

though these service workers perform valuable services, they are not producing new goods. Today, 60 percent of the working population is employed in service-related occupations. By the year 2000 this is expected to reach 75%.

Another aspect to the decline of productivity is the increase of regulation. In fact, government regulations are now considered a major hindrance to productivity rather than merely a necessary evil. Edward F. Denison, a senior fellow at the Brookings Institute, recently stated that pollution, health and safety requirements have reduced productivity growth rates by as much as 25% since 1968. It is estimated that Americans pay over \$100 billion each year

in increased prices to cover the cost of regulation. While some regulation is beneficial, Barry Bosworth, Director of the Council on Wage and Price Stability, recently noted that regulations have "saddled industry with expensive requirements and increased costs without raising output, often without definitions of benefits or goals." Inevitably the price of regulation is borne by the consumer. The National Association of Manufacturers believes there is a serious need, and we have long agreed, for weighing the benefits of regulations against the costs. Regulatory agencies must be required to consider the economic impacts before issuing major rules and regulations.

KNIK ARM HOVERCRAFT

An urban transportation mode being considered for Knik Arm would use a fleet of hovercraft to carry passengers between Anchorage and the Matanuska-Susitna Borough. House Finance Chairman Russ Meekins says he and other Anchorage legislators have enough votes to begin funding a pilot project. Passenger service could be a reality in about two years, if funded.

The Hovercraft can go over water, icejams, muskeg, mudflats and even through a forest where the trees are widely spaced. The cushion of air beneath the Hovercraft is not so forceful that it will crush anything in its path and it can climb continuous slopes of up to 23 degrees.

Other possibilities for the Hovercraft include transport of supplies over land and water

and movement of fish from vessels to processing plants. In the future it might even be possible to use hovercraft large enough to carry hundreds of people and scores of cars. Currently on the market is the **Mountbatten** which is a 200-ton passenger/car ferry designed for 100-mile cruising ranges. It has an average speed of 40-50 knots and can operate in waves up to 10 feet high. But the true beauty of this craft, especially in Alaska, is that it can operate on mudflats, swamps, snow, ice and wilderness areas.

Representative Meekins, who formerly worked as a maintenance man aboard a Hovercraft, foresees the air-cushion fleet as part of the state highway system, as are the state ferries.

SOLAR ENERGY PROJECT OPPOSED

Dr. Peter Beckmann, at the University of Colorado, has always maintained that the sham-environmentalists are in favor of any kind of energy if only it is unavailable. "Well," he says, "what had to happen has happened: The environmentalists have sued the government for switching to solar."

"The National Park Service has been lighting Utah's National Bridges Monument with diesel-powered generators, but this year construction of a 100 kw solar photovoltaic plant was to begin. And sure enough, Committee to Protect the Environment has filed a suit to halt construction. Because of the astronomic

cost to the taxpayer, \$33 million, or a staggering \$300,000 per installed kilowatt?* Not at all; they rarely care what something costs. Their reason was because 'the national monument's geology, native plants and animal life will suffer injury if the plant is built' and the construction will 'denude' 2 out of the 7,200 acres in the park."

*By way of comparison, a natural gas-fired plant costs less than \$150 installed kilowatt, or about 1/2000th of this proposed project to use "free sunshine."

Texas Independent Producers and Royalty Owners Assn., Summer 1979



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RESOURCE REVIEW

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NOVEMBER, 1979

MORATORIUM TAX ON ALASKA COAL DEVELOPMENT

In an attempt to properly evaluate legislation introduced last session (HB 420) relating to royalties for coal mined in Alaska, RDC asked the advice of other coal-producing states.

Staff technical advisors were alarmed over what appeared to be unnecessarily stiff royalties and regulatory provisions in the legislation that seemed to grant the regulators too much leeway and opportunities for favoritism.

James D. Mockler, Executive Director of the Montana Coal Council, analyzed the bill, section by section, and offered these overall comments:

"It must be realized that taxes, royalties, fees or whatever one chooses for the label, are simply an added cost of business. When those costs go up either the *consumers* pay them or we cease doing business. There simply is not room in the coal industry to absorb these costs. In the case of Montana, the costs are passed through, and we lose our market to Wyoming."

Mockler spoke of the negative impact Montana's high severance tax has had on the industry there. "Our coal is virtually all sold

under long-term (20-30 year) contracts, and *there has not been a single major contract negotiated since the tax went into effect.*" (Emphasis added.)

Mockler's analysis was concluded with these dramatic comments: "In short, the bill being considered by your Legislature could most easily be handled by a simple bill imposing a moratorium on coal mining in Alaska. At least with that, your citizens would not be deceived into thinking that someone would actually mine under the conditions provided."

We're happy to report that Representative Miles' Energy Policy Committee is reviewing this input and revising the bill for next session. The Governor's Division of Policy Development and Planning, however, still seems determined to use Montana as a shining example of how extractors of coal pay their "fair share" and let citizens of the state share the benefits of that development. The state tax bite on a hypothetical coal company in Montana (selling 1.2 million tons at an average price of \$30/ton) is 35%!

FOOD FOR THOUGHT

Dear Uncle Sam:

My friend Bill Jones over in the next county received a check from the government for \$1,000 for not raising hogs. So I plan on going into the "not raising hogs" business next year.

What I want to know is this. In your opinion what is the best kind of farm not to raise hogs on? And, what are the best kinds of hogs NOT to raise? I would prefer not to raise razorbacks, but if that is not a good breed not to raise, I will gladly not raise Berkshires or Durocs.

The hardest work in this business is going

to be in keeping an inventory of how many hogs I am not raising.

My friend Bill is very optimistic about the future of this business. He has been raising hogs for more than twenty years and the most he ever made was \$400 back in 1951, until this year, that is, when he got this check for \$1,000 for not raising hogs.

If I can get \$1,000 for not raising 50 hogs, then will I get \$2,000 for not raising 100 hogs? I plan to operate on a small scale at first, holding myself down to about 4,000 hogs, which means I will have \$80,000 at the beginning. Then I can afford that boat I've always wanted.

Continued next page

Now another thing. These hogs I will not be raising will not eat at least 100,000 bushels of corn. I understand that you also pay farmers for not raising corn. So will you pay me anything for not raising 100,000 bushels of corn

for not feeding the hogs I'm not going to raise? Please let me hear from you soon.

Yours very truly,

I. M. Broke

— author unknown —

NOTABLE QUOTES

The "Sagebrush Rebellion" is nothing more than an attempt by the Western States to "hornswoggle all Americans out of a unique land heritage."

Cecil Andrus
Secretary of the Interior

"What we must do is put small areas into wilderness, then develop a mixed-use plan that would devote most of the public land to combined recreational and commercial use. That, incidentally, would have the added advantage of making it possible to reduce the offensive bureaucratic wilderness regulations that destroy the wilderness experience before it begins.

"A major problem is that the wilderness pressure groups that control the movement may be unable to change direction. Their present course has made them rich and influential. They have developed the means and tactics to make their own voice heard at the expense of all others. They have lost the ability to hear other voices. There is little chance they will change of their own accord. They must be changed by outside voices.

"And quickly, or it will be too late."

Allan May
Author, *A Voice in the Wilderness*

"It also seems to me that these same agencies [Department of Environmental Quality, Alaska Legal Services, Fish and Game] . . . caused more restrictions on our way of life than the supposed loss of animals or mammals . . . We [residents of Barrow] are known for our care of the environment. Our belief is that the continued existence of both our environment and our economy is dependent on the wise management and enhancement of both."

Edward Hopson, President,
Arctic Slope Regional Corp.

"For the near-term future, coal is the thing that will help save the railroad. It's the only thing that will move in large enough quantities and create enough revenues to keep us healthy and preserve our jobs."

Steve Ditmeyer, Acting General
Manager, The Alaska Railroad

"Had Alaskans been the rapacious land-grabbing boomers the Secretary of the Interior portrays us to be, we would not have taken our time selecting the lands promised us as our dowry at time of Statehood, and we would have them now."

Lt. Gov. Terry Miller
American Mining Congress
September 1970

"If the state accepts the bulk of the risk through a profit share bidding system paired with a low fixed bonus, and subsequent exploration yields only dry holes, the people of Alaska will quickly remember the \$900 million bonus received in 1969. Business is accustomed to risk assumption. The state is not."

Dr. Walter J. Mead
US Santa Barbara

"Environmental opposition to hydroelectric power development has been significant in the past and any consideration of new sites will meet with similar opposition. Conservation alone will not provide the answer. It is no longer acceptable to oppose development across the board without presenting reasonable alternatives. Congress and the nation will no longer put up with this self-righteous 'all or nothing' approach to the environment."

Senator Mike Gravel

"The export restrictions on Alaskan oil are one of the most outrageous parts of Congress' colonial attitude toward Alaska."

Fairbanks News-Miner

"Lack of a domestic source of resource raw materials is a major factor in the current problems with inflation."

Michael Blumenthal

"We Westerners have got to stay together and go on the offensive. Otherwise the federal government will pick us off one by one."

Senator Paul Laxalt, Nevada

"When it comes to declining royalty revenue, it's true that eventually state income will decline if there are no new oil discoveries or major industrial developments that can be

Continued
Next page

for the Energy Division, expects drilling to begin the end of October, after which time the resource will be delineated.

Markle was enthused about the potential for heating and greenhouse developments, as well as using the springs for growing prawns. He

told staff, "Who knows. It could be the start of a new industry for the state." A positive aspect of growing prawns in the area, according to Markle, is that the prawns "wouldn't be competing with reindeer herds for grazing lands!"

TIMBER SALE IN KASAAN

In spite of the turmoil over land status, in some parts of Alaska there is business as usual. Kavalco Inc., a Native corporation, recently announced it had agreed to sell 100 million board feet of timber to ITT Rayonier. Rayonier is a forest products company with northwest headquarters in Seattle. Louis A. Thompson,

president of Kavalco said development of the timber industry in that area fit in well with the long-term management plans Kavalco has for its natural resources. According to the Anchorage Daily News, ITT Rayonier will pay \$25 million for the product. Kavalco is based in Kasaan, across the Clarence Strait from Ketchikan.

OLD MYTHS AND NEW FACTS

In the face of all documentation to the contrary, there is always someone who refuses to accept the facts. Such is the case of Robert Elam, editor of *Outdoor Life*. According to Elam in the September issue of *Outdoor Life*, "more than anybody had expected, the 800 mile trans-Alaska pipeline harmed wildlife . . . fish, big game and furbearers all have suffered as a result of the pipeline." Supposedly hardest hit by this allegedly devastating intrusion into the natural environment is the Central Arctic caribou herd. The pipeline supposedly interfered with the migration of the caribou and their use of the summer range along the Arctic Coast.

However, it would be interesting to hear from Elam and his source, University of Alaska

Researcher, David R. Klein, as to why that particular herd has grown from 5,000 to 7,000 animals since the pipeline was constructed. Further, Alyeska ecologist Ben Hiliker and Ecologist Angus Gavin, a wildlife consultant for ARCO, noted that the pipeline didn't appear to stop any migration. "Moose have been going back and forth under the line since it was constructed" and, following construction, "the animals have moved right back in and we have photographs of animals all over the place," Hiliker said.

Gavin's observations are documented in a report covering the 1969 through 1977 pipeline development period. Copies are available from RDC by request.

TOWARD HIGHER STANDARDS OF LIVING

Americans have among the highest standards of living in the world and for many years have also had healthy yearly increases in productivity. But since the late 1960s this productivity has fallen off sharply. Between 1965 and 1976 American productivity averaged 1.9% annually while Japan's averaged 9 percent.

Productivity is the measure of goods made and placed on the market for consumption. High productivity means that people are working and thus they have money to spend on products made by other industries. As productivity slows so must consumption. The slower the productivity, the slower the production of commodities.

To improve the "real" wealth of a nation, it can 1) expand the size of the workforce, 2) increase the worker's productivity, or 3) increase the number of hours that people work. Productivity is simply the output per hour. Although the overall rate of productivity slow down has been shown nationwide, individual

industries have been hit harder than others. Mining and construction have been severely damaged by the increasing load of regulatory demands and requirements.

Although America will eventually be able to recover some of the lost ground, there are many complicating factors which will keep productivity down. Energy shortages are rapidly making some products so expensive that they are quite literally being priced out of the market. Products which are deemed "luxury" items may be phased out simply because of the current recession. But in the long term there is an even more drastic economic turn on the horizon — the movement to service occupations rather than production occupations.

With the movement of workers from producing goods to supplying services -- many of them funded through the public payroll -- there has been and will continue to be a reduction in the amount of goods on the market. Even

Continued next page

taxed to support the style to which the state government has become accustomed. However, 25 percent of all resource revenue is being socked away in the permanent fund for just such a rainy day. Instead of being worried about taxing present-day residents in time of inflation to take care of the next generation, the State should be investing some of its current income to promote and encourage economic growth that will bring revenues in the years ahead."

Anchorage Times Editorial

"To many people, depreciation reform is not a sexy issue, but to persons concerned with the future economic health of our country, it

is the cornerstone of increased productivity, real wage increases, lowered inflation, and regional tax policy."

Rep. James Jones
D-Oklaoma

"Government may imagine that it is neutral toward the rate and quality of technological risk-taking, but it is not. Regulatory policies aimed at the public interest rarely consider impacts on innovation."

William D. Carey
American Association for the
Advancement of Science

LESSON FROM PROPOSITION 13

When Proposition 13 passed in California last year there were those who made dire predictions for the future of the state. It was even predicted that its passage would mean a loss of 450,000 jobs. Well, a year later Californians are still waiting for the axe to fall.

What in fact happened is that Proposition 13 has created a boom for the private sector. Personal income increased by 14 percent and the consumer price index for California advanced only 8 percent -- far less than the nation's average. As far as jobs were concerned, about 100,000 public sector jobs were lost but only about 17,000 of those were through layoffs; the remainder involved retirement or transfers of personnel to the private sector. The sudden influx of money into the private sector stimulated the economy and the Cali-

fornia unemployment rate dropped by a full percentage point. Some 552,000 new jobs were created in the private sector.

Economists feel the reason California is doing so well is that the previous escalating taxes discouraged investment by businesses and hampered workers from producing to their full capacity. After all, why work harder so the government can take a larger share.

Economist Art Laffer of the University of Southern California predicts that tax cuts (from present high levels) may stimulate so much activity that subsequent tax revenues may actually increase. In fact that appears to have happened in California already: Proposition 13-inspired-consumer spending brought in an extra \$1 billion in sales tax revenue this past year.

CHINA'S ENERGY RESOURCES

Since the first oil flowed through the Trans-Alaska Pipeline there has been talk of an oil swap between Alaska, Japan and Mexico. But with the politics involved and continuing resistance to the idea, it may never come to pass.

Japan still may get the oil it needs--but from China. On October 16, James Lilley of Hunt-Sedco International told the audience at the Energy EXPO in Anchorage that the Chinese have begun to negotiate with American oil companies for development of China's offshore oil fields. In the long run this could mean there would be oil production, and the most reasonable market would be Japan. Eventually there could be enough oil to supply many mar-

kets presently being served by Mideast oil: Israel, Australia, portions of Africa and even the United States.

Lilley, discussing some of the aspects of this new *detente*, raised the spectre not only of Chinese entrance onto the world markets, but the possibility that we may be arming a potential enemy. Lilley is hardly an armchair doom-sayer. He was born in China where his father worked for Standard Oil. He spent 15 years with the United States Foreign Service, his last post being in Peking when relations between China and the United States were opened. Lilley now works for Hunt-Sedco which is involved in the exploration and development of China's offshore reserves.

CUTTING GASOLINE COSTS

Who actually makes the profits from the sale of a gallon of gas? Before imposing a windfall profits tax, it might be well to determine who's getting "obscene" profits.

Back when gasoline cost 72 cents a gallon,

the producers made a profit of about 2.1 cents. Government really cleaned up, though, by taking 14.4 per gallon through various taxes.

Maybe the windfall profits tax should be imposed on the government's share.

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**NO MONEY
FOR
MONUMENTS...
WE HOPE**

Senator Ted Stevens joined with other members of the Senate Interior Appropriations Committee to cut off funding for the administration of the 57 million acres of national monuments which were created last December. The committee also recommended that \$1 million be deleted from the Carter Administration's budget request for fiscal 1980 to manage Alaskan wildlife refuges.

Regarding the legitimacy of presidentially established withdrawals, the committee's report was succinct in its view:

"The Committee cannot agree--nor does

it feel that it has the authority to agree--to funding established parks and wildlife areas in Alaska without full congressional review and approval."

Furthermore:

"The protection and conservation of Alaska's vast natural resources pivot on important national policy decisions of the scope that are reserved for Congress."

With this strong opposition it will be interesting to see where the Carter Administration finds the money to manage the newly-created monuments in Alaska.

**SENATOR
COLLETTA
ADDRESSES
RDC**

Senator Mike Colletta delivered some upbeat words to a packed house at the Council's October 24 meeting. Discussing a natural gas liquids line and potential for petrochemicals development, Colletta warned strong, aggressive action was needed to make such development a reality.

The senator reported on his recent meetings with petrochemicals industry officials. He was obviously excited by their interest in Alaska's natural gas feedstocks, and some officials, he said, would even consider building a small diameter line to the facility. "The interest is out there. They will pay the wellhead price, they will build the pipeline and they will build the plant," he said.

Colletta also expressed optimism that the Northwest pipeline project would proceed quickly, with or without state financial participation. In his opinion, a petrochemicals industry was possible regardless of whether the conditioning plant were located at Prudhoe Bay or Fairbanks. And, he said, the outlook for gas-based petrochemicals industry had brightened considerably over the past year from previous gloomy forecasts.

Colletta also discussed the lack of stability in Alaska's economic environment. Citing statements made to him by Outside industry officials, Colletta said they told him repeatedly that Alaska should formulate a stable development attitude or there would be reduced investment in the state. Taxes for the oil companies, he noted, has risen 12 times in 11 years. He warned that if this trend was not reversed--and quickly...many businessmen would be hesitant to invest in Alaska. To promote a stable development environment, Colletta introduced

a resolution which he intends to put before the legislature in January. He said it was time for Alaskans to act in the best interests of the state's economy. The administration is not "moving fast enough" and if the pace did not speed up, the legislature would have to "take the lead" in stabilizing the business climate. Colletta's 14-point resolution included the following selected points:

That the Alaska State Legislature adopts the following policy which is intended to clearly communicate to the business community the basis on which the state encourages responsible investors to come to Alaska and determine if various industrial projects are in our common interest; the state should encourage economic development that

3) diversifies the state's revenues, increases average personal income and reduces the cost of living by creating economic activity in economic sectors that do not presently exist or are not presently fully developed;

5) has a positive effect on power and energy availability for present and future needs; and

6) Promotes tax and revenue stability within the state.

Furthermore, the state should actively undertake activities to attract investment and to take advantage of the investment opportunities afforded by Alaska's abundant resources. The state should also use its powers and resources as a "catalyst for responsible economic development of the state."

In conclusion, Colletta asked Council members to work with him on the markup of the resolution. Copies of the proposed resolution are available at Council offices.

**FRESH-WATER
PRAWNS
AND
ENERGY, TOO**

In Pilgrim Hot Springs, some 50 miles north of Nome, the State Division of Energy and Power Development and the University of Alaska are conducting a research program to

see if the springs can be used for heating, electric generation, agriculture and aquaculture.

Don Markle, energy project coordinator

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