

This edition sponsored by

Phillips Alaska, Inc.

Resource Review

March 2001 A periodic publication of the Resource Development Council, Inc.

Prudhoe Bay caribou numbers are highest ever

Record Caribou

Recent surveys of the Central Arctic caribou herd near Prudhoe Bay shows herd numbers at their highest level ever.

The Alaska Department of Fish and Game reports that the herd is now at 27,128 animals, which compares to 19,700 in 1997 and a previous high of 24,000 in 1992.

Some biologists believe caribou herd numbers are part of a natural fluctuating cycle.

"In Alaska, some herds do appear to go up and down – some on a 20 year cycle while other herds fluctuate fairly erratically," said Pat Valkenberg, a research coordinator at Fish and Game. "Other herds, such as the Porcupine, have been remarkably stable," Valkenberg said.

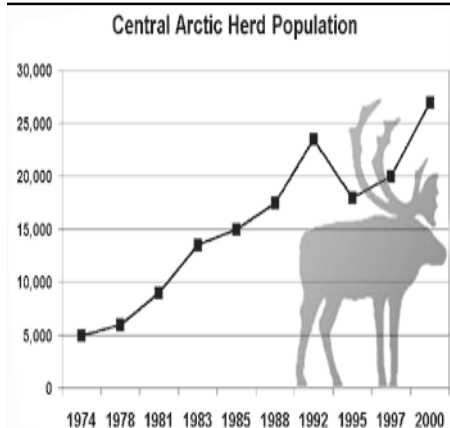
Caribou biologists agree that the fluctuations in herd numbers are at least partially weather-related and there's little doubt that predation plays a significant role.

Most of the Arctic herds calve along the North Slope to escape wolves and other predators, as well as seek relief from insects.

In general, caribou herds are doing well across Alaska. Caribou, at over one million strong, outnumber humans in Alaska. The Central Arctic herd has grown more than seven fold since Prudhoe Bay development began in the mid-1970s.



Caribou from the Central Arctic herd graze in the Prudhoe Bay field. According to a recent state survey, herd numbers have increased seven fold since field development began 30 years ago.



Report defines oil's economic impact on state

Spending tops \$2.1 billion annually

A new study released last month revealed that the oil industry spends approximately \$2.1 billion annually in Alaska, about equal to what the State spends through its general fund.

The report, "The Economic Impact of the Oil and Gas Industry on Alaska," is the first statewide study that accurately captures oil and gas industry employment and spending impacts. It was commissioned by the Alaska Oil and Gas Association and the Alaska Support Industry Alliance. The study itself was conducted by Information Insights in Fairbanks and The McDowell Group of Juneau.

Key findings showed the industry directly spends \$422 million on payroll in Alaska and \$1.7 billion on goods and services within the state. Overall, the spending generates 33,600 jobs, \$1.4 billion in payroll and valued added to the Alaska economy of \$1.8 billion, for a total output of \$3.1 billion. The industry accounts for 20 percent of private sector payroll.

Regionally, oil and gas is the largest industry in Anchorage, Fairbanks, Kenai and Valdez. Activity from the industry creates more jobs for Mat-Su residents than any other

(Continued to page 4)



Message from the Executive Director by Tadd Owens

Barrow hosts 2nd Arctic economic summit

Editor's Note: The following are comments Tadd Owens presented at the 2nd Arctic Economic Development Summit held in Barrow February 21-22. See page 6 for additional summit coverage.

The Resource Development Council is proud to play a part in this very important event.

As everyone knows, Alaska currently faces a host of challenges and difficult issues. How should a state long-term fiscal plan be constructed? How do we move forward on subsistence issues? How can we strengthen the ties between urban and rural Alaska? What obstacles exist to keep us from diversifying Alaska's economy? How do we improve our standard of living? Can we grow the



North Slope Borough Mayor George Ahmaogak said that development in the Arctic must continue to be balanced with subsistence and preservation of traditional lifestyles.

state's economy without compromising Alaska's unique heritage?

I do not pretend to know the answers to these questions. It is my opinion, however, and the position of the Resource Development Council that these issues are best addressed together. From Ketchikan to Kiana, Anchorage to Barrow, Alaskans must work in concert to shape our state's future.

As a statewide organization representing communities, industry, labor and Native regional and village corporations, RDC is well-suited to serve as a forum for spirited debate of these issues, to act as a clearinghouse of information and to work as a partner with our members in meeting the state's challenges.

Urban and rural, public sector and private, Native and non-Native — we must all continue to search for ways to better the quality of life for all Alaskans. Will we always agree? No. Will there be easy solutions? No. But by respecting each other and striving to understand each other's issues, we will move forward.

I applaud the North Slope and



Students from Hopson Middle School in Barrow entertain summit delegates with a traditional Native dance.

Northwest Arctic Boroughs for their work to organize and sponsor this summit. RDC has a long history of effectively partnering with the communities of the North Slope and Northwest Alaska. We stand ready to serve and support your efforts to develop and diversify your regional economies. And we look forward to working with you to meet the challenges of the 21st century.

RDC is extremely proud to be a part of the Arctic Economic Development Summit. Quyanaqpaq. Thank you.



Tadd Owens poses at a famous Barrow landmark on the shores of the Arctic Ocean.

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 Robert B. Stiles
Sr. Vice President Charles W. Johnson
Vice President Mark Hanley
Secretary Uwe Gross
Treasurer Stan Foo
Past President Jim Branch

Staff

Executive Director Tadd Owens
Deputy Director Carl R. Portman
Projects Coordinator..... Jason Brune
Finance/Membership..... Billie Rae Gillas

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



Thoughts from the President by Bob Stiles

Alaska needs long-term fiscal plan

Last year's high oil prices mean the state will likely end the fiscal year with a budget surplus, but the good news won't last for long. With oil prices now falling to around \$25 per barrel and expected to drop more, state revenue officials expect budget shortfalls to rule again, draining the \$2.7 billion Constitutional Budget Reserve to zero in five years. With oil prices likely to average \$24.28 a barrel for the new fiscal year beginning July 1, the state will need to tap \$514 million from the fund. The draw from the budget-balancing reserve will top \$716 million during the next budget cycle when oil prices are expected to fall to \$22 a barrel.

As prices moderate to lower levels, the CBR will eventually be exhausted, forcing the state to find a different means to balance the budget and pay its bills. Recent high prices gave Alaska some breathing room, but the handwriting has been on the wall for some time. Just as we do with our personal financial affairs, Alaska needs to take action today to provide for its future. We need

to have a serious discussion on a long-term fiscal plan and take action to ensure our state is ready for the inevitable. There is no better time than now to craft the plan.

Ideally, a well-balanced fiscal plan would encourage economic stability and maintain investor confidence in Alaska. The lack of a fiscal plan actually discourages new investment in our state and could ultimately undermine the economy by forcing business to go elsewhere, especially industries that are fearful of additional tax burdens.

Broad-based taxes, including an income or sale tax, cutting the budget, and reducing Permanent Fund dividends could be part of the fiscal plan, but these actions do not bring new money into the system. The annual earnings reserve from the Permanent Fund could be a source of new money without affecting the size of the dividend, bringing in about \$250 million a year. The proposed North Slope natural gas pipeline project could be another source of new money, generating about

\$200 million to \$400 million a year. Another source of new funds could be an increase in taxes on natural resource industries, but that is risky as new taxes could put a chill through these sectors, discouraging new investments. Eventually we'll need to come to grips with a plan that includes a mix of revenue sources and Permanent Fund earnings.

The lack of a fiscal plan was among the chief concerns expressed by the state's movers and shakers in a recent survey of Alaska's top business groups, ranging from Commonwealth North and the State Chamber of Commerce to the Alaska Miners Association and RDC. Having accomplished the survey, these groups are working together toward the ultimate goal of creating a workable economic plan or a long-term fiscal policy.

We should all be concerned about our state's slow growth, the lack of good jobs for our young people, eroding salaries and a lack of an economic strategy or fiscal plan. We Alaskans can find solutions to these problems. We have the tools, but do we have the will when oil prices are at \$25 to \$30 a barrel?

It will take hard work to find the right solutions to these problems. If we fail, severe spending cuts and tax hikes could wreck the economy and send us into an entirely avoidable recession.

Work on a long-range fiscal plan is one of RDC's top priorities. We fully recognize that while there has been a fading sense of urgency to provide for additional reliable sources of income in light of higher oil prices, the problem has not vanished. It's about to come out of remission and look us directly in the face.

Community groups like RDC, the State Chamber, Commonwealth North, the Alliance and many other organizations from Barrow to Ketchikan will need to step forward. The first step is to engage in constructive dialog. Let's roll up our sleeves and get moving while there's still some breathing room.

Cliff Taro, RDC board member, passes

RDC Board member Cliff Taro passed away in Ketchikan January 3. He was born March 22, 1919 in Everett, Washington.

Mr. Taro first came to Alaska in 1943 as a sergeant in the U.S. Army Transportation Corps. He was stationed at Excursion Inlet near Juneau where he received first-hand experience and an interest in stevedoring.

Mr. Taro graduated from the U.S. Army Transportation Officers School. After four years in the Army, he went to work for Everett Stevedoring in 1946. He married his wife Nan in 1949 and they moved to Ketchikan in 1952, where they started Southeast Stevedoring Corp.

Cliff Taro's accomplishments, interests and awards have been many and varied. In the interest of industrial safety for his employees, he was a member of the Marine Section of the National Safety Council for more than 25 years, as well as serving on the Board of Governors of the National Maritime Safety Association.

Cliff was a member of the Alaska State Chamber of Commerce for 40 years, had served on its board of directors for seven years and was vice president and president. He was awarded the "Outstanding Alaskan Award" and was elected to the Alaska Business Hall of Fame. He was the 2000 Ketchikan Chamber of Commerce Citizen of the Year.

Oil industry's economic footprint on Alaska outlined in new report

(Continued from page 1)

industry. More than one in four jobs in Kenai are oil and gas related. The industry accounts for 17 percent of Valdez area employment and 28 percent of the area's payroll.

The new research was sparked by a similar study done for the Fairbanks area a year ago. "We knew that oil and gas plays a significant role in local economies across Alaska, but the results of the Fairbanks study were a real surprise," said AOGA Executive Director Judy Brady. "The new statewide study reports regional impacts for Anchorage, Fairbanks, Kenai, Mat-Su, and Valdez, with results that are just as eye-catching."

Alliance General Manager Larry Houle said federal agencies seek this type of community impact information as they develop best interest findings and environmental impact statements for future oil and gas lease sales.

In its own studies, the University of Alaska estimates that oil is responsible for 45 percent of the private economic activity across the entire state. The oil industry accounts for 75 percent of all state revenues which in turn fund public services, education and other programs.

Economic Indicators



From providing the vast majority of funds to operate state government each year, to the millions it spends on charitable giving throughout the state, the oil industry overshadows all other non-government entities in its impacts on Alaska's economy.

- **Oil and Gas is Alaska's largest industry, generating 12 percent of all non-military payroll and 9 percent of all non-military jobs in the state.**
- **The industry spends \$2.1 billion annually in Alaska, roughly equal to the State's general fund budget spending.**
- **Oil and gas activity creates 12 percent of private sector jobs and 20 percent of private sector payroll in Alaska.**
- **The industry gives more than \$10 million to Alaskan nonprofit organizations each year.**
- **The average producer company pays the highest average monthly wage in Alaska, \$7,754, 2.8 times higher than the statewide average.**



Twenty percent of America's domestic oil production passes through the Port of Valdez. (Photo by Judy Patrick)



RDC's Jason Brune testifies before the Anchorage Assembly supporting a plan that would allow Ted Stevens Anchorage International Airport to expand on to wetlands on its property. The airport won approval of the plan.

RDC Photo Gallery

Photos by Jason Brune



Anchorage Mayor George Wuerch and other RDC Board members meet with Andrew Lundquist on the formation of a new domestic energy policy aimed at reducing America's reliance on foreign oil. The RDC Board met with Lundquist in Anchorage last month.



Key Bank President Mike Burns spoke to RDC last month on Alaska business opportunities in China. Joining Burns were Commissioner Debbie Sedwick of the Alaska Department of Community and Economic Development and Chris von Imhof, Alyeska Resort.

Editor's Note: In a 5-4 decision, the U.S. Supreme Court ruled January 9th that the Army Corps of Engineers had no jurisdiction to regulate the filling of ponds on an Illinois landfill site. The decision has far-reaching implications for the Corps' regulation of wetlands under the Clean Water Act. For Alaska, the decision may provide a significant measure of relief on federal regulation of isolated wetlands not adjacent to navigable waters. Other environmental laws and authorities apply as a source of environmental protection.

By Harold Johnson
Pacific Legal Foundation

In early January, the U.S. Supreme Court issued a landmark ruling limiting the scope of the Clean Water Act - or rather, insisting that federal regulators not misread the act in order to claim power that Congress didn't give them.

At issue in the case of Solid Waste Agency of Northern Cook County (SWANCC) vs. Army Corps of Engineers, was the Corps' misuse of the federal Clean Water Act as a tool for a power grab, a license to second-guess land-use decisions that have traditionally been local or private.

For instance, more than a few property owners have been subjected to federal dictate merely because ruts or gullies on their land sometimes fill with rainwater, becoming "wetlands" under a fanciful bureaucratic definition.

In a mandate for honesty in bureaucracy, the High Court at once called a halt to misinterpretations of the Clean Water Act and reaffirmed that land-use oversight rests primarily with local and state officials.

The SWANCC case involved a proposed landfill for Chicago suburbs that is located on a former quarry where ponds and puddles sometimes form. It was these seasonal pools that the Army Corps of Engineers cited as justification, under the Clean Water Act, for intervening in the approval process.

The state of Illinois had okayed the landfill as environmentally sound. But the Corps' intrusion scuttled the project.

In January's SWANCC decision, a five-member majority of the Supreme

High court ruling may give Alaskans regulatory relief in wetlands development

Ruling may end Corps' jurisdiction on some wetlands



Many wetlands in Alaska are isolated from navigable waters and exist because of permafrost.

Court forced the feds out. The court did so by rejecting the Corps' rewriting of the Clean Water Act - and warning other regulatory agencies against similar attempts to twist statutory language to expand their power.

In a sense, a single word was at the root of the dispute: "navigable." The Clean Water Act gives the Corps authority over "navigable" waters.

With breathtaking creativity, the Corps found in this word a warrant not only to clean up lakes and rivers, but also to regulate "streams, mudflats, sandflats, wetlands, sloughs, prairie potholes, wet meadows, lakes or natural ponds" - essentially, any puddle of water where use, or change in use, "could affect interstate commerce."

How would a mere pothole or a mudflat rise to being a player in "interstate commerce," beckoning federal oversight? Under the agency's imaginative rationale, it was enough

that a migratory bird might have touched down on a watery site on its way across the continent.

The spinners at the Corps were brought back to earth with a thud by the SWANCC ruling. Chief Justice Rehnquist noted that the federal government's attorneys "point us to no persuasive evidence" that Congress intended "navigable" waters to mean isolated, "nonnavigable" waters.

The Corps isn't the only agency that should be chastened. The Supreme Court put all federal regulators on notice against hot-rodding when it comes to interpreting their legal mandate, particularly where regulatory actions push the limits of federal authority.

"Where an administrative interpretation of a statute invokes the outer limits of Congress' power, we expect a clear indication that Congress intended that result," the court declared.

(Continued to page 6)

Wetlands ruling likely to provide regulatory relief to Alaskans

(Continued from page 5)

This assertive warning against regulatory excess makes SWANCC a landmark ruling.

For John Braly, an executive with the California Cattlemen's Association, the slap-down of the Corps didn't come a moment too soon. Members of his group in California's Central Valley had been told they couldn't graze cattle or plant crops - "all because there were pools of winter rainwater on their ranchland," he says. There are farmers, ranchers and other landowners across the country with similar stories.

In Alaska, one effect of the SWANCC ruling is that federal intrusion should be curbed in matters of permafrost wetlands, along with other isolated pools of water.

Will clipping the Corps' wings endanger sites of genuine environmental importance, as some environmentalists warn? That concern assumes that state authorities in Alaska and elsewhere can't be trusted to protect sensitive areas. The SWANCC case itself suggests otherwise.

Illinois was hardly derelict in environmental responsibilities; it gave the landfill plan extensive scrutiny, including numerous public hearings, and required costly mitigation before granting approval.

The SWANCC ruling nurtures an environment hospitable to freedom - by rejecting what amounts to a claim of a federal zoning power, and by telling unelected federal regulators that they must stay within the guardrails set by Congress and the Constitution.

• Harold Johnson is an attorney with Pacific Legal Foundation, which filed a friend-of-the-court brief in the SWANCC case, on behalf of the California Cattlemen's Association. Mr. Johnson can be reached at HEJ@pacificlegal.org. RDC has worked closely with PLF on a number of issues impacting resource development and private property rights in Alaska.

Arctic summit establishes new forward direction

By Debbie Reinwand
RDC Board Member

Establishing forward direction and approving a variety of significant resource projects and initiatives were high on the list of those attending the 2nd Annual Arctic Economic Development Summit in Barrow on February 21 and 22.

During the two days, nearly 500 people from across the North Slope and Northwest Arctic regions, as well as Anchorage and Juneau, attended part or all of the summit, which included keynote speeches by Governor Tony Knowles, Transportation Commissioner Joe Perkins, DNR Commissioner Pat Pourchot, Sen. Donny Olson and Rep. Reggie Joule.

Panels examined critical topics including subsistence, rural energy solutions, education and training opportunities, the Alaska gas pipeline, and the status of existing projects.

The summit endorsed nine resolutions that included:

Support for opening ANWR;

Support for an Alaska Highway gas pipeline route utilizing the mayor's port authority concept;

Support for DeLong Mountain Terminal projects including port upgrades, airport and tank farm. The resolution also supported additional impact studies;

Support for the Western Arctic Coal project;



Northwest Arctic Borough Mayor Roswell Schaeffer presents a gift he hand-crafted personally for North Slope Mayor George Ahmaogak, pictured at center.



Governor Tony Knowles told summit delegates that the North Slope's resources of oil and gas have made a tremendous contribution to Alaska's economy. His remarks focused on education, transportation and public health/safety.

Development of a stakeholder process for resource/economic projects that takes into account local concerns;

Support for initiatives that reduce the cost of bulk fuel in the two regions;

Support for education and training programs in the two regions, including the potential for alternative certification programs that would allow workers to access skilled jobs on resource/economic projects;

A commitment to preservation of traditional and cultural values;

A commitment to pursuing avenues to protect the subsistence lifestyle of the two regions.

The event was sponsored by the North Slope Borough, led by Mayor George Ahmaogak and Assembly President Molly Pederson, and the Northwest Arctic Borough, led by Mayor Roswell Schaeffer and Assembly President Larry Westlake.

The summit provides an opportunity for Alaska business leaders, elected officials from the two regions, and the people of the North Slope and Northwest Arctic boroughs, to gather in rural Alaska to review upcoming issues and projects, and work together to reach consensus.

RDC board makes the rounds in Juneau



RDC President Bob Stiles makes his point before Governor Knowles. Below, Marilyn Crockett meets with Fish & Game Commissioner Frank Rue and Ken Taylor.



RDC Board members Mayor Dale Bagley of the Kenai Peninsula Borough and Mayor Sally Smith of Juneau meet with Governor Knowles and DNR Commissioner Pat Pourchot, as well as Ken Freeman, Special Assistant for business and gas development.

Photos by Jason Brune



Rep. Lesil McGuire and Rep. Gretchen Guess visit at an RDC luncheon for freshman legislators hosted by Usibelli Coal Mine.



Senate President Rick Halford meets with the RDC delegation.



RDC Board members Chuck Johnson and Ryan Lance discuss legislative issues.



RDC Executive Director Tadd Owens and Board members Wendy Lindskoog and Jeff Foley discuss the need for a long-term fiscal plan with Rep. Bill Hudson.

Chugach moves to intervene in roadless complaint

Chugach Alaska Corporation and the Alaska Forest Association are seeking court permission to join the State of Alaska's lawsuit against the Clinton administration's regulations banning road building on 58.5 million acres of National Forest lands, including 98.9% of the 5.6 million acre Chugach National Forest. The lawsuit, filed in Anchorage Federal Court in January, seeks to permanently enjoin application of the rule by the federal government on the Chugach and Tongass National Forests in Alaska.

Chugach, the Alaska Native regional corporation for coastal South-central Alaska, owns more than 631,000 acres of land and mineral rights within

the Chugach National Forest, making it by far the largest private landowner within the nation's second largest National Forest. Chugach obtained its landholdings within the Forest under provisions of the Alaska National Interest Lands Conservation Act.

Chugach and the Alaska Forest Association, along with numerous other stakeholders, including RDC, spent three years participating in the Chugach National Forest Plan Revision process to ensure that the Forest would be managed in accordance with the federal government's promises made in ANILCA, both to private property owners and to the public at large.

"The roadless rule is an insult to

everyone who participated in the Plan revision process and a flagrant violation of the federal government's commitments to Alaska under ANILCA," said Sheri Burette, Chugach's Chairman of the Board.

According to Rick Rogers, Chugach's Vice President of Lands, Resources and Tourism, "the roadless rule effectively terminates the ongoing Forest planning process by dictating only one possible land use for 98.9% of the Forest."

The Alaska Forest Association, which represents 80 companies in the forest products industry, said the roadless policy would force more of its members out of business.



Phillips supports all
Dreamers
who make it happen

Sponsored in part by



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

PRSR STD
U.S. POSTAGE PAID
ANCHORAGE, AK
PERMIT NO. 377