

Our team serves loans up fast.

Ask about First National's menu of business loans, customized to satisfy your appetite.

- Equipment loans
- Commercial real estate and real estate investment loans
- Construction loans
- Line of credit
- Inventory financing
- Escrow receivable loans

Call today!

Anchorage area call
276-6300

Other areas call
1-800-856-4FNB (4362)
or the branch nearest you.



Lending strength to Alaskans... for generations



Resource Development Council
121 W. Fireweed, Suite 250
Anchorage, AK 99503
ADDRESS SERVICE REQUESTED

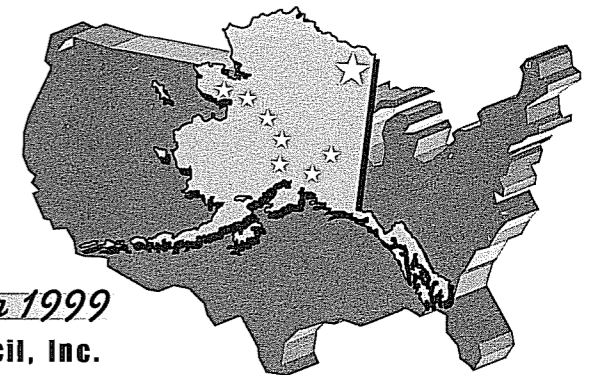
Bulk Rate
U.S. Postage
PAID
Anchorage, AK
Permit No. 377

This Edition Sponsored by: **First National Bank**

Resource Review

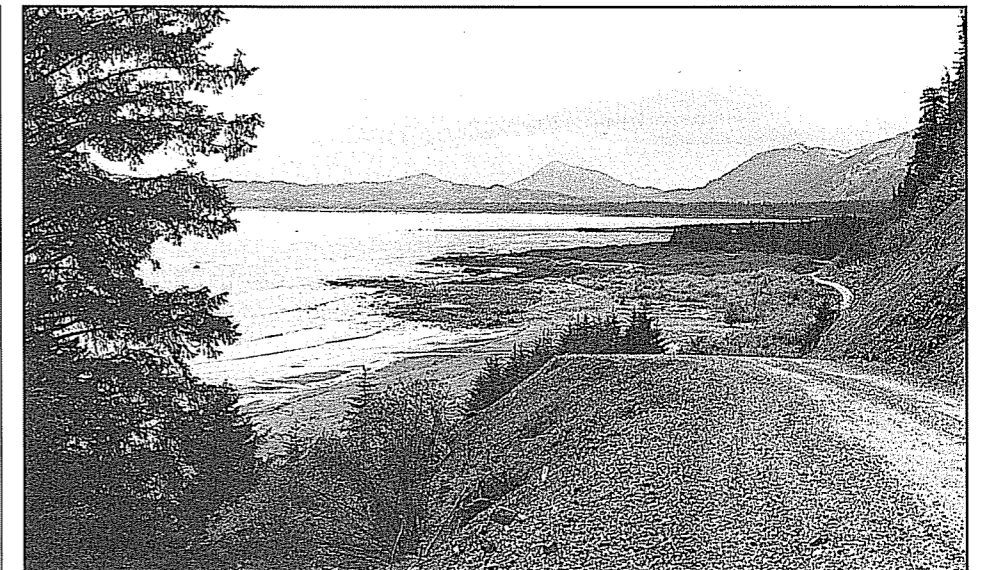
November 1999

A periodic publication of the Resource Development Council, Inc.



"If the Tongass is included in a national roadless policy, I would consider this to be an outrage and a double-cross on the citizens of Alaska. As Governor, I would be compelled to do everything within my power to protect the families and communities of Southeast Alaska."

-Governor Tony Knowles



This road along the southern shore of Montague Island provided access to Chugach Alaska Corporation lands inside the Chugach National Forest. After the timber was harvested, the corporation was forced to obliterate the road. If the Chugach and Tongass National Forests are included in President Clinton's proposed forest protection policy, an additional 14.8 million acres of land in Alaska could potentially be closed to road construction, mining, tourism and other activities requiring access.
(Photo by Carl Portman)

Alaskans brace for road ban

Governor Knowles calls roadless policy an outrage, double-cross

President Bill Clinton's sweeping initiative to potentially close some 40 million acres of wild lands in national forests from road building, logging, mining and other development would drive the final nail in the coffin for Southeast Alaska's timber industry if the plan is applied to the Tongass National Forest.

The White House will make a final determination on whether to include Tongass roadless areas in a permanent moratorium on road building after public hearings are conducted across

the U.S. over the next 12 months.

The Tongass contains more roadless areas than any other national forest, some 9.4 million of the forest's 17 million acres. Of the Tongass' 5.6 million acre commercial timber base, 576,000 acres are available to logging under the recently-revised Tongass Land Management Plan (TLMP). If the new roadless policy is applied, some 403,000 acres of the timber base reserved for cutting would be put off-limits, leaving only 183,000 acres for

harvesting on a rotation cycle of up to 200-years.

The new policy would strike a fatal blow to what remains of the region's timber industry. With the closures, the Alaska Forest Association warns that the forest would be capable of yielding less than 50 million board feet of timber each year. A single moderate-size mill would require at least that much to operate.

If logging were reduced to that point,

(Continued to page 4)



Message from the Executive Director by Ken Freeman

State ESA listing on Belugas unnecessary

The National Marine Fisheries Service (NMFS) has formally proposed a "depleted" listing under the Marine Mammal Protection Act (MMPA) for Beluga whales in Cook Inlet. The proposal will allow the federal government to regulate subsistence hunting of Beluga whales and regulate other activities occurring in and around Cook Inlet.

NMFS had said earlier this fall that it would seek a depleted listing, but the proposal is now official following its publication in the Federal Register last month. The public will have an opportunity to comment on the proposed designation until December 20.

The depleted designation would actually be an interim measure until the federal government makes a final determination next spring on whether to list the Beluga whales as "endangered" under the federal Endangered Species Act. Environmental groups have petitioned NMFS to list the Belugas as Endangered.

On a new front, the environmental community recently petitioned to list the Beluga whale under the State of Alaska Endangered Species Act.

We believe it is premature for the State to list the Beluga whale before a final decision is made by NMFS on the federal MMPA or ESA listing. The federal decision will be partly based on the results of last summer's population surveys which have not yet been released.

Another significant concern is that it appears a state listing would not allow the subsistence use of the Beluga whale. This one factor by itself makes a state listing unreasonable and extremely punitive on Native hunters.

Given the moratorium in place on the harvest of Beluga whales until October 1, 2000, the current threat to the Beluga is alleviated which further lessens the need for a state designation.

First and foremost, the goal of RDC is to see the Cook Inlet Beluga whale population recover. Nevertheless, we are greatly concerned that although community and resource development activities in Cook Inlet have not played a part in the decline of the Beluga, they could be adversely impacted by a federal or state listing.

Municipality of Anchorage monitoring efforts and other water quality studies have consistently shown no impacts to Cook Inlet from community or industrial development activities. Furthermore, state and federal water

quality studies have largely ruled out exposure to pollutants as a factor in the recent decline in the Beluga population.

There are widespread economic implications of listing the Cook Inlet beluga with nominal benefits to the whale. General commerce in the Cook Inlet basin could be severely impacted if the Beluga is listed for special protection. Higher shipping costs to multi-fold increases in utility rates could result.

Community development, recreation, tourism, shipping, oil and gas, sport and commercial fishing and timber have all successfully worked and grown together in and around Cook Inlet. By involving all of these interests, along with NMFS, the State of Alaska and the Native hunters, RDC believes Alaskans can work together to ensure a healthy whale population without unnecessarily penalizing all the other users of Cook Inlet in the process.

We've recommended the State of Alaska deny the petition for an endangered species designation and instead focus state efforts on encouraging NMFS to work out a co-management agreement to regulate the hunting of Beluga whales in the Cook Inlet. A co-management agreement is ultimately the best tool to resolve this problem and allow the beluga population to recover.

RDC's annual conference will feature a special keynote luncheon on the Beluga whale and Steller sea lion issue on Friday, November 19.

Editor's Note: NMFS has scheduled a public hearing on the proposed federal listing on Monday, November 22 from 9 a.m. to 3:30 p.m. in Room 154 of the Federal Office Building in Anchorage. Written comments should be sent to Chief, Marine Mammal Division, Office of Protected Resources, NMFS, 1335 East-West Highway, Silver Spring, MD 20910. Deadline is 12/20/99.

Resource Review is the official periodic publication of the Resource Development Council (RDC), 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.

Executive Committee Officers

President Jim Branch
Sr. Vice President Robert Stiles
Vice President Charles Johnson
Secretary Uwe Gross
Treasurer Stan Foo
Past President Allen Bingham

Staff

Executive Director Ken Freeman
Deputy Director Carl R. Portman
Finance/Membership Steven Dougherty
Special Assistant Tadd Owens

RDC is located at 121 W. Fireweed, Suite 250, Anchorage, AK 99503, (907) 276-0700. Fax: 276-3887. Material in this publication may be reprinted without permission provided appropriate credit is given.

RDC's e-mail address:
resources@akrdc.org
RDC's web site address:
www.akrdc.org

Writer & Editor
Carl Portman



Guest Opinion

by Frank Baker

Merger will bring new Alaska success stories

I've lived in Alaska more than 50 years, and I'd like to share some observations about the oil industry and the pending BP Amoco-ARCO merger. I'll say up front that I have worked for the oil industry for 25 years. Some will assert that I am biased, and that I can't talk about the oil industry objectively. I have directly benefited from employment in the industry, but I know many others outside the industry who have also benefited.

I remember clearly Alaska's pre-oil days. Growing up in Seward in the 1940s and 1950s, many people lived in small houses no larger than 600 square feet. We had gravel streets, a party-line telephone system and sporadic, unreliable grocery shipments from Seattle. In those days there weren't many houses heated well enough to stay warm in temperatures below zero.

There was one radio station and a weekly newspaper. People didn't go on vacations. They didn't have expensive toys like snow machines, four-wheelers, or airplanes. There were no big screen TVs (and come to think of it, no TVs at all!) It was mainly fishermen who owned boats, and many people didn't even own automobiles.

Many people back then were seasonally employed—mostly in the construction and fishing industries. Year-round jobs—if they weren't with local, territorial or federal governments—were at a premium.

People have asked me to describe how Alaska has changed.

Statehood brought change. The 1964 earthquake brought change. But by far, the greatest changes came from oil development—first on the Kenai Peninsula and then at Prudhoe Bay. The most obvious change was that we had more people. When I was a child the state's population was about 150,000. Today it's grown beyond 620,000.

Certainly, there are some changes that many old time Alaskans haven't liked. With larger populations came higher crime rates. Automobile traffic increased. Prime fishing spots like the Russian River became crowded. Clam beaches at Ninilchik became immensely popular. Competition during hunting season has grown.

There are always tradeoffs that come with growth and development. Many longtime Alaskans like me have tried to develop a mature attitude toward it, recognizing that long-term benefits have far outweighed the downsides, such as:

- Thousands of year-round, private sector jobs;
- Improved schools, education infrastructure throughout the state;
- Improved roads/transportation infrastructure;
- Access to home purchases through AHFC;
- AIDEA - Alaska Industrial Development & Export Authority - small and large business loans;
- Alaska Technology and Science Foundation - grants for science and high-tech development;
- Permanent Fund growth to \$25 billion, dividend program;
- Continued support of community civic, social service organizations.
- Project '80s, state-funded capital improvements to Anchorage which significantly improved quality of life; such as Civic and Convention Center, Sports Arena, Library and Performing Arts Center

The proposed BP Amoco-ARCO combination reminds me of 1974, when the pipeline construction camps were being built and the Prudhoe Bay haul road was under construction. There were fears about the future, but there was also a mood of excitement and expectation.

I consider the past a good indication

of what will happen in the future, and I believe the kind of success industry has demonstrated on the North Slope will continue.

The Slope has already yielded more than 12 billion barrels of oil—an amazing success story by anyone's reckoning. There remains about six billion barrels of undeveloped oil; quite probably, more. The money BP Amoco will invest in upcoming years will be dedicated to recovering as much of that oil as economically possible. That will translate into many more Alaska jobs, in-state purchasing and construction activity, state revenues and infusions into the Permanent Fund.

Gas is certain to play a vital role in Alaska's future. BP Amoco is already committed to pursuing the best available option for commercializing gas by locating its global gas technology center here and constructing a gas-to-liquids pilot project on the North Slope.

The proposed merger will bring financial strength, technical expertise and the very best human resources to the existing Alaskan investment—already at more than \$40 billion—to ensure its long-term future.

Quite simply, cost reductions through the merger will put more barrels of oil into the pipeline, and that is good news for everyone.

I feel fortunate to still be living in Alaska after nearly 55 years, and I hope that my children and their children will also find a niche here. There are still plenty of hunting and fishing spots, an abundance of places to hike to, people are friendly, the air is still clean, and a lot more people have jobs than in the past. I liked Alaska in the 1950s, but I like Alaska in the 1990s even better. I think Alaska in the new millennium will be better yet.

Editor's Note: Frank Baker has worked with the oil industry since 1974.

Guest Opinion

by Lew M. Williams Jr.



Tongass is a sneak preview of things to come

On Oct. 1, the federal government took control of Alaska's fisheries resources to protect the subsistence rights of rural residents. It was a big story.

Less noticed but also on Oct. 1, the feds put into effect a revision of the 1997 Tongass Land Management Plan that "includes an enormous reduction in the allowable sale quantity for timber, new land designations, a 110-year increase in timber harvest rotation for 270,000 acres, revisions to habitat-related standards and guidelines for wolves and deer, and altered goals and objectives regarding clear cutting."

That's what the Alaska Forest Association says is the effect of a revision of the Tongass plan that Under Secretary of Agriculture James Lyons issued in April to take effect Oct. 1.

Lyons did that while environmental organizations, individuals, the timber industry and communities had appeals pending about the 1997 plan.

The Forest Service never responded to the appeals so the Alaska Forest Association filed a complaint in U.S. District Court charging that in drawing up the '97 plan the Forest Service violated the Tongass Timber Reform Act, the National Forest Management Act, the National Environmental Policy Act of 1969, the Multiple-Use Sustained Yield Act, the Organic Administration Act, the Federal Advisory Committee Act and the Regulatory Flexibility Act.

Violating the law and ignoring regulations is standard operating procedure for the Clinton administration.

Before there was much action in court on the suit, Lyons came out with an update of the '97 plan that at least took the Southeast Alaska Conservation Council and its supporters off the

Forest Service's neck. Lyons' 1999 update of the '97 plan set aside all 18 areas from logging requested by the conservation council. In fact, the leader of Lyons' team drawing up the revisions issued a memo to be sure the team consulted with the Southeast Alaska Conservation Council and with the Hoonah Tribe.

Any timber sales contracted before Oct. 1 were not affected. After that, everything would be managed under Lyons '99 plan.

What that plan does is reduce the commercial forest land by 100,000 acres — the total of the 18 areas requested by the Southeast Alaska Conservation Council — down to 579,000 acres. And of those acres, 270,000 must be harvested on a 100-year rotation. Most of that 270,000 is second growth, meaning harvesting of that timber has been put off for another 100 years.

Lyons' action also requires more work on sales by the Forest Service so that the 180 million board feet of timber expected to be offered for sale next year will be reduced to 80 million, according to the Alaska Forest Association, a non-profit organization representing surviving Tongass timber businesses.

But even that drastic reduction by Lyons failed to make the environmentalists happy.

The Sierra Club, the Wilderness Society, the Alaska Center for the Environment and the Sitka Conservation Society filed a complaint that Lyons violated the National Environmental Policy Act because he didn't consider and designate more of the Tongass as wilderness.

The Southeast Alaska Conservation Council, an associate of those environmental organizations, didn't join

that complaint probably because it got its 18 areas protected. But it went after the timber allocated to Louisiana-Pacific in a settlement L-P made with the federal government in exchange for shutting its Ward Cove pulp mill.

L-P is unable to harvest by Dec. 31 all of the timber to which it received cutting rights so it was granted a one-year extension in an agreement between the White House and the Alaska congressional delegation. Sens. Ted Stevens and Frank Murkowski and Rep. Don Young promised not to go after the Forest Service's budget in exchange for the extension. But the subsequent action by environmentalists and Lyons appears to abrogate that agreement.

Contrary to what the environmentalists claim, the industry isn't decimating the Tongass.

The Forest Service's research lab in Portland issued a report on the Tongass recently. Of the 10 million acres of forested land in the Tongass, the lab says 5.6 million acres is what it terms productive old growth. The amount open to logging under Lyons' recent plan is about one-tenth of the productive old growth. And more than one half of that one-tenth can't be harvested for another 100 and more years.

Important to consider, too, is that since the Tongass was created as a national forest more than 90 years ago, only slightly more than 500,000 acres have been harvested — even including the years when two pulp mills and three or four major sawmills were running full tilt.

A further problem for Alaskans is that last week President Clinton asked the Forest Service to initiate rules to protect 40 million acres of roadless areas in national forests. He recognizes a management plan recently went into effect for the Tongass and acknowledged that the timber industry is "in transition." But he also said the Tongass should be studied and opinions asked on whether roadless areas of the Tongass should have greater protection.

Clinton wants a final report by late 2000, meaning he wants to make some declarations for his "land legacy" before the next president takes office.

Alaskans have more than the above court battle ahead of them.



Thoughts from the President by Jim Branch

RDC supports proposed Beaufort Sea lease sale

Areawide leasing approach is recommended

Murkowski outlines ANILCA amendments

Bill would clarify congressional intent, protect Alaskan access

Alaska Senator Frank Murkowski has introduced legislation that would clarify provisions of the Alaska National Interest Lands Conservation Act (ANILCA).

The legislation, S. 1683, would allow the Secretary of Interior to allow helicopter use in national forests under regulations where it was traditional, protect access to inholdings, the use of cabins, fishing and hunting rights, valid existing rights and require federal land managers to undergo training specific to ANILCA.

"The federal government has lost sight of the important representations to the people of Alaska on issues such as access across conservation system units and the uses in them," Murkowski said. "This is the balance that was struck

The Resource Development Council has recently gone on record supporting proposed Beaufort Sea Lease Sale 176.

Alaska and the Gulf of Mexico are the only remaining areas where federal offshore leasing takes place. The Mineral Management Service's (MMS) OCS Leasing Program provides companies with a structured predictable format for acquiring prospective acreage for oil and gas exploration and development.

RDC is encouraging MMS to offer the maximum acreage with limited, yet reasonable, restrictions. Areawide leasing has been successfully conducted throughout Alaska and MMS

should consider using this approach for the Beaufort Sea. Allowing companies to bid on larger tracts provides them with the best opportunity to identify, acquire and explore the areas of highest potential.

RDC applauds MMS's work with the Alaska Offshore Advisory Committee. We believe continued public involvement coupled with the industry's advanced technology will minimize environmental impacts and user conflicts as this area is explored and developed.

Lease sales like the Beaufort Sea 176 will encourage future development, ensuring new opportunities and continued prosperity for Alaskans well into the 21st Century.

in ANILCA and this is the balance that must be restored."

The bill has been the subject of extensive oversight and legislative debate during the last three Congresses, including dozens of witnesses and countless hours of testimony. The issues addressed in the bill "shows the frustration Alaskans have with the dominance of the federal government and the blind eye that is often turned toward our needs," said Murkowski.

RDC is supporting S. 1683 and specifically applauded Murkowski's amendments on requiring federal managers to undergo ANILCA training and to clarify congressional intent on helicopter access in areas where they have been used historically.

"Federal managers in Alaska will benefit from training specific to ANILCA," said RDC Executive Director Ken Freeman. "Misinterpretation of ANILCA has fostered many conflicts between the private sector and the federal government in Alaska."

"Congress fully intended for federal lands in Alaska to be used for a wide range of purposes, including, but not

limited to, conservation and environmental protection," Freeman added. "ANILCA must not be read as a statute designed to lock up Alaska, but as a codification of a unified program to conserve some parts of Alaska while actively developing other parts."

Last month Murkowski also introduced legislation that would require the federal government to grant a road easement to Chugach Native Corporation land holdings at Carbon Mountain outside Cordova.

Murkowski urged the Forest Service to settle a dispute over access to the 73,000-acre land selections. "This process has gone on too long and has been totally unfair to the shareholders," Murkowski said. "They received these lands in 1982 and have not been given their promised access to gain any benefit from them. It is time they get to use the lands they were granted by the Native claims settlement act," said Murkowski. "I have absolutely no more patience with efforts to resolve this issue administratively. The goal posts have been moved too often and the roadblocks have become too frequent."

Tongass inclusion in roadless policy would devastate timber industry

(Continued from page 1)

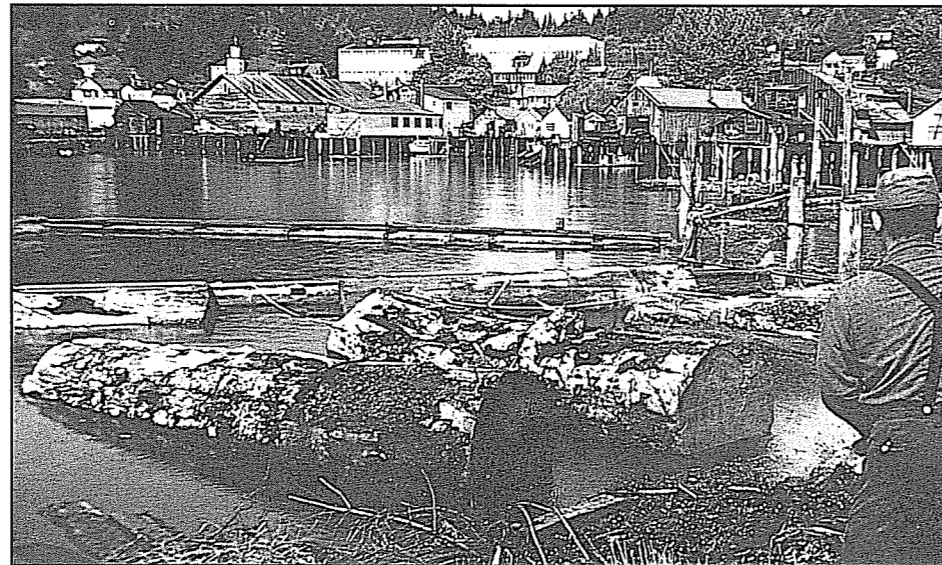
the region's few remaining sawmills in Wrangell, Ketchikan and Klawock would likely be forced to close. The Anette Hemlock sawmill in Metlakatla recently shut its doors because of costly environmental restrictions, a lack of timber supply and market conditions.

Ketchikan sawmill owner Steve Seley is already planning to delay a \$1.2 million purchase of dry kilns he intended to make this fall. The kilns would dry green timber into wood that would be sawed into furniture and lumber for sale in the Lower 48. Seley is part of an effort to produce "value-added" products from the Tongass.

Despite the proposed policy, Gateway Forest Products is moving forward with its plans to build a veneer plant next year at the site of the old Ketchikan pulp mill. Gateway recently purchased the assets of Ketchikan Pulp Company.

Last year the Clinton administration announced a moratorium on road building in roadless areas of national forests. The Tongass was exempt from the moratorium because of additional sweeping environmental restrictions and land closures resulting from a recently-completed land management plan. In fact, Jim Lyons, a high-ranking Department of Agriculture Undersecretary, pledged earlier this year that no more Tongass acreage would be closed to logging.

Southeast Alaska once had a thriving timber industry with two major pulp



In the past decade, Southeast Alaska has lost more than 1,500 jobs in the forest products industry, two large pulp mills and several sawmills as the federal government has steadily reduced the land base available to logging.

mills in Sitka and Ketchikan. Thousands of Alaskans were employed year-round in the industry and earned among the highest wages in the region. Since the Clinton administration came into power, the region has lost 5,000 timber-related jobs, largely due to a series of administrative actions which have steadily diminished the land base available to logging and compromised the economic of timber sales and local facilities.

Under the new TLMP, which the Forest Service spent \$13 million and more than a decade developing, less than one-tenth of the forest's commercial timber base is open to logging.

About half of that timber must be cut on a 200-year rotation cycle. Under the old plan, up to 1.7 million acres was available to logging on a 100-year cycle.

Senator Frank Murkowski blasted the President's initiative, saying it has the potential to sweep the entire multi-year and multi-million dollar Tongass Land Management Plan process away with one stroke of a pen. He also charged that the policy amounted to a massive "de facto" wilderness designation.

"If they are looking for an environmental legacy with this announcement, it will be a legacy on the cheap because they haven't done the heavy lifting to find a balance between competing views on resource management," Murkowski said.

Congressman Don Young said "the Clinton-Gore administration is reaffirming what we already knew - it is willing to take every measure possible to appease the national environmental organizations that want to end traditional multiple-use land policies for working people and communities in the West."

Governor Tony Knowles promised to take all possible steps to fight a ban on new road construction in national

Tongass Facts

Tongass National Forest	17 million acres
Forested lands	10 million acres
Commercial timber base	5.6 million acres

Old Management Plan:

Land open to logging	1.7 million acres
Allowable Sale Quantity (ASQ)	520 MMBF
Rotation Cycle	100 years

1997 TLMP:

Land open to logging	676,000 acres
ASQ	267 MMBF

TLMP Revision:

Land open to logging	576,000 acres
ASQ	187 MMBF
Rotation Cycle	200 years
Manufacturing capacity (remaining sawmills)	355 MMBF

Under Roadless Policy:

Land open to logging (est.)	183,000 acres
Estimated ASQ	<50 MMBF

• 95% of forested lands in Tongass closed to logging.



If applied to the Chugach and Tongass, President Clinton's proposed forest protection policy could close off millions of acres to development.

forests if the Tongass is included.

"If the Tongass is included in a national roadless policy, I would consider this to be an outrage and a double-cross on the citizens of Alaska," Knowles said. "As Governor, I would be compelled to do everything within my power to protect the families and communities of Southeast Alaska."

Knowles noted that he was previously told that the Tongass would not be included in such a review because of the recent finalization of the TLMP. Knowles received such assurances when he brought Southeast Alaska mayors to meet with White House Chief of Staff Leon Panetta.

"TLMP took 15 years and millions of dollars to complete, and was one of the most elongated and thorough resource planning processes in the history of the nation," Knowles said. "The public was involved on numerous occasions. Roadless area review, together with harvest cycles and other relevant matters, was very much a part of this process."

"My administration has long advo-

cated the 'doing it right' principle of resource planning and management," Knowles said. "This approach involves sound science, prudent management and an open and fair public process. A unilateral decision by the White House to include the Tongass in the Forest Service's roadless area review would be a complete repudiation of this policy."

Knowles insisted that if any additional modifications are deemed necessary for Tongass land management, they should be accomplished only through the structured and well-established process for amending a forest plan.

Meanwhile, the threat of more timber harvest reductions that would come through implementation of the policy on the Tongass has prompted Ketchikan's mayor to send the Clinton administration a clear and direct protest message.

"Hell no!" Mayor Bob Weinstein wrote in bold letters in his response to Jim Lyons. Weinstein made it clear that he did not approve of including the Tongass in the proposed ban.

Last month Lyons said a decision on whether to include the Tongass in

the new roadless shield will come following a yearlong environmental review and public comments. The plan would require no congressional action, and it would be enacted by Forest Service regulations. The current timeline indicates Clinton could sign the measure into law just before he leaves office.

National environmental groups are expected to launch a major effort to convince Americans to support inclusion of the Tongass in the roadless ban. The Forest Service is accepting public comments until December 20.

RDC members are urged to write the Forest Service opposing the plan, especially the inclusion of the Tongass and Chugach in the proposed policy.

Send comments to:

USDA Forest Service-CAET
Attention: Roadless Area NOI
Box 221090
Salt Lake City, UT 84122

or send via email:
roadlessareanoi/wo_caet@www.fs.fed.us



"If they are looking for an environmental legacy with this announcement, it will be a legacy on the cheap because they haven't done the heavy lifting to find a balance between competing views on resource management."

- Senator Frank Murkowski