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Resource Review
Resource Development Council for Alaska, Inc.
Box 100516, Anchorage, AK 99510
December 1986

Experts urge
ANWR oil Development

"The question of how important the Arctic National Wildlife Refuge (ANWR) Coastal Plain is to Alaska's economy is like the question, "How important is the fuel supply to your airplane when you are flying at 35,000 feet?" said Alaska economist Bob Richards at a special RDC lunch forum last month in Anchorage.

"Although there are many critical parts to the aircraft, it can be asserted that the fuel supply plays a chief role in getting you to 35,000 feet, and without it your trip is over, and furthermore, your trip is over in a rather unpleasant fashion," Richards said.

"The analogy is a perfect one for ANWR, the subject of the luncheon, which also featured Charles DiBona, President of the American Petroleum Institute and Oliver Leavitt, Vice President of Arctic Slope Regional Corporation.

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FUTURE NORTH SLOPE PRODUCTION
Million Barrels Per Day

Source: Alaska Oil & Gas Assn.

ANWR: Alaska

Existing Field

Is an essential element of America's long-term energy equation, offering the best hope for reversing the nation's increasing dependency on unstable foreign supplies of oil.

Although oil is plentiful in world markets today, DiBona warned that domestic production is steadily falling, setting the stage for another energy crisis in the next decade when U.S. oil imports are predicted to rise to 60 percent of domestic consumption. As imports continue to increase, DiBona said America's vulnerability to oil price shocks and oil shortages will rise to excessively dangerous levels.

"The purchase of Alaska was no folly, but turning our backs on its natural resources would be," said the API President.

Praising the oil industry's record on North Slope development, Arctic Slope Regional Corporation's Oliver Leavitt stated that "energy production facilities can be developed and operated compatibly with the very important fish, waterfowl and wildlife species of the Coastal Plain."

Leavitt reminded those attending the RDC meeting that the Eskimo people have more at stake in decisions about North Slope development than any other group of people in the nation.

Leavitt said residents of the North Slope "favor development if it can be done in a manner that is compatible with our long-term interests in protecting the environment and the fish and wildlife values of the North Slope."

"For my people, our lands in and near the Coastal Plain represent our best chance to participate directly, as owners, in the economic benefits that North Slope oil development has brought to our state and to the nation."
Economic development movement needed to meet challenge of Alaska's economy

When John Anderson, Washington State's Economic Development Director, spoke at the Resource Development Council's (RDC) conference last February, his important message went unheeded by the media. I confess at wondrous at how little excitement was generated about his state's aggressive economic development program, called "Team Washington," and how it had brought local and state governments together with private-sector leaders to pursue economic goals.

Two other speakers addressed subjects pertinent to Alaska's current situation: one dealt with the costs and benefits of incentives and the other with running state economic development programs. The speakers were Walter O'Connor and Scott Fosler, and their recommendations were published in the Conference Proceedings.

These and other speakers provided sound direction to local and state leaders for mobilizing the forces to improve Alaska's economy. Bob Richards and John Sandor, who prepared papers for the Proceedings, offered additional guidance.

I mention this now because it points up an often-substantiated fact about economic development activity: No city or state has ever gotten serious about economic development until there was a crisis. And last February, the general population had apparently not accepted the reality of Alaska's economic state of affairs. It's safe to say that the message has now sunk in—there is widespread agreement that we must do something. But what?

Here the agreement ends, because no one person, agency or institution knows all the answers as to what that "something" is. One thing for certain, the old rules of the game no longer apply. Playing "economic development" in the eighties is an entirely new ball game, and Alaskans must do something. But what?

When it comes to economic development strategies, we do care how they do it Outside. Alaska cannot afford to waste precious time reinventing the wheel or spending scarce resources on economic development experiments. That's precisely why RDC's members have paid us to examine a variety of state programs to see which processes or strategies might fit Alaska's needs.

One obvious conclusion of our research is that virtually every successful program involves a marriage of business, government, labor and universities. As a result, the timing is now right for Alaska to aggressively protect and enhance its own economic interest, a major conference has been scheduled to consider exciting options.

Called "The Alaska Great Opportunities Conference," it will describe successful programs of cities and states across the nation, and even the country of Ireland. Believe me, many of these programs and processes can and should work to our benefit in Alaska. Between now and April 2, when the conference convenes, we encourage Alaskans to meet the challenge of Alaska's economy, we can indeed create an environment for these industries to "make it" in Alaska while we were awash in petrodollars.

How many times have you heard that no other industry could begin to bring in the kind of revenues government gets from oil? True, but an important point is missed here. All these other industries generate high levels of revenue in the private sector, and when we talk about diversifying the economy, we mean creating jobs primarily for people in private industry.

What can we do to begin diversifying Alaska's economy? We've already taken the first step—admitting that we have a problem, or challenge, as we might prefer to call it.

The second step involves commitment—commitment to make economic development a major priority at local and state levels. Recently more than 30 governors have made economic development their top priority and have put the full weight and force of the governor's office behind their programs. How did they do it? By studying what worked and what didn't work in other states, by borrowing the good ideas and discarding the ones that proved too costly or ineffective. That's the third step.

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State proposes major unified effort in planning economic development strategies

The success of any strategy for economic development in Alaska, either from the public or private sector, is predicated on a partnership forged between the two sectors, according to Tom Lawson, Project Coordinator of the Alaska Economic Development Strategy for the Alaska Department of Commerce and Economic Development.

Lawson, told an RDC breakfast forum that active participation and support of the governor and business leaders are absolutely essential for a successful strategy. “As an ownership state, we have to take a very active role in economic development,” Lawson said. “The successful implementation of a strategy and organizational structure will help meet the future challenges, outline opportunities and ultimately promote future economic growth and diversification.”

Farmers give thanks at Harvest Supper

More than 200 people celebrated a progressive Alaska agriculture industry by feasting on a wide array of Alaska-grown foods at the breakfast forum. The event was part of the Second Annual Harvest Supper sponsored by the Alaska Farmers and Stockgrowers Association and the Resource Development Council.

The mid-November Palmer event represented a chance to acknowledge the contributions of state legislators and to make a positive impression on the new administration, according to Pat Mulligan, Matanuska Valley farmer and member of RDC. “All of the food for the celebration was donated by local farmers. The evening began with hors d’oeuvres—deviled eggs, carrot sticks and Alaska meat products. Dinner consisted of baron of beef, roast pork, mashed potatoes and gravy and cooked carrots. For dessert, there was carrot cake and ice cream made from locally grown milk and cream.”

Council responds to Togiak management plan

Future management regimes for the Togiak National Wildlife Refuge may be under reconsideration by unnecessary Wilderness recommendations, according to the Resource Development Council.

In comments to Robert Gilmore, Regional Director of the U.S. Fish and Wildlife Service, RDC executive director Paula Easley said the preferred alternative in the comprehensive management plan for the refuge is not necessary to carry out the Congressionally-established purposes of the refuge.

Easley said, “the Togiak National Wildlife Refuge can support multiplicity of existing and potential uses not presently stressed in the final comprehensive management plan’s preferred alternative.”

RDC also indicated that low-impact oil and gas studies should be accommodated. The Council said that RDC would be more comfortable with the oil and gas management regimes of Alternative E or D from the draft. These schemes, the Council contends make clear the Service’s intent to promote better understanding of Togiak’s subsurface resources and potential for environmentally-sound exploratory activity in the future.

Easley said the federal agency is to be commended for dealing with the many Togiak issues with diligence and creativity. “We feel that the Service’s intention to further study the user conflicts there will provide for a equitable management scheme in the future,” concluded Easley.

“Buzzfacts”

The 220 million acres of federal lands within Alaska would comprise the second largest state in the U.S. This 220 million acres is roughly the size of 15 East Coast states, including the six states of New England, Vermont, Pennsylvania, New Jersey, Virginia, Maryland, North Carolina, South Carolina, Delaware, New Jersey and Rhode Island.

“Notable Quote”

“Most simply, in our experience, myopic environmental extremists prey upon the general inexperience of citizens to pander to their benign and potentially beneficial energy developments.”

John Badger, McGuire Oil and Gas Institute, Dallas, Texas

RDC defends coal project

Allegations of environmental degradation voiced at a November public hearing on the Diamond Coal Company project in the Chuitna mining area were made without demonstrated foundation of fact, according to the Resource Development Council. In comments to the Alaska Department of Natural Resources, the Council pointed out that Diamond Alaska Coal Company has already provided extremely complete information throughout the permitting process. The Council urged DNR to adhere to the permitting schedule after reviewing reasonable public input.

RDC believes that challenges of procedure and introduction of issues not directly related to the permit in question complicated the process. A delay would have serious consequences for the project sponsor and Alaska’s economy. The Diamond Chuitna project would provide hundreds of jobs and offset an unemployment rate of 17 percent in the Kenai Peninsula Borough. The project has been found by the Department of Natural Resources to be environmentally sound.

Thoughts from the president

by Boyd Brownfield

ANW opening will require monumental effort

Whether you live in Seattle or Anchorage, you have a vital interest in the Coastal Plain of the Arctic National Wildlife Refuge and a very important role to play concerning its opening to oil and gas leasing.

Energy development in the ANWR Coastal Plain is not solely an industry issue. It is an issue impacting nearly every aspect of life in the nation and touches almost every business in one way or another.

Contrary to what some people have heard, oil development in ANWR is not an issue of energy or environmental values. In Alaska, the petroleum industry has consistently demonstrated its ability to operate in remote environments, similar to those found on the Coastal Plain in a safe, responsible manner with little adverse environmental impact.

Based on the national need for domestic sources of oil and gas and on the ability of industry to minimize damage as learned from oil and gas activities elsewhere in the Alaskan Arctic, it was no surprise, and indeed very encouraging to the RDC, that the Fish and Wildlife Service concluded its report to the new Administration with a statement that oil and gas leasing in the refuge is definitely in the nation’s best interest.

However, environmentalists are working hard to convince Congress to add the entire Coastal Plain to Alaska’s designated Wilderness system, already larger than the state of Washington. We believe the Coastal Plain should be maintained as a refuge and explored for possible petroleum development under responsible measures to protect the environment.

The battle will be fought in the halls of Congress. Unfortunately, some Congressmen know little to nothing of the grave consequences that delay and closure to exploration will bring.

Make no mistake about it. This is a national issue. The ANWR field just happens to be located in Alaska.

A monumental effort is necessary in a time frame of less than a year to convince Congress that the Coastal Plain should be opened to petroleum development. We cannot afford for the ANWR issue to become another cheap environmental vote by Congressmen far removed from both Alaska and the energy needs of the U.S. and our allies.

Remember, an informed public and Congress is a must if the best interests of our nation are to be served.

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Many preservationists claim caribou and pipelines do not mix. However, a multi-year record of North Slope oil development and production shows caribou coexisting with carefully planned industry development. (Photo by Roger Mecham)

RDC task force studies ANWR report

The Resource Development Council has assembled a team of experts representing a wide spectrum of fields to closely examine a Department of Interior report that recommends oil and gas leasing in the Coastal Plain of the Arctic National Wildlife Refuge.

The Council's team will submit detailed comments to the U.S. Fish and Wildlife Service in addition to preparing oral testimony for public hearings in January.

In its draft 100(2h) report released last month, USF&W recommended that the entire 1.5 million-acre Coastal Plain of the refuge be opened to oil and gas leasing, but that 242,000 acres identified as the core calving area for the Porcupine Caribou Herd be the last tracts offered for lease. Any development that would take place in the core calving area would be subject to specific guidelines and would be based on an assessment of development activities in neighboring tracts, the report said.

"The Interior Department's report reflects the value of the Coastal Plain's role in national energy security," said Rich Davidson, chairman of the RDC Task Force on ANWR. "By proposing oil and gas leasing in the Coastal Plain, the U.S. Fish and Wildlife Service has confirmed that with protective measures, oil and gas development is compatible with the purposes of the refuge." Ron Moron, President of Alaska Oil and Gas Association, said "there is a history that shows caribou can adapt to oil industry development. It's a win-win situation."

While many preservationists have studied the impact of oil development on the Coastal Plain may have set the stage for a battle with preservationists, Horn said the issue is not an either/or confrontation. The Interior Department's report shows worst effects on wildlife can be minimized or eliminated by applying lessons learned from 18 years of exploration and development at Prudhoe Bay. Since development began at Prudhoe Bay, the Central Arctic Caribou herd, which calves and grazes in the area, has more than tripled in population. Public comments are now being sought by the Interior Department. Hearings are scheduled in Fairbanks, Kaktovik, Anchorage and Washington D.C. The Resource Development Council has requested an additional hearing be held in Fairbanks to accommodate northern residents most impacted by the decision.

The Interior Department's report reflects the value of the Coastal Plain's role in national energy security," said Rich Davidson, chairman of the RDC Task Force on ANWR. "By proposing oil and gas leasing in the Coastal Plain, the U.S. Fish and Wildlife Service has confirmed that with protective measures, oil and gas development is compatible with the purposes of the refuge." Ron Moron, President of Alaska Oil and Gas Association, said "there is a history that shows caribou can adapt to oil industry development. It's a win-win situation."

Although the report recommends leasing of the Coastal Plain, many preservationists claim caribou and pipelines do not mix. However, a multi-year record of North Slope oil development and production shows caribou coexisting with carefully planned industry development. (Photo by Roger Mecham)

The Alaska Coalition for American Energy Security addressed all aspects of the ANWR issue in a presentation, November 24, before a special meeting of the Seattle and Tacoma Chambers of Commerce.

The Washington meetings represented the beginning of a national effort for both the Coalition and RDC to alert Americans that an extraordinary amount of oil may exist in a very small portion of the refuge and that environmentally-sound development of potentially giant oil reserves is vital to the nation's economic well being and national security.

Congress will decide whether to allow oil and gas development on the Coastal Plain of ANWR. The 1.5 million-acre Coastal Plain, the area that has the greatest potential for significant new oil discoveries, comprises about 8 percent of the Arctic refuge, located in a remote corner of Northeast Alaska.

Environmentalists favor proposals to designate the entire Coastal Plain Wilderness, despite the fact that 92 percent of the refuge is already off-limits to oil and gas development. Others believe it should be maintained as a refuge and explored for possible petroleum development under responsible measures to protect the environment.

Boyd Brownfield, President of the Resource Development Council, told the Seattle audience that the upcoming congressional action on ANWR will have a significant impact on not only Alaska, but the entire nation.

Brownfield pointed out that in just the past five years, some $10 billion have been spent nationwide in the manufacturing, construction, transportation and service sectors to support Prudhoe Bay development. He said that in just the past five years, some $10 billion have been spent nationwide in the manufacturing, construction, transportation and service sectors to support Prudhoe Bay development. In addition, Brownfield estimates that if a major oil field is discovered in ANWR, 290,000 new jobs could be created throughout the nation with many of those jobs being generated throughout the Pacific Northwest.

"Should the remaining 8 percent of the refuge be closed to oil and gas development, America would drastically limit its long-term energy and economic options," Brownfield said.

Environmentalists want Congress to designate the entire Coastal Plain as the Arctic National Wildlife Refuge, which may some day occur in the Hatcher Pass area, can easily coexist with mining activity. Alyeska Air Tour and the historically active Crow Creek mining area are examples of harmonious co-existence, Glavinho said. He pointed out that many similar examples of non-conflict between winter recreation and mining occur throughout the western United States.

The Council challenged the impression in the Mineral Closing Order notices that public opinion unanimously supports the mineral closures. The Council said DNR received many comments from individuals, companies, trade associations and others urging support of mineral activity in these areas and opposing plans to unilaterally restrict reasonable mining.

"A more reasonable approach to sub-surface resource management in this area would have utilized mineral leasing practices to limit surface disturbances," Easley wrote Arnold. According to many experts mining in the Hatcher Pass area may well be conducted under ground and may be able to utilize existing facilities without significantly impacting the surface.

"It seems that some of the State's efforts to judge the capability to ensure compliance with the management goals of each area. "Once again the state land management seems to be locked into an either/or situation," Easley said. "It seems that we cannot have mining in an area with recreation or tourism opportunities. The impact of these Mineral Closing Orders will be a precedent which states that 'vehicle pollution' has priority over, and cannot co-exist with, mining activity.

Richards underscored Leavitt's comments by reminding the 250 people in attendance at the Anchorage Hilton Hotel that it was the oil at Prudhoe Bay that fueled the take-off and soaring of the U.S. economy. However, Richards warned that "the inventory in the Prudhoe Bay fuel tanks on our aircraft is depleting rapidly. We better have an additional set of tanks to which we can switch or the trip is over."

The former Alaska Pacific Bank president stressed that oil and gas development in ANWR takes on double importance because "we're not talking about getting the plane off the ground; we are augmenting the discovery and development of oil to maintain the North Slope as the fuel supply for the Alaska economy." In the absence of such activity, Richards said "the economy will eventually come down and the landing will be a bit uncomfortable."

Richards estimated that 10,000 jobs will be created if a major discovery of oil is made on the small Coastal Plain, which represents only 8 percent of the Northeast Alaska refuge. In addition, he believes Alaska will reap, conservatively speaking, $1 billion annually in royalties and taxes, with 10,000 more jobs in government and support industry positions.

The Alaska economist pointed out that these new jobs would result in new prosperity for Alaska because higher wages would be associated with production in an area where jobs would be virtually non-seasonal. "This is a very important factor in helping us offset the extreme seasonality of Alaska's other basic industries: tourism, fishing, forest products and transportation," Richards said.

Richards also emphasized that the State of Alaska has an important role far beyond that of an employer, regulator and provider of social services. By being one of the three major landowners in the state, the state is a major player in terms of general investment in resource development, Richards said.

"The oil revenues from the State of Alaska give the state substantial direct investment and the credit standing to possess the capacity to invest in major infrastructure projects that encourage expansion of the private sector in Alaska," Richards said. "What would our tourism industry be if the State weren't spending millions of dollars promoting it? What would our fishing industry be if the State weren't spending millions of dollars managing the fisheries?"

Richards stressed that Alaska must focus on diversifying its economy, but warned that the development of the mineral fund diversification depend upon a healthy, abundant flow of revenues from the petroleum industry.

The Resource Development Council has strongly objected to the proposed mineral closures in the Hatcher Pass and Matanuska Valley Moose Range areas, insisting that the state's actions are not justified or that the Department of Natural Resources did not utilize a range of less drastic alternatives.

In the closing days of the Sheffield administration, the Department of Natural Resources concluded that the highest and best uses for these areas are tourism and recreation. RDC does not necessarily reject that conclusion, but rejects the determination that mineral closures are necessary to achieve those goals.

In correspondence directed to Bob Arnold, Acting Commissioner of Natural Resources, RDC executive director Paula Easley said the state must identify demonstrated incompatibility before issuing a Mineral Closing Order. "If mineral activity is in fact incompatible with scenic opportunities, then why is the Independence Mine such a tourist attraction?" Easley asked. "It is somewhat hypocritical to celebrate the history of mining while prohibiting similar activity in the present."