If you own a home, there's a good chance you can establish a personal line of credit from $10,000 to $100,000 - based on the equity you've accumulated in your home. In other words, borrow money from yourself. We call it the Equity Connexion Line.

To find out if you qualify - and if so, for how much, do some quick calculating in the chart above.

Your actual approved limit will depend on the amount of equity in your home, based upon a new appraisal, your credit record and your income level.

Equity Connexion Line closing costs include filing fees and title insurance. In addition, on lines of credit over $25,000 there is a set-up charge of $250 and an annual fee of $75.

Variable interest rate: $10,000 to $25,000 = 26-week T-Bill (coupon equivalent) + 4.5% APR; $25,001 to $100,000 = 26-week T-Bill (coupon equivalent) + 4.0% APR. The home must be the primary residence of borrower. Property is to be located within the service area of National Bank of Alaska.

Top executives from U.S. Borax are seeking the support of the Resource Development Council and other organizations in Alaska to help secure approval of the long-proposed Quartz Hill molybdenum mine near Ketchikan.

The manner in which Borax will be allowed to develop the project will have a profound effect on its cost structure and potential profitability. The development and operating constraints currently favored by the U.S. Forest Service and the Environmental Protection Agency (EPA) are expressed in the preferred alternative (RDEIS).

The public is being asked to comment on the RDEIS and the preferred alternative. Borax officials told the Council that public comments and preferences will have an important influence on the final decisions of the Forest Service and the EPA.

The revised draft, consisting of three volumes totaling over 1,800 pages, has been nearly three years in preparation. Borax has paid over $1.2 million for EIS preparation. Since 1977 Borax also spent over $15. million in collecting and providing the data for it.

Quartz Hill is a big, long-term operation surrounded by Misty Fjords National Monument. Its four-year development will provide about 1,000 construction jobs. When completed it will provide 800 to 1,000 permanent jobs, a healthy economic transfusion into the Southeast Alaska region.

The company has already invested more than $100 million into the project, with nearly a quarter of those costs going toward environmental studies and protection. A 10-mile access road to the site from saltwater was completed over three years ago in an "environmentally sound manner under extremely difficult conditions," according to the Forest Service.

Borax expects to spend $800 million to complete the project.

By developing a major molybdenum deposit of great mineral value, "we believe we are helping Alaska develop its resource base and its economic potential," said Robert E. Kendall, president of Borax. "Yet we now face a major challenge."

The challenge is how to construct and operate a mine that will produce molybdenum for the world market at a competitive price.

In addressing a breakfast gathering of the Resource Development Council in April, Kendall said the engineering, permitting and construction phase is the most important step because the decisions made during this period will determine the competitiveness and cost effectiveness of Quartz Hill.

(continued to page 4)
Message from the executive director

By Paula P. Easley

"First, I suggest that you blink your mind of everything you have heard about economic development." That was the statement of Bill Proxmire who spoke at the 1999 Resource Conference. "But it could have been made by any of the 14 economic development professionals whose presentations we have seen today."

Old assumptions about economic development were challenged by every speaker, but the new assumptions were not quite clear. What is clear is that the passage of time has allowed new economic development programs around the country to be independently studied, in this case, the ones that start up or expand in-state.

In the past the major focus has been on luring new firms to relocate to a specific area, but that has changed. The new focus is on building an economic base by using the people, companies and resources that already exist in a particular community or state. In the past the focus was on local and state economic development programs. For a resource document that provides the details of recent changes and the impact this has had on economic development, the Natural Gas Pipeline in 1992, the Winter Olympics in 1994, and energy production from the Coastal Plain of ANWR in 1996, we have published the Great Opportunities Conference Proceedings. I strongly urge that you have your own copy available for use and reference.

The lead times involved in moving from exploration to development could be ten to fifteen years. Should Congress make an affirmative decision in the next two years, the move from exploration to development could culminate between 1999 and 2004. But it could be made by any of the 14 economic development professionals whose presentations we have seen today.

In reply to an effort in Congress to scrap the critically-needed Tongass Timber Reform Act, Proxmire's legislation from recreation enhancement and wildlife protection to public information and economic diversification, the Natural Gas Pipeline in 1994, and energy production from the Coastal Plain of ANWR in 1996! We allow these things to happen, Alaska will be an exciting place where its citizens will discover new ways to develop and coordinate the production of the games. (David Parish served as an intern for RDC)

Miners receive partial victory in lawsuit

by James S. Burling, Pacific Legal Foundation

The holders of state mining claims were recently handed a partial victory by the Alaska Supreme Court in a lawsuit brought by the Trustee of Alaska Statehood. The decision interprets one of the key provisions of the Trustee's fanciful description as "full fair market value" in exchange for the right to mine. Although the Trustees were always described as "full fair market value" in exchange for the right to mine, the Court ruled that the lease system applied only to those lands "known to have been of mineral character" at the time the lease was issued to the land from the federal government. By most reads of this test, very few lands were then definitely known to have been of "mineral character" and most state mining will be totally unaffected by the Court's decision. The Supreme Court also declined to rule on the Trustee's fanciful description as "full fair market value" in exchange for the right to mine. Such a "public trust" holding could have had profound consequences on all of the lands "known to have been of mineral character" and most state mining will be totally unaffected by the Court's decision.

The Court also ruled that the Statehood Act required rents or royalties for its lessees, and that the existing requirement that miners perform annual labor worth $200 on their claims was not technically a rent or royalty. No hint was made that such rents or royalties need be extremely high, or even much different from what is presently charged with the labor system. Most significantly, however, the Court ruled that the lease system applied only to those lands "known to have been of mineral character" at the time the lease was issued to the land from the federal government. By most reads of this test, very few lands were then definitely known to have been of "mineral character" and most state mining will be totally unaffected by the Court's decision.
### Congressional ANWR hearings set for June

Hearing dates have been set by the Senate for review of the Department of Interior’s report on the Arctic National Wildlife Refuge. The Senate Committee on Energy and Natural Resources will hold hearings on June 2, 4, 8, and 11. The hearings will be held in Washington, D.C.

The Resource Development Council encourages Alaskans and firms with business interests here to support Secretary Donald Hodel’s recommendation that the entire 1.5 million acre coastal plain be leased for oil and gas development. This recommendation has been well-received and has received some significant changes over the earlier draft, especially in regard to mineral interests here to support Secretary Hodel’s going experience at Prudhoe Bay and Interior’s report on the Arctic National Wildlife Refuge was related to distribution changes and the Porcupine herd. It noted that the herd might be related to distribution changes and the Porcupine herd, but that the percentage was related to distribution changes and the Porcupine herd.

The final report to Congress included a statement that the herd was being considered by the House at press time. The FMA system would allow for more efficient forest land management with greater emphasis on private operators, according to Richard Tindal, director of the Council’s有关Forest Resource Division. The agreement would also allow Alaska to cut more timber off of its lands at least cost to state government.

Bills providing a framework for the development of a mariculture industry have been introduced and will receive additional attention during the interim; while a bill allowing the Alaska Industrial Development Authority to work on trade-related projects has passed the Senate. AIDA currently does not have authority to take part in export markets. SB 64 would allow the public corporation to assist Alaska traders in accessing the international market.

### Council’s legislative agenda gets attention

The Resource Development Council’s legislative agenda is receiving broad support and attention in Juneau as legislators scurry to adjudge the first session of the 15th Alaska Legislature. Designed to support actions identified in New Strategies for Advancing Alaska’s Economy, 1985-1990, the legislative agenda ranges from the refinement of state water quality standards to new approaches to enhance forestry and fisheries development. Other bills include measures directed at encouraging oil and gas development, international trade and coastal zone management oversight and permitting.

Proposed by RDC’s Minerals Division, Senate Bill 114 allows legislative review of Coastal Zone Management Plans. “We believe the potential for legislative disagreement will bring about the development of better coastal resource planning and management,” said Mike Abbott, the Council’s Projects Coordinator. Abbott noted that the Alaska Coastal Management Program (ACMP) has developed into a program with substantial statewide impacts within its own proper statewide review of its contents or impacts.

At present, in the absence of legislative review steps, the ACMP plans are ratified without any opportunity for substantive action by anyone except the Coastal Policy Council, an organization made up of delegates of only coastal areas. The re-creation of the legislative review procedure that was originally built into the ACMP would vastly improve the control of the program.

Legislation providing for the assignment of lead agencies for coastal zone consistency determinations has also been introduced in the House and Senate. Presently these permits are administered by the Division of Government Coordination, whose basic purpose is to organize the response of various agencies to a permit application. Abbott pointed out that this function could easily be fulfilled by the primary resource agencies and DGC’s coastal program will be eliminated. Permits will still require multi-agency review, but the final decisions will be made by the appropriate resource agency.

Legislation allowing for Forest Management Agreements would help boost timber production on state lands.

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### Notable Quote

“I believe in the future. He who holds Alaska will hold the world, and I think it is the most important strategic place in the world.”

—Billy Mitchell

### Thoughts from the president

#### Educating Americans

RDC is activating its Education Foundation to perform critical education functions which hold the key to Alaska’s future. The Foundation operates under a 501(c)(3) IRS code which allows tax deductible memberships and funding from other foundations.

People throughout the United States, and even people living in Alaska, need to be educated regarding the great value of Alaska for resource development, military affairs and the vast economic contribution the state can make to the well-being of the United States. We have created our Education Foundation to help accomplish the task of instructing and familiarizing. We now begin the job of attracting significant contributions nationwide, so that the work can go forward.

From the day Secretary of State William Henry Seward announced the U.S. purchase of Russian America some 120 years ago, the people of our country have had deep misconceptions about the nature, value, geography and location of Alaska. For those Americans trying to develop the territory, it has been an uphill struggle during the entire epoch of United States ownership. Secretary Seward and Senator Charles Sumner of Massachusetts were simply the first duo in a long line of distinguished though scarce Americans trying to educate the country as to the worth of what has now become the 49th State. The speeches of Seward and Sumner still sound the leitmotif of America’s unspoiled.

The passage of the Statehood Act in the summer of 1958 followed the discovery of oil on the Kenai Peninsula a year earlier. Unquestionably, oil promoted statehood, and there is a serious question whether full stature amongst the states of the Union would have been accorded Alaska without the discovery of “Black Gold.”

To the present struggle in the Congress of the United States to open the coastal plain of the Arctic National Wildlife Refuge to oil exploration is symptomatic of the continuing difficulty that has plagued the cause of men and women who have labored since before the 1957 Kenai discovery; prior to that first discovery, the government, some thirty years ago, had to be persuaded to allow oil drilling on one-half of the Kenai Moose Range. There was a great struggle between “developers” and “conservationists,” and the grant of permission to drill for oil was very uncertain. Now three decades of hindsight provide proof that the moose of the Kenai Peninsula have done nothing but prosper with a little oil drilling on their once exclusive premises.

So that Alaska may come into its own and be accorded a place of prominence and respect in the world of resource development, as well as the world of beautiful scenery, the attitude of many Americans and even many Alaskans, must be changed—they eyes must be opened. A first rate educating program must be launched so that the majority of Americans realize the tremendous potential and contributions which Alaska, firmly and finally understand this point, their elected representatives will make the right decisions, and they will be made to influence the outcome of this struggle and the direction of the government actions affecting Alaska in its first century and a quarter, encouraging people about the importance of Alaska is what the Resource Development Council Education Foundation was formed to do.

### State’s “share” increases as oil prices fall

With the fall in oil prices to $15 a barrel, the State of Alaska’s “share” of North Slope oil revenues has increased from 24 percent while the industry share has fallen to 3 percent, according to figures released by the Alaska Department of Revenue.

An analysis of the numbers show that while the price of a barrel of crude oil has fallen by 35 percent since 1981, oil producers received about one-third of overall North Slope production revenues after costs. The state received about one-third of revenues in the form of severance income, property taxes and royalties. The federal government received about one-third in corporate income taxes and federal windfall profit taxes.

As oil prices stood at $36 a barrel in early 1986, the shares received by industry and the federal government fell sharply. If oil prices were to average $28 a barrel for four years, the state’s share would be 37 percent, industry’s about 41 percent and the federal government 22 percent. If prices were to average $21 a barrel over the same time period, the state’s share would be 45 percent, industry’s about 35 percent with some 19.2 percent going to the federal government.

As the price falls to $15, the state’s share increases to 96 percent. This happens because revenues rapidly shrink while operating and capital costs increase in relation to revenues, which sharply reduces industry net revenues.

The change occurs because state taxes and royalties are utilization on gross revenues, rather than net income. Moreover, industry absorbs the costs of production and processing, taxes are fixed and become larger in overall proportion as revenues shrink.

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Quartz Hill:

Decision time has come!

Public comments critical, help diversify our economy

(continued from page 1)

If Quartz Hill is to become a reality, all our efforts must focus on making it competitive, and keeping it among the lowest cost producers,” Kendall said.

Molybdenum is a commodity traded all over the world, and in the global market the price is determined by the break-even cost of the lowest cost producers. Any company unfortunate enough to be in a higher bracket has to face the choice of losing money by continued operation or shutting down. With the enormous investment required to bring Quartz Hill on line, U.S. Borax says it cannot afford to put itself in that position.

The Quartz Hill ore deposit contains an estimated 1.5 billion tons of mineable ore. Located on the surface, it can become a large-scale, low-cost operation under the right conditions. Two key conditions are necessary in order to achieve costs comparable to the existing low-cost producers. First, the company must be granted submarine tailings disposal in Wilson Arm rather than Boca de Quadra. It also needs a low-cost, reliable water supply for the project.

“we are to have confidence that Quartz Hill will be a long-term competitive mine,” Kendall told RDC. “However, the preferred alternative contains opposing points of view expressed by the two key permitting agencies on the location of mill tailings. The Forest Service prefers tailings disposal in the Wilson Arm. The Forest Service believes with appropriate mitigation, there is little difference in the environmental effects of tailings disposal between the Wilson and Boca de Quadra Fjords, including the effects of disposal on anadromous fish, other food fish and fish habitat.

The EPA concurs with the Forest Service on marine disposal, but concludes that the middle basin of Boca de Quadra is the environmentally preferred location. EPA considers that because of the greater depth and volume of Boca de Quadra, the tailings disposal in Wilson Arm’s middle basin would be reduced there, as compared to Wilson Arm.

Agreeing with the Forest Service, Borax cites a great deal of scientific work over the past decade by some of the world’s most foremost experts that shows the risks to fisheries very small in either case. On the other hand, the differences in environmental impacts in other areas, apart from marine effects, are considerable.

Debris in Boca de Quadra at EPA’s location would require a 7.5-mile long tunnel under mountains. Debris in Wilson Arm would only require a surface pipeline about two miles long. Using Wilson Arm eliminates the need to construct tailings disposal facilities in the wilderness at the Boca de Quadra tunnel portal facilities in the wilderness. U.S. Borax needs your support for Wilson Arm tailings disposal and for a secondary water supply source during Phase I. Comments should be sent to Win Green, Forest Supervisor, U.S. Forest Service, United States Department of Agriculture, Federal Building, Ketchikan, Alaska 99901.

(continued from page 3)

State’s ‘Share’...

(continued from page 4)

Equivalent to increasing molybdenum production costs by about 55 cents per pound. To put it into perspective, he said this would be the same as increasing the annual payroll cost by 10 percent.

“The inevitable result of adding such a cost burden would be to delay the start of the project,” Hesse said. “Once started, it would sap the economic strength needed to operate through the molybdenum price to which we know we will endure.”

In its arguments for selecting Boca de Quadra, EPA raises a possibility of acutely toxic levels of copper in the discharge. EPA’s basis for this conservative “worst case” assumption, Hesse pointed out. He said the tailings are very similar to the rock flour from glacial action which reaches the fjords every summer.

From the pilot plant testing Borax did on bulk ore samples, it is only in the copper levels that the tailings at the end of the pipeline will be below EPA’s requirements.

“U.S. Borax is prepared to do whatever is reasonably necessary to assure protection of water quality standards and fisheries,” Hesse said.

EPA has also argued that because of the size of Wilson Arm, containment of the tailings would not be assured. However, studies have shown that the tailings would only reach to about 600 feet of the water surface.

In any case, Borax believes EPA has not shown there are any adverse effects from minor amounts of fines which might escape into Behm Canal. National Marine Fisheries has considered this and has given an opinion that this “would not likely result in a discernible impact to the fishery resources of Behm Canal.”

Regarding effects on salmon, the experts have agreed that disposal of tailings will not pose a threat since the tailings material will stay below the upper part of the water column used by the fish. This is confirmed in the RDEIS, which states that “all tailings impacts to salmon would be insignificant.”

EPA has also raised questions about the environmental effects of the tailings deposited in Wilson Arm eventually rising to above the 100 meter depth at the outfall. Hesse said the environmental risk was not apparent and is regarded as a problem, “it can be avoided simply by moving the outfall down the fjord about ten years before the end of the mine life.”

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Miners remove loose ore after a blast in adit removal of 5,000 ton bulk sample. 1983. (Fjord Photo, Ketchikan)

Hesse stressed that any suspected impacts are long term and will be seen long in advance. He asserted that permits only provide for mitigation and there would be ample time to put mitigating measures into effect.

“We think that in looking only at the marine impacts, it has done so far, EPA has taken too narrow a view,” Hesse said. “We believe that EPA must consider all of the impacts before making its final selection.”

Regarding water supply, the Forest Service’s preferred alternative is to get all process water during the first phase of operations from a dam in the Tunnel Creek valley, supplemented only when the plant is expanded in Phase II from a secondary source near the mouth of the Blossom River.

The Forest Service plan would cost Borax $30 million in additional expenses to build a dam 110 feet high to provide the storage needed. Borax proposes to build a dam only that height, but to supplement this source during Phase I with wells near the Wilson River.

“We need the added reliability of a supplemental water source during Phase I to lessen the risk of plant shutdowns during dry years,” said Hesse. “To avoid possible environmental disadvantages of the Wilson River wells, we’re willing to use the Blossom River as a backup.”

Hesse said that during the course of Phase I there would be plenty of time to look into possible tertiary sources to assure a low cost and reliable water supply for Phase II.

State severance taxes and royalties are paid as a percentage of the wellhead price. Oil transportation costs from the well to market are allowed as a deduction in arriving at the wellhead price. But production operations in the field are not, allowing severance taxes and royalties to be paid on gross revenues, rather than net income.

If the legislature were to enact a bill deferring application of the Economic Limit Factor to North Slope oil production, the additional state taxes would wipe out industry’s share at the $15 a barrel price.

According to an article authored by Tim Bradner in the Juneau Report, published by Standard Alaska Production Company, that doesn’t mean Alaska oil producers would run out of money and close production at the $15 a barrel range since depreciation allowances for capital recovery insures cash flow for the short term. However, Bradner warned that investment decisions are made on the basis of net return, after capital recovery and taxes.

“This is a vivid illustration of why it will be difficult for companies to make major new capital investments in Alaska until prices substantially recover, and how new state taxes could make the situation even worse, Bradner wrote.

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1.000 New Employees $37,000,000 Annual Mine Payroll $19,000,000 Annual Service Industry Payroll $12,000,000 Annual Alaska Taxes $4,000,000 Annual Transportation Costs $72,000,000 Annual Benefits to Alaska

One loader prepares to enter tunnel from which bulk samples were taken in 1983. (Fjord Photo, Ketchikan)