Being one of Alaska's Top 100 businesses is proof positive that hard work, determination, skilled management and good business foresight pays off. Not only for Tesoro, but for Alaska as well. Tesoro believes in Alaska.

- Making sure our customers get only the highest grades of gasoline and diesel fuel.
- Our $92 million Kenai refinery expansion now under construction and nearing completion.
- Marketing Tesoro petroleum products as well as lubricants from ARCO, Conoco and Mobil at many Tesoro service stations throughout Alaska.

Three out of four Alaskans favor offshore oil and gas development in Alaska, according to a recent public opinion survey for the Alaska Oil and Gas Association. "The survey clearly shows that most Alaskans want the state and federal governments to move ahead on allowing the oil industry to explore for oil and gas in Alaska's offshore areas," William W. Hopkins, Executive Director of the Alaska Oil and Gas Association, said. "We believe Alaskans realize the benefits the activity will provide to both Alaska and the nation."

Since 1979, when the question was first asked in AOGA's annual survey, results have shown that a majority of Alaskans favor offshore oil and gas development.

"The results show that most Alaskans recognize that the petroleum industry can operate in Alaska waters in an environmentally sound manner without detriment to other resource values such as fishing," said Harold C. Heinze, AOGA president. "The fact that industry can and does operate safely in offshore areas has been proven."

The survey found that 75 percent of the respondents feel that offshore oil and gas development should be allowed while 17 percent responded that it should not. Eight percent of the respondents were neutral on the issue.

The greatest support came from Southcentral Alaska (exclusive of Anchorage) where 87 percent favored petroleum development in waters off Alaska. In rural areas, which registered the least support, 56 percent favored offshore development. In Anchorage 80 percent were supportive while 68 percent in Central Alaska and 65 percent in Southeast Alaska were supportive.

The reasons cited most frequently by those who indicated support were the need for petroleum resources and revenues. Within the 17 percent who did not favor offshore development, most cited environmental concerns as the main reason for their position.

The survey indicated Alaskans continue to hold strongly positive views about the industry's effects on the state. Statewide, 85 percent felt that on an overall basis the oil and gas industry has been good for Alaska. Over half of those respondents felt very strongly about their positive positions.

(Continued on Page 7)
Radical changes needed to offset revenue fall

Little did we know when we launched Project 1985, an Alaska Development Strategy — a response to declining petroleum revenues — that “1999" would occur sooner than we thought. We said that in 1995 petroleum revenues would be half their 1982 level and that we ought to be taking some actions now to offset the impacts of those losses to the economy. We were particularly concerned about the potentially devastating effects on local communities as state pass-through funds began sharp declines.

The Department of Revenue's latest projections (March 1985) for the next five years are yet lower than its December 1984 forecast.

December 1984 Forecast March 1985 Forecast
(expected petroleum values in millions of current dollars)
FY 1985 2.76 2.74
FY 1986 2.71 2.39
FY 1987 2.62 2.18
FY 1988 2.38 1.90
FY 1989 2.27 1.76
FY 1990 2.13 1.65

So Project 1995 has been renamed Project 2000! But with reduced demand, production and prices that probably won't start climbing upward until the mid-90s, we have no choice but to make some radical changes in the way we do things here in Alaska. (Dept. of Revenue says "On average we expect world prices will fall to FY 1987 before rising again modestly with real inflation adjusted price growth occurring in the 1990s."

Although we were criticized in some quarters for carrying the message of the document, our thinking was that even if petroleum revenues declined less than expected, lots more oil were discovered and the gas line built, we would still be ahead of the game if efforts to diversify Alaska's economy were aggressively pursued.

Our message was this: We need to spend less and spend more wisely, we need to generate new income and we need to encourage expanded oil production.

And we embarked upon an ambitious project to get all of Alaska's business communities involved in becoming state-revenue dependent, to begin developing strategies to become more self-sufficient.

Many of Alaska's communities say they aren't necessarily interested in expanding their economies, but they are concerned with maintaining their present levels of population and income. Just how they are going to do that remains to be seen, because when the dollars stop flowing, the people start leaving. When ten or fifteen people leave a small community, their departure reverberates throughout the entire local economy.

We don't want to see that happen. So we and the communities are addressing the problem. Between now and next February you will see action at the local level that you've never seen before. You'll see a changed attitude in community leaders toward new business and toward regional development opportunities. You'll see not just talk, but positive action, as that taken by the City of Wasilla in donating land for construction of a private hospital. You'll see the creation of local task forces on economic development with specific charge for action.

But most of all, there will be — in fact we're already seeing it — a steady decline in provincialism, the attitude that "we're going to get what we need for our community — to heck with yours." Healthy competition, yes; provincialism we don't need.

I could write a book on what we need at the state level but who would read it! This paper is not an attempt to place administration not simply look to old battles being settled to bring in revenues but seek expansion of an industry with a proven track record. Let's be a little less myopic as we face this challenge. Let's be a little more forward looking. Let's be a little less simplistic in our administration as we face this challenge. Let's be a little more forward looking. Let's be a little less simplistic in our administration.

(Continued on Page 3)

A Commentary

Coastal Zone Management: Weighing all the concerns

By Judy Eileen

A major trend is emerging in the development of coastal zone management programs that should be of considerable concern to Alaska's public policy makers. This emerging trend is for local coastal zone management plans to ignore or minimize state and federal policies, and to direct the planners wish to take. This lack of balance in accommodating state and national concerns will result in future problems when these land plans are implemented.

Under the terms of the Federal Coastal Management Act of 1972, the State of Alaska in 1977 instituted the Alaska Coastal Management Act which provided for local implementation of the state management plan. Under this statute, an entity called the Alaska Coastal Policy Council was developed. The council was charged with developing guidelines under which the coastal resource districts would establish their own district regulations — which take the form of district coastal management programs. These programs are adopted by the district and are subject to approval by the Alaska Coastal Policy Council.

The intent of the enabling legislation was clear. The local coastal management program was not intended to override or become a substitute for state and federal policies. This is why the legislature mandated that uses of state and national concern must be an integral part of any coastal management program approved by Alaska's Coastal Policy Council.

The uses of state concern include land and water uses which significantly affect the long-term public interest. This definition includes such uses as the siting of ports and transportation facilities that will help to alleviate our state's transportation problems. Uses also include the siting of major energy facilities — which because of their economic impact upon the entire state — raise issues greater than those of local importance because their impact would benefit or harm areas beyond the boundaries of a single coastal zone management district. Subsistence is also a state concern and as such should be balanced with other state uses.

The principal management tools of the coastal management plans are policies which define standards of environmental protection with respect to resource development activities. Development projects must conform to these standards in order to be "consistent" with the program. Inherent in this process, however, is the assumption that the local plans themselves are consistent with the state's use legislation and with state policies governing the development of our natural resources. This fact is being ignored by some who have formulated recent coastal management plans.

With the rapid growth of coastal management programs (which are becoming overwhelming to both the regulators and resource developers), I believe it is time for the regulators to make a careful evaluation of the entire planning process before embarking on future ones. At a time when state revenues are a daily topic of concern and discussion, the state must conduct a serious review of these and other restrictions on future resource development.

Judy Eileen is a member of Sohio Alaska Petroleum Company's Government Affairs staff.

Hodel calls for consensus on policy goals

(Continued from Page 5)

Communication and concession were said to be key elements for reaching consensus. Heeding his department has conceded generously in the past, Hodel said that his ability to accommodate any more for delay of the lease sale would be severely limited. For that reason Hodel indicated that the scheduled December sale would proceed.

The Interior Secretary also believes Congress must see consensus from the state regarding policy before consideration of acceptable framework for the Native Claims Settlement Act. He stated that it is important for the federal government to work with state and local groups to resolve potential problems. The federal government, Hodel said, would like to work as partners with Alaska in the policy making process.

Hodel said that he has no illusion that a agreement can be reached on every issue, every aspect of every policy. He said, "we will be the wheels of government."

However, he does the program. Inherent in this process, however, is the assumption that the local plans themselves are consistent with the state's use legislation and with state policies governing the development of our natural resources. This fact is being ignored by some who have formulated recent coastal management plans.

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Polls shows support for OCS development

(Continued from Page 1)

"The support for oil and gas development is extremely high," said David Ditman, president of Ditman Research Corporation. "The two major reasons for this strong support are the revenues and jobs which are generated by industry activities in Alaska," Ditman said.

The State of Alaska's income from petroleum royalties and taxes this year is expected to be over $3 billion, Heinze noted. An AIA survey conducted last fall revealed that one in four Alaska households has at least one member employed either directly or indirectly by the petroleum industry.

June 1985 / RESOURCE REVIEW / Page 7
Miners file suit over water rules

The Miners Advocacy Council (MAC) has filed a lawsuit in Superior Court challenging the state's new water quality regulations. The suit charges that the state did not hold required public hearings when adopting the standards and that the new regulations amount to condemnation of property rights. The miners also charge that certification of the standards by the state was so late that it would shut down almost every placer mining operation in Alaska. According to Bob Aumiller, President of MAC, the recent changes in water quality standards would have a terminal effect on the placer mining industry if they aren't revised. He said the standards, both for turbidity and solids, are so strict that if enforced, they would be unreasonable.

In late April, the state certified a regulation which reduced the amount of solids that could legally be carried into a stream from a placer mine or other man-made sources. The new standard was in addition to an existing state standard that regulated turbidity. The change was announced by Department of Environmental Conservation Commissioner Bill Bailey at a placer mining conference in Fairbanks on March 30.

Since no public hearings were conducted in respect to the proposed water quality standards pertaining to settleable solids, "the remedy is for the state certification to be invalidated, whereupon the federal water quality standard...would apply," the suit states.

The suit also charges that DEC manipulated placer mining data to make its new solids standard appear reasonable.

The state's Shannon and Wilson study of placer mining found that of samples taken from placer mines during the summer of 1984, 91.2 percent were below the recently imposed solids standard. However, the suit claims the samples were deceiving and not representative of the industry as a whole. It said far more samples were taken from mines that were meeting the standard than those that were not.

"The DEC has either negligently or intentionally failed to point out in public announcements that the samples were taken from limited specific mining sites and that not necessarily 90 percent of all mines...can meet or exceed the .2 millilter/liter standard," the suit said.

State to reconsider prospecting permit

Alaska Department of Natural Resources Commissioner Esther Wunnicke has rescinded her decision not to issue permits to Aspen Exploration of Colorado for offshore prospecting in Cook Inlet.

Aspen and other companies sought state approval to mine for gold and other minerals off Cook Inlet between the Anchorage and Ninilchik rivers, but the requests were denied because the state contended that too little information exists as to the impact of mining on the fishery resources.

However, Wunnicke has now found "significant conflicts between mining and other resources can be avoided by using a proper combination of tract delineations and stipulations.."

Pedro Denton, the director of DNR's division of mining, has been instructed by Wunnicke to make recommendations on conditions under which offshore prospecting permits could be issued. Such scrutiny would be given those areas "where major resource conflicts have been identified through the public review process," Wunnicke said.

Meanwhile, R.V. Bailey, president of Aspen Exploration, said the state has asked the Superior Court to dismiss his firm's appeal of the denial now that DNR has revoked the original decision. Bailey filed action in late May to keep the appeal in Superior Court where "we at least have a chance of a fair hearing."

Bailey believes DNR's latest action of reconsidering the undersea prospecting permits means that the agency "in effect wants to maintain control of the matter and to keep Aspen's attempts to get permits under its control."

Bailey was in Anchorage last month to present a paper on obstacles to mining in Alaska before a meeting of the Pacific Section of the American Association of Petroleum Geologists. He indicated that his company has been trying to obtain public documents on the permit issue, and charged that key documents are being concealed. In March, Bailey said his attorney had been denied access to several memos when state officials cited "executive privilege."

Earlier this spring, Aspen charged that the Alaska Department of Fish and Game was primarily responsible for DNR's original permit denial because of protests from the Habitat Protection Division. ADF&G cited insufficient biological and geological information for lands south of the Portlands to justify issuance of the permits.

However, Bailey believes sufficient biological, geological and oceanographic data exists so reasonable projections can be made that Aspen's proposed activities would have no significant impact on the marine life or the fisheries of Cook Inlet. He pointed out that with adequate stipulations, most fishermen do not oppose issuance of the permits. He also emphasized that no set net sites are in the primary area of interest.

Aspen believes existing permit requirements and other legally binding restrictions would ensure that no operator would be allowed to disrupt the continued development of the other resources in Cook Inlet. A vast majority of letters received by Governor Bill Sheffield on the issue supported Aspen's prospective plans.

RDC has urged the state to issue the permits, pointing out that Aspen's program is environmentally sound and of significant benefit to the state's alllying economy.

Coalition seeks end to foreign fishing

If the USA Coalition meets its goal, foreign fishing in U.S. waters will end within five years.

Citing the value of the fishery resources off Alaska's coast, and the original intent of the federal Magnuson Fishery Conservation and Management Act (MFCMA), the USA Coalition is calling for Americanization of the U.S. fishery, and is seeking amendments to the MFCMA providing for a complete phase-out of foreign fishing by 1988 and on foreign processing by 1990.

The suit also charges that DEC manipulated placer mining data to make its new solids standard appear reasonable.

Thoughts from the President

By Charles R. Webber

The Resource Development Council is fortunate to have been able to develop a Legislative policy acceptable to the Legislature this year. The action is a significant one. It is a step toward ensuring that we have a resource development policy that will allow us to provide employment. Several Northwest states which declined to support developmen reversed their positions and are calling for assistance in employing our resources.

In Alaska we will not have to learn the lesson the hard way.

Foreigners last year processed 80 percent of the total seafood harvest within 200 miles of Alaska. "It's an amazing resource out there, and we're getting little or no benefit from it," Cotter said.

Rick Lauber, Alaska Manager and Vice President of the Pacific Seafood Processors Association, said that resolutions supporting Americanization of the fishery have been introduced in both houses of the Alaska State Legislature, and that action is taking place on the municipal level.

The USA Coalition is comprised of commercial fisherman, labor organizations, seafood processors, sport fishermen, transport companies, and others.

To learn more about the coalition's position and other viewpoints, RDS has arranged for the coalition to address an upcoming breakfast meeting.

Radical changes needed...

(Continued from Page 2)

As legislators have less to spend, Alaska will be joining the intense efforts of other states to improve their economies. Just in this decade we are seeing a shifting emphasis toward encouraging the retention, creation and expansion of businesses rather than recruiting new business from one state to another. Once the economic climate in Alaska succeeds in nurturing the businesses now contributing to our economy, we will see new industries anxious to discover and develop our state's vast resource potential.

Life in the development lane is never dull.

Alaska fishermen processed less than 20 percent of the seafood harvest off Alaska's coast last year.

June 1985 / RESOURCE REVIEW / Page 3
Council focuses on seven points regarding park management plans

The Resource Development Council will focus on seven main points when commenting on the formulation of nine park management plans by the National Park Service (NPS) this summer.

1. The RDC urges the NPS not to place such a high priority on the acquisition of non-federal lands within park boundaries. Section 103(c) of ANILCA states "only those lands within the boundaries of any conservation unit which are public lands shall be deemed to be included as a portion of such unit." In 1980, Congress found that these nine parks could function quite well without ownership of the non-park lands within the boundaries. The scope and location of most inholdings were in the public interest, not related specifically to the national parks. As a result, RDC believes the NPS should not acquire lands unless there is a direct threat to the parks.

2. RDC believes that the NPS should be made aware of the public use of these areas, and severely restrict the implementation of management plans which do little to improve the recreational opportunities of the park areas. Since parks are designed for public use, the Council believes that facilities and management plans allowing for greater public use and enjoyment should be developed. Access to and from the parks and facilities for recreational activity are needed if these parks are to be visited and enjoyed by the majority of potential park users.

3. Regional transportation planning is of crucial importance to the development of the parks. The use of public transportation corridors in wilderness classifications is particularly crucial to the development of the parks. The use of public transportation corridors in wilderness classifications would effectively prevent the development of these corridors no matter how significant the benefits to local residents and others.

4. RDC is concerned that the NPS is not making a greater effort to identify all resources within the national parks. Comprehensive inventories are essential to good resource management. The RDC believes that it would be inappropriate to include those areas with proposed transportation corridors in wilderness classifications. Such classifications would effectively prevent the development of these corridors no matter how significant the benefits to local residents and others. The RDC believes that the NPS should be provided with the necessary tools to properly identify and evaluate.

5. The Council believes that the management plans should discuss the employment opportunities available to residents of the national park areas. Comprehensive inventories are necessary to good resource management. The NPS should implement programs to allow for greater public use and enjoyment.

6. The Council proposes boundary adjustments to eliminate many of the fringe conditions that have resulted in inefficiency and possible damage to the areas affected. Planning for the enhancement of recreation and conservation values is most effective when all resources are properly identified and evaluated.

7. RDC believes that the NPS should not acquire lands unless there is a direct threat to the parks.

New minerals kit to educate young students

Alaska's elementary school students will soon become more knowledgeable about the state's mineral and energy resources through a joint venture between the Department of Education, classroom teachers, representatives of business and industry, the Alaska Legislature, the Office of Mineral Development and the Alaska Minerals Association.

The Alaska Resources Kit: Minerals is designed to be used in conjunction with existing curriculum programs. It will provide teachers with quality, Alaska-specific materials to help young people learn about minerals and energy and the role of these resources in their everyday lives. The kit will expose the students to the issues and decisions which must be made with regard to resource development in Alaska.

The objectives of the kit are to provide a balanced educational package focusing on the mineral industry and give Alaska-specific mineral information and maps to the students. The kit is to provide teaching ideas and information in an interesting and readily understandable format.

A special tax-exempt organization has been created to raise the funds for production of the minerals kit. This Alaska-managed effort operates as the Alaska Mineral and Energy Resource Education Fund (AMEREF), a 501(c)(3) nonprofit affiliate of the Alaska Mineral Information Institute. The first year goal is to raise $172,000 for production of 200 kits. Contributions may be sent to Alaska Mineral and Energy Resource Education Fund, 2550 Dena' , Suite 1000, Anchorage, Alaska 99503. Additional information is available through John Blackburn at 263-3193.

Alaska agriculture shows "... positive potential"

Despite a number of setbacks and failures, the agriculture industry in Alaska still shows a "significant positive potential," according to James K. Barnett, Deputy Commissioner of the Alaska Department of Natural Resources.

Barnett told the Resource Development Council last month that "careful oversight and leadership in the implementation of these projects can sustain an agriculture-based natural resource economy from these lands." He was referring to the two major agricultural projects in Alaska, the Delta Barbie Project south of Fairbanks and the Point MacKenzie Dairy Project in the Matanuska-Susitna Borough. Barnett said his department has "a responsibility to ensure that these projects are nurtured in the wisest and most cost efficient way." As a result, Barnett is encouraging the use of in-state agricultural products since efforts to create an Outside market haven't been as successful as the state had hoped.

As an example of state misjudgments, Barnett noted Alaska spent $1 million to purchase 20 railroad cars to deliver barley to "what was to have been a $6 million grain terminal in Seward." But by the time production began in Delta, prices for barley on the world market were too low for farmers to compete. As a result, the railroad cars have since been placed on a siding and the grain terminal put in storage.

The Council proposes boundary adjustments to eliminate many of the fringe conditions that have resulted in inefficiency and possible damage to the areas affected. Planning for the enhancement of recreation and conservation values is most effective when all resources are properly identified and evaluated, Hodel said. In addition, the Mt. McKinley Meat Company project in the Denali National Park) 1981.

As a result of investment in railroad cars and the development of a grain terminal, the state has also allocated funds to the Alaska Revolving Loan Fund (ARLF) and the related Alaska Agricultural Action Council, Barnett explained. These projects would help to establish various new projects throughout the state. In addition, farmers have invested heavily in the farm projects.

"As the infrastructure is established and Alaskans become more accustomed to buying and selling products, we believe the industry will begin to flourish," Barnett said. "Our investments will begin to bring benefits and many will be repaid.

Barnett pointed out that delinquency rates on ARLF loans is, in proportion, much less than other state loan programs.

The concept of production credits is being developed as another method of supporting the farming community. Barnett said this approach would offer "existing borrowers the opportunity to receive a credit for interest payments owed to the state in exchange for maximizing production from existing farms." Such action would allow the farmer to concentrate more on production in the short run than on interest payments, thereby generating more production from his tract. This would allow producers to sell their crops at residual prices.

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Hodel calls for Consensus on broad policy goals

By David Marcone & David Parish

Agreement among various levels of government and private interest groups on broad policy goals needs to be found in order to facilitate a good framework for making intermediate policy decisions.

Mr. Hodel, speaking at a June 12 luncheon hosted by the Resource Development Council, the Anchorage Chamber of Commerce, the Alliance, and the Cook Inlet Region, Inc., said for economic and social policies to have any purpose at all, agreements among the various interest groups have to be found.

He noted that the three most important ways for Alaskans to realize the economic potential of their state lands, Barnett said.

Barnett noted that other land tenure concepts are being devised to keep capable farmers on the land. He admitted some farmers will fail, but also pointed out that other farmers have mastered Alaska farming techniques that are just being understood.

He also said the state hopes to offer farmers a chance to enlarge or reduce their parcel size.

Barnett pointed out that agricultural industry receipts more than doubled in the past four years, from $13 million in 1980 to $26 million in 1984. By 1990, overall receipts may reach $60 million with 2,000 additional jobs.

The Deputy Commissioner indicated that milk production over the first quarter of 1985 was up 41 percent over the previous year and that Alaska potatoes have found a new Outside market as Safeway will begin selling about $15,000 worth of locally-grown potatoes in 27 stores in the Seattle area.

Livestock production has also seen new success with the establishment of the state's first cooperative, the Alaska Farm Bureau. As a result, the state's two major cooperative, the Alaska Agriculture Production Council, the Anchorage Chamber of Commerce, the Alliance, and the Cook Inlet Region, Inc., said for economic and social policies to have any purpose at all, agreements among the various interest groups have to be found.

Hodel is looking for a consensus on the issue of the oil lease sale in Bristol Bay. He stated that the industry is now more important than ever as a prospecting prospect. Such production would be favorable to the nation's national security, balance of trade, raise government revenue, create jobs, and strengthen gross national product.