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for Alaska, Inc.

# RESOURCE REVIEW

BOX 516

ANCHORAGE, ALASKA 99510

AUGUST 1979

### COUNCIL SUPPORTS TAX CUT

The Resource Development Council announced on August 15, that it was supporting a program to reduce the State income tax with the final goal of eliminating the tax altogether. President Dye said Alaskan taxpayers were in a crisis situation facing spiraling inflation, unemployment and a general slow-down of the economy. "Neither the State nor the federal government has responded to the needs of Alaskans for a more equitable tax climate. Higher energy and living costs are creating additional hardships for residents on fixed incomes in the 49th state. There has never been a better time to do something about the problem," he said.

By taking this action the Council hopes to generate \$125 million new dollars to the private sector in 1980 and encourage a reduction of state spending to more reasonable limits. (The tax cut would reduce State revenues next

year by only 10%.) As President Dye explained, no action taken by government could have this broad an impact on the economy. By generating a groundswell of support for the tax cut, it is hoped the matter will become a priority at the next legislative session.

The Council will be joining an initiative petition sponsored by Anchorage Rep. Mike Beirne, Fairbanks Rep. Dick Randolph and Kenai resident Stanley Thompson. Potential sponsor organizations and/or individuals for this tax cut initiative are asked to contact the Council offices at 278-9614 or 444 West 7th for more information. Sponsors and signators to the petition must be qualified voters.

(Other states having no individual income tax are Florida, Nevada, South Dakota, Texas, Washington and Wyoming.)

### FOLLOWING IS THE TEXT OF A LETTER WRITTEN ON JULY 26 TO NATURAL RESOURCES COMMISSIONER ROBERT LE RESCHE

Numerous studies confirm that in about ten years the state will face serious financial problems if resource extraction policies are improperly administered. Our organization is extremely concerned about Alaska's economic well-being. In particular, we are afraid that certain new leasing methods being proposed will jeopardize our chances of realizing the maximum ultimate income from the forthcoming Beaufort Sea lease sale.

The Beaufort Sea sale is, in our opinion, the only hope we have for substantial state income from oil and gas lease sales in the next several years. Other state-owned lands are not particularly attractive and sales are expected to bring in only nominal income. If the Beaufort Sea sale bids are not substantial, our financial future in the 1990s is in serious doubt.

We urge a thorough analysis of the results the federal government has had in experimenting with various types of bidding. We believe it cannot be said that the government's "take"

has increased at all.

In the name of getting the State's "fair share," many exotic bidding methods have been proposed by small but vocal special interest groups — bidding methods dependent on royalties or net profits. We urge you to carefully consider that the success of the bidding variable depends on the prospective purchaser believing there is enough oil under the lease to be commercial and profitable and that he can operate without undue government interference in his internal operations. An assumption of anything less than this will result in low bids or non-development of the lease.

Experience has already shown the federal OCS experiments on royalty bidding have done nothing to encourage timely exploration or development. To the contrary, the pattern is becoming clear that those who paid high royalty percentages must wait for production to begin on adjoining acreage because their percentage is

Continued next page

not great enough to carry the high-risk exploratory wells and the heavier royalty burden. Examples of this can be found in the Lower Cook Inlet sales. Those who expound on exotic types of bidding cite the high royalties bid in Lower Cook Inlet as indicative of what the state can realize, but to confirm this, the federal government should be asked what it is getting "in the cash register" from such bidding methods.

Due to the importance of the Beaufort Sea lease sale, the RESOURCE DEVELOPMENT COUNCIL for Alaska does not believe the State of Alaska should experiment with unproven bidding methods at this time.

Should our recommendations be ignored and innovative leasing methods implemented instead, we hope the low bids received will not be grounds for the State to step in and attempt evaluation and development with tax dollars. We believe the State has no business whatsoever risking public funds in the exploration and development of these natural resources. Private enterprise has both the expertise and the will to do the job.

President  
James G. Dye

#### PORT OFFICIALS DISCUSS ALASKA'S DEVELOPMENT

Mayor George Sullivan of Anchorage, speaking in Tacoma, said the biggest problem in developing Alaska's resources was the federal government. Sullivan, who is also the Chief Executive Officer of the Port of Anchorage, was speaking at the dedication of the Alaska Terminal at the Port of Tacoma. Stating that the Federal government apparently believed "Alaska must be protected from its citizens," Sullivan pointed out, "all of Alaska's natural resources can be used to benefit all of us without destroying the land from which they

come."

William R. Cotton, President of the Port of Tacoma Commission, echoed Sullivan's sentiments and said the Commission "believes Alaska, the 'Great Land,' is a land destined to occupy a larger role in the thoughts of our country as our population grows and our resources decline. We have confidence in the ability of Alaskans to manage Alaska's resources wisely for both present and future generations."

#### "MISSING LINK" FOUND TO BE ECONOMIC

Transportation Commissioner Robert Ward has moved to set aside a right of way for the proposed rail extension from Eielson to the Canadian border. Coming after completion of a \$865,000 report by the Department of Transportation's engineers, Ward made it clear "it would be imprudent of the state not to acquire the right of way." In spite of the fact that Canadian officials are lukewarm on the idea of an Alaskan-Canadian link, Ward felt it would be a good idea to be prepared for any eventuality. The idea of a link between Alaska and Canada has been under consideration since 1942 when the Army Corps of Engineers surveyed a rail connection.

On the same subject, a study completed in spring of 1979, by the University of Alaska,

Institute of Social and Economic Research, composed a simulation model of such a railway link. John Gray, Associate Professor, who was in charge of the study, spoke to the Resource Development Council, on Thursday, August 16. Gray confirmed in a preliminary report that the rail link was economically feasible. Under an extremely conservative development scenario, Gray found that the link would begin paying its operations costs in 1992--assuming construction would start in 1985 and there was continued planned petroleum development. Gray estimated that the rail link would carry about 950,000 tons a year to generate enough money to pay for the expansion. The link costs would be about \$1.2 million/mile for the 297 miles in Alaska, exclusive of rolling stock.

#### GOOD-OLD-BOY STATE HAS LAND PROBLEMS TOO

The Nevada Mining Association received a call from an Alabama attorney about Nevada's "Sage Brush Rebellion" the effort to turn de facto federal lands over to the state. The Alabama attorney said "We have 9,000 acres in this state under BLM management. And we're having a lot of trouble with that bureau-

cracy." When he heard chuckles at the other end of the line the attorney asked, "Why are you laughing?" Because, he was told, "Nevada has 46 million acres under BLM control!" Alaskans should laugh too. Some 334 million acres here are under one form of federal control or another.

stores to supply the necessities of living in the Arctic.

But Chmelik says these problems can be overcome with careful planning.

#### RESEARCH PRIORITIES CHANGE

Worldwatch Institute reports a sudden shuffling of research priorities for many governments around the world. Although military programs still take the largest chunk of the budget, many countries consider an assured energy source as important to national defense as new missile systems. But amounts spent for energy

research are still relatively small. Of approximately \$150 billion per year spent on research, energy accounts for only about 8%. The combined percentage of health, transportation, pollution control and agriculture is 15%. Energy research is expected to show greater gains as the price of petroleum continues to rise.

#### MINING AND MONUMENTS DON'T MIX

Kenneth M. Reim, manager of mining development for U.S. Borax, told the Ketchikan Rotary Club, "We believe mining and monuments and wilderness are incompatible. What permits mining is multiple-use land designations." Asserting that U.S. Borax had "no objection to environmental controls," Reim lamented that although the company had the right to mine, "regulations cause higher costs and the threat of litigation and delays make financing

doubtful."

Borax, which is spending \$4 million this year investigating its Quartz Hill molybdenum claims near Ketchikan, can still legally mine in the area, but the federal regulations on development in a national monument are so restrictive that it may become economically unfeasible. Objecting to the high cost with little benefit of such regulations, Reim noted that ultimately it is the consumer who pays.

#### GASOLINE FROM PLAIN TAP WATER

Guido Franch has been saying that he can turn regular tap water into gasoline. According to his friends, neighbors and potential investors the former coal miner takes green granules and pours them into tap water to produce what he calls "Mota-fuel." "Mota" is "atom" spelled backwards. Franch also has a black mixture which will turn the "mota-fuel" back into water.

For the past forty years Franch has been trying to market his product. Now, in these days of gasoline crunches from Los Angeles to New York, Franch is getting a bit more attention.

Franch says it costs about \$100 to make a pound of granules. Mass production would drive the cost down to \$4 a pound or about eight cents a gallon for the liquid fuel.

#### TALKING TO THE EAST WIND

Along Gambell, on St. Lawrence Island, the U.S. Public Health Service has allocated funds for construction of a windmill. Cost of the project is \$50,000 but it will save the 200 villagers who depend on it more than \$20,000 per year. The windmill can use winds as slow as 7 mph and can take a maximum gust of 150

mph. Winds measured in Gambell have ranged up to 66 mph and "it is almost never calm on the island."

The system appears almost maintenance-free and is designed to power the village's water plant, and provide electricity for water pumps and other community facilities.

#### FLORENCE NIGHTENGAL AND EEKOLOGISTS! AT THE EPA

Theodore Barrington, Senior Editor for the *Oil & Gas Journal*, has discovered some "rare birds" at the EPA. Although an ecologist is an important scientist, the eekologist! "is someone who takes his cockroaches to the psychiatrist when they begin suffering light-trauma from too many refrigerator raids. The doctor usually prescribes group therapy, Valium, and welding goggles." Some eekologists!, needless to say, live over in the EPA with none other than Florence Nightengale. This time the preventive medicine comes in the form of fences six feet high. These say the EPA should be put around every oil and gas well in the United

States. The fences would keep horses and cows and "gamboling tots from going down for the third time in the reserve pits." The cost would be about \$520 million for the industry -- not counting the expense of sending someone out to check each fence each day. Interesting. Mr. Wyatt Craft of Craft Petroleum was informed by the EPA that he would have to check on his "keep out" signs and dying weeds as well as "fugitive air emissions." A fugitive air emission is perhaps one that has jumped the fence and escaped! The next question, of course, is how does one recapture a "fugitive air emission?"

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**ALASKA  
LAND  
STATUS  
TODAY**

National Park Service . . . . . 47.8 million acres  
U.S. Fish and Wildlife Service . . . . . 34 million acres  
U.S. Forest Service . . . . . 20.7 million acres  
Military withdrawals . . . . . 2.5 million acres  
State land (includes patented and tentatively approved for conveyance) . . . . . 36.1 million acres  
Native land (includes patented and interim conveyed) . . . . . 7.6 million acres  
Private land . . . . . plus or minus one million acres  
Bureau of Land Management (includes 54 million acres under  
FLPMA withdrawal plus 23 million acres in NPR-A . . . . . 227 million acres

... THE LAND, SUMMER 1979

**LAND CLASS-  
IFICATIONS  
PROCESS  
GOES ON**

The Division of Lands recently requested public input on state lands that lay within the boundaries of boroughs, municipalities and cities. The object of this identification was to decide whether these lands should be placed in disposal or public interest categories.

There were two problems with this request. First, all recommendations had to be received by August 10, less than three weeks after receipt of the Division's letter. Second, the disposal categories were limited to five acres. If, for instance, the Council had requested that certain townships be reserved for disposal, they could only be released to the public in blocks of five acres or less. Coal and other

mineral lands would then be uneconomic to develop. Timber and agriculture would be impossible except for very small-scale development. Even ranching would be constrained.

The Council's letter noted that the time allotted for the identification of lands was too short and the disposal acreages too small. The Division of Lands itself was struggling with an impossible timetable.

Although the Council could not make specific recommendations, it was officially requested that the Council be able to review all proposed identifications by the Division prior to formal identification.

**THE SPIDER'S  
WEB OF  
REGULATION**

"They got no right to bitch if they don't play the game." Thus stated William McConkey of members in the private sector who would not participate in the regulatory reform program currently underway.

In an interview with staff, McConkey said he was reaching into the private sector to help cut down the bureaucratic red tape. He noted outstanding contributions had already been made by the Alaska Oil and Gas Association, the State Hospital Association and the Associated General Contractors. "Maybe they know something the others ought to know," he said.

In the interview, McConkey emphasized

that the regulatory reform program was a golden opportunity for the private sector to put an end to the red tape they were constantly complaining about. "If they don't participate in this program," he commented, "then they will continue to be captured in the spider's web being spun by an active bureaucracy." If the private sector chooses not to participate in this program, they have no right to complain about government paperwork, he said.

Once again the Council urges its members to start griping to the person who wants to hear it - Bill McConkey, 700 Mackay Bldg, 338 Denali, Anchorage, 99501.

**ALASKA ON  
BROADWAY**

Broadway may soon have an Alaskan perspective if Doug Herring gets his way. Herring, working with Alaskans and professional musicians and dancers from the New York theater, has created a musical called *Alaska*. The theme is the struggle of Alaskans against the Federal bureaucracy and the logo for the musical is explicit: "Alaska--the land of the individual and other endangered species."

Herring's play centers on two people who decide to fight the bureaucracy in the only way they know how, through the arts. The musical

climaxes with the artists battling federal agents at the Seattle-Tacoma Airport.

Those who are interested in an evening of songs and routines from *Alaska* are advised that there will be a concert in Anchorage on September 14 in the Ball Room of the Captain Cook and on September 16 at the Travelers Inn in Fairbanks. In addition to the entertainment there will be wine with cheese and fruit. Herring's group of entertainers will also perform on the Seward train trip and for the crowd in Seward on September 15.

**METLAKATLA  
MILL TO  
EXPAND**

Louisiana-Pacific Corporation has announced a \$5.4 million expansion which would include a modern, high-speed small log processing mill and a chipper-canter. This will add about 25 jobs to the local economy of Metlakatla. Louisiana-Pacific, which currently leases the Annette Hemlock Mill from the native community, will begin construction as soon as the

Bureau of Indian Affairs sanctions the program. When the lease of Louisiana-Pacific expires, the mill and additions will become property of the community, thus insuring continuing employment for Metlakatla.

The mill will produce railroad ties, cants and construction lumber, based on fluctuating market requirements.

**NOTABLE  
QUOTES**

"Some legislators are informally referring to John McMillian, chairman and president of the Northwest Alaskan Pipeline Company, with a new last name . . . In lighter moments several House and Senate members referred to the corporate officer as "McBillion."

. . . Anchorage Times

"If he (Carter) wanted to do something dramatic, he should open the wildlife ranges and refuges to exploration by private industry . . . If it is constructed, that pipeline (Northwest) would back off at least 1 million barrels a day of foreign oil."

. . . Senator Ted Stevens

"The government says one thing and does another. There are two military power plants in Anchorage which converted to gas a few years ago. But they are still fully equipped to burn coal, they could convert easily. But they have no intention of switching to coal."

. . . It's (Carter's energy program) a blueprint for disaster."

. . . Bob Huffman, Manager  
Golden Valley Electric

"Even if Carter has bypassed such a core issue as production, his plan still has merit. But why he has insisted on such a redundant and wasteful method of financing the plan is beyond reason. The tax on so-called "windfall" oil company profits is as round-about a method as we can think of for achieving the goals of research and development. It makes no sense to deprive the oil companies, who will end up doing most of the research and development any-

way, of the direct profit incentive to do so.

. . . Kenai Peninsula Clarion

"These guys are going bananas, (the Congress and its proposal for a \$100 billion plan for synthetic fuel). I think this is going to be one of the more ludicrous national efforts ever put forward on the energy issue."

. . . Dr. Hasty Habicht  
Environmental Defense Fund

"Society can be shaped by energy. This is particularly well-known by those who want to change the shape of our society--politically, sociologically, culturally."

"Technology is now widely regarded in moral ways. Nuclear power is seen as an immoral technology. This is tragedy."

. . . Llewellyn King, publisher  
The Energy Daily

"Nader's viewpoint is incompatible with the philosophy of a constitutional republic. Instead of holding that government is the protector of man's inalienable rights, Nader believes that government is a creator of rights which it can revoke at will."

"In proposing to strip corporations of any right to privacy and subject them to unlimited search warrants, he is really attempting to strip individuals--officers and shareholders--of their Fourth and Fifth Amendment rights. Yet no one has protested this assault upon individual rights because the intended victims are businessmen."

. . . Dr. Robert Hessen  
In Defense of the Corporation  
Hoover Institute, Stanford

**NOME HEARS  
RECOMMENDATIONS  
FOR DEEP-WATER  
PORT**

"There's a time to stop cutting pictures and to start cutting out boards." So said Dr. Frank B. Chmelik, representative of Tetra Tech, the company helping Nome develop plans for a deep-water port. Chmelik predicted there would be oil wells in Norton Sound by 1983 and construction of a deep water port in Nome might attract the oil companies into using Nome as a supply base. Additionally, the new port facilities could be used by barges, fishing

dories, crab ships and supply boats.

According to the Nome Nugget a deep water port has never been constructed in an arctic area. If it were, it would place a squeeze on Nome to come up with the space necessary for support and storage facilities on land. There would also be increased needs for housing, office space, loading and unloading facilities, ice breaker mooring, oil spill equipment and

Continued page 7

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