Let’s Keep Energizing Alaska in 1987

The folks at Tesoro wish everybody a prosperous 1987. Alaska’s future will depend on the goals we set, and the objectives we accomplish this year. We’ve got to forge ahead with optimistic attitudes. And find ideas that will catapult Alaska into the next century as a strong leader. Together, we can do this. From everyone at Tesoro, have a healthy and safe 1987.

Resource Review

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

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Public calls for ANWR drilling

Three Interior Department public hearings held earlier this month in Alaska and Washington, D.C. revealed overwhelming support for opening the Coastal Plain of the Arctic National Wildlife Refuge (ANWR) to oil and gas development.

The Anchorage and Washington hearings were heavily dominated by companies, organizations and individuals favoring environmentally sound development of the 1.5 million-acre Coastal Plain, which comprises about eight percent of the refuge. A public hearing was also held in the Coastal Plain village of Kaktovik where many native leaders and residents expressed support for development.

Pro-development forces outnumbered non-development interests by a 3-1 ratio at the Washington and Anchorage hearings, which were scheduled along with the Kaktovik hearing to gather public input on whether Congress should allow oil exploration and production in the refuge. The plan is now off-limits to development, but the Interior Department in its draft 1002(h) report recommends full leasing. After public comments have been received on the report, Interior officials will submit a final recommendation to Congress this spring.

The Resource Development Council urged full leasing of the Coastal Plain. Others testifying in Washington in support of developing America’s most prospective energy region were the Coalition for American Energy Security, the American Petroleum Institute, the Alaska Oil and Gas Association, the Highway Users Federation, the National Association of Manufacturers, the National Ocean Industries Association and the U.S. Chamber of Commerce.

The various organizations pointed out that the Coastal Plain holds America’s best hope for the discovery of large domestic oil deposits. Most stressed that development is needed to help reverse America’s increasing dependency on foreign oil. In addition, others pointed out that a multi-year record of arctic oil production proves that energy development in sensitive arctic areas can take place without harming the environment or wildlife.

“Americans must not be blinded by a temporary oil glut and low energy prices,” warned RDC President Boyd Brownfield. “Before too long, the U.S. could be facing an energy crisis of unmatched proportions.”

(Continued on page 5)

Poll reveals 70% want development

Nearly 70 percent of Alaskans believe Congress should open the Coastal Plain of the Arctic National Wildlife Refuge to oil and gas exploration and production, according to a recent statewide poll.

The survey was conducted in late November by Dittman Research Corporation for the Alaska Oil and Gas Association. Five hundred residents in 51 communities were polled.

In the Dittman survey, 86% believe the oil and gas industry has operated in an environmentally safe manner at Prudhoe Bay. About 83% of the respondents also believe the petroleum industry can operate safely in the refuge.

Those who supported development said industry has a proven safety record of oil development in the arctic, that the oil is needed and that development would be good for the economy and the state.

“The survey clearly shows that most Alaskans want the federal government to open oil and gas exploration in the highly prospective ANWR Coastal Plain,” said AOGA Executive Director William W. Hopkins.
State wins major navigability decision

The U.S. District Court for Alaska has ruled that the Gulkana River in the Copper River Basin is a navigable river—a decision that settles the question of ownership of this river and will be important in determining the ownership of other submerged lands in the state.

Tom Hawkins, Director of the Department of Natural Resources' Division of Land and Water Management, said that this decision is significant and benefits the state. "First, it confirms that the submerged land beneath the Gulkana is owned by the state," Hawkins said. "It also eliminates the state's efforts to get a decision from the court that can be used as criteria to determine state ownership; and control of rivers and lakes throughout Alaska."

By federal law, states are entitled to the resources and land that lie within and under waterways that are capable of navigable use. Hawkins said that the federal and state governments have been working together for several years to narrow the differences in their respective interpretations of what makes a waterway navigable. "Because of the criteria for navigability established in this recent decision, a lot more water- bodies in the state can be navigated by barges and boats than before. It's an economic enhancement that means a lot to the state's economy.

In the recent decision, the court accepted the state's contention that a waterbody's physical capacity to be used as a transportation route is the crux of the navigability test. The court rejected the federal government's claim that the state must also prove that the waterbody can be navigated by larger vessels which are customarily used for certain commercial activities. The court stated it was necessary only to show that the waterbody is capable of "the most basic form of commercial use: the transportation of people or goods."

The decision also stated that the transportation of people and goods should not be equated to the transportation of the types of watercraft customarily used more than 25 years ago at the time of statehood, as contended by the federal government.

The court found that the decision in the historical development of the navigability test indicating that navigability should depend on the circumstances existing on a certain date. It determined that the types of watercraft used on waterbodies today must be considered along with past practices.

RDC asks state to amend water quality standards

The Resource Development Council has asked the Department of Environmental Conservation to amend water quality regulations as requested in a petition recently submitted by the Alaska Miners Association.

"We are concerned that the new regulations do not adequately address the concerns of public comments made by miners and industry," said executive director Paula Easley in a letter to Commissioner Dennis Kelio.

With water quality standards that are virtually impossible to meet, the Alaska placer mining industry is on the brink of destruction. Easylee said the state must consider reasonable amendments to the water quality regulations if the industry is to survive. She said that the amendments as advanced by the AMA would prove beneficial to the mining industry while not causing unnecessary harm to the environment.

RDC has asked DEC to delay its implementation of the new standards in order to launch a serious review addressing economic issues and the substance of all comments on water quality regulations (continued from page 3).

The questions are:

1. What, in your opinion, are the three most significant opportunities available to (Alaska) (of your community) for economic growth?

2. What actions should be taken to realize these opportunities?

3. What should be the role of the government in these opportunities?

4. If implementation funding is needed, how should revenues be raised?

Notable Quotes

"In a resource state like Alaska, which faces intense competition on the Pacific rim from other resource-rich countries like Canada and Australia, clinging to the notion that encouraging development is either a sellout or a subsidy is a prescription for economic failure."

—Scott Hawkins
Corporate economist for Alaska Pacific Bank

"You can't solve your problems by raising business taxes—which are inevitably passed on to the consumer—as a lot of states are doing. The answer is to be fiscally conservative. Building coalitions to maximize opportunities and, in unity, to minimize problems—that has been Delaware's path to a brighter future."

—Governor Pete du Pont, State of Delaware

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RDC critical of new refuge plans

The Resource Development Council has identified a fundamental procedural concern that prompts its objection to two comprehensive land management plans being formulated by the U.S. Fish and Wildlife Service. In comments submitted to regional director Robert Gilmore, the Council complained that the range of alternatives in the draft comprehensive management plans for the Koyukuk, Inoko and Selawik National Wildlife Refuges is so narrowed that there is only a slight variation between management options.

In addition, the Council refused to give its support for the preferred alternative in the Nwinita National Wildlife Refuge draft plan, instead recommending an alternative which provides opportunity for local economic development without compromising the purposes set forth in the plan.

In response to the limited Koyukuk options, the Council said that the diversity of interest in any National Wildlife Refuge cannot be adequately addressed in only two alternatives. By limiting the number of alternatives to two, the plan management neglects the risk of either proposing two divisive management directions, or (as in the case for the Koyukuk plan) proposing two nearly identical management directions.

The only substantive difference between the two alternatives in the Koyukuk plan lies in the lands proposed for Wildlife Designation. The Council pointed out in its comments. From a procedural and practical point of view, the two alternatives offer no substantive differences in management style or intent over the life of the plan. The two alternatives do not address its concerns for more aggressive management of the refuge resources.

In the Selawik plan, the proposals also reflect only a range of Wilderness alternatives, instead of a broader range of management alternatives. Further, the Council believes reasonable alternatives, including moderate levels of timber harvesting, were omitted from the plan without justification.

The Council pointed out that there seems to be some inconsistency between the Selawik plan and other recently reviewed plans with respect to oil and gas leasing policy. It is the Council's understanding that minimal management and Wilderness designation both preclude oil and gas leasing. Oil and gas leasing is only allowed in those areas under moderate or intensive management.

The Council response asked, "If this is so, then why did the draft include an exploration and production scenario? Conversely, why did the draft exclude a moderate or intensive management alternative?"

The Selawik farm and fisheries projects also drew Council concern. RDC advocates these developments, explaining that both projects exemplify the recursurfulness and determination of the local people. However, it is concerned that the plan may unduly encroach upon the economic self-sufficiency of Selawik.

Unlike the Koyukuk and Selawik draft plans, the Council was pleased with the management alternatives in the Nwinita Comprehensive Conservation Plan. RDC commended the planning team for proposing a relatively broad range of alternatives and noted its preference for this approach throughout the national wildlife refuge planning process.

However, the Council objected to the federal agency's management scheme, recommending instead the implementation of an Alternative B, a progressive management scheme that focuses on timber harvesting that the Council contends would not jeopardize the natural resources of Nwinita.

The Council expressed its dissatisfaction with the "worst case" scenario for Alternative D, pointing out that it does not take into account possible mitigation measures. The Service was asked to verify claims that the proffered harvest level in Alternative D would have a negligible impact on the local timber industry.

RDC believes Alternative D would provide unprecedented research opportunities for the Fish and Wildlife Service. None of the national wildlife refuge refuges in Alaska permits timber harvesting within its boundaries. As a result, RDC believes the Service should capitalize on this opportunity to allow forsyery practices on an experimental basis. Research findings could then be used to evaluate the effects of timber harvesting on island habitat, wildlife and fish.

At press time, the Council was reviewing management alternatives for the Arctic National Wildlife Refuge. These alternatives apply to lands outside the 1002 area.

Thoughts from the president

by Boyd Brownfield

Battle has only begun

No doubt by now most of us have been exposed to at least the basic issues surrounding ANWR and the various, albeit fewer, lines that have been exposed. However, several of the more significant advancements warrant repeating to bring us to a parallel understanding.

The Interior Secretary's initial recommendation to open the Coastal Plain of ANWR to development drew overwhelming support at public hearings in Alaska and Washington, D.C. earlier this month. The Kaktovik fathers, their village council, the Arctic Slope Regional Corporation and the North Slope Borough supported development. Both hearings in Anchorage and Washington, D.C. were attended by a three to one ratio.

These are indeed significant accomplishments, but we must not forget that several successive volleys do not win the war. Indeed, the battle has only begun and the hill we climb looks more like Mt. McKinley.

What may not be obvious is that the public forum is not where the ANWR issue will be decided, but rather the halls of Congress. Our adversaries have already mustered their forces for the battle and by presenting a bill to lock up the Coastal Plain as Wilderness. They also have a second bill in the wings should the first falter.

What can you and I do to assure that Congress makes the decision for Alaska and the nation? For starters we must dive into the issue and become very informed. Call your RDC state or the facts. Once armed with this information contact those who will be making the decision. Talk to relatives and friends, write letters, or present papers in your own defense. This is the single most important contribution you and I can make.

Work to the highest order affecting our national security, and it affects every state in our nation. That point must be brought home to your congressmen and congressional participant carrying a vote. Remember, Alaska has only 2 of 100 votes in the Senate and 1 of 435 in the House. Clearly our congressional delegation cannot do it alone. You and I simply must play a commanding role in this battle or we will lose.

Major event to pursue

The Alaska "Great Opportunities" Conference will provide a forum for pursuing state's economic potential when hundreds of business and government leaders meet April 2-4 at the Anchorage Sheraton Hotel.

In addition to selecting nationally-known experts who will present their subjects pro-vocatively, the Council is asking citizens to submit papers addressing significant opportunities for economic growth and diversification for publication in the Conference Proceedings.

The seventh annual conference itself is intended to provide direction to Alaska leaders in both the public and private sector. One of its goals is to forge a dynamic partnership between business, labor, government and universities for wilderness economic development.

Another is to foster establishment of institutions that will prove beneficial to identified goals. Still another is to mobilize a broadly-based constituency of citizens to support economic development in general--to create a greater awareness of the need for and benefits of economic progress.

The strategy for RDC's 1987 conference begins with the notion that Alaska's economic future is one that avoids tempting quick-fixes that could undermine long-term performance. Alaska's economic vision is pictured by conference organizers, includes jobs, higher incomes, low unemployment and higher gross state product and wealth.

Public policy recommendations expected to result from the conference and papers submitted for the proceedings will be formulated in the weeks following the conference. Some of these will require new legislation, support for current legislation or a change or establishment of priorities.

The conference sessions, featuring economic development professionals from across the United States, will take place April 2 and 3. On April 4, community leadership workshops will be held, featuring conference speakers. The workshops will encourage discussion between participants and speakers in a problem-solving atmosphere. Community leaders are expected to return to their communities with sound direction for pursuing local economic goals.

Arthur Young and ASK Information Search have been retained by RDC to assist in the process by reviewing selected economic development proposals for economic and financial feasibility criteria, assessing the level of required resources, doing a rough assessment of market situations, reviewing business and marketing plans and suggesting possible financial sources.

Both companies will select several reports from the Council's Call for Papers request and put each project or idea into a common framework or model for discussion.

"We welcome the opportunity to assist the Resource Development Council in its effort to promote economic development investments in the face of the declining economy by capitalizing on their strengths, focusing their efforts and resources and emphasizing the growth and development of existing and new businesses in their communities," said Alex Kochtch of ASK. "Communities can positively contribute economic development even in the face of the declining economy by capitalizing on their strengths, focusing their efforts and resources and emphasizing the growth and development of existing and new businesses in their communities."

To register for the conference and Community Development Workshops by telephone, call RDC at 907/276-0700 with Visa or Mastercard numbers. The registration fee for the Alaska "Great Opportunities" Conference is $225; the workshop fee is $60.

Call for Papers

The Resource Development Council has issued a Call for Papers in connection with its upcoming conference scheduled for April 2-4, 1987.

Individuals, local officials, government administrators, chambers of commerce and economic development task forces are asked to submit four questions and submit responses to the Resource Development Council.

The papers will be made available to economic development professionals speaking at the conference and will be reprinted in the Council's Annual Report.

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Economy is far from standing still

Alaska's economy won't keep pace in 1987 with the level of business activity seen in the first half of the decade, but an objective look shows the state's economy is far from standing still, according to Scott Hawkins, a corporate economist with Alaska Pacific Bank.

Assuming an average oil price of $15 per barrel over the next two years, Hawkins told a Resource Development Council breakfast meeting audience of 300 or so that the current one will deepen in 1987 with an average drop in statewide employment of about 4 percent, compared to a fall of 2.5 percent in 1986. Hawkins estimated that the recession would last three years, with 1987 being the second year of the economic downturn.

Hawkins termed the recession as "mild" and similar to what Alaska experienced in the post-pipeline recession. However, Hawkins said the current recession will be deeper than the one following the first recession. In addition, the current recession will be distributed differently geographically.

The Alaskan economist explained that in the late 1970s recession Fairbanks was hit the hardest while Anchorage did quite well. This time, Anchorage will do the strongest blows due to its relative size and reliance on state government and the petroleum industry.

After a loss of 1,500 jobs in 1985, the oil patch will likely see an additional 1,500 jobs terminated in 1987, Hawkins predicted. Compared to the situation in the southern oil states, the drop in oil industry employment does not represent a dramatic decline, he said.

Oil companies have prepared more conservative budgets for 1987 and beyond. However, expenditure by Alaska is likely to be up to the same level as 1986.

The big concern is state government, with a loss of about $400 million in state spending, equating to 12,000 lost jobs, Hawkins said. The construction industry will also "take it on the chin," this year, he said.

Over the past couple of years, the biggest decline in the construction industry was in private sector projects and in the next two years state and local government-funded construction projects will plunge due to large budget cuts.

Many of this year's construction awards will come from the federal government. Federal spending, specifically military projects, will provide the most work through 1988. Defense-related spending in Alaska could top $400 million for 1987.

Hawkins stressed that "all of Alaska's traditional resource industries that we've been aware of for years are eventually going to have to pick up the ball and provide our economic growth." He said the lower energy prices make the other industries--tourism, fishing, timber and mining--more viable by reducing operating costs, transportation expenses and interest rates.

As a result, the economic tide appears to be turning for these industries, Hawkins said. For the first time since 1981, the forest products industry is showing improvement with October and November employment up by 20 percent.

"These industries will help buffer the impacts of budget cuts," Hawkins said. "In the long term we're going to have to have some of these industries to give us back on the growth path."

The long-term outlook is still very positive for Alaska due to the state's tremendous resource base and favorable tax climate, noted Hawkins. He explained that because of Alaska's great oil wealth, the overall tax burden is negligible.

Unlikely to really blow it and drop the ball, we're likely not to have a burdensome tax climate by lower 48 standards," Hawkins said.

In addition, he expects Alaska's future economy to benefit from public and political opinion which is now turning in favor of pro-development policies.

The current recession may be uncomfortable and painful, but Hawkins insists that "all the things that hurt now will make us more competitive later. It's a lot a fast."

Tourism is brightest by default

A recent poll conducted by ALASKA from the INSIDE in conjunction with the Dittman Research Corporation has indicated that tourism may very well become a dominant future economic force in Alaska by default because government regulations and restrictions are retarding the natural growth and emergence of mining and mineral development as the primary source of economic strength in Alaska.

The statewide survey showed that business leaders across Alaska eye tourism as the most promising industry as the petroleum industry declines. Tourism was widely seen in the poll as the industry least restricted and hindered by government regulations; and therefore it is perceived as the one most likely to prosper.

The survey covered several hundred business leaders in four separate industry sectors across Alaska.

Some respondents charged that "tourism" is the only industry in Alaska that the environmentaltatists have not tried to wreck." Others claimed that until the attitude of state government is changed, and regulatory policies become less restrictive, mining doesn't stand a chance, even with the known mineral potential of Alaska, including coal.

Hawkins also said that "tourism will greatly help the economy, but not the state's revenue problem. Another oil and gas operations be expanded into ANWR because "all other industries combined won't pay our state's costs..."