias is emerging from the

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## Tongass logging chopped again, more lands closed

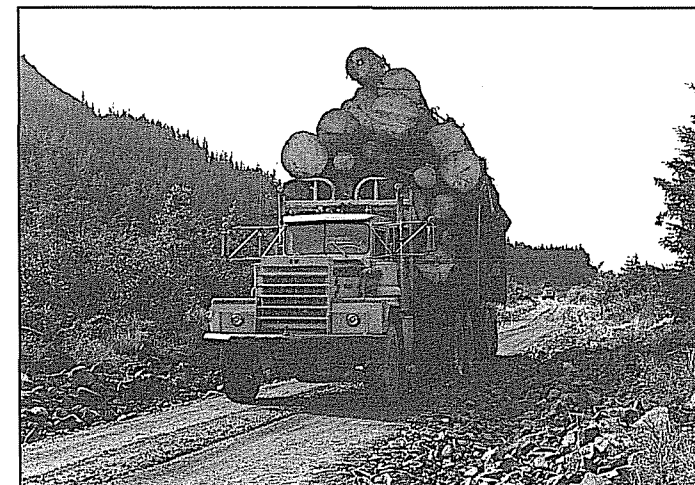
The Clinton-Gore administration has taken yet another chop at logging in the Tongass National Forest, reducing the maximum allowable timber harvest by 30 percent annually and cutting the land available to logging by 15 percent to about 576,000 acres in the 17 million acre forest.

In addition, nearly half the land that may be used for logging can now only be harvested once every 200 years, instead of once every 100 years, under new changes the administra-

tion made to the forest's management plan. The latest revisions to the 1997 plan were made to increase protection for old-growth trees and provide additional protection to the Sitka black-tailed deer and the Alexander Archipelago wolf.

The recent decision reflects a steady trend by the federal government to further restrict logging on federal land in Southeast Alaska. The 1997 management plan itself, which

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The Forest Service planning staff is proposing to eliminate much of the suitable timber base from logging under the Chugach National Forest Plan Revision. In addition, the Allowable Sale Quantity is expected to be sharply curtailed over the previous plan.





## Message from the Executive Director by Ken Freeman

### Industry sustainability sought by BP acquisition of ARCO

There is one certainty in all the ongoing speculation regarding the proposed merger between British Petroleum and ARCO — this acquisition will result in change. It's difficult to immediately identify all of the potential changes today, but by enlisting the aid of technical experts to prepare a comprehensive analysis of the merger, the legislature and administration can make informed and thorough decisions.

For some time, many have felt that a merger between the North Slope's two major operators was likely inevitable, given declining production and the high cost of exploring, developing and producing oil in the Arctic. This

proposed combination is a reflection of what is happening in the oil and gas industry. Increasing worldwide oil production, declining Alaska production and lower prices have forced the industry to seek new efficiencies and streamline operations. To stay competitive in attracting new investment capital, Alaska producers must lower costs and seek new efficiencies. This is one of the reasons ARCO officials have given for their decision to approach BP with a proposal to join the two companies.

RDC does not look at this merger with doom and gloom. In fact, we prefer to view it in a positive light, believing it offers hope for reducing redundancies while increasing efficiencies. If it makes a single operator on the North Slope more competitive internationally under an increasingly difficult global business environment, this is good news for Alaska. It may very well give the resulting company the competitive strength to sustain capital investments over the long term and to take advantage of new development opportunities here in Alaska.

BP has a long and proud record in Alaska. It has taken great pride in being Alaska's number one investor and taxpayer. To meet a challenging future, the company has pledged increased investment in North Slope development and to continue efforts to commercialize North Slope gas. We believe these commitments will continue BP's role as being a leading investor in Alaska.

BP and ARCO Alaska have been good corporate citizens. RDC has full confidence that a combined company will build on its good record and will not diminish its commitment to Alaskans. As for environmental protection and safety, both BP and ARCO have been leaders in their industry, not only here in Alaska, but worldwide.

The companies have repeatedly stated they will not waiver in their commitment to achieve the highest possible environmental and safety standards. A combined company has the potential to pull in more experience, know-how and strength in achieving environmental and safety standards. And a combined company must follow the same environmental laws and regulations as they have done in the past as two companies.

The manner in which BP's acquisition of Arco comes together in Alaska and the way it is handled by the state will be closely watched by those in the oil and gas business around the world, as well as other resource sectors here and abroad that are faced with similar economic realities.

We need to do everything we can to give Alaska projects in every resource sector competitive advantages. We do need to recognize and respond to change and new realities.

I believe it is critical for the Legislature, Administration and the public to understand what key issues need to be considered during the acquisition discussion. I would encourage everyone to analyze all of the variables before arriving at final conclusions.

We are on the verge of a new millennium that will likely provide us with unparalleled challenges and opportunities. Alaska needs to adapt to this new millennium and the many changes it will face. RDC urges the Legislature and the State to carefully but expeditiously study the proposal and weigh the impacts to Alaska, especially from a long-term, open-minded and informed perspective to send a responsible signal to the entire business community, both here in Alaska and elsewhere.

### Comment deadline approaching on 3809 mining regulations

The Bureau of Land Management (BLM) is proposing significant changes to its 3809 regulations that govern environmental protection and reclamation of mining on federal lands. BLM has published the proposed regulations and an environmental impact statement supporting the changes. The public has until May 10 to comment on both the proposed regulations and the draft EIS.

The proposed regulations will unnecessarily duplicate requirements that currently are part of other federal and state programs that protect air, water and wildlife and require reclamation. Mining operations and exploration projects will face additional uncertainties as they attempt to meet duplicative and inconsistent regulations. The BLM proposal will significantly increase costs of mining and exploration

without any environmental benefit. In 1997, and again in 1998, hundreds of citizens and companies, as well as the governors of the western states, told the BLM that changes to the existing mining regulations were not needed. Send written comments on this issue to: BLM Administrative Record, Nevada State Office, Box 12000, Reno, NV, 89520-0006. For additional information, call RDC.



RDC Vice President Bob Stiles describes the process of developing natural resources in Alaska to a delegation from the federal and state Russian Dumas. The Russians visited Anchorage recently to advance common business interests with Alaskans.

### Tongass: New cuts may force new closures

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reduction in the job-producing land while only adding 1 percent to the deer habitat reserves. Not exactly an equitable trade. This administration clearly cares more about deer than it does about people."

With this reduced cap on Tongass logging, the region's forest products manufacturers will not be able to respond to the world demand for Alaska wood, according to Phelps.

The Alaska Forest Association calculates the current manufacturing capacity of Southeast Alaska's sawmills at 355 MMBF. The Forest Service's most recent study puts the number at 281 MMBF. "Even given the agency's inaccurately low number, the new plan fails to provide an opportunity for the region's mills to operate at or near capacity. The very best our remaining mills could do is operate at the 50 percent level. More likely, one or more will be forced out of business," Phelps said.

Congressman Don Young blasted the changes, calling them "a sham that abandons common sense, abandons law, abandons Alaska."

Senator Frank Murkowski said the changes are a "scientific insult, a legal affront and an economic crime."

Despite the additional closures and the fact that more than 90 percent of the Tongass is closed to logging, environmentalists claim the Forest Service still has not gone far enough to protect the forest from human activity.

### Beluga whales: Keep focus on the problem

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the decline in beluga whale populations.

Cook Inlet tribal leaders recently approved an agreement regulating beluga hunting and say they would like to see co-management as provided for in the Marine Mammal Protection Act (MMPA), which would involve them in developing and implementing a conservation plan with the federal government. Such a plan would help prevent the beluga from declining more and might be the only way to keep the whales from being listed as endangered.

"Oil and gas development is not the cause behind the declining whale population in Cook Inlet; therefore it should not be considered as part of the solution," wrote RDC Executive Director Ken Freeman in a recent editorial published in the Voice of the Times. "Federal regulators should focus on the root of the problem and use their current

authority to properly manage and regulate the beluga hunt," Freeman said. "NMFS should sign a co-management agreement with the Cook Inlet Marine Mammal Council, as well as reopen and solicit public comment on the status review of belugas to determine whether the whale should be designated as depleted under the MMPA or endangered under the Endangered Species Act."

Freeman noted RDC members care much about the beluga whales and consider them a special resource that makes living in Southcentral Alaska unique.

"The best approach to the beluga issue is to keep focusing on the problem and avoid using the whale as yet another tool to unnecessarily penalize industries which make up the backbone of Southcentral Alaska's economy," Freeman added.

**Resource Review** is the official periodic publication of the Resource Development Council (RDC), Alaska's largest privately funded nonprofit economic development organization working to develop Alaska's natural resources in an orderly manner and to create a broad-based, diversified economy while protecting and enhancing the environment.

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# Land acquisition trust fund proposal draws support and opposition from Alaskans

Proposals to modify or replace the existing Land and Water Conservation Fund (LWCF) have been advanced by both the White House and Congress. Funded by revenues from offshore oil and gas development, the LWCF is used to acquire privately-owned lands in or near federal conservation units such as national parks, monuments and forests.

The White House version, the Land Legacy Initiative, championed by Vice President Al Gore, would also allow acquisition of open space in urban areas for greenbelts and parks. Approximately \$900 million annually would be available automatically, rather than through the appropriations process. Congress most recently allocated \$459 million in FY 1999 through the normal appropriation process for land acquisitions.

Congressman Don Young recently introduced his version, H.R. 701, the Conservation and Reinvestment Act of 1999, and Senator Frank Murkowski has introduced similar legislation in the Senate. Both bills would dedicate 60 percent of approximately \$4 billion in annual federal offshore oil and gas revenues for impact assistance to states, buying land for additions to state and federal parks, and boosting funds for wildlife conservation and education programs. Alaska would get about \$150 million annually if the bills become law.

Congressman George Miller (D-California) has introduced a competing bill that provides no impact assistance to states, but spends more money for land acquisitions.

Young's and Murkowski's bills include restrictions not present in other proposals, including a requirement that two-thirds of the annual money for land acquisitions be spent east of the 100th Meridian. In addition, the bills prohibit funds from buying land away from existing federal holdings and congressional approval would be necessary for

any purchases over \$1 million. The bills also require that all acquisitions be based on a "willing seller" concept.

Despite these special measures, Young and Murkowski have drawn fire from private property rights groups.

Chuck Cushman, Executive Director of the American Land Rights Association, calls Young's bill an off-budget land entitlement and warns that "once the trust fund is signed into law, no landowner will be safe." He contends that government pressure and restrictions on access and use of land can force landowners to become willing sellers. He is also fearful that the willing seller provisions will not survive the legislative process, and that a final bill will include condemnation.

The bill, however, has drawn strong support from states, local communities and Natives, as well as wildlife professionals, sportsmen and environmentalists.

In addition to the private property rights provisions, Young noted there are other substantial differences between his bill and other competing proposals, including an emphasis on local government authority and involvement in the planning and selection process.

In written comments to Young, RDC applauded the congressman for provisions in the bill which would direct a portion of OCS revenues to state and local communities to offset impacts associated with offshore development activities, but noted more work is needed to alleviate concerns about land acquisitions.

Many Alaska communities support H.R. 701 and some RDC members with mining claims in or near parks and other federal areas could benefit from a carefully constructed statute. At least a few would be willing sellers if a fair price were offered by government.

RDC recommended the following concepts be included in H.R. 701:

- **No condemnation authority under**

**any circumstances.** Land acquisitions must be based on the "willing seller" concept and purchases must be set at fair market value. A standard should be included to preserve the valuation of a property where agency permitting and regulatory actions have reduced the value of an inholder's property.

- **Require that there be no net loss of private lands in any state where federal land ownership exceeds a specific threshold.** For every acre of private land purchased, an equivalent amount of federal land should be put into private hands. A provision to allow for equivalent exchanges with willing sellers should also be included in the bill.

- **Purchases of more than \$500,000 should be approved by Congress through the appropriations process.** Larger acquisitions should be subject to congressional authorization and oversight. Such oversight now occurs during the debate over each appropriations bill, weighing other needs of the nation.

- **Local and state political jurisdictions should be granted final veto authority over land acquisitions.**

- **Local governments should have an increased role in the decision-making process.** The decision as to which projects to fund should be made on a local/state level. Each state and local government jurisdiction should be allowed to use a portion of the funds on maintenance or capital improvements if it believes these needs are greater than additional land acquisitions or recreational programs.

- **Funds intended for communities should go directly to the local government, bypassing the state appropriation process.**

- **Land trusts selling assets to the government can make no profit from the transaction.**

- **A sunset provision should be built into Title II.** Congress must vote to reauthorize the program.

Young and Murkowski warned that some kind of initiative revamping the LWCF will pass Congress. They insist their bills represent the greatest margin of safety for private landowners while resolving the inequities found in the current OCS leasing program.



## Thoughts from the President by Allen Bingham

### Groups call for fiscal plan

Citing the state's budget crisis as their top priority, members of Alaska's business community came together last month in Juneau to testify before the Senate Finance Committee for a long-term financial plan to close Alaska's fiscal gap. Representatives from the Resource Development Council, the Alaska Fiscal Policy Council, the Alaska Support Industry Alliance, Alaska State Chamber, Anchorage Chamber, and Associated General Contractors called for implementation of a long-term fiscal plan by the end of the session.

These groups have a common denominator — they all agree that the fiscal gap is the most pressing issue facing Alaska's private sector and must be resolved this session. All of these organizations have spoken to members of the Legislature and Administration separately about this issue and have urged them to formulate specifics if at

all possible.

The groups agreed that additional budget cuts and increases in state efficiencies are achievable and will help. They also agreed, however, there is no way the state can realistically cut \$1 billion from the current budget. Additionally, any long-term fiscal plan should first establish spending priorities before addressing how those priorities will be funded.

In her remarks before Senate Finance, Karen Cowart, General Manager of the Alaska Support Industry Alliance said the state needs to incorporate performance standards by which state agencies are evaluated as to their effectiveness in meeting intended missions and efficiency at the use of public dollars, — results based budgeting. She also said Alaska needs to evaluate and implement alternate ways to deliver state services such as

privatization and private contracting.

Ken Freeman, speaking on behalf of RDC, pointed out the state must continue to promote programs that encourage development of Alaska's economy. He noted special emphasis must be directed to development that generates a positive return to both the local economy and state treasury.

All of the groups supported the expanded use of Permanent Fund earnings to pay for some government services.

One of the best ways to diversify and stabilize state revenues is through the expanded use of the Permanent Fund earnings. There is an assortment of ideas that the Legislature and Administration may evaluate in terms of utilizing the Permanent Fund earnings to pay for state government services. The groups are not advocating one plan over another, but merely offering our support that using the earnings is a realistic and necessary measure that must be considered.

The groups also noted that in the event budget reductions and expanded use of the Permanent Fund earnings are not enough to close the fiscal gap, there is some support among the business community, as a final step, for the implementation of a broad-based tax.

"Some form of broad-based or increases in consumption tax could be utilized, but only as a last resort," said Roxanna Horschel of the Associated General Contractors. "New or increased taxes on industry are not the answer as such an action would shake the confidence of investors and harm a business climate already severely disturbed by current economic events."

As I have said previously in this column, the solution can be found in using a combination of tools to solve the problem. No one tool — a state tax, budget cuts, or use of Permanent Fund earnings — solves the problem entirely.

### brief review

#### BP forced to delay Northstar construction

The U.S. Army Corps of Engineers has joined the State of Alaska, the North Slope Borough, the U.S. Minerals Management Service and the National Marine Fisheries Service in supporting BP Exploration's route for an undersea pipeline from its Northstar prospect to the Beaufort Sea coastline northwest of Prudhoe Bay.

Issuance of a construction permit for the Northstar project, however, has

been delayed as the U.S. Fish and Wildlife Service has contested, preferring a longer subsea route. As a result, BP has been forced to delay construction until at least next year, pending the permit. BP was poised to begin construction on the \$450 million project this spring. The longer subsea route would add \$20 million to the project.

#### NPR-A lease sale May 5

The U.S. Department of Interior has set May 5 for re-leasing tracts in the northeast sector of the National Petroleum Reserve-Alaska.

The highest prospects for oil and gas discoveries, however, will not be included in the lease sale. These areas near the Beaufort coast were removed from potential leasing due to the Clinton administration's concerns about wildlife habitat.



# Chugach revisions likely to net greater restrictions on access, multiple uses

(Continued from page 1)

planning process and noted the range of proposed prescriptions lacks balance between preservation and use. Of 22 prescriptions, one allows future resource development, one provides for mineral development and one pertains to transportation/utility corridors. The remaining 19 have a strong preservation orientation.

"The lack of access is the single greatest threat to multiple use management and proposals are being made to severely restrict access to public lands, inholdings and adjacent private lands," said Ken Freeman, Executive Director of RDC. "Many businesses, both large and small, require access to the national forest to provide products and services to Alaskans and tourists," Freeman said. "These businesses will be hurt by further reductions to access, and future opportunities will be lost for tourism, resource development and recreation."

The Forest Service has developed three draft "rough cut" alternatives — low, moderate and high development. Under the so-called "high development" draft alternative, the resource development prescription covers less than 12 percent of the forest.

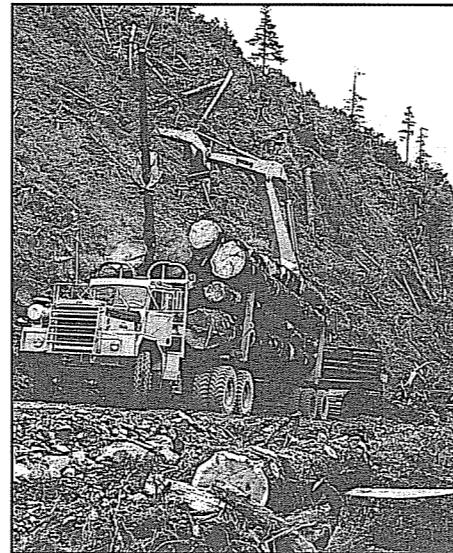
"Designations or recommendations of additional Wilderness and Wild and

Scenic Rivers outside of the Chugach's Wilderness Study Area is clearly in violation of the 'no-more' clause of ANILCA," said Steve Borell, Executive Director of Alaska Miners Association.

Borell is especially concerned with the initial decision criteria the Forest Service is using for the Chugach revision. The criteria requires any activity to be consistent with the acting regional forester's goal of maintaining the "wild character" of the Chugach.

"The entire planning process is being skewed by making 'wild in character' the overriding factor," said Borell. "The congressional mandate for management of the forest is multiple use, not wild in character."

Jack Phelps, Executive Director of the Alaska Forest Association, says the current revision process on the Chugach plan started prior to the Forest Service having gathered sufficient and credible scientific information upon which to base its planning efforts. Phelps noted that the Kenai Peninsula timber inventory data is eleven years old, the Prince William Sound and Copper River timber inventory is 21 years old and mineral data dates back to the 1930s and is based upon locations of past development, not locations of developable deposits. In addition, no target or desired resource outputs have been



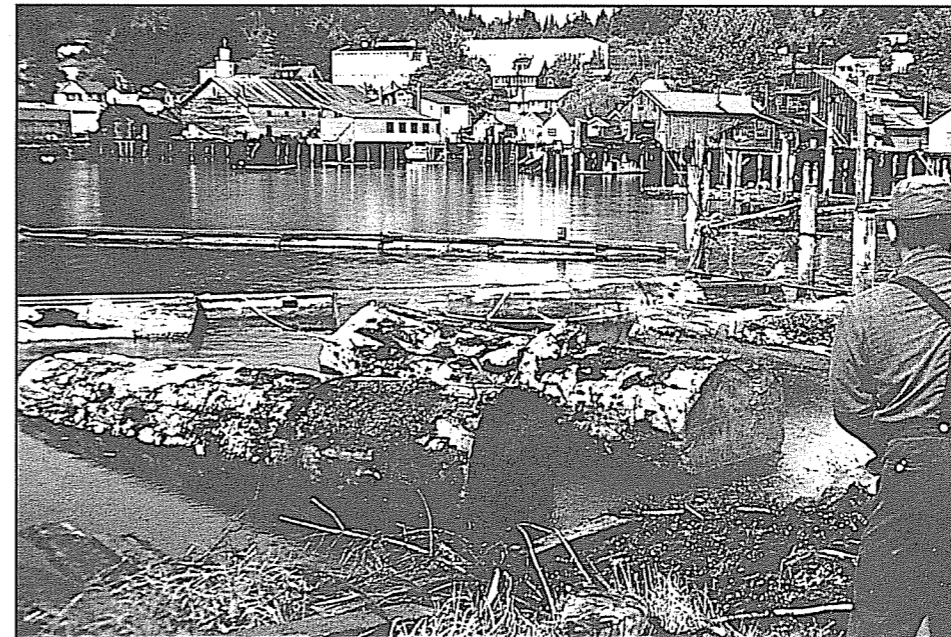
Timber harvested from the Chugach benefits local economies in many ways, including employment.

identified.

Phelps said the revision process should be slowed or stopped to allow information to be finalized and incorporated.

"The planning team is forging ahead with the revision process, despite the acknowledged lack of adequate scientific information, in order to meet a self-imposed Record of Decision deadline of June 2000," Phelps said.

He warned that any plan which does not provide adequate access to private lands and multiple use of public lands and resources may not survive appeals and litigation. "This failure would result in the wasteful expenditure of enormous amounts of funding as we have seen with the Tongass revision process," Phelps said.



Additional reductions to logging in the Tongass will result in more hardships to timber-dependent communities in Southeast Alaska.

## Tongass: logging takes another hit

(Continued from page 1)

drew legal challenges and appeals from both environmentalists and industry, cut both the maximum allowable timber harvest and land available to logging in half over limits set in a previous plan.

In the past decade, Southeast Alaska has lost more than 1,500 jobs in the forest products industry, two large pulp mills and a large sawmill as the federal government has steadily cut back on areas available to logging.

"This is not unexpected," said Jack Phelps, Executive Director of the Alaska Forest Association. "It confirms our worst fears that this administration is determined to drive the last nail in the coffin of Southeast Alaska's timber-based economy."

Phelps accused the Clinton administration of following a radical anti-development agenda in its new plan for managing the Tongass National Forest.

"This new plan simply caves into the demands of a few well-funded, radical, anti-development special interest groups, at the expense of the communities and workers in Southeast Alaska," said Phelps. "The original decision, signed two years ago, put Alaska's timber industry in serious

jeopardy. Matters just got worse."

The new changes will remove another 100,000 acres from available timber lands, double the waiting time between harvests and reduce the annual allowable sale quantity (ASQ) from 267 million board feet (MMBF) to 187 MMBF. Because of the inclusion of low value and difficult to extract timber, the effective ASQ is 157 MMBF under the latest revisions, as compared with 220 MMBF under the 1997 plan.

"This new announcement is particularly frustrating," Phelps said, "because we have tried to work within the public process set forth by law for rewriting forest plans. We have joined with Governor Knowles in his call for the Tongass to be managed with good science and good public process. This new plan reflects neither."

Phelps said it is disingenuous for the government to claim the additional land withdrawals were done in the interest of protecting deer.

"Of the 10 million forested acres in the Tongass, only 7 percent was available under the 1997 plan for growing and harvesting a commercial crop of trees," Phelps explained. "The new withdrawals result in a 15 percent

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## Environmentalists adopt belugas as new cause

Cook Inlet whales are new symbol in fight against oil

Seven environmental groups and one individual have asked the National Marine Fisheries Service (NMFS) to designate the Cook Inlet beluga whales as endangered and to establish Cook Inlet as a critical habitat area for belugas. If granted, these designations will have a significant impact on all activities occurring in and around Cook Inlet.

In the petition requesting the designations, the petitioners identified a wide range of entities which they believe may impact belugas and whose activities should be regulated or curtailed under the Endangered Species Act. The entities include commercial and sport fishing, tourism, ports and shipping, military bases, the oil and gas industry and community wastewater treatment facilities.

The implications of such a listing are striking and widespread. Environmental interests could use the beluga whale as a tool to obstruct activities in Cook Inlet which comprise the backbone of Southcentral Alaska's economy.

Just last month a judge ruled to grant a motion filed by environmental groups to delete 70 tracts from the Cook Inlet Areawide Lease Sale due to concerns over Cook Inlet belugas.

The Cook Inlet Areawide Lease Sale has already been refined several times to accommodate points of consensus reached by a stakeholders process, which included environmentalists. Decisions regarding how the leases are developed, including additional mitigation measures, if determined to be necessary, will be made by the State if and when the leases are developed.

The State and federal government have determined that subsistence hunting, not oil drilling, is the chief reason for

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## Lawmaker introduces ANWR oil drilling ban

Congressman Bruce Vento (D-MN) has introduced legislation to ban oil and gas exploration and development in ANWR by designating the Coastal Plain area as Wilderness.

"Any legislation which would increase America's dependence on Middle East oil and continue our nation's growing foreign trade deficit is not a priority of the House Resources Committee," said Congressman Don Young, Chairman of the Committee.

"Any legislation that would elimi-

nate hundreds of thousands of new American jobs in all 50 states and deny Alaska's Native people vital funding for clean drinking water, medical and emergency services will not be considered by this committee," Young added.

North Slope Borough Mayor Ben Nageak also blasted the Wilderness proposal.

"What most of this country, and certainly Secretary Babbitt, does not seem to understand is that people live in the Arctic, my people, the Inupiat

people. The Arctic is not an untouched wilderness never visited by man," said Nageak. "The Wilderness designation will cripple our continued efforts to bring our people the benefits that most Americans take for granted. It will cripple our ability to wean ourselves away from federal government subsidies and destroy our attempts at self-reliance."

Nageak appealed to President Clinton to put the Inupiat Eskimo people back into the picture of ANWR. "Stop airbrushing us out," Nageak said.