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# RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

## BREAKFAST MEETING

Thursday, March 3, 2016

1. Call to order – Ralph Samuels, President
2. Self Introductions
3. Head Table Introductions
4. Staff Report – Marleanna Hall, Executive Director
5. Program and Keynote Speaker:

### One Man's Journey to the Supreme Court

John Sturgeon, RDC Board Member

Next Meeting: Thursday, March 17<sup>th</sup>:

### TAPS 2016 Update

Tom Barrett, President, Alyeska Pipeline Service Company

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This breakfast packet and presentation may be found online at:

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



TOURISM



FISHERIES



OIL & GAS



MINING



FORESTRY

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503

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# RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

February 22, 2016

Dear Alaska Policy Maker:

The Resource Development Council for Alaska, Inc. (RDC) is writing to share our 2016 Policy Positions.

RDC is a statewide business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, tourism and fisheries industries. RDC's membership includes Alaska Native Corporations, local communities, organized labor, and industry support firms. RDC's purpose is to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

We appreciate efforts made by you and many others to achieve a sustainable fiscal plan. We believe Alaskans, like ourselves, will be best served with a sustainable budget, first and foremost. In January, many of RDC's 78 member, statewide board travelled to Juneau to express our concerns for the Alaskan economy. The board, as well as our hundreds of member companies, is concerned with the state fiscal situation.

For more than 20 years, RDC has advocated for a long-term fiscal plan, including efforts to limit unrestricted General Fund spending to a sustainable level, support some use of the Permanent Fund earnings as part of a fiscal plan, and tax policy and incentives that encourage future investment in Alaska's resource industries. Most importantly, Alaska needs a plan that grows the pie bigger, rather than fighting over crumbs from a shrinking pie. This means maximizing investment in all of our natural resource industries to increase production and the creation of wealth, jobs, and economic opportunity. Achieving this requires prudent use of earnings from state investments, and increasing private sector investment in our natural resource industries - rather than chasing away investment dollars through an ongoing series of tax and fee increases, increasing regulatory burdens, and associated actions and policies which make us less competitive for global investment.

The state's operating budget is on an unsustainable path, and operating expenditures of all state agencies need to be prioritized. Unrestricted General Fund spending increased for 10 years while revenues fell.

It may be politically challenging for Alaska to fix the budget this session, but we must find a path to sustainability.

## Support efficiencies in state spending to sustainable levels

RDC encourages you to seek ways to reduce state spending. We support further efficiencies in state government, and encourage you to work with the Governor in prioritizing and finding further reductions to achieve a sustainable level of spending.

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### **Permanent Fund earnings**

The state budget can be compared to a two-income household – revenues derived from the development of natural resources and financial returns on investments. Given budget reductions and taxes will not close the budget gap alone, Permanent Fund earnings will need to be used, but only in a sustainable manner.

### **Consider broad based taxes, but don't shrink the economic pie**

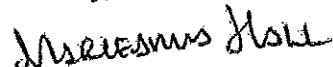
As a last resort, after budget reductions and sustainable use of the Permanent Fund earnings, broad-based, equitable taxes on hard-working Alaskans and Alaskan businesses should be considered. The effects of a broad-based tax on Alaskans and businesses, particularly in rural Alaska, must be fully reviewed and unintended consequences considered.

Taxes on industry, while politically easier to achieve, risk shrinking our economy and the revenue pie, making things worse in the long run. Continuing to incentivize growth in the private sector will strengthen the foundation of Alaska's economy and grow the revenue pie for the state over the long run. A strong and growing private sector should be a priority. When the private sector is healthy and growing, the State of Alaska will prosper.

It is not RDC's role to tell policy makers specifically where to cut the budget, but to offer support to those who show leadership and help achieve a long range, sustainable fiscal plan. RDC encourages you to work together with the governor and your colleagues toward solving the state's ongoing fiscal imbalance. We promise you our support and participation.

Again, RDC appreciates your service, and we look forward to working with the Administration and legislature to find solutions for Alaska's future.

Sincerely,



Marleanna Hall  
Executive Director

Enclosure: RDC's 2016 Policy Positions

# 2016 Resource Development Council Policy Positions

## TOP LEGISLATIVE PRIORITIES

- Advocate to limit unrestricted general fund spending to a sustainable level.
- Advocate for tax policy and incentives that enhance the State of Alaska's competitiveness for all industries.
- Support efforts to bring more accountability to the appeals and litigation processes for community and resource development projects.
- Encourage the State to promote and defend the integrity of Alaska's permitting process and advocate for predictable, timely, and efficient state and federal permitting processes based on sound science and economic feasibility.
- Support policies to encourage new exploration and development of Alaska's mineral and energy deposits, as well as enhanced production from existing operations.

### General Issues

#### Fiscal Policy & Planning

- Advocate for tax policy and incentives that enhance the State of Alaska's competitiveness for all industries.
- Advocate for implementation of a comprehensive, responsible, and long-range state fiscal plan.
- Advocate to limit unrestricted general fund spending to sustainable level.
- Support some use of the Permanent Fund earnings as part of a fiscal plan.
- Oppose efforts to enshrine the Permanent Fund Dividend in the Alaska Constitution.
- Encourage and support foreign and domestic private sector investments in Alaska's resource industries and manufacturing.

#### Access

- Advocate for increased access to and across public lands for resource and community development.
- Advocate for multiple-use of public lands.
- Advocate for the state's rights on navigable waters and submerged lands.

#### Regulation/Permitting

- Support efforts to bring more accountability to the appeals and litigation processes for community and resource development projects.
- Encourage the state to promote and defend the integrity of Alaska's permitting process.
- Encourage the state to use all available avenues to ensure reasonable and predictable decision making under the CWA Section 404 permit program including establishment of an industry/state government working group to identify and implement Alaska solutions to wetlands mitigation.
- Advocate predictable, timely, and efficient state and federal permitting processes based on sound science and economic feasibility.
- Provide adequate resources to permitting agencies for personnel, research, and science.
- Support the State of Alaska's efforts to challenge unwarranted Endangered Species Act listings and proposed critical habitat designations.
- Support reasonable mixing zones for resource and community development.
- Support efforts to reduce federal interference and devolve more authority to the states.

#### Infrastructure

- Support transportation and power projects that enhance resource and community development activities.
- Encourage development of new electrical generating and transmission systems to provide stable sources of electricity for economic development and existing consumers.
- Support efforts stimulate investment in power and transportation infrastructure by catalyzing private partnership investment through the public-private-partnership (P3) model.

#### Education

- Support programs, including the Alaska Resource Education program, to educate students and the general public on responsible resource development activities in Alaska.
- Support efforts to provide for a skilled and trained Alaska workforce necessary to support resource development industries.

### Industry Specific Issues

#### Oil & Gas

- Support tax policies that establish a competitive tax structure and incentives to increase the exploration, production and development of all Alaska's oil fields (new and existing).
- Support policies to establish a competitive tax structure and legislative and administration efforts to increase the commercial viability of developing Alaska's natural gas resources.
- Advocate for access to and development of oil and gas resources on federal lands; including the coastal plain of ANWR, NPR-A, and the Alaskan OCS.
- Advocate for federal revenue sharing and/or community impact assistance to maximize benefits of OCS development to Alaska.

#### Mining

- Encourage the expansion and increased production from existing deposits as well as new exploration and responsible development of Alaska's mineral resources.
- Advocate for continuation and expansion of airborne geophysical mapping and the on-the-ground follow up work required to realize the full benefits of the program.
- Support the State's efforts to maintain control of reclamation bonding.

#### Fisheries

- Support policies that ensure healthy, sustainable commercial, sport and subsistence fishery resources; access and markets for Alaska fishermen, sport charter businesses and coastal communities; including a reasonable and stable regulatory environment.
- Support funding of fisheries and marine mammal research.
- Encourage programs that not only manage but in fact enhance the State's fisheries resources.

#### Forestry

- Advocate for a reliable and economical long-term state and federal timber supply.
- Support funding and enforcement of the Alaska Forest Practices Act.
- Encourage funding of forest management initiatives that address long-term forest health and reforestation.

#### Tourism

- Advocate for a positive business environment to promote continued growth of the cruise and tourism industries in Alaska.
- Advocate for equitable environmental laws for cruise ships.
- Advocate for additional aircraft landing sites and reduced restrictions on over-flights.
- Support South Denali infrastructure development to provide for a variety of visitor experiences and help accommodate future visitor needs in the region.
- Advocate for the reinvestment of a portion of visitor industry-related revenues to market Alaska as a destination.

#### Energy

- Support simplified leasing and efficient permitting of non-conventional fuel resources to encourage development of the state's resources and provide energy to local areas.
- Support utilization of Alaska's coal resources for value-added industries and power generation in addition to export to international markets.
- Support efforts to diversify Alaska's energy sources, including known renewable energy options.



# RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

## **Alaska's Fiscal Crisis**

For more than 20 years, RDC has advocated for a long-term fiscal plan, including efforts to limit Unrestricted General Fund spending to a sustainable level, support some use of the Permanent Fund earnings as part of a fiscal plan, and tax policy and incentives that encourage future investment in Alaska's resource industries.

Low oil prices, a long-term steep decline in production, and unsustainable state spending are the root causes of today's budget problem.

The state's operating budget is on an unsustainable path. Unrestricted General Fund spending has increased 230 percent in 10 years while revenues have fallen.

State budget reserves should be used to aid in the transition to a sustainable budget.

## **Permanent Fund Earnings**

Permanent Fund earnings need to be part of a long-term, sustainable solution to Alaska's fiscal situation. There is nothing in state law that prohibits these earnings from being used to support essential services.

Governor Jay Hammond's vision for the Permanent Fund included the eventual use of the fund's earnings to help pay for essential government services. With TAPS throughput running at three-quarters empty and oil revenues resetting to new, lower levels, the time has come to use some of the earnings to fund services.

Governor Walker's own presentation from bond rating agencies assumes availability of Permanent Fund earnings.

Budget cuts and taxes alone cannot bridge the fiscal gap. Alaska needs to use Permanent Fund earnings, but only in a sustainable manner.

More than \$60 billion in financial accounts now generates more income for the state than oil production. Yet we continue to rely mostly on current oil revenues to pay for public services.

University of Alaska economist Scott Goldsmith has proposed using both current revenues and earnings from the state's portfolio of assets to pay for public services.

## **Responsible Tax Policy**

This is not the time to raise taxes on Alaska's natural resource industries. Higher taxes in this low-priced commodity environment for oil, minerals, and fish could be a game changer for Alaska, leading to lower state revenues and a weaker private sector. The private sector is the foundation of Alaska's economy and its underlying health is the key to sustaining jobs, state government and the overall economy.

To sustain our economy, Alaska needs to encourage new investment, jobs and production by maintaining a stable, competitive tax structure. Conversely, the more Alaska taxes commodity-producing companies, the less likely they will invest in future production.

Alaska's natural resource industries are not asking for a decrease in taxes like many other states and countries are considering, but they are asking for stability, which includes a fiscal policy that encourages investment in our state and keeps Alaska open for business.

Alaska's oil and gas, mining, tourism, fishing and forest industries already have skin the game, generating revenue to state and local governments and providing jobs to Alaska families. Instead of increasing taxes, risking jobs and future investment, Alaska needs to incentivize economic growth and business investment, which will grow the revenue pie for both the private and public sector.

## **Oil taxes**

Alaska cannot increase oil production by increasing taxes.

The oil industry has traditionally accounted for 90 percent of Alaska's General Fund revenues and is the largest property tax payer in the North Slope Borough and Kenai Peninsula Borough.

The current oil tax system is balanced, setting a higher minimum floor than the previous tax system, while setting a stable and predictable rate when oil prices rise again. At current prices, Alaska's oil tax policy has brought hundreds of millions of dollars more in tax revenue to the state than it would have under the previous system, just as it was designed to do.

Alaska cannot control the price of oil, but it can control what kind of business climate we create here: one that encourages continued investment and more oil for TAPS.

Governor Walker's oil and gas tax policy proposal represents the sixth major tax change in the last 11 years. Imposing significant tax increases and eliminating access to critical incentives will do nothing to increase production. It creates more harm to Alaska's largest industry and the state's economy as a whole.

Oil prices today are not only the lowest we've seen in a decade, but when adjusted for inflation, they are the lowest since the mid-1980s. In less than two years, oil prices have fallen 70 percent. This impacts the State of Alaska's revenues, but also the industry, which receives 100 percent of its revenue based on the commodity price.

Raising taxes on companies that are reporting record losses and are in negative cash flow positions is not sound tax policy.

While the state is facing a massive budget deficit in part due to low oil prices, the oil industry is also swimming in a sea of red ink and fighting for its survival.

The estimated average cost of producing a barrel of oil on the North Slope before taxes is approximately \$52 per barrel. Companies have to incur that cost before they pay any production tax, corporate income tax or property tax.

Raising taxes and eliminating tax credits could stop investment. Alaska needs that investment now more than ever to keep oil production up to protect Alaskan jobs and businesses as well as the revenue that production generates for the state.

Tax credits have attracted significant investments from companies new to Alaska. Without credits, Southcentral Alaska might still face the prospect of importing its energy at high costs to heat homes and generate electricity. Thanks to tax credits, local utilities have security of supply for several years. In the long term, additional investment will be needed to meet demand.

Tax credits counter Alaska's high-cost challenges and spur new exploration and continued investment. Alaskans see economic benefits in spending and jobs. Changing or eliminating tax credits will impact investment and activity, and will not put new oil in the pipeline.

Tax credits are earned as companies are first required to invest in Alaska, hire employees, spend capital, and drill for oil and gas.

## **Mining taxes**

Governor Walker's mining tax bill increases the Alaska Mining License Tax payment due by 29 percent and removes the 3.5-year exemption designed to attract new mines. These proposed changes place an increased financial burden on Alaska mines at a time when the industry faces great challenges. Removing the exemption offers no immediate or near-term revenue for the State, yet potentially impacts the feasibility of future mining projects.

The mining industry is suffering through a deep and prolonged downturn in commodity prices while development and operating costs are rising. In fact, the mining sector has been in a deep global recession for at least four years

and has seen significant reductions in exploration dollars. This is clearly not the time to increase taxes on the mining industry.

Alaska's mining industry has tremendous potential for growth. We should be evaluating the possibility that the industry could double in size and multiply revenues and economic benefits, including family wage-paying jobs, and determine how the State of Alaska can attract investment to make that a reality.

One new large mine in Alaska would produce more revenue to the state than Governor Walker's proposed mining tax bill.

Investment in the future of Alaska's mining industry and subsequent government revenues starts with exploration, which has decreased sharply in recent years. Alaska competes for limited capital with worldwide jurisdictions with competitive mineral potential and fiscal terms. For example, Argentina recently repealed its 5% tax in order to attract investment to its impressive deposits of silver, gold, copper, aluminum, and lead. Alaska has comparable mineral potential, but an increase in taxes does not make for attractive fiscal terms to attract new investment.

Despite some of the world's highest environmental standards that require stringent oversight, mining brings in much more revenue to state coffers than what it costs to manage the industry. Mining pays its way in Alaska, not only in state government revenues, but also in local property taxes, Native corporation revenues, jobs, and procurement spending. The mining industry is the largest revenue producer for the Northwest Arctic Borough, and the largest payer of property taxes in the Fairbanks North Star Borough, and the City and Borough of Juneau.

### **Tourism taxes**

Governor Walker proposes to increase the cruise ship passenger tax by \$15 million. The mechanism is to repeal the deduction each passenger receives for the taxes paid in Juneau and Ketchikan. The purpose of the deduction was to lower the tax, making Alaska more competitive and ensure that all passengers paid the same head tax in Alaska regardless of which ports they visited.

The industry challenged the 2006 voter initiative as unconstitutional since the tax was being used for items with no connection to the vessel and passenger. The industry and the State of Alaska resolved the dispute and the Legislature enacted a statutory change to make the change permanent.

Under the Tonnage Clause and Commerce Clauses of the U.S. Constitution and Federal Law, taxes can only be assessed to pay for services directly related to the passenger or the vessel.

Governor Walker's proposed vessel tax would eliminate a key component of the 2010 settlement agreement. It will also make Alaska a more expensive destination. The settlement agreement worked; ships came back and jobs came back with them.

The travel industry is a major contributor to Alaska's economy, generating \$3.9 billion in economic activity, including \$78 million in revenue to local communities throughout the state, and \$101 million to the state.

### **Fishing taxes**

Governor Walker's fiscal plan proposes an increase on the fishery business tax and a fisheries resource landing tax by anywhere between 25-33%. While this would place an increased financial burden on the entire industry, there are specific sectors it will drastically and disproportionately impact.

Increasing the taxes on the fishing industry at a time when commodity prices are down, minimum wage costs are up, and the global currencies are depressed is bad policy and risks shrinking the economic pie. The tax increase is not something that can be passed on to the consumer.

The commercial fishing industry pays a total of \$130 million in revenue to state and local governments. Taxing this industry further could lead to fewer jobs for Alaskans and less revenue to government.



## PRESS RELEASE

March 2, 2016

**CONTACT:**

Ty Hardt  
Sr. Director of Communications  
Desk (907) 339-6888  
Mobile (907) 223-3253  
thardt@asrc.com

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### **ARCTIC SLOPE REGIONAL CORPORATION DISAPPOINTED IN NINTH CIRCUIT COURT DECISION**

*Ruling could needlessly delay or cancel development projects in the state and make cost of living in northern and western regions even higher*

Arctic Slope Regional Corporation (ASRC) is reacting to this week's decision by the three-member panel of the Ninth Circuit Court of Appeals, which sets aside approximately 187,000 square miles in Alaska as critical habitat for polar bears. That's an area larger than the states of Washington and Arizona combined, and reverses a 2013 conclusion by the U.S. District Court for Alaska.

"We are very concerned and frustrated by this decision," said Rex A. Rock Sr., ASRC president and CEO. "Clearly, it is another egregious example of federal overreach when it comes to the limited rights and protections the Alaska Native community has on its own lands. This appellate court's finding threatens to impede much-needed economic development in our region at a time when the state's economy is already unstable. It could also make the cost of goods and services even steeper."

Rock strongly added, "As I have said in the past, this wrong-minded decision will adversely affect the indigenous people and communities across our region, with the area now set aside larger than the state of California. The science used to justify the ruling is inappropriate and does not reflect the dynamic ocean sea ice regime or the life cycle of these animals. Through this process the USFWS and now the Ninth Circuit is wrongfully burdening the people of the North Slope."

In the fall of 2010 the U.S. Fish & Wildlife Service announced its plan to set aside the area across the Arctic Slope, Northwest Arctic, Bering Straits and Calista regions as critical habitat for polar bears. For more than five years, ASRC and the North Slope Borough have been leading a coalition of Alaska Native groups from the North Slope, Northwest and Southwest Alaska to fight that ruling in court. The coalition has until mid-April to ask for a rehearing.

Rural Alaska is also being hit by other burdensome efforts that include international agreements with Russia to limit the take of Alaska-Chukotka polar bears without the U.S. Fish and Wildlife Service appropriately consulting with or incorporating the views of North Slope Alaska Natives. In addition, proposals to the U.S. and Canadian governments from the World Wildlife Fund and Natural Resources Defense Council threaten to shut down economic opportunities for Alaska's Arctic residents.



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# RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

February 22, 2016

Mr. Earl Stewart  
USDA Forest Service  
Tongass National Forest Transition Plan Amendment  
648 Mission Street  
Ketchikan, AK 99901

Re: Tongass National Forest Proposed Land & Resource Management Plan and Draft Environmental Impact Statement

Dear Mr. Stewart:

The Resource Development Council for (RDC) appreciates the opportunity to provide comments on the Tongass National Forest Proposed Land and Resource Management Plan and Draft Environmental Impact Statement (DEIS).

RDC is a statewide non-profit business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, fisheries and tourism industries. RDC's membership also includes Alaska Native corporations, local communities, organized labor and industry-support firms. RDC's purpose is to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

## Introduction

A major goal of RDC is to build a more diverse and vibrant economy in Southeast Alaska through the restoration of a fully integrated forest products industry and a vibrant mining sector. The economic benefits of a fully integrated forest industry and mining to residents, local communities, and the State of Alaska is alone a good reason to amend the 2008 Tongass Land Management Plan (TLMP). Flourishing forest and mining industries should be a priority of any amended, long-range plan, given the pressing economic needs of the region and local residents, and the fact that both industries have demonstrated coexistence with wildlife, fish and the environment.

While the Tongass National Forest (TNF) is well known for its timber resource base, the forest is also rich in other resources essential to society. There are 52 areas totaling 589,000 acres within the national forest containing identified mineral resources. Of the identified mineral tracts, 377,000 acres have high mineral potential. In addition, undiscovered mineral resources may exist beneath 6.6 million acres of the forest. Development of these resources could help diversify the economy and provide opportunities beyond forest products, fishing and tourism, especially when litigation often derails or delays timber sales.

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503  
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Since the 1990s, much of Southeast Alaska has experienced a significant economic downturn due to the sharp reduction in access to federal timber. Any new economic activity, such as mining, that promises to bring in high-paying jobs, should be actively encouraged by the Forest Service.

Forestry and mining are key to achieving a more diverse and strong economy in Southeast Alaska. For the forest industry, an adequate long-term supply of economic timber from the TNF is absolutely essential if the industry is to play a major role in rebuilding the region's economy. Thousands of direct and indirect year-round jobs would result and local communities would prosper.

### **Forest Industry Overview**

RDC members have serious concerns regarding the supporting analysis and practical viability of the proposed accelerated transition to predominant young-growth harvest and other elements of the proposed alternative and the DEIS. We also are concerned about the adequacy of the analysis in the DEIS regarding young-growth timber inventory, Native Corporation lands, other timber supply, economics, and communities.

Moreover, we have concerns about use of 2012 Planning Rule in part as the proposed plan and DEIS documents are confusing about what elements of the 2012 Planning Rule and which amended plan components will apply to specific areas and activities on the Forest, and how 1982 Planning Rule vs. the 2012 Planning Rule Forest Plan consistency requirements will apply to projects after the amendment takes effect.

We are also concerned that the amendment process is being rushed to comply with a directive from the Secretary of Agriculture to complete the amendment according to a politically-driven timeline, which is unlikely to produce a viable, sustainable transition plan. The proposed amendment should not be finalized until after completion of updated field inventory of all young-growth stands, updated yield/growth models and analysis, and public and agency comment of these.

If the proposed amendment is going to be finalized in 2016 and prior to more complete and adequate analysis, it should incorporate completing this updated work, analysis, and review in a new amendment as soon as practicable. This adaptive management component will be needed to assure that the transition timber base, schedule, and other components are economically and socially sustainable and do not result in the loss of the remaining forest industry and related community infrastructure over the next several years and beyond.

### **Young Growth Management Issues**

RDC strongly supports offsets and additions to the timber base to prevent further loss of it from restrictions going forward. We also support other flexibility in the management of the timber base to aid the transition, including retaining adequate levels of old-growth harvest going forward until a full transition to mature young growth occurs.

However, we have strong concerns about the supporting analysis, aggressive schedule, and other parameters of the proposed amendment regarding transition to predominant young-growth harvest. The final amendment should ensure there is due consideration of best practices for the management of second growth forests through silviculture (thinning, pruning, planting) and habitat restoration. These activities also provide employment opportunities in the region.

Another important aspect of the transition to young growth is the Forest Service's understanding of the economic and market opportunities for second growth forests. The Forest Service should further review and analyze available market data and the economic outlook for young growth forest products to assure that conclusions and resulting amendment provisions are based on a realistic assessment of needs and criteria for a market for Southeast Alaska young growth in competition with other sources.

Experience dictates that there needs to be a mix of activities in both old-growth and young-growth stands to ensure a viable timber program, as well as to meet cultural and subsistence use needs and ecological management objectives.

The proposed amendment and DEIS substantially overestimate the timber supply from non-federal lands, which makes its conclusions about adequacy of supply from the proposed amendment action alternatives erroneously low. Moreover, the proposed amendment and DEIS treat the TNF supply as a residual supply to supplement State, Native Corporation and other non-federal sources, and limited to a timber base area that is a very small portion of TNF commercial forest lands. This is inconsistent with basic national forest multiple-use sustained-yield purposes, the Tongass Timber Reform Act's (TTRA) direction to meet market demand, and Southeast Alaska community economic and social sustainability needs. Sealaska Corporation is the primary private land supplier and it has indicated an ability to supply no more than 45 million board feet (mmbf) per year for next 20 to 25 years. Sealaska has also expressed an interest in acquiring up to 20 mmbf per year from the TNF.

The draft TNF timber demand report is based on a restricted supply, which artificially limits demand for Alaska forest products. The analysis attributes the supply constraints to federal budgets and National Environmental Policy Act (NEPA) issues, but fails to acknowledge that its self-imposed standards and guidelines for its timber sale program have greatly increased the cost of harvesting timber sales. These agency restrictions result in high costs, one of the primary reasons the agency has been unable to prepare economic timber sales.

There will be a continued need for old growth harvest for various commercial needs as well as cultural and subsistence uses. The proposed amendment and other amendment alternatives provide only a minimal amount that may not be enough (five mmbf per year limited to micro and small sales).

Contrary to what the DEIS indicates, old-growth is a renewable resource. It can be managed for timber production as well as wildlife habitat and other benefits, using 150 year or longer rotations, thinning, and other best practices.

The Forest Service is basing its aggressive young-growth transition proposal on incomplete and unreliable forest inventory data and other information in a rush to complete the amendment in response to political directives. The agency's timber growth/yield model appears to significantly overstate young growth timber yield and volumes. In reality, the industry will need to harvest an adequate volume of old-growth trees for about another 30 years to allow second-growth stands to fully mature, which takes at least 90 years for most trees in Southeast Alaska. Allowing old-growth stands to mature another 30 years to age 90 would roughly double the harvestable volume per acre for Alaska mills.

The financial analysis in the DEIS of the feasibility of manufacturing products in Southeast Alaska or exporting logs from young growth is questionable. The factors that need further analysis include:

- Costs of accessing and harvesting young growth stands
- Low values of young-growth lumber
- Lack of economies of scale; small size of the remaining industry and the supply of timber projected
- Related lack of assurances/incentives to support investment to grow and adapt to an infrastructure that can be sustained with predominant premature young growth harvest. (Local mills as outfitted today will not be able to manufacture high-value lumber from 60-year old young-growth trees that would be available under an expedited shift away from old-growth harvesting. The plan makes a faulty assumption that mills can and will make enormous investments in young growth manufacturing when the volume of young growth logs will be only 9 mmbf annually for the first ten years and then possibly ramp up to a higher volume over time.)
- Assumptions and overestimates regarding the amount of non-federal timber that will be available to local mills
- Assumptions about the demand for utility logs for biomass energy and availability of such logs
- Assumptions about the pace at which the Forest Service can make viable timber sales available and the economic volume that can be made available, given plan restrictions as well as NEPA process, appeals, litigation and other delays and costs

The DEIS confirms that young growth harvest sales will appraise negatively and require federal subsidies unless combined with sufficient old-growth volume to generate a positive economic return, for at least the first couple of decades of transition. The amendment decision should be deferred until updated and complete stand-level young growth field inventory information and young growth yield models are completed. If the proposed amendment is adopted before that time, provision for early review and consideration of further amendment – once updated information and analysis is available – should be incorporated in the amendment.

The Forest Service should expedite the field inventory and other work; this is an opportunity to provide contracting and other employment for local businesses and citizens.

There does not appear to be much in the proposed Amended Plan or DEIS documents regarding coordination of resource management and harvesting with adjacent landowners. The final amendment should provide for coordination by the Forest Service of TNF management with adjacent non-federal landowners, but it should be made clear that national forest management or control does not extend to non-federal lands.

#### **Roadless Rule and Road Access Issues**

The amended plan should remove or allow for removal of barriers to management and development that exist as a result of the Roadless Rule and that are not required by court decisions.

The final amendment should consider and allow for further road access for not only timber, mineral and energy uses, but also access to resources important to the residents of the region for subsistence, recreation and other community economic, cultural, and social activities.

The proposed amendment and DEIS alternatives treat all current roadless areas as generally unavailable for further road access or development. The final amendment should at a minimum affirmatively provide for further review and amendment of the plan once current litigation is resolved or the current 2001 Roadless Rule application to the Tongass is otherwise changed through Congressional action or further rulemaking.

## Mining

The proposed amendment does not recognize or discuss the adverse impacts to mining resulting from major federal government policy revisions overlain on the 2008 amended Tongass Land Management Plan (TLMP) since it was promulgated in January 2008. These revisions severely curtailed access for mineral exploration and development.

The 2008 TLMP should be amended to include enforceable mechanisms designed to promote mineral and strategic mineral exploration and development and realistic access to mining claims and mining development. In addition, the final amendment should include alternatives that would make mining part of the multiple use strategy for the TNF. Clearly, mining is not adequately considered in the draft plan.

RDC joins the Alaska Miners Association (AMA) in proposing the following amendments be made to the Forest Plan:

1. The USFS should develop a Mineral and Strategic Mineral Land Use Designation (LUD) to promote and support mineral and strategic mineral development and related access roads, and include this LUD within the Final EIS or Supplemental EIS for the proposed TLMP Amendment. The Mineral and Strategic Mineral LUD would take precedence over any underlying LUD (subject to applicable laws) regardless of whether the underlying LUD is an "Avoidance LUD" or not. As such, it would represent a "window" through the underlying LUD through which minerals and strategic minerals could be accessed and developed.
2. The FEIS or SEIS should describe the impacts on mining in the Tongass National Forest arising out of President Obama's November 3, 2015 Memorandum that orders the Secretary of Agriculture to propose regulations establishing a "net benefit goal" for natural resource use.
3. The TLMP Amendment should include alternatives in the FEIS or SEIS that define the term "reasonable access" to mean road access, and which assures road connectivity between mines and nearby communities; for example, on Prince of Wales Island.
4. The Transition Plan Amendment should include an alternative in the FEIS or SEIS that requires timely (30 day turnaround) issuance of Forest Service Special Use Permits for those that hold a mining claim.
5. Consistent with National Energy Policies, the FEIS or SEIS for the Transition Plan Amendment should include alternatives with a clear, consistent, enforceable Renewable Energy Development LUD which promotes and supports renewable energy development and related transmission lines within the Tongass. The Renewable Energy Development LUD would take precedence over any underlying LUD regardless of whether the underlying LUD is an "Avoidance LUD" or not. As such, it would represent a "window" through the underlying LUD through which renewable resources could be accessed and developed. Current forest-wide standards and guides are too vague to be enforceable. The USFS should provide for equal treatment of developers, and abandon language that prioritizes or deprioritizes projects based on their intended market or user.
6. The Transition Plan Amendment should include an alternative in the FEIS or SEIS that develops a new LUD called the "Tongass Community Economic Development Zone LUD" to promote and support economic development and activities on the TNF for any community that has lower than

average State per capita income or pays higher than the national average for electricity to assure that the Plan's administration and practices promote economic well-being and social justice in all Tongass communities.

7. The Forest Service should engage in rulemaking to amend the 2001 Roadless Rule as applied to the Tongass as needed to authorize the changes proposed above.
8. The Chief of the Forest Service should re-delegate to the Forest Supervisor and District Rangers on the Tongass the authority to make permitting decisions within IRAs.

### **Renewable Energy Development**

RDC supports increased flexibility for energy facilities and infrastructure in the proposed amendment. Such flexibility in the final amendment should include hydroelectric energy development, geothermal, biomass and other alternative or renewable energy opportunities.

Road access to such resources, as addressed above, is one aspect of flexibility. There should, however, be additional provisions to ensure consistency with federal energy policy that supports all forms of renewable energy development and associated transmission lines. RDC is concerned that the proposed amendment and DEIS analysis presume a large increase in biomass energy production in Southeast Alaska and related utility log supply and demand forecasts may not be feasible or realistic.

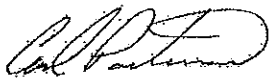
RDC is also concern with "zoning" analogy statements in the proposed plan, and we note that the plan appears to be departing from traditional multiple use management with emphasis on separating rather than mixing uses by area. We object to the extent the plan prioritizes protection of resources and ecosystems over striking a balance with economic and social sustainability of communities in the region.

### **Conclusion:**

RDC fully endorses the comments of the Alaska Forest Association and the Alaska Miners Association on the proposed forest plan and DEIS. We appreciate the opportunity to comment and look forward to continuing our participation in the process.

With its immense natural resources, the TNF has the potential to be the cornerstone of the Southeast Alaska economy, providing jobs and economic opportunities to local communities. Both the mining and forest products industry have proven they can coexist with the fishing and tourism industries. Adherence to modern environmental and forestry laws and standards will continue to prevent major impacts on fish and wildlife, both of which are healthy and thriving.

Sincerely,



Carl Portman  
Deputy Director

Founded 1975

Executive Director  
Marleanna Hall

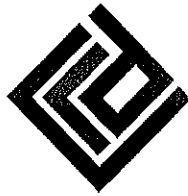
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# RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

February 19, 2016

Ms. Terri Marceron  
Forest Supervisor  
Chugach National Forest  
161 E. 1<sup>st</sup> Avenue, Door 8  
Anchorage, AK 99501

Re: Chugach National Forest Plan Revision

Dear Ms. Marceron:

The Resource Development Council for Alaska, Inc. (RDC) appreciates the opportunity to provide comments on the Chugach National Forest Plan Revision.

RDC is a statewide non-profit business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, fisheries and tourism industries. RDC's membership also includes Alaska Native corporations, local communities, organized labor and industry-support firms. RDC's purpose is to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

## Introduction

RDC has wide ranging concerns regarding the future management of the forest. Our concerns can best be addressed through the implementation of a true multiple-use mandate, which has been a cornerstone of Forest Service policy. This mandate sets national forests apart from national parks and refuges. Our national forests were established under a working forest model. Unlike the national parks that were created for preservation, the national forests were established under the authority of the Organic Administration Act of 1897 to conserve water flows and to furnish a continuous supply of timber and other resources for the American people. The notion of the working forest has been with us for over a century.

As our nation grew and demands on our forests increased, additional acts of Congress refined but did not supersede the Organic Act. The 1960 Multiple Use Sustained Yield Act added outdoor recreation, range, fish, and wildlife to the balance of national forest uses. The 1976 National Forest Management Act (NFMA) established a framework for forest planning, however, nowhere did Congress alter the fundamental mandate to balance multiple use, including water, timber, mining, recreation, range, fish, and wildlife.

Multiple use means more than recreation, subsistence, and wildlife habitat. These uses are all important, but must and can coexist with responsible resource development. The Chugach should be managed for multiple uses, including recreation, commercial tourism, mining, timber production, and other resources, especially given the fact Alaska contains 70 percent of the nation's national park lands, 80 percent of its national wildlife refuge

acreage, and 53 percent of federal Wilderness. These units, like most of Alaska, are primarily roadless and wild. The Chugach should not be managed as a national park where preservation is an overriding management priority. RDC believes that true multiple uses as outlined above should be reflected in the plan revision if the Chugach is truly to be a land of many uses. Unfortunately, the draft forest plan revision falls well short of this mandate.

### **Timber production/harvest**

Although the Organic Administration Act provides that timber production is a key statutory mission of the National Forest System, the Chugach is the largest national forest in the nation with no Allowable Sale Quantity (ASQ) and with no Forest Service timber program. This is inappropriate and unacceptable. The Chugach, the second largest national forest in the nation, provides no timber for local wood product businesses, even though it is fully capable of doing so. The revised forest plan contains conflicting standards and guidelines that essentially prevent an ASQ. The plan does not provide for any level of timber production and considers it unsuitable across the entire forest (Table 6). RDC strongly disagrees with this assessment and considers it a glaring example of how the revised forest plan is biased and predisposed to non-development designations. Sustainable and responsible commercial timber harvesting is no more discretionary than habitat preservation, ecosystem management, watershed protection, and recreation.

There is a need for a small, viable timber program in the Chugach consistent with management of the forest prior to 2002. The increased availability of small timber sales in Southcentral Alaska in recent years has enabled small operators to expand operations. However, many of these businesses are struggling in part due to the lack of a suitable timber supply, but not due to a lack of resource.

Prior to 2002, the ASQ in the Chugach was approximately 75 million board feet (mmbf) annually with 58 mmbf coming from sawlog and 17 mmbf from utility. The 2002 plan included alternatives with an ASQ from 0 to 163 mmbf annually. RDC requests that the new plan allow for an annual ASQ to help supply local demand for timber. An annual ASQ of 30-50 mmbf would impact a very small portion of the 5.4 million acre forest over the next 100-plus years, but would provide timber for local mills, help stimulate the economy, and provide jobs for Alaskans.

The revised forest plan should allow for specific actions to restore forest health and reduce the risk of wild fire. It should include measures for ecological restoration on the Chugach, which has seen forest ecosystems convert to grass and sedge ecosystems in the wake of beetle outbreaks. The re-introduction of an ASQ would aid in restoration work and possibly support biomass production or other commercial endeavors in the region. A program of scheduled timber sales should be provided to meet a predetermined allowable sale quantity.

The revision should also provide for modern silviculture practices to encourage natural regeneration. Forested portions of the Chugach should be managed toward a varied species composition and different age classes to reduce the risk of large beetle infestations in the future and help restore long-term forest health.

### **Minerals**

Mineral entry and mining is insufficiently and inconsistently addressed in the revised plan. Mining is an important multiple use of the forest, which the plan acknowledges, yet it is omitted from Table 6 in general suitability determinations for land uses within management areas. In the revised plan's description of management areas (pages 44-57), minerals management is included in guidelines for Management Areas 3, 4, 5, and 7, but not in Management Areas 1, 2, and 8. Where mining is referenced in the Management Areas section, it is usually in the form of guidelines, which lean heavily toward restrictions that are generally not consistent with the goal for minerals on page 23. Overall, the revised plan provides incomplete and inconsistent direction



on mining and minerals management in the Chugach.

There are many areas within the Chugach National Forest that contain valid, active mining claims, and many more that may have moderate to high mineral potential. Areas with known mineralization or moderate to high mineral potential should be given a minerals prescription, and areas with valid mining claims should remain available for the prescribed use. It is important that access to these areas is not restricted. Moreover, no areas should be withdrawn from mineral entry unless they are statutorily closed to mining by the Alaska National Interest Lands Conservation Act (ANILCA). Areas that are merely being considered for inclusion into a conservation system unit should not be closed to mineral entry. Much of the forest has yet to be adequately explored for its mineral values. Closing an area to mineral entry forecloses future exploration and development opportunities.

### **Access**

Currently more than 90 percent of the Chugach is roadless. Roadless areas, as well as Wilderness and Wild and Scenic River designations, make access permits more difficult, thereby resulting in greater restrictions. Despite future needs, Wilderness designations would prevent the Forest Service from providing additional access, whether for resource extraction, forest health, recreation, or tourism. Less access to the public lands essentially means fewer multiple uses for the public and industries that provide products for consumers and jobs for local residents.

Access to timber, mining, recreation, and inholdings should not be precluded. The revised forest plan must explicitly acknowledge congressionally guaranteed rights of access to surface and subsurface lands conveyed to Alaska Native Corporations within the forest boundaries. The revised forest plan should be abundantly clear that the Alaska Native Claims Settlement Act (ANCSA) and ANILCA guarantee access to these lands to achieve the goals of ANCSA, a fair and just land settlement that addresses the real economic and social needs of Alaska Natives.

Moreover, improved access for destination tourism opportunities must be provided for in the revised forest plan. The plan should place a growing emphasis on how to accommodate a larger number of visitors, not just on how to limit or block access.

Since much of the forest is roadless, helicopter overflights and landings should be allowed in a variety of areas. Statistics show helicopter flightseeing and landings are among the most popular and highest-rated activities for Alaska visitors. Helicopters often afford the only viable access to remote areas. It is often the only way for the physically impaired, aged or a traveler on a tight time schedule to experience remote, rugged lands up close.

### **Wild & Scenic Rivers and Wilderness designations**

RDC opposes new Wild and Scenic River designations in the forest as they are overly restrictive and would diminish multiple use, access, and potential mining and timber production activity. These single-purpose designations are not needed and could very well be used as a tool to block economic development, including activity on Native corporation land. As noted earlier, the Chugach is a national forest with a multiple use mandate, not a national park or refuge.

RDC also opposes the designation of Wilderness in the Chugach and strongly disagrees with the Wilderness Area Inventory and Analysis determination that 99 percent of the forest is considered suitable for Wilderness designation. RDC believes strict management for Wilderness is neither appropriate or necessary. ANILCA was intended to resolve the issue of what lands in Alaska should be designated Wilderness. Beyond the Nelle Juan - College Fjord Wilderness Study Area, additional wilderness suitability studies and recommendations are not

allowed in Alaska under the ANILCA Section 708(b).

As previously noted, Alaska already contains 57 million acres of federally-designated Wilderness – 53 percent of all federal Wilderness in the U.S. In addition, the state contains other vast national park and refuge lands that remain in their original state. Alaska also includes vast acreage of state parks, putting it at the top of the list for acreage preserved under state conservation units.

Further, consideration of federal conservation system units, including Wilderness and Wild and Scenic Rivers, is not consistent with ANILCA. Section 101(d) states that the need for future conservation system units in Alaska has been obviated by the ANILCA withdrawals and Section 102(4) includes Wilderness in the definition of a CSU. In addition, Congress recognized that for Alaska to “satisfy the economic and social needs of the State of Alaska and its people” access is essential. This point is acknowledged in Section 1326(a), which states that administrative closures, including the Antiquities Act, of more than 5,000 acres cannot be used in Alaska. Section 1326(b) adds emphasis to the “No More” clause in noting that federal agencies must first seek the permission of Congress before even studying lands in Alaska for Wilderness consideration.

The areas of the Chugach that are currently being managed as Wilderness should be re-evaluated and a more flexible management regime applied. Wilderness designations limit recreational and multiple use opportunities, impair access, and prohibit resource development. They would also hinder access for future generations and restrict tourism. These designations represent an economic opportunity cost.

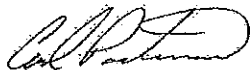
Furthermore, no lands with existing valid mining claims, approved mining activities, and legal access routes to valid mining claims should be given a non-development management prescription. These lands are especially not suitable for Wilderness and Wild and Scenic River designations and such designations would preclude future mining and other multiple use activities that are not compatible with the Wilderness Act. All forest lands that are open to mineral location and entry under the federal mining law should not be considered suitable for Wilderness, nor should they be proposed for Wilderness designation.

Furthermore, the Forest Service should not consider existing intensive motorized recreation areas such as snow machine corridors as suitable for Wilderness. These areas have a long history of allowing motorized uses and have attracted thousands of motorized enthusiasts over the years.

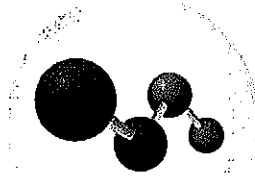
The cumulative socio-economic impacts of numerous withdrawals and proposed withdrawals of land from multiple use management must be addressed in the plan. There should be a no net loss in the economic resource base. The Forest Service, in its revised forest plan, should balance increases in land withdrawals with increases in resources available for multiple use. The current draft falls well short of such a balance.

RDC fully endorses the comments of the Alaska Miners Association on the draft revised plan and appreciates the opportunity to comment on the document and share viewpoints on the future management direction of the Chugach National Forest. We look forward to more – not less – multiple use opportunities, which will help diversify the region's economy and support local communities.

Sincerely,



Carl Portman  
Deputy Director



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Michelle Brunner, Alaska Resource Education, Executive Director

(907) 276-5487, mbrunner@akresource.org

**ALASKA RESOURCE EDUCATION RECEIVES ANNUAL COMMITMENT OF \$20,000 FOR 3 YEARS  
FROM THE SALTCHUK FAMILY OF COMPANIES**

Anchorage, AK. (2/18/16) – Alaska Resource Education (ARE) is pleased to announce it has received an annual grant of \$20,000.00 for the next 3 years for a total contribution of \$60,000.00 from the Saltchuk Family of Companies (*Tote, Foss Maritime, Northern Air Cargo, Carlisle and Delta Western*). These funds will support a 9-12 *Science, Technology, Engineering, Math (STEM) and Career & Technology Education (CTE) focused curriculum on the energy and mineral industries*. Alaska's economy depends on the mineral and energy industries, therefore, providing a path for students to choose careers in these industries is critical. ARE's goal is to ignite an interest early in high school to encourage students to take the necessary steps in developing relevant skills through vocational or post-secondary education. The curriculum will take students on a journey through the history, process, geography, economics, and careers associated with Alaska's mineral and energy industries. It will teach students the fundamental STEM knowledge and the CTE employability soft skills they will need to be successful in any industry. The curriculum will be deployable across the state, including the most remote corners of Alaska.

*"IGNITE, INSPIRE, EDUCATE, these three words define the mission and values of Alaska Resource Education and our commitment to the students of Alaska and their future education and opportunities in the resource industries in their own backyards." According to Michelle Brunner, executive director of ARE.*

*"The Saltchuk Family of Companies support the mission of Alaska Resource Education and we will continue to support the next phase of ARE's curriculum." According to Tucker Tillman, Foss Maritime and ARE Board Member*

###

**About Alaska Resource Education**

Founded in 1982, Alaska Resource Education (ARE) is a 501(c)(3) organization whose mission is to teach students about Alaska's natural resources. Based in Anchorage with a statewide reach, ARE is a partnership between the Department of Education and Early Childhood Development and private industry in Alaska, a relationship that is ideally suited to bridge the gap between the resource economy of Alaska and the teachers who are educating tomorrow's workforce. Using STEM-focused, hands-on teaching methods, ARE has developed a K-8 (adaptable 9-12) custom curriculum on mineral, energy, and forestry resources in Alaska to which the State Science Standards and the Common Core have been applied. The next phase of ARE's curriculum is the development of an energy and mineral curriculum specific to the 9-12 classrooms. ARE also has a teacher training course certified through the University of Alaska, youth programs, an "Alaska Resource Kit," classroom visits, and a set of Girl Scout Patches specific to resources in Alaska. It is ARE's goal to give teachers and students the resources they need for an educated, thoughtful investigation into Alaska's natural resources. For more information, visit [www.akresource.org](http://www.akresource.org)

**About the Saltchuk Companies**

Saltchuk is a privately owned family of diversified transportation and distribution companies headquartered in Seattle with consolidated annual revenue of nearly \$3 billion and approximately 7,500 employees. Throughout North America, Saltchuk companies provide air cargo, domestic and international shipping and logistics, marine services, nationwide trucking & logistics, and petroleum distribution. In Alaska, Saltchuk companies are one of the state's largest private employers with more than 1,500 employees and their families calling Alaska home. Saltchuk companies connect the roads, waterways and runways of Alaska providing fuel, cargo and other essential services that keep Alaskans moving. The Saltchuk Family of Companies in Alaska are (*Tote, Foss Maritime, Northern Air Cargo, Carlisle and Delta Western.*) For more information, visit [www.saltchuk.com](http://www.saltchuk.com)



# RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

## Membership Form

RDC is a statewide business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, tourism and fisheries industries. RDC's membership includes Alaska Native Corporations, local communities, organized labor, and industry support firms. RDC's purpose is to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

To view a list of current members, please visit [akrdc.org/corporate/](http://akrdc.org/corporate/)

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Company: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_

Phone: \_\_\_\_\_ Mobile: \_\_\_\_\_

Email: \_\_\_\_\_ Website: \_\_\_\_\_

(corporate members only)

Referred by (if applicable): \_\_\_\_\_

### Membership Levels

	Corporate	Individual
Platinum	\$3000 and up	\$500 and up
Gold	\$1500	\$300
Silver	\$750	\$150
Basic	\$500	\$75

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