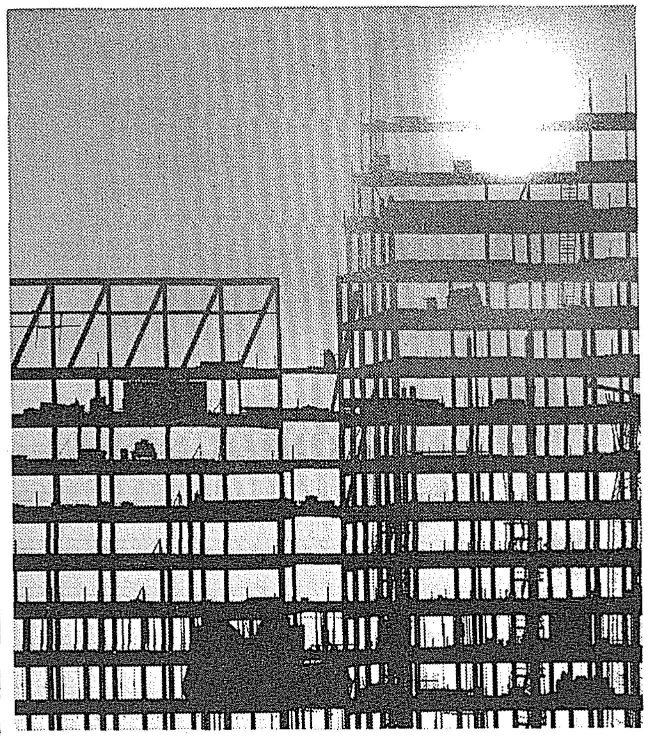

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Landmark Decision!

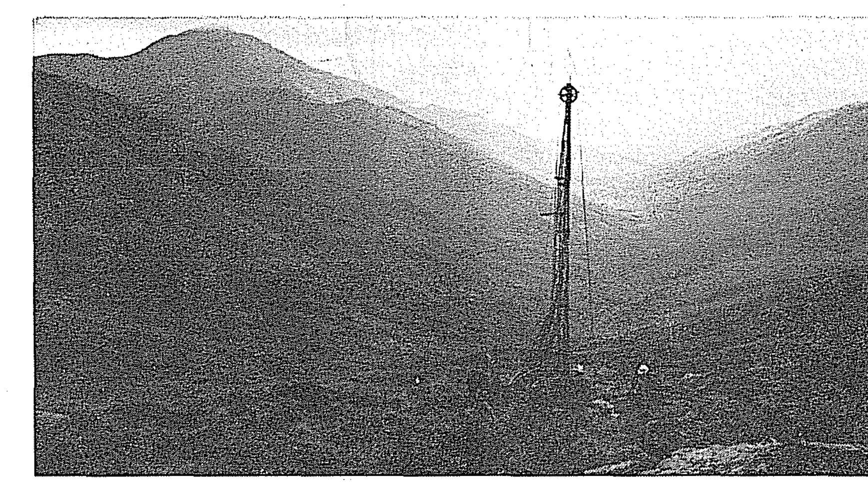
Court upholds mining program

Environmentalists attempting to sharply curtail prospecting and mining on public lands in Alaska were dealt a serious blow by the Superior Court of Alaska which ruled in favor of the defendants, including the Pacific Legal Foundation's client, the Fairbanks North Star Borough.

A coalition of environmental organizations, including Trustees for Alaska and Friends of the Earth, had asked the court to order all mineral production on state lands stopped until a new method of mining and mineral rights could be implemented. Such an injunction would have shut down mining operations in Alaska, would have been disastrous to the state's economy and would have served as a precedent for attacking state land use policies in many western states.

Currently, prospectors who discover mineral deposits on state lands may make claims to mineral rights and extract minerals. In exchange, the state requires that the miners pay for licensing, as well as invest money in development and improvements on the claims. The license fee is based on the value of the mineral deposit.

The environmental coalition sued the State of Alaska alleging that these laws do not comply with the Statehood Act, and that the Act requires the state to charge rents for mineral production on state lands. PLF argued that there was no basis in law for the environmental coalition's assertions, because the current licensing procedures do comply with the law, and the fees charged do meet the Alaska Statehood Act requirements.



In a 1984 lawsuit, environmentalists asked that all mineral production on state lands be halted until a new method of deciding mining and mineral rights could be carried out. A state Superior Court judge recently ruled that the state's program is administered properly and in accordance with the intent of the Statehood Act.

Superior Court Judge Douglas Serdahley rejected claims that Alaska's mineral management scheme is a "giveaway" and that the state has failed to charge reasonable rents for production of hard rock minerals from its lands. Judge Serdahley ruled that the environmental groups challenging the program had no justification for doing so.

Serdahley said the environmentalists had no standing in the matter because they have no "personal stake" in the outcome of the controversy. Even if the groups did have legal standing, the judge said the state program was being administered properly and in accordance with the Statehood Act.

Serdahley said the amount of money collected by the state is a policy question that should be resolved by the legislature, not the courts.

Roger Burggraf, chairman of the Fairbanks branch of the Alaska Miners Association, said his organization was very pleased with the court decision.

Message From The Executive Director

By
Paula P. Easley

State strategies for Economic development

Part I of a three-part series

An intriguing drama over the past 15 years has been the creation and evolution of state economic development policies. How and why did these policies evolve?

Erik Herzik of Texas A & M University studied gubernatorial state-of-the-state addresses from 1970 to 1983 and found that in 1970 no governors mentioned economic development issues. It was not until 1976 that such issues were discussed, and then by only 15% of the governors.

Economic development as a gubernatorial concern rose steadily through the 1970s, and by 1981 was second only to education issues and tied with taxes in frequency of appearances in governors' addresses.

Last year the National Governors' Association surveyed governors' priorities, giving an even better sense of the importance they placed on economic development. David Arnold of the Ford Foundation reported the survey results: Twenty-five percent of the governors said economic development was their highest priority; 27% ranked education (related to economic concerns) first and 28% identified revenues, taxes, and fiscal issues (also economic related) as their greatest concern. All other issues combined (environment, corrections, infrastructure, health care, etc.) were cited by just 20% of the governors as their top priorities.

What brought about this transition of state concerns in a relatively short time period? Structural changes in the world economy. International competition. High energy costs perpetrating industry's move from the Frostbelt to the Sunbelt. Labor costs. Companies seeking better treatment by the political jurisdiction in which they functioned. The transformation from an industrial society to an information society. The decentralization of federal government power and money to state and local levels. Plant shutdowns.

Many of these occurrences had dire effects on the tax bases states took for granted and on the traditional livelihoods of their citizens.

Governor Richard Lamm speaks of the loss of wealth of U.S. corporations in a 15-year period. In 1965, 70% of all industrial corporations in the world with sales over a billion dollars were U.S. corporations. By 1980 that figure was down to 40%.

Hardly a state remained untouched by these economic events, and one by one they sought solutions to the unemployment and fiscal problems that resulted.

Through most of the '70s the economic development policies of virtually every state were centered around programs irreverently labelled "smokestack chasing." If Florida offered incentives to lure a major manufacturer — grants, low-cost loans, tax holidays, workforce training, site location assistance, roads and utilities — Texas offered more. At the height of the smokestack chasing strategy, Pennsylvania won a highly publicized bidding contest in 1977, according to David Arnold, by offering Volkswagen tax concessions, a $200 million low-interest loan, and funding for highway and railroad links to a plant site in New Stanton.

Ohio provided $2.5 million in direct grants to Honda for rail spurs and utility hook-ups and trained workers with federal job training funds.

The bigger the manufacturer, the higher the stakes. The sad fact about all these years of state-hopping by industrial concerns was that few new jobs were actually created. A technician in California was employed and the technician he replaced in New Jersey collected unemployment and welfare.

It is understandable that state economic development policies were aimed at improving and promoting their favorable "business climates" and offering location incentives — few states could afford the loss of corporate and individual tax revenues or the double whammy of providing welfare to their unemployed. And every state realized the societal costs of high unemployment rates. The worst of these included alcohol and drug abuse, in-

(Continued on Page 7)

Resource Development Council, Inc.

The Resource Development Council (RDC) is Alaska's largest privately funded nonprofit economic development organization working to develop Alaska's natural resources in an orderly manner and to create a broad-based, diversified economy while protecting and enhancing the environment.

RDC invites members and the general public to its weekly breakfast meeting featuring local and nationally-known speakers on economic and resource development issues. The meetings are held on Thursday at 7:30 a.m. in the Northern Lights Inn. Reservations are requested by calling 276-0700.

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The RDC business headquarters are located at 807 G Street, Suite 200 in downtown Anchorage.

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Carl Portman
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Resource Review encourages its readers to submit articles, announcements and letters to the editor for publication. Send all correspondence to Resource Development Council, Resource Review, Box 100516, Anchorage, Alaska 99510.

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Miners to appeal recent water quality ruling

The Miners Advocacy Council will appeal an administrative law judge decision that maintained the validity of the state's water quality guidelines, according to Fairbanks attorney Bill Satterberg.

The Miners Advocacy Council will pursue its efforts to invalidate the water quality guidelines through Superior Court, Satterberg said. He noted that miners are prepared to take their case to the U.S. Supreme Court if necessary.

Last month Superior Court Judge Jay Hodges denied the state's motion to dismiss the suit, which the Miners Advocacy Council filed in early May after the state certified a federal permit containing a new, stricter standard for sediments that settle out of waste water from placer mines. The suit asks that all state water quality guidelines be invalidated, leaving less restrictive federal standards.

The Resource Development Council, in recognition of the importance of this issue to all Alaska industries, is issuing an appeal to 1,500 members on its "priority" mailing list to support the miners position.

The appeal asks members to donate any amount, no matter how small, to help offset mounting legal fees. The funds are needed immediately and checks may be mailed to the Miners Advocacy Council, P.O. Box 83909, Fairbanks, Alaska 99708.

Beistline wins BLM conservation award

Dr. Earl H. Beistline, a lifelong Alaskan, RDC Board member and mining expert, was awarded the Bureau of Land Management's Conservation Service Award last month by Interior Secretary Donald Hodel.

In presenting the award, Hodel said Beistline has been a "foremost pioneer in promoting the mining industry with consideration for environmental concerns."

The award was given in appreciation of Beistline's work on the BLM's Fairbanks Advisory Council and for his long teaching career at the University of Alaska-Fairbanks.

Applauding Beistline's consistent support for the ideals of multiple-use, Hodel noted that this was the first Conservation Service Award bestowed upon a Fairbanks resident.

Beistline has been committed to the Alaska mineral industry for over 50 years. In 1949 he was named dean of the School of Mines at UAF. He has served as academic vice president twice and dean of faculty once. In 1975 he was elected "Distinguished Alumnus of the Year."

He retired from the University in 1982, but remains active by serving as chairman of the Greater Fairbanks Chamber of Commerce Mineral Development Committee and plays an active role in the Resource Development Council and the Alaska Miners Association.

Original papers on placer mining sought

Original papers on any topic related to placer mining will be considered for presentation at the Eighth Annual Conference on Alaskan Placer Mining and publication in the conference proceedings. Manuscripts should be less than 10,000 words, or roughly 35 typed, double-spaced pages, and include all tables and illustrations. Manuscripts must be submitted prior to November 15, 1985. The members of the International Presentation Review Committee will conduct competent reviews of all submitted papers and authors will be notified of their acceptance/rejection in writing prior to January 15, 1986. Summaries of poster session presentations from the conference or short topical notes will also be eligible for publication.

Send your manuscript to: Placer Conference, P.O. Box 73069, Fairbanks, Alaska 99707.

New economic growth projected for Alaska

At the halfway mark of 1985, Alaska's economy has seen strong growth, according to Bob Richards, Vice Chairman of Alaska Pacific Bancorporation.

Richards noted that employment was five percent higher in June this year than it was in 1984. However, he said that growth should slow to a rate of 2 to 3 percent later in the year.

The noted economist projected continued economic growth for Alaska throughout the next two years. He sees government policy decisions having a strong effect on the economy, in contrast to government spending which has been a main ingredient to the Alaska economy.

State strategies for economic development

(Continued from Page 2)

creased crime rates, divorce, abandonment and other family abuse, health problems, overloaded court and correctional systems, suicides, and loan defaults. In addition to all these social problems, there was lower profitability of businesses (hence tax revenues) no longer supported by those out of work.

States began taking a closer look at how they were treating their own taxpaying corporations. In Minnesota's case, where taxpayers funded the then-highest per capita education costs in the nation, it was realized that these well-educated people simply moved away; there were no jobs. Why? As the story was told to me, the state legislature catered to only one industry, the mining industry, led by 3-M. The departure of one corporation after another to nearby states where the business climate was better was hardly noticed. That is, until the major mining firms closed their doors or moved elsewhere as their resource bases became depleted. It was only then that Minnesota began paying attention to its other economic sectors. It formulated an aggressive industry recruitment and investment strategy and worked to improve its tax and regulatory policies.

For a variety of reasons, the late 1970s signalled the end of the "smokestack sweepstakes" and the manner in which states approached economic expansion.

Next issue: Current Trends in State Economic Policy.

A number of Alaska business and industry leaders greeted visiting PLF board members at the home of Paula Easley last month in Anchorage. Pictured at left are James Campbell and RDC board members Fred Eastaugh and Kelly Campbell. At right are James Jinks, Executive Director of the Alaska Miners Association and his wife Linda. Anchorage attorney Mike Thomas is to their right.

First time in Alaska

PLF board convenes in Alaska

Pacific Legal Foundation, the nation's largest public interest law firm dedicated to preserving individual rights and freedoms, held its quarterly Board of Trustees' meeting in Anchorage June 22-25.

In its 12-year history, PLF has actively participated in cases supporting productive use of natural resources and protecting private property rights of Alaska residents. Fred Eastaugh, a prominent Juneau attorney and RDC board member, sits on the 19-member PLF Board, which sets policy and determines case selection.

PLF is currently challenging several environmental groups which are trying to stop all mineral production on state lands until a new method of determining mineral rights is established. PLF filed a motion on behalf of the Fairbanks North Star Borough opposing this economically—crippling action. A Superior Court judge ruled in favor of PLF, granting Fairbanks' motion for a summary judgment and dismissing the case.

Another mining-related issue involves PLF's representation of the Alaska Miners Association in its bid to stop the Bureau of Land Management from invalidating mining claims based on erroneous interpretation of administrative guidelines.

In past actions, PLF has successfully represented Skagway, Wrangell and Haines in their challenges to an Environmental Protection Agency order requiring that ocean discharges of treated wastewater meet needlessly intensive and costly treatment levels. Such requirements would have essentially driven all three cities into bankruptcy.

PLF has achieved a legal success rate of more than 70 percent. It participates in cases nationwide, either initiating its own challenges, representing clients (who pay no legal fees), or participating as a "friend of the court."

The Foundation is based in Sacramento and maintains a litigation office in Washington, D.C. as well as a liaison office in Anchorage through the Resource Development Council.

Alaskans are urged to support the foundation by sending tax-deductible contributions to: 555 Capitol Mall, Suite 350, Sacramento, California.

Mining industry sees gains and losses in 1984

The mining industry contributed about $275 million to the Alaska economy in 1984, according to a report from the state's Division of Geological and Geophysical Survey.

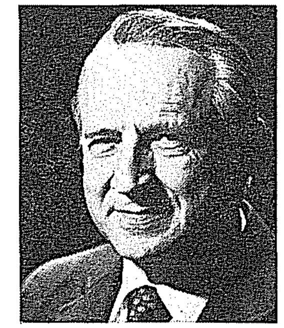
Although exploration expenditures were down 35 percent, property development increased nearly 100 percent in 1984 from large investments in the Seward Coal Terminal and the Quartz Hill, Red Dog and Greens Creek projects.

The decreased exploration activity last year reflected the low commodity prices and a lagging recovery in the world's mining and smelting industries.

John Sims, Director of the Office of Mineral Development, said that mining companies in the United States have had extremely difficult times with many mines closing while mines in Chile and Central Africa are in full production.

The principal minerals produced in Alaska last year were sand, gravel, stone, gold and coal. Sand and gravel accounted for the largest production at $111 million while 175,000 ounces of gold at $63 million was mined. Over 849,000 tons of coal valued at $24 million was processed, representing a six percent increase over 1983.

The report noted that mine development was proceeding at the world-class Red Dog, Greens Creek and Quartz Hill projects. It pointed out that GCO Minerals and Houston Oil and Gas Minerals had discovered a new mineral deposit 12 miles from Red Dog and that Usibelli Coal Mine was expanding production to handle increased exports of coal to Korea through the Seward Coal Terminal.



Thoughts from the President

By Charles R. Webber

A distant view moves closer to the eye

Isn't it amazing how the future seems to be foreshortened as though we're looking through a zoom lens which brings the distant view closer to our eye?

Forty years ago, Buck Rogers activity was the distant view — planetary travel and all in the 25th century. Today we have already breached a portion of that technology gap.

The same foreshortening is now occurring in resource development technology. We must be prepared to adapt, and to lead where possible, in that rapid change toward a vision of the future so that our new services and products will be competitive on the world market.

We must keep not only a nose to the grindstone, but an eye to the future.

Canadian timber program stimulates forest products industry in Ontario

Seeking to tap Alaska's vast timber resources in an effort to diversify the state's economy, the Resource Development Council (RDC) is exploring a Canadian forest program that has brought prosperity to the province of Ontario.

At a meeting of the Council of Western State Foresters in Girdwood June 25, RDC Executive Director Paula Easley suggested that Alaska leaders consider adopting a forest program similar to that of the Canadian Forest Management Agreements used in Ontario, Canada. Easley said the Canadian approach has proven "an equitable solution to allocating timber resources, that at the same time protects the environment."

The Resource Development Council supports the development of Alaska's forest resources to generate additional tax revenues and create more jobs in the private sector.

Easley explained that Ontario's Crown Timber Act created a system of Forest Management Agreements (FMAs) that allowed the government to contract forest management, including road building and reforestation, to private companies. The FMAs replaced the policing duties of the government with contractual agreements beneficial to both parties. The contracts contain stiff penalties for poor performance and incentives to stimulate good performance, Easley said.

The greatest reported gain from the FMAs is the integration of timber harvesting with regeneration, which is proving successful, and providing for a larger annual timber harvest in the future, Easley said. Ontario officials have told RDC that the forestry program is successful because the private manager has a vested interest or incentive to regrow the forest.

The FMAs consist of a basic 20-year contract, but after each five-year period, an "Evergreen" clause provides for an evaluation by government of private harvesting and regeneration results. If the standards are met, the contract is extended five years.

The "Evergreen" feature is beneficial to the private party because financiers always know the firm has at least a 20-year supply of raw materials.

The Act requires that all timber cut, except that used domestically for fuel, building or other purposes, be manufactured in Canada.

Easley noted that RDC's Renewable Resources Division has conducted an analysis of the Canadian system and is recommending that it be intensely studied for adoption, particularly in Alaska and other western states similarly situated, because "evidence has shown it works; it creates jobs and industry, and results in better forest management and forestland amenities."

A forestry program similar to that of the Canadian Forest Management Agreements in Ontario would spark new growth in the Alaska timber industry.

The RDC Executive Director said the Canadian program also saves the government of Ontario money.

"No longer need it hire as many foresters and engineers to pre-plan timber sales," she noted. "No longer need government act as 'policeman' to enforce a myriad of contradictory regulations."

Forest lands and the timber industry are vitally important to the

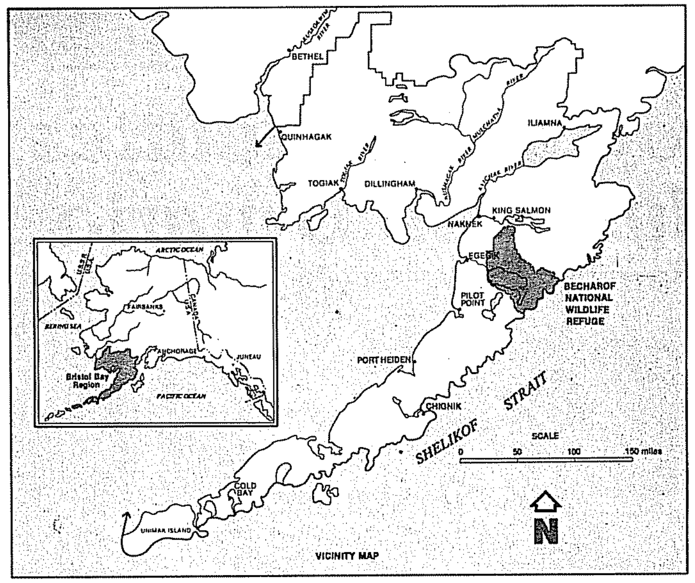
(Continued on Page 4)

Draft plan thrown out the window

Becharof plan sees drastic revision

A drastic revision of the Draft Comprehensive Conservation Plan for the Becharof National Wildlife Refuge is unjustified and not merited by field work or public comment generated before publication of the final plan, according to the Resource Development Council.

In the draft plan released last year, the U.S. Fish and Wildlife Service found that oil and gas exploration and development could be consistent with refuge management if environmental standards were met. This determination is supported by a long and successful history of various development projects on National Wildlife Refuges throughout the U.S. and Alaska.



The final Becharof plan reverses the findings of the draft and does a very poor job of justifying the new position, the Council stated in its letter to Congressman Don Young.

"The Fish and Wildlife Service has forced itself to argue that all of its earlier data and analyses are incorrect," the letter said. "Basically, the draft plan was thrown out the window and we don't know why."

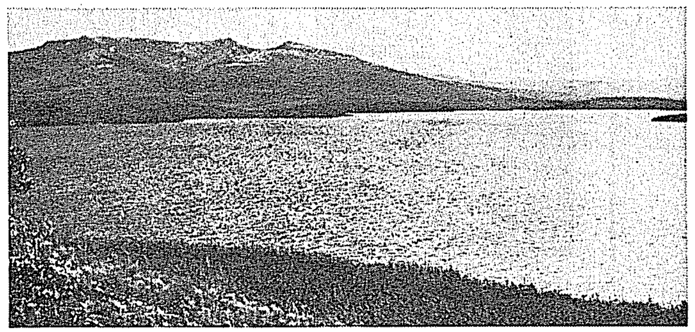
The Council maintains that the complete reversal of the Service's position was not merited by the field work or public comment generated during the time between the publication of the draft and final plans.

The Council expressed concern to Young that the reversal could signal a realignment within the Service or Department of the Interior regarding development on refuges.

The letter emphasized "We do not advocate wide-scale or destructive activities, but we would hope that national interests such as energy and minerals self-sufficiency could be recognized when appropriate."

In the final plan, the Service has designated the areas to the north and east of Becharof Lake from moderate to minimal management and proposed classifying some 327,000 acres north and south of the lake as wilderness.

By redesignating these areas of the refuge, the Fish and Wildlife Service is effectively closing the refuge to oil and gas exploration, noted Chuck Webber, President of the Resource Development



Becharof Lake-the second largest lake in Alaska.

Council. Webber does not see sufficient reason to make this radical departure from the preferred alternative in the draft plan.

"The area is considered to have a significant chance of producing oil and gas and there is no additional information gained since the development of the draft which asserts any extreme environmental damage from oil and gas exploration," Webber said in other correspondence to Robert Gilmore, Regional Director of the U.S. Fish and Wildlife Service.

Oil and gas activity in the Becharof is addressed in laws covering essential energy development within wildlife refuges. RDC believes that these statutes and regulations provide adequate protection for the environmental values of the refuge.

"We fail to find any inconsistency between oil and gas development and the purposes of the refuge," Webber said. "The only inconsistency seems to exist between the preferred alternative of the final plan and the national mandate for reasonable energy development on refuges."

Canadian timber program could benefit Alaska

(Continued from Page 3)

Ontario economy. In 1983, over 30,000 square miles of land within the province had been placed under Forest Management Agreements and more is being added. That same year, the government invested about $194 million in forest management, primarily for road construction and direct reforestation costs.

The provincial government collected $60 million in corporate taxes and $200 million in individual income taxes in 1983 as a result of forest development. When stumpage fees were included, the government return exceeded $300 million.

In addition, 80,000 people were directly employed in the forest products industry, collecting some $1.7 billion in wages and benefits. Another 80,000 were employed supporting the industry.

Easley said Alaska should observe closely what true public and private sector cooperation can do, not only in Alaska, but in other areas where government controls large blocks of valuable renewable resources.

The Ontario program is now being considered by both Alberta and British Columbia as a management scheme for their forests.

Report cites measures to stimulate mining

by David Marcotte

The development of Alaska's vast mineral resources may be the state's greatest opportunity for offsetting the decline of Prudhoe Bay oil revenues. However, before the mining industry can be called upon to help mitigate negative effects of the oil revenue decline to a significant degree, a government policy encouraging new development and growth within the industry is crucial.

Such a policy could be molded from several points listed in a recent report by the Mining Association of Canada (MAC). The report's recommendations could be used by Alaska as a blueprint for stimulating growth within the state's mining sector.

MAC's recommendations include changing tax policies and regulations, developing infrastructure and trade ties, and involving industry input in the decision-making process.

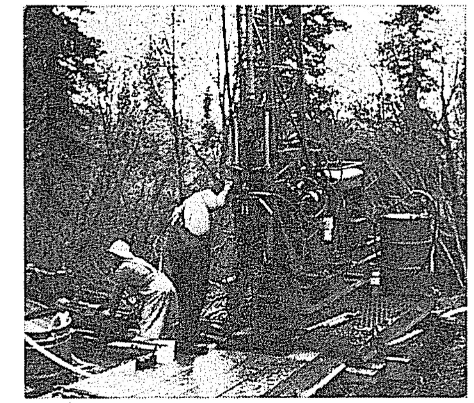
The Canadian report calls for lowering mine operating costs through infrastructure development. It notes that the cost added to production by inadequate land transport capability seriously impedes mining in remote areas.

An example of a development affected with high production costs due to insufficient infrastructure is the Red Dog zinc/lead mine which is now waiting for approval of road construction before mining can begin there. Infrastructure development would significantly lower costs at sites like Red Dog, encourage development of other resources in the region, and make mining projects more appealing to investors.

A second MAC recommendation calls for granting federal tax deductions for mine workers in remote areas to stimulate labor market support of the mining industry.

Regarding land use, the mining association said that a multiple-use policy on federal and state lands would allow resource potential to be better utilized. The Canadian report stated that investors need to understand that they have a "right to develop." Such a policy would build confidence and stimulate investment.

As a guiding principle, MAC stressed that miners have a right to develop mineral deposits where such activity has been authorized. That right must never be taken away



Development of Alaska's vast mineral resources could offer the greatest opportunity for offsetting the decline in Prudhoe Bay oil revenues.

by subsequent land-use decisions, the report stated. A policy recognizing this right would result in a stable investment climate, lowering risk factors.

Another MAC recommendation urged the federal government to make foreign policy decisions that support development of foreign markets in order to stimulate mining development. The federal government could press through General Agreement on Tariffs and Trade for better access to foreign markets which have offered only limited access in the past, the MAC report indicated. The Japanese market is a notable example of such a market.

If Alaska implemented water quality reforms as MAC recommends, Alaska mining would benefit. The Canadian miners have asked that government be less stringent on water quality rules.

Strict regulations exist in Alaska where all streams have been classified under drinking water standards. Lower water quality standards in designated areas would allow miners to develop their claims more economically.

The MAC report also focused on tax incentives for the mining industry. Loss carry-over, exploration cost deduction, and capital cost allowances are all policies that could stimulate mining here if implemented or expanded.

The Canadian report warns that the government should be careful not to support too much mineral development abroad which gives unfair advantage to foreign competitors. The government also needs to note the degree to which concessional financing leads to price distortion. These two government policies critically damaged the American copper mining industry, and are threatening other industries as well.

If implemented, the MAC measures could significantly advance Alaskan efforts to minimize the negative effects of diminishing oil revenues. Development of Alaska's world-class mineral deposits would result in thousands of new jobs and augment the state revenue base.

Clauses would cut ALUC funds, prohibit land exchanges in parks

The Resource Development Council is urging Alaska's congressional delegation to eliminate two measures from federal legislation that would prevent administrative land exchanges involving national parks or refuges and stop federal funding of the Alaska Land Use Council (ALUC).

The House Interior Appropriations Subcommittee recently added the two clauses involving the land exchanges and ALUC funding to its FY86 appropriations package for the Department of the Interior.

In a letter to Senator Ted Stevens, RDC Executive Director Paula Easley said both measures would severely limit the successful implementation of ANILCA.

"The land exchange curtailment is not a new House tactic, but its impact now would be even more severe than in years past," Easley said. "The planning being done now will identify land exchanges which will have positive effects on all affected parties."

In many cases administrative land exchanges are the only timely means of resolving key land use concerns.

The deletion of funding for the Alaska Land Use Council is a new approach to the frustration of the environmental community in dealing with the ALUC, Easley indicated. "Despite the short-term problems which any faction or organization may face, the Land Use Council serves too important a function to be eliminated," she concluded.