To succeed in business, you have to start with the right mix.

Cook Inlet Region, Inc. represents more than just one element of Alaska's Native heritage. Our shareholders are a mix of Eskimos, Aleuts, and Indians from every region of Alaska.

And whether we are investing in natural resource development, real estate, maintenance and construction services, or broadcast communications, we rely on the unique blend of heritage and experience that makes up CIRI.

So when someone asks the secret of our success, we like to say our diversity is our strength.

Southeast timber industry faces timber supply crisis, employment plummetns, regional payroll is down

The Southeast Alaska timber industry is facing its worst crisis in decades, sparked by a shortfall in promised timber offerings and new land withdrawals which have sharply cut into the land base deliberately set aside by Congress for timber harvesting.

Of a promised 300-320 million board feet of timber from the Tongass National Forest, approximately 159.6 million board feet have been offered for sale by the U.S. Forest Service this year. The shortfall is likely to result in a record low harvest, leading to further reductions in inventory needed to carry mills through the winter.

The 1995 offering is 100 million board feet lower than the previous record low harvest years of 1983 and 1984 when there was a worldwide depression in pulp and timber markets. In no year since the Ketchikan pulp mill began operating in 1954 have timber harvests from the Tongass fallen below 200 million board feet. The average annual harvest on the Tongass between statehood in 1959 and the passage of the Tongass Timber Reform Act in 1990 was approximately 419.6 million board feet.

As of mid-September, the Forest Service had offered Ketchikan Pulp Company only 155 million board feet of 220 million board feet promised for fiscal year 1995, which ended October 1. The company’s sawmills at Ward Cove and Metlakatla are running at about 50 percent capacity.

The smaller independent operators are even worse off as they have received only 4.6 million board feet of the 80 million that was supposed to be (Continued on page 4)

Southeast Alaska sawmills are operating at 50 percent capacity due to a timber supply crisis which has sent timber operators to distant forests outside Alaska to seek logs.

(Photo by Carl Portman)

ANWR veto threat looms, Knowles still hopeful

Legislation to open the Coastal Plain of the Arctic National Wildlife Refuge to oil and gas development passed key committees in the House and Senate last month by wide margins, but the White House is still threatening to veto the drilling provision when it arrives on the President’s desk later this month.

Governor Tony Knowles, the Alaska congressional delegation, state legislators, pro-development groups and labor have been working hard behind the scenes to convince President Clinton to sign a massive budget measure, which among other issues, includes ANWR drilling. Knowles was in Washington, D.C. and New York last month to make the State's case and discuss the veto threat with White House staff.

While a possible veto looms over the deficit-reduction bill, Knowles said he believes there is still a chance that Clinton would sign a bill with provi- (Continued on page 6)
Federal issues get attention

Along with the headline issues of ANWR and Tongass, RDC is working on a number of other congressional actions important to Alaska. Other major issues affecting resource sectors and community development are:

- Magnuson Act Reauthorization
- Endangered Species Act Reauthorization
- Oil export ban removal
- Denali National Park
- Wetlands
- Clean Water Act Reauthorization
- Mining Law reform

The Resource Development Council (RDC) is Alaska's premiere trade organization specializing in energy and mineral development issues. RDC is a non-profit trade organization working to develop Alaska's natural resources in a socially and environmentally responsible manner and to create a broad-based, diversified economy while protecting and enhancing the environment.

Federal issues

Federal members provide the kind of "infantry" necessary to carry the House of Representatives and the Senate to enact a status quo bill. The Young-Pombo bill follows peer review of proposed listings and in most cases denying federal protection if onerous economic or property rights protections from the legislation. Two key provisions essential to the "harm" and "takings" compensation provisions are targeted for elimination by the administration.

The Senate bill would also require federal agencies to prove that species occupy particular lands, rather than requiring landowners to prove that they do not. Missing ingredients of the 1995 Young-Pombo bill include the establishment of a scientific, DNA-based determination of true species and contracting with the International Union for Conservation of Nature to solidify support for the legislation. The House bill also omits a mechanism to administratively exclude species from federal listing if onerous economic or social impacts would result. The Senate bill would be limited to the Arctic winter, November through April.

The Senate bill would require Interior to conduct the first lease sale for ANWR leases within 24 months of passage, requiring that at least 300,000 acres of the 1.5 million acre Coastal Plain be offered for leasing. It also provides that leasing revenues be split evenly between federal and state governments.

Murokowitz's bill provides stronger environmental means, including authorization for the withdrawal of up to 60,000 acres to protect sensitive values. Unlike the House version, the Senate bill directs the Interior Department to adopt all the environmental mitigations in the 1987 Environmental Impact Statement designed to protect wildlife and habitat. The Senate bill would also place seasonal restrictions on mineral development to avoid impacts on fish and wildlife. Exploration efforts would be limited to the Arctic winter, November through April.

After years of research, debate and strategies, a comprehensive Endangered Species Act reform package is worthy of our collective support. HR 2275, the Endangered Species Conservation and Management Act of 1995, incorporates most of the floor reform features included in HR 3978, a similar bill introduced last year by Congressman Richard Pombo (R-CA). Since it was introduced last month by Congressman Don Young and Pombo, the bill has gained 123 cosponsors. The successful reform have developed in the form of rival bills which have been introduced by members of Congress at the request of constituents and lobbyists, some of which believe that the Young-Pombo bill is too strong and others of which believe it is not strong enough. We don't stand a chance for passage, but they do distract from HR 2275.

Pombo is concerned that the rivals could make it difficult to carry the House by a veto-proof margin or, worse, temp the Senate to rework the bill.

ANWR likely to land on President's desk this month

(Continued from page 6)

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The Reconciliation bills containing the Murokowitz and Young provisions were expected to head to the Senate and House floors in October. Once both measures pass their respective chambers, a conference committee would be called, advancing a single pro-drilling provision on a budget measure which should land on President Clinton's Oval Office desk later this month or next.

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sions to open the Coastal Plain.

"We gave a rationale upon which it could hit into the Clinton administration's policy with regard to the environment and jobs," Knowles said. "I don't think it's (the veto) ironclad."

The Governor was relieved that Clinton rejected a request from environ-mentalists to use his executive au-thority to designate the Coastal Plain (Arctic Oil Reserve) a national monu-ment. In September, environmentalists and some of the President's advisors had lobbied for a national monument to preempt Congressional action allowing lease sales in the AOR. Knowles and a number of state cabinet officers worked aggressively to counter that effort.

A monument designation would have elevated the AOR to the same status as a number of popular Ameri-can landmarks, giving the issue more direct public exposure.

"It might well have become an is-sue that could not be discussed on its own merits, but would have assumed a life of its own," Knowles said.

Knowles spoke directly with the President's Chief of Staff Leon Panetta and with other officials. He also obtained sup-port of governors across the West. The Governor said he received a very "open" response to Alaska's case in meetings with White House and con-gressional officials. Officials in both places indicated more willingness to support development if convinced that it can be done so in an environmentally responsible way and the benefits of development are shared.

Knowles spoke with the editorial boards of the New York Times, Wash-ington Post, Wall Street Journal and USA Today. He told reporters that oil development now rests on the decision of the President.

"We could build the Prudhoe Bay field over again from scratch using current technology, the 5,800 acres of tundra directly affected by development would shrink to 1,000 acres," Governor Knowles told reporters in Washington, D.C. last month. (Photo by Carl Portman)

"Young continued.

"I understand that you may have been misinformed about this issue by members of your administration—many of whom worked in top leadership posi-tions in the professional environmental community prior to joining your cabi-net," Young said. "However, this is the time to reject the pressure of the profes-sional environmentalists and do what is right for the Native people of Alaska," Young continued.

Young emphasized that the Inupiat Eskimos who live on the Coastal Plain of ANWR support oil and gas develop-ment. He also noted that the Alaska Federation of Natives, the statewide organization that represents the tradi-tional interests of more than 90,000 Alaska Natives, supports oil develop-ment. His letter explained how rev-enues have brought 20th Century living standards to rural villages at previously at Third World levels. In addition, it pointed out how little of ANWR would actually be disturbed by development.

Last month's progress on opening the Coastal Plain came in the Senate Energy and Natural Resources Com-mittee and the House Committee on Natural Resources.

The major environmental provisions, written by energy committee chairman Frank Murkowski, were ap-proved on a 13-7 vote while the House measure sailed through Young's natu-ral resources committee by a 27-12 margin.

Young's measure includes numer-ous environmental safeguards to en-sure that oil activity is conducted in the most environmentally-sound manner possible.

"Alaskans want these safeguards to ensure that oil exploration and develop-ment will be the model program for the Arctic," Young said. "Under the provisions of our legislation, oil and gas development would not occur until to 15 years from now so that these regu-lations could be fully developed and implemented."

The major environmental provisions in the legislation include requiring the Secretary of Interior to develop the rules and regulations prior to lease sales to ensure that activities undertaken in ANWR are for the protection of wildlife, habitat and subsistence resources. Environmental safeguards developed up the big picture in global positioning, perceptions, risks, probabilities and re-alities, which is guaranteed to chal-lenge those chosen to lead Alaskan business and industry strategically into the next century.

Guest speakers from across the nation, as well as local delegates and business leaders will assemble for two days to explore the latest global strate-gies in the development and marketing of our natural resources. The confer-ence will also explore Alaska's global position in transportation, telecommu-nications and technology.

These carefully selected topics and presentations are sure to offer razor sharp insights on innovative approaches designed to stimulate domestic and international trade.

Once again, through the collabora-tive effort of our volunteer board of directors and RDC staff, the Resource Development Council invites you to at-tend our 16th Annual Conference November 16 - 17 at the Hotel Captain Cook in Anchorage.

This year's conference, aptly called "Alaska's Global Position: Navigating Turbulent Times," collectively serves Teachers trained in how to assist students in drawing connections between raw materials and manufactured products

Teachers from several Alaska school districts met in Anchorage last week for three day "Training of Trainers" session on how to use AMEREF's Alaska Resources Kit in classroom instruction. The session was very successful, with a significant amount of time spent on familiarizing teachers with the new activities contained in the new "Energy and Environment" and "Economy/Ecology" mod-ules.

Teachers attending the session have agreed to serve as trainers in their school districts for the AMEREF program.

Training is an important component of the AMEREF Minerals and Energy Education program. Trainers not only teach other teachers in the use of AMEREF materials, but encourage them to frequently utilize the Alaska Resources Kit, which is considered the heart of resource education in Alaska. The main objective of the program is to provide students with the knowledge, skills, and atti-tudes necessary to make informed decisions on natural resource issues. Each year AMEREF produces new kits for Alaska schools and periodically updates its Alaska-specific resource education materials.
Timber shortfalls ignite new battle, delegation works to achieve reliable timber supply

(Continued from page 1)

offered for sale.

The recent chronic shortfalls in timber offerings have resulted in the closing of mills in Sitka, Wrangell, Saxman and Ketchikan. Direct industry employment has plummeted 42 percent and the region’s overall total payroll has fallen by more than $40 million. Other workers outside the timber industry, including school teachers, longshoremen, marine pilots, tug boat operators and those providing local services and products, have been caught in a domino effect.

Timber sales currently scheduled by the Forest Service are only enough to keep existing timber processing plants open at about 50 percent capacity, and certainly not enough to permit the re-opening of the Wrangell sawmill or the development of value-added firms, such as a medium density fiberboard plant or a kiln facility.

The timber supply crisis has brought renewed efforts by Alaska’s congressional delegation to free up more timber from the forest. But those efforts have met stiff resistance from opponents of development, sparking a new battle over the Tongass.

In 1990, after years of debate, Congress approved the Tongass Timber Reform Act (TTRA) in order to strike a reasonable balance between environmental concerns and providing enough timber to sustain a healthy forest products industry in the region. Many people believed the reform package, known as the “grand compromise,” would bring peace to a forest used by multiple interests.

In return for setting aside another 1.1 million acres, adding buffer strips along salmon streams and renegotiating the long-term contracts with the region’s pulp mills, the timber industry was supposed to receive a dependable supply of timber — expected to be about 400 million board feet annually — enough to keep the then existing timber industry jobs secure.

But over the past five years, the TTRA has not worked as intended because of reversals in Forest Service policy after the presidential election. Additionally, the agency’s proposal to proceed with the current Tongass Land Management Plan (TLMP) has been challenged by the delegation because it proposes a harvest that is insufficient to meet even the industry’s scaled-down needs.

The Forest Service is not entirely to blame for the shortfalls as much of this year’s timber supply was to come from more than 130 million board feet of timber in the northern Tongass that is now tied up by an injunction filed by environmental groups. That timber was originally reserved for cutting under the Alaska Pulp Corporation’s (APC) long-term timber-supply contract. When the contract was terminated by the Forest Service in 1993, the timber was to be released in independent timber sales.

Non-development groups had aggressively opposed the long-term contract, claiming it represented a monopoly and that the timber should be offered to independent operators to foster competition and diversity in the region’s forest products industry. Some of these same groups now claim new environmental impact statements should be prepared before the timber is offered for sale.

Senator Stevens had won approval of a provision in a huge Department of Interior spending bill which would have mooted the lawsuit by stating that once an EIS is completed, it need not be redone solely because the timber is to be sold to a different company. The House, however, turned back the spending bill, saying it was out of business and that the changes unrelated to the Tongass.

The bill, which has been sent back to a House-Senate conference committee for revision, would also have forced the Forest Service to implement its 1993 preferred alternative for managing the Tongass. The preferred alternative, known as Alternative P, was to cut only 510 million board feet of timber over the next 12 months. Proposed sales include 210 million board feet to Ketchikan Pulp Company and 100 million to independent operators.

At press time of this publication, the Forest Service announced it would try to relax “SIO policy” board feet annually — enough to keep the then existing timber industry jobs secure.

While the federal government would relinquish title to its largest national forest, it also would save more than the $100 million it costs annually to operate the forest. In addition, the federal government would receive 25 percent royalty on any timber the state logged in the forest.

Young acknowledged that President Clinton would never sign the bill into law, but he hopes the legislation will ignite a “sagebrush rebellion” of conservative Alaskans, “We’ve reached a point where the conflicts over management of the Tongass have intensified so much that federal solutions based on federal policies made by federal political appointees do not work in the Tongass,” Young said. “The resource itself and the Alaskans who depend on it are too important.

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In an effort to increase Alaskan control of the Tongass National Forest, Congressman Don Young has introduced a bill to allow transfer of the 17 million acre forest to the State of Alaska.

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Under Young’s bill, Alaska’s legislature and the Governor can elect to receive the entire Tongass. When they do, a one year transition to state ownership begins. At the end of the transition period, Alaska would receive a deed to the Tongass, and the forest then begins to be managed under laws made by Alaskans.

Those with valid existing rights in the Tongass would be protected as the State would be required to maintain those rights.

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Young said his bill would give the legislature and the Knowles administration what they want — maximum self determination with respect to land management decisions which affect Alaskans.

“We all need to start discussing solutions that achieve sound, balanced decisions and bring control back to Alaskans,” Young said.

“Congress and the Forest Service take more and more land from multiple use,” Young pointed out. “The timber industry is unhappy. Even the environmentalists seem like an unhappy group, as they are continually appealing Forest Service decisions and suing the Forest Service time after time. Their actions cause taxpayers big bucks.”

Bill would transfer Tongass to State

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Southeast poll shows support for logging

A survey of 1,200 Southeast Alaska households show slightly more than half favor the Alaska delegation’s congressional efforts to sustain timber industry jobs in the Tongass National Forest.

The poll, conducted by the McDowell Group, was released last month by the United Brotherhood of Carpenters and Joiners. Poll takers said the delegation support was 57 percent overall, and 66 percent outside Juneau.

McDowell said the survey had an error rate of plus or minus 3 percent.

Of those surveyed, 77 percent said people and jobs should receive "the same or more consideration" as fish and wildlife management in the Tongass.

Since the Tongass Timber Reform Act passed in 1990, more than 1,100 timber industry jobs have been lost in Southeast Alaska. Efforts initiated by Alaska’s congressional delegation are aimed at retaining and expanding employment levels at 2,400 jobs, the approximate amount of jobs which existed in the forest when TTRA was enacted.

TTRA was considered a grand compromise which was to bring peace among diverse interests which use the forest. The industry was forced to make a series of concessions through TTRA, but the law specifically set aside 3.4 million acres of 6.7 million acres of prime forest for harvesting over a 100-year rotation cycle. That timber reserve was supposed to sustain industry jobs, but in the five years since TTRA, the land base reserved for timber has fallen to less than 1.7 million acres, well below the balance set by Congress in 1990.

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