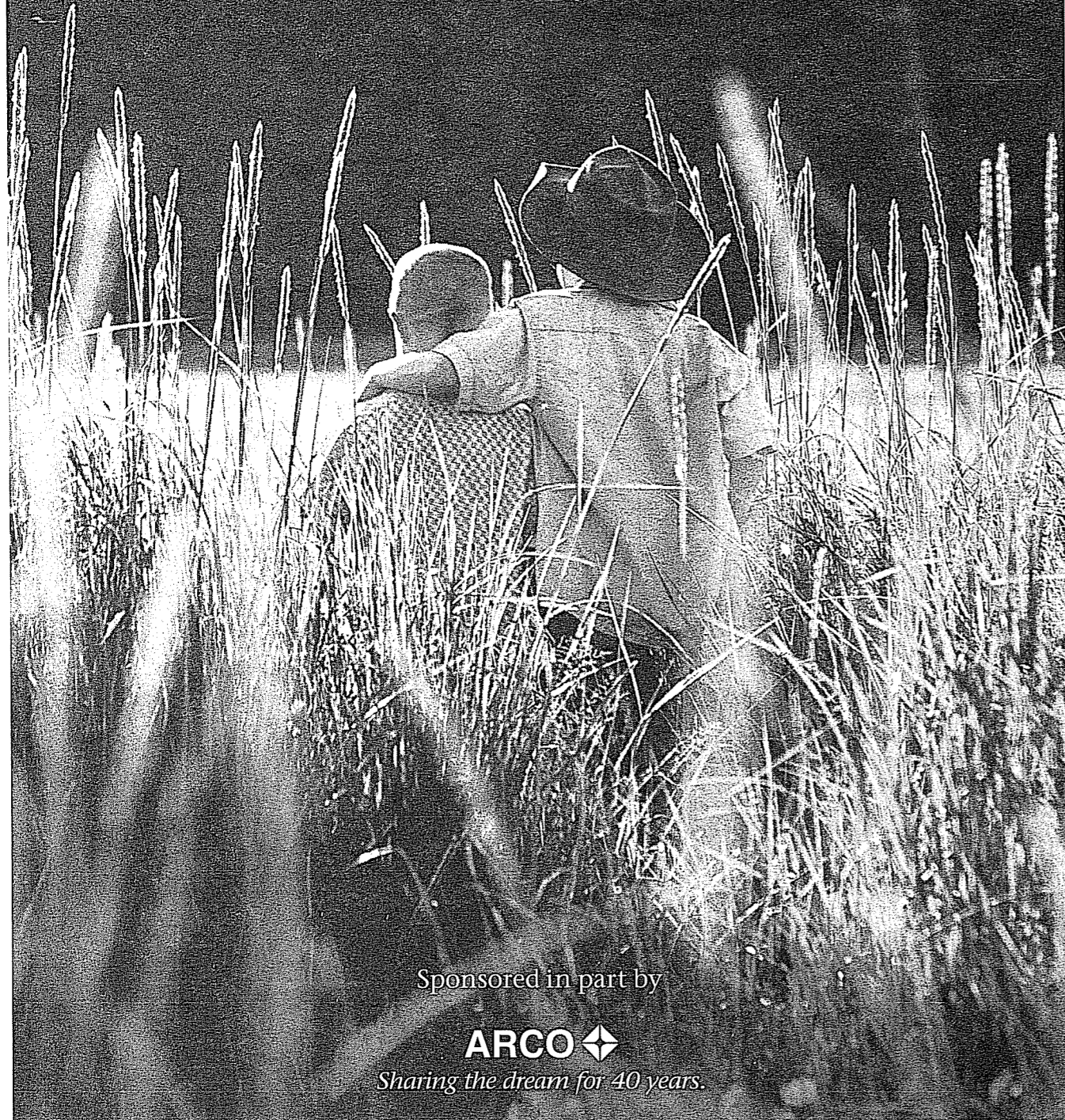


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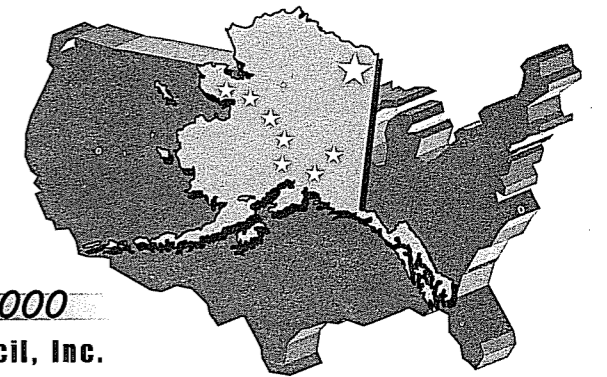
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Resource Review

March 2000

A periodic publication of the Resource Development Council, Inc.



RDC seeks new fees structure for permits

Fees structure would be based on predictability and accountability

RDC board members and staff are working hard in Juneau this session to create a state agency permitting fees structure based on predictability and accountability.

The vehicle RDC is pinning its hopes on is House Bill 361, sponsored by the House Finance Committee. Com-

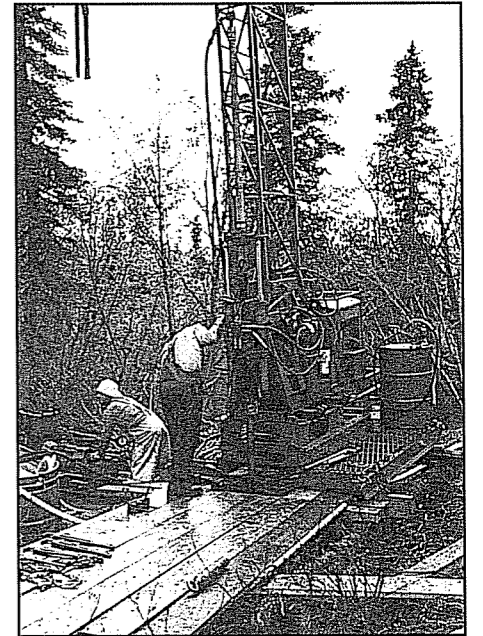
"While industry recognizes its responsibility to pay for the services it receives, the issue of allocating program costs between the public and the regulated community remains unresolved."

panion legislation will be introduced in the Senate soon.

More than a year ago, RDC formed a work group to study the issue and build industry-wide consensus on legislation designed to deal with state agency permitting fees. Sealaska Corporation had taken an earlier lead on the issue with a draft bill known as the "Permittee Bill of Rights." The concepts articulated in the "Permittee Bill of Rights" served as the starting point for the RDC work group's subsequent discussions.

Included in the RDC group were representatives from Sealaska, the Council of Alaska Producers, the Alaska Coal Association, the Alaska Forest Association, the Alaska Oil and Gas Association, the Alaska Miners Association and the Pacific Seafood Processors Association. The group has convened on a regular basis for 13 months to develop a permit fees structure based on predictability and accountability.

"While industry recognizes its responsibility to pay for the services it receives, the issue of allocating program costs between the public and the regulated community remains unre-



HB 361 would require resource agencies to establish a schedule of fixed fees for relatively simple and repetitive regulatory activities while directing agencies to enter into negotiations to determine costs of complex or controversial permitting activities.

solved," said Bob Stiles, RDC's Senior Vice President and Chairman of the fees group. "RDC applauds the Legislature for its past involvement in this issue, and appreciates having had the time to design a well-crafted product."

From January through July of last year, the group worked to develop consensus points on state agency permitting fees and to draft legislation based on those consensus points. Throughout the development stage, the fees group worked closely with the Department of Environmental Conservation, as well as the Division of Governmental Coordination, and the Governor's Office. Since July, the group

(Continued to page 4)

- Bob Stiles,
RDC Vice President





Message from the Executive Director by Ken Freeman

RDC sets legislative agenda

RDC recently ratified this year's legislative matrix - bills which we track, support, or oppose. At the top of the list is HB 361, legislation which seeks to establish in statute a flexible and uniform framework for the setting and collection of fees charged by Alaska resource agencies. The goals of the legislation are predictability in the level of fees charged and accountability on the part of an agency charging the fee. Regulatory efficiency and permit streamlining can be accomplished in relatively small increments and that is

why initially we are looking solely at a number of programs within DEC as a model to hopefully apply to other resource agencies in the future.

RDC is also supporting other measures that would bring efficiencies to state government. We are supportive of HJR 2 which would amend Alaska's Constitution to allow for biennial budgeting. Currently state agencies spend considerable time every year preparing for budget presentations to the Legislature through hearings, debates and closeouts. Switching to a two-year cycle would bring about significant cost savings for the Legislature, Administration and the agencies.

We are also supporting SB 175, which proposes changes to the Alaska State Mining Law. This bill makes changes to the methods of locating mining claims and rental payments and proposes other minor changes to bring additional efficiencies to the current process. It also allows for the expanded use of modern electronic methods to reduce the time and cost for the state to process information. These changes only affect the process of locating mining claims and do not increase or decrease the rights established by claims. These changes simplify the process of staking mining claims and reduces errors during the staking, recording and filing process.

The Alaska Railroad wants to improve safety and efficiency of its operations by upgrading and realigning its track between Anchorage and Wasilla. To accomplish this project HB 362/SB235 authorizes the Alaska Railroad to enter into several land agreements needed for a track upgrade and realignment project. Beyond many of the safety features the upgrade and realignment bring, it would create new jobs through additional freight and passenger service and help to build a better infrastructure to support future economic development in Alaska.

RDC is opposing legislation that would change the state's income tax on the oil and gas industry from an apportionment approach to separate accounting HB 307/SB 214. The present approach of using apportionment assumes profit-making potential is generally uniform worldwide, and hence worldwide profits can be apportioned to Alaska in proportion to how much production, investment and sales are here. The separate accounting approach pretends that all the non-Alaskan portions of a unitary business do not exist and requires arbitrary rules to determine how much income and expense from multi-state activities will be allocated to Alaska.

Given much of the uncertainty already facing the oil and gas industry, now is not the time to destabilize Alaska's tax regime and discourage needed investments by making major changes to Alaska's tax structure. Separate accounting will increase vulnerability of state revenues to oil price fluctuations. Moreover, the relative tax impact from switching to separate accounting will generally be worse per barrel for new fields like Alpine than it will be for mature fields in decline, given new fields will tend to have more "Alaskan" profit per barrel under separate accounting than old fields, although precise effects will vary per field.

RDC is supporting resolutions in the House and the Senate opposing President Clinton's proposed roadless policy. The resolutions oppose inclusion of the Tongass and Chugach in the President's final policy and encourage the Governor to take appropriate legal action when necessary.

Please don't hesitate to call RDC on these or other legislative issues of interest. You can be assured that RDC will be working hard on these legislative issues to advance responsible resource development efforts in Alaska.

BLM okays NPR-A exploration drilling

The Bureau of Land Management (BLM) has authorized ARCO to begin its winter exploration program on some of the leases it obtained from last May's lease sale in the National Petroleum Reserve - Alaska (NPR-A).

ARCO is authorized to drill up to eight exploratory wells. However, this work may be spread over three seasons. Only two or three wells are expected to be completed this year before work ends in the spring.

BLM has issued the necessary right-of-way permit and approved the company's application for permit to drill. No permanent roads or facilities will be constructed for this exploration program and access will be by ice roads.

Meanwhile, BP is continuing to place gravel on its offshore island for the Northstar project and is cutting ice in preparation of trenching for pipeline installation later this spring. Workers are currently welding pipe into one-mile

lengths. The company expects to have the offshore portion of the pipeline in place before summer.

North Star modules are currently being fabricated at two sites in Anchorage and one near Fairbanks. The modules will be delivered to the North Slope in this summer's sealift.

The work force for the 145 million barrel oil field is expected to peak this summer at 700. BP expects to have the field producing by late 2001.

Forest policy should reconcile public opinion and national buying behaviors for wood products

(Continued from page 6)

of forest products, is faced with the dilemma under current strategies of managing our federal forest lands in a manner that does not provide for the existing and projected consumptive demands of the population. The impact of this policy influences harvest levels and forest product values in foreign countries with which we have little influence on their natural resource management policies.

Some have maintained that sustainable development is the key to a successful forest policy. Sustainable development, providing for the long-term sustainability of our natural resources while providing for the needs of today's population without compromising that capacity of the forest to provide for the needs of future populations, is a return to the Wise-Use concept, but reflects a basic need and reality of forest land management.

Relating to the notion of sustainable development, Hal Salwasser once wrote, "success in sustaining desired ecosystem conditions will depend on having scientifically sound, economically feasible and socially acceptable strategies for achieving combinations of ecological and social goals." With these concerns in mind, it is alarming to consider some recent forest management policy actions by the Clinton Administration.

• A road building moratorium

- Withdrawal of approximately 50 million acres of roadless forest lands from management
- Designation of forest silvicultural projects as point-source pollution and associated permit and review process
- Cancellation of salvage sales and elimination of Knutson-Vandenberg funds for forest management activities, as well as cancellation of reforestation programs, timber Sale pipeline, and restoration trust funds

The inclusion of the Chugach and Tongass National Forests into the roadless area recommendations, in spite of the language of ANILCA which specifically restricts future withdrawals from the managed land base, apparently is done with the belief that Congress will not be able to override a veto on bills that would restrict this administration's actions.

Where are these actions and others leading regarding a national forest management policy? It is easy to see that these actions will make it more difficult to conduct any timber sales, including ones mandated for restoration of other resource values. Is the eventual intent of this approach simply to see to the elimination of all timber sales on federal forest lands? Is this a responsible forest land management policy that provides for the long-term health and sustainability of our forest and communities, the needs of today and those of the future?

Do public opinion polls on management of forests and the environment and our increasing demand for forest products indicate a developing national policy that prefers to keep all public forests as preserves with the implication that fulfilling our demand for forest products will be acquired from foreign sources? Does the public understand that our forests are growing vastly more wood than that which is being harvested? Does the public also understand that this larger volume of wood will become fuel for greater fires, sites for increased insect and disease activity, and homes for some organisms and not for others? Do we need to identify public forest areas for intensive culturing of wood products while others are managed as diverse ecosystems?

It is my concern that the United States is not planning for the long-term. As our population, as well as that of the world, continues to grow with its associated increasing demand for forest products, we need an environmentally and socially responsible forest management policy. This policy should include the production of forest products on a sustaining self-sufficient basis, something that even with all concerns for sustainable ecosystems in place, is well within our ability to do so.

Bob Wheeler is a Forestry Extension Specialist with the Alaska Cooperative Extension, University of Alaska Fairbanks.

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.

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Guest Opinion

by Bob Wheeler

U.S. needs enduring national forest policy

By: Bob Wheeler, Ph.D.
Forestry Specialist
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In the words of Bob Dylan, "The Times, They are a Changin." And so it is true for many things about America, especially in the realm of national forest policy.

The confusing complex of regulations, laws, agencies and administrations has made it very difficult to understand the nature of forestry on public lands in the United States and where it is going.

At the dawn of the 20th century, the developing Progressive Conservation Movement in the United States had a significant impact on the evolution of a national forest policy. During February 1897, President Grover Cleveland set aside 13 forest reserves in response to growing concern for exploitation by special interest groups, excessive waste in the management of the forest resources and incompetence within federal agencies. The progressive conservation movement reflected fundamental beliefs in forest management that were to guide national forest policies and public opinion for the next 50 years.

The essence of these beliefs were founded on four basic concepts: the need for public land retention, the application of Gifford Pinchot's natural resource conservation philosophy of "wise-use," the need for federal natural resource programs to be self-supporting, and that they are based upon scientific management principles for the natural resources.

But changes have been occurring during the past 50 years in the public's attitude toward national forests and their management. This change is reflected through the enactment of several environmental laws, including the 1960

"Do public opinion polls on management of forests and the environment, and our increasing demand for forest products indicate a developing national policy that prefers to keep all public forests as preserves with the implication that fulfilling our demand for forest products will be acquired from foreign sources?"

Multiple-Use Sustained Yield Act and the 1976 National Forest Management Act. These and other legislation are seen as a reflection of the advent of a change by the American public in their concept of national forest policy and has heralded the arrival of a new philosophy, referred to by some as "The New Environmental Paradigm." Although many components of the Progressive Conservation Movement still exist such as the "Wise-Use" philosophy, the current paradigm is seen to reflect a "realization of the finite limitations of natural resources and the need for a balance of nature."

The New Environmental Paradigm movement has been championed by conservation, preservation, and environmental groups in general and is seen by many to reflect the true nature of American public attitude and belief at large. It is a belief that moves away from the support for industry that the Progressive Conservation Movement was seen by some as having supported.

There are problems with this belief as Dr. Jo Ellen Force and Greg Fizzell reported at the Society of American Foresters National Convention in Portland, Oregon last year. Speaking on "How Social Values Have Affected Forest Policy, Force and Fizzell defined social values as "preferences that

people share for certain types of outcomes or certain types of conduct." They sought to clarify obvious conflicts between two separate and quite different indicators of social values — a nationwide belief, based upon public opinion polls over the past 20 years, in the "New Environmental Paradigm" and our national buying behaviors for wood products.

Force and Fizzell observed that "public opinions do not directly affect forest resources, our behavior does" which consequently places foresters and effective national forest policies in a dilemma. A review of national buying behaviors since the 1950s clearly indicates a choice by the public for increased production and consumption of forest products. During these past 50 years, although the average household size has declined, the size of the average new family home has nearly doubled. Another noticeable change was the dramatic per capita increase in paper consumption. Another example of conflicting attitudes and behaviors is with the public's desire to maintain natural events such as wildfire which are contradicted by the public's demand for fire control in urban-rural interfaces.

The United States, as a net importer
(Continued to page 7)



Thoughts from the President by Jim Branch

Roadless policy has potential to double wilderness

Only one-quarter of existing roads passable by two-wheel drive automobiles

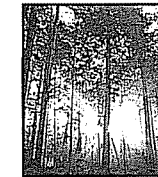
President Bill Clinton's proposed roadless policy, if fully enacted, will have wide spread implications on all of us who use and enjoy national forests.

America's national forests cover approximately 192 million acres. Nearly every state has a national forest. Alaska's Tongass and Chugach are the two largest in the nation.

Congress has mandated by law that these forests be managed for multiple uses, including recreation, timber harvesting and mineral extraction. National forests are not national parks where the management emphasis is on preservation, yet the crown jewels of these forests are forever protected under federal Wilderness designations -- 35 million acres which are closed to road construction, utility corridors and other development.

President Clinton's proposal would, at a minimum, more than double the number of acres set aside as wilderness from the forests of Maine to California and Alaska -- all without congressional authorization.

The policy, which is now on the fast-track to approval by year's end, would block road access to so-called roadless areas. The policy would also close many existing roads.



If applied to the Tongass, the new policy would supercede the forest's new management plan which has already closed vast areas to development.

The rationale for the policy is that 383,000 acres of roads already exist in national forests. But only one-fourth of these roads are arterial or collector roads that can be used by automobiles. Three-quarters are only passable with high-clearance, four-wheel drive vehicles. More than 78,000 miles of these roads already have been closed by the Forest Service.

National forest roads were built primarily for recreation and access to natural resources. Many of the roads built for logging have either been closed or maintained for public recreation.

Mr. Clinton's roadless policy would dramatically limit access to our forest lands for multiple use activities, including hunting, fishing, camping, sight-seeing, logging, ranching and mining. Older Americans and the disabled who rely on motorized vehicles to reach these areas will be especially hard hit by the policy. The public will only be able to walk into these areas if the President signs the policy.

Governor Tony Knowles has met personally with Forest Service Chief Mike Dombeck and other high-level Clinton administration officials to protest the policy's potential application to the Tongass and Chugach. The Governor has called the proposal a "double cross" because it would supercede more than a decade of work and approximately \$13 million to develop a new 10-year management plan for the Tongass. That plan closed half of the areas previously available to logging in the forest and addressed roadless areas of the Tongass. The consequences of the President's roadless proposal would be even further reductions in logging and related jobs.

What's more, Jim Lyons, a high-ranking undersecretary in the Department of Agriculture, pledged last year that with the implementation of the latest management plan, no more Tongass acreage would be closed to logging.

The Governor has stated that unless the Tongass and Chugach are excluded from the policy, his administration may file suit. Meanwhile, the Legislature has introduced resolutions opposing the policy and is tracking the issue along with Governor Knowles and RDC.

Kinross sets sights on True North prospect

Kinross Gold Corporation plans to spend more than \$30 million in the next three years to bring its True North gold prospect on line.

True North, located 25 miles north of Fairbanks near the company's Fort Knox gold mine, is expected to begin production in early 2001. About 100

new jobs will be created at the site.

The company has submitted a draft plan to state officials to let state agencies gauge the permitting process with respect to staffing and fees. A final plan will be submitted this spring, at which time the public review process would begin.

Exploration results on the Pedro Dome operation have identified about 180,000 ounces of gold reserves.

The company anticipates mining 30,000 tons of ore per day, with a third of that being hauled eight miles each day by truck to a cyanide-processing facility at Ft. Knox.

Fees would be based on estimated and reasonable direct cost of service

(Continued from page 1)

has continued to receive feedback from the administration and has been fine-tuning the bill.

"Our work with DEC staff has been particularly productive," Stiles noted.

HB 361 accomplishes several important objectives. First, it requires the resource agencies to establish a schedule of fixed fees for relatively simple and repetitive regulatory activities. These fees must be based on the estimated and reasonable direct cost of providing the service and cannot include additional charges such as program overhead.

This change is important for two reasons. It will provide the regulated community with more predictability in determining the costs to permit an activity. Also, it ensures the person requiring a designated regulatory service will only pay for the costs associated directly with providing that service.

Secondly, recognizing that not all services provided by the resource

agencies lend themselves to fixed fees, the bill directs the resource agencies to enter into negotiations with any person requiring a service to determine the costs of complex or controversial permitting activities. In the event that negotiations are unsuccessful, the bill

"We strongly believe this legislation is an appropriate step toward fulfilling Alaska's promise of being open and ready for business."

- Tadd Owens,
Projects Coordinator



requires the agency to bill on a strict time and expenses basis for the work.

"We believe this system will act as an incentive to both the agency and the permittee to conduct good-faith negotiations," Stiles said.

RDC Executive Director Ken Freeman noted that the bill also provides the regulated community with flexibility through a petition process.

"Petitions may be used to request that the agency supplement its schedule of fixed fees, they may be used to create a fixed fee for an activity specific to a distinct economic sector, and they may be used to request a single project fee for an activity requiring multiple permits," Freeman explained. "This type of flexibility will make doing business in Alaska easier."

The bill also accomplishes another RDC objective – it requires that any resource agency providing a designated regulatory service provide auditable invoices for their work. Under this system, services billed on a time and expenses basis would require monthly invoices. Some negotiated fees would also incorporate the use of invoices. This requirement, Freeman said, makes the costs of providing regulatory services more transparent to the public and establishes more thorough accountability on behalf of the agencies.

The permitting fees bill is written to encompass all of the state's resource agencies – the Department of Natural Resource, The Department of Fish and Game and the Department of Environmental Conservation – on a program by program basis. Currently, the only programs included in the bill fall under DEC. At this time, DF&G does not have fee-charging authority and DNR has already accomplished much of the work required by the bill. The bill does not grant any new fee-charging power, rather it restructures the manner in which fees can be constructed and billed.

RDC Projects Coordinator Tadd Owens stressed the positive working relationship the work group has developed with both the legislature and especially DEC on this issue.

"In the end, DEC must be able to effectively implement the legislation if any benefits to the public are to be accrued," Owens said. "We strongly believe this legislation is an appropriate step toward fulfilling Alaska's promise of being open and ready for business."

Arctic economic development summit set for April

The Arctic is rich in natural resources, home to America's largest oil fields and rich in untapped coal and mineral prospects. It is a harsh, yet sensitive environment in which to live and do business. Economic development in Alaska's Arctic requires forward-looking vision, a long-term and coordinated strategy, sensitivity toward the environment and respect of the culture, traditions and lifestyles of local residents.

For these reasons, the Northwest Arctic Borough and the North Slope Borough, in conjunction with the Resource Development Council are hosting the Arctic Economic Development Summit in Kotzebue April 18-19.

The summit will bring together representatives from the Arctic regions of Alaska, state and federal officials and industry leaders to share their visions of how economic development can and should occur in Arctic Alaska.

"Local leaders will share their visions of economic diversity, viable communities and traditional ways," said Lori Henry, Summit Coordinator. "Companies currently operating in the region have been invited to discuss their new and existing projects," she explained. "State and federal officials will review their roles and current efforts to encourage economic development."

"We need to sit down together in mutual respect and understanding in establishing a forward-looking vision and long-term strategy for economic development in the Arctic."

- Stan Foo, RDC Treasurer



Invited keynote speakers include Governor Tony Knowles and Senator Frank Murkowski. More than 30 other speakers will be participating in panel discussions addressing issues ranging from potential resource development, to regional infrastructure needs. "A Vision for Arctic Economic Development" will also be examined. Industry and local governments will



Cominco's Red Dog Mine, the world's largest zinc concentrate producer, will be one of several projects showcased at the Kotzebue summit. The mine is located on NANA land.

present a synopsis of their efforts to move large projects forward and the obstacles they have encountered.

Other topics include viable energy alternatives and regional transportation planning.

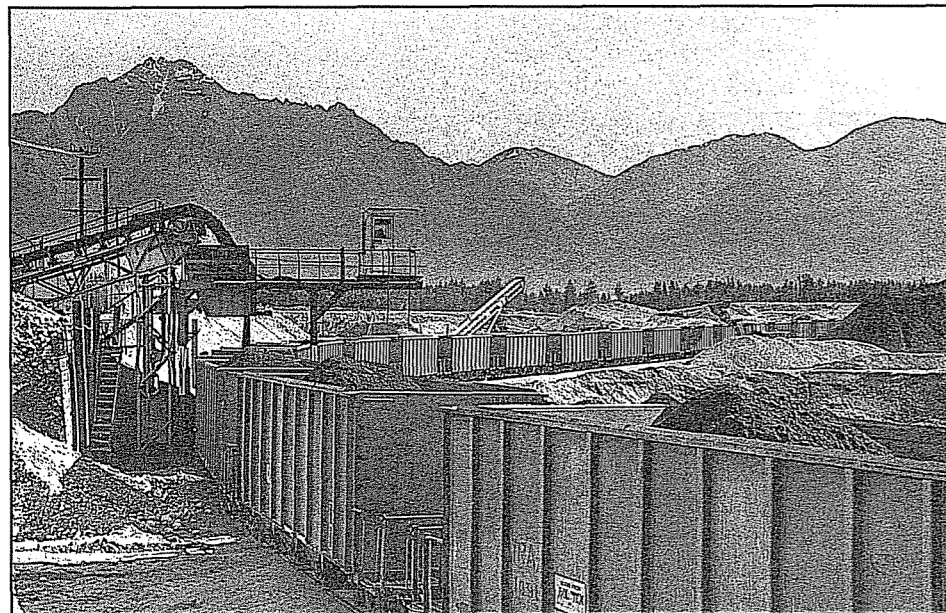
Summit speakers and delegates will also address how economic development can improve the quality of life in the Northwest Arctic and North Slope villages with the potential for jobs, education and other opportunities. Local residents will also focus on their priorities.

in establishing a strategy for economic development in the Arctic," said Stan Foo, RDC's Treasurer. "A sustainable level of economic prosperity will only occur by acknowledging the interdependence between urban and rural Alaska," Foo said. "We all know Alaska's economy is largely driven by the development of our natural resources, but do Alaskans truly understand that almost all of this activity occurs outside Anchorage and other urban centers?"

Foo encouraged RDC board members to attend the summit and take an active role in the deliberations, noting it has been a long-standing priority of RDC to work closely with rural Alaskans to bridge the urban-rural divide.

"We need to sit down together in mutual respect and understanding in establishing a forward-looking vision and long-term strategy for economic development in the Arctic, Foo said."

There is no registration fee for the summit, which will be held at the Kotzebue Armory. Additional information on the summit is available through Lori Henry at the North Slope Borough Office in Anchorage at 561-5144. Accommodations are available at the Nullagvik Hotel, 907-442-3331. Special round-trip airfares to Kotzebue are available through Alaska Airlines.



HB 361 would establish a state permitting fees structure based on predictability and accountability, two important elements for a healthy business climate for industry in Alaska.