

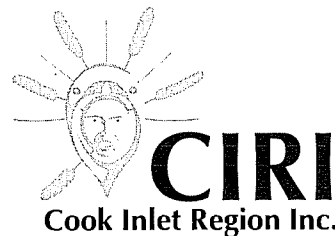
To succeed in business,  
you have to start with  
the right  
mix.



Cook Inlet Region, Inc. represents more than just one element of Alaska's Native heritage. Our shareholders are a mix of Eskimos, Aleuts, and Indians from every region of Alaska.

And whether we are investing in natural resource development, real estate, maintenance and construction services, or broadcast communications, we rely on the unique blend of heritage and experience that makes up CIRI.

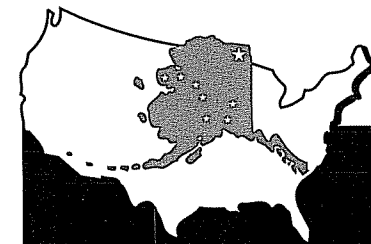
So when someone asks the secret of our success, we like to say our diversity is our strength.



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## Resource Review

October 1995

A monthly publication of the Resource Development Council, Inc.

# Record low timber harvest

*Southeast timber industry faces timber supply crisis,  
employment plummets, regional payroll is down*

The Southeast Alaska timber industry is facing its worst crisis in decades, sparked by a shortfall in promised timber offerings and new land withdrawals which have sharply cut into the land base deliberately set aside by Congress for timber harvesting.

Of a promised 300-320 million board feet of timber from the Tongass National Forest, approximately 159.6 million board feet have been offered for sale by the U.S. Forest Service this year. The shortfall is likely to result in a record low harvest, leading to further reductions in inventory needed to carry mills through the winter.

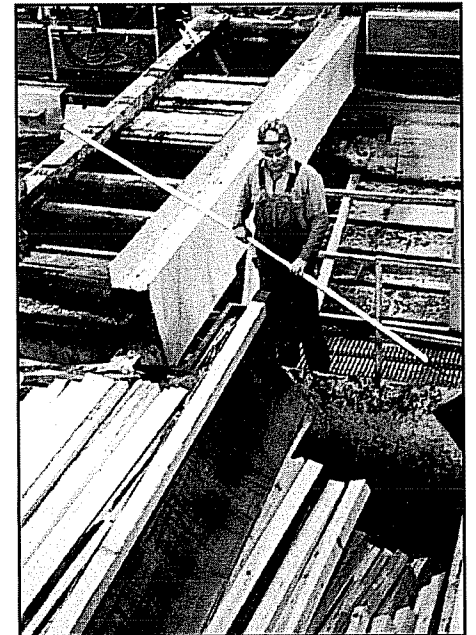
The 1995 offering is 100 million board feet lower than the previous record low harvest years of 1983 and 1984 when there was a worldwide depression in pulp and timber markets. In no year since the Ketchikan pulp mill began operating in 1954 have timber harvests from the Tongass fallen below 200 million board feet. The average annual harvest on the Tongass between statehood in 1959 and the passage of the Tongass Timber Reform Act in 1990 was approximately 419.6 million board feet.

As of mid-September, the Forest Service had offered Ketchikan Pulp

Company only 155 million board feet of 220 million board feet promised for fiscal year 1995, which ended October 1. The company's sawmills at Ward Cove and Metlakatla are running at about 50 percent capacity.

The smaller independent operators are even worse off as they have received only 4.6 million board feet of the 80 million that was supposed to be

*(Continued on page 4)*



*Southeast Alaska sawmills are operating at 50 percent capacity due to a timber supply crisis which has sent timber operators to distant forests outside Alaska to seek logs.*

*(Photo by Carl Portman)*

## ANWR veto threat looms, Knowles still hopeful

Legislation to open the Coastal Plain of the Arctic National Wildlife Refuge to oil and gas development passed key committees in the House and Senate last month by wide margins, but the White House is still threatening to veto the drilling provision when it arrives on the President's desk later this month.

Governor Tony Knowles, the Alaska congressional delegation, state legislators, pro-development groups and labor have been working hard

behind the scenes to convince President Clinton to sign a massive budget measure, which among other issues, includes ANWR drilling. Knowles was in Washington, D.C. and New York last month to make the State's case and discuss the veto threat with White House staff.

While a possible veto looms over the deficit-reduction bill, Knowles said he believes there is still a chance that Clinton would sign a bill with provi-

*(Continued on page 6)*



## Message from the Executive Director

by Becky L. Gay

## Federal issues get attention

Along with the headline issues of ANWR and Tongass, RDC is working on a number of other congressional actions important to Alaska. Other major items affecting resource sectors and community development are:

- Magnuson Act Reauthorization
- Endangered Species Act Reauthorization
- Oil export ban removal
- Denali National Park
- Wetlands
- Clean Water Act Reauthorization
- Mining Law reform

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.

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Writer & Editor  
Carl Portman



• Rural Sanitation improvements  
These and other issues are of a lower profile than the highly visible ANWR and Tongass debates, but they are of critical importance to Alaskans and demand RDC's attention. As a result, RDC has been in close contact with Alaska's congressional delegation and will continue to burn the midnight oil with our two senators and lone congressman to resolve these issues in a manner favorable to Alaska.

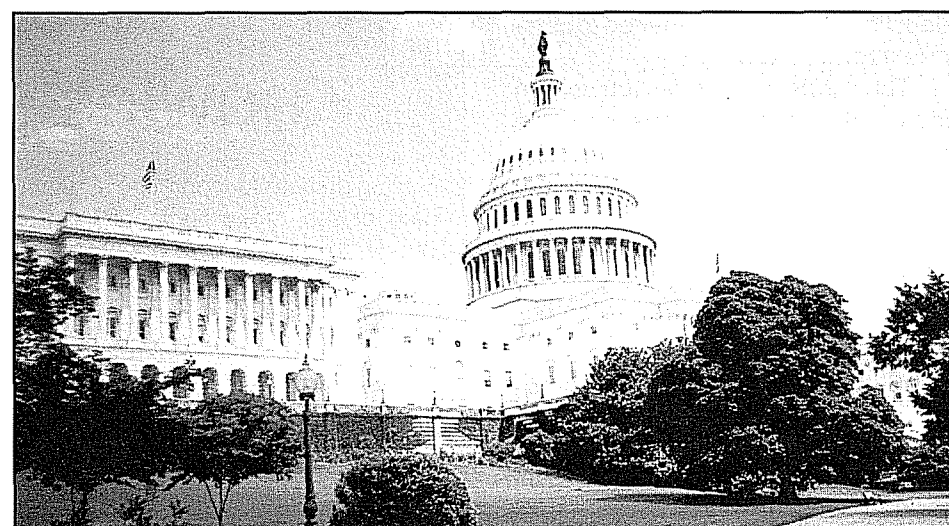
From holding educational Thursday breakfast forums in Anchorage to sponsoring field trips across Alaska, RDC's in-state efforts reach residents and visitors, regulators and the regulated, key officials and elected leaders to educate and advocate for sound resource development.

Outside Alaska, RDC board, staff and members strive to balance national resource debates by attending forums, giving speeches and interviews, logging many volunteer hours traveling to Washington, D.C. and other states to spread the word and give a fresh voice to Alaska resource politics. From meeting with editorial boards, addressing local leadership forums across America, to contacting elected officials, RDC

members provide the kind of "infantry" money cannot buy — a committed and informed electorate speaking up.

RDC informs its membership on Alaska resource issues and the actions which are underway to encourage, enable or impede resource development. RDC will give you tools by which you can become a more effective ambassador for your particular resource "cause(s)." Being a member gives you access to leading edge information, legislation and source documents for accurate intelligence on the most critical issues. Attending RDC events will get you next to the people who are actively involved in sound resource development and give you a more well-rounded world view not found easily elsewhere.

Next month, November 16-17, RDC's premier educational event takes place, helping to shape thought and action on Alaska's global position. RDC ends its 20th year with a promising look at the future at this well-attended gourmet conference held at the Hotel Captain Cook and we hope you will be there. Join RDC as it enters its third decade of leading Alaska resource politics and development into the future.



Federal issues have taken RDC staff and board members to Washington on several occasions this year.  
(Photo by Carl Portman)

## ESA bill gains sponsors, but rivals cloud outcome for meaningful reform

After years of research, debate and strategies, a comprehensive Endangered Species Act reform package is working its way through Congress.

HR 2275, the Endangered Species Conservation and Management Act of 1995, incorporates most of the reform features included in HR 3978, a similar bill introduced last year by Congressman Richard Pombo (R-CA).

Since it was introduced last month by Congressman Don Young and Pombo, the bill has gained 123 cosponsors. But, complications to meaningful reform have developed in the form of rival bills which have been introduced by members of Congress at the request of constituents and lobbies, some of which believe that the Young-Pombo bill is too strong and others of which believe it is not strong enough. The bills don't stand a chance for passage, but they do distract from HR 2275.

Pombo is concerned that the rivals could make it difficult to carry the House by a veto-proof margin or, worse, tempt

the Senate to enact a status quo bill.

The Young-Pombo bill includes peer review of proposed listings and critical habitat delineations; expanded public involvement in proposals to list, in most cases denying federal protection to isolated populations of species which are not otherwise endangered; giving landowners and other persons who oppose listings "interested persons" status; setting sharp limits to what can be treated as critical habitat; and guaranteeing fair compensation to landowners whose properties have been diminished by 20% or more by critical habitat inclusions.

The bill would also require federal agencies to prove that species occupy particular lands, rather than requiring landowners to prove that they do not.

Missing ingredients from the new 1995 Young-Pombo bill include the establishment of a scientific, DNA-based determination of true species and constraints on protection of subspecies. The bill also omits a mechanism to

administratively exclude species from federal listing if onerous economic or social impacts would result. The bill, however, does go part of the way through critical habitat constraints.

As part of an effort to solidify support for the legislation, the House Resources Committee could decide later this month on whether or not to strip property rights protections from the legislation. Two key provisions essential for the protection of private property, defining the term "harm" and providing compensation for "takings," are targeted for elimination by the administration and environmentalists.

The "harm" and "takings" compensation provisions are essential to any honest reform, said RDC board member Paula Easley, a federal lobbyist specializing in ESA reform. She urged supporters of meaningful reform to call or fax members of the House Resources Committee and tell them no reform is real unless it has the new definition of "harm" and property rights protection.

## ANWR likely to land on President's desk this month

(Continued from page 6)

by the Secretary would apply to oil and gas exploration, development, production and transportation.

The bill also gives the federal government permission to close, on a seasonal basis, portions of the Coastal Plain to exploratory drilling as necessary to protect caribou calving areas and other species of fish and wildlife. It also gives authority to the Interior Secretary to designate up to 30,000 acres of the Coastal Plain as Special Areas if the Secretary determines they are of unique character and require special management and regulatory protection.

The legislation also gives the Interior Department authority to develop necessary guidelines to encourage the siting of facilities, pipelines and other infrastructure in a manner which leads to facility consolidation and minimizes

impact on wildlife and habitat.

The House bill would also require Interior to conduct oil and gas leasing programs within six months of the date of enactment. The bill stipulates that the first lease sale shall take place within 12 months of enactment. It also provides that leasing revenues be split evenly between federal and state government.

Murkowski's bill provides stronger environmental measures, including authorization for the withdrawal of up to 60,000 acres to protect sensitive values. Like the House version, the Senate bill directs the Interior Department to adopt all the environmental mitigations in the 1987 Environmental Impact Statement designed to protect wildlife and habitat. The Senate bill would also place seasonal restrictions on exploration and development to avoid impacts on fish and wildlife. Exploration efforts would

be limited to the Arctic winter, November through April.

The Senate bill would require Interior to conduct the first lease sale for ANWR leases within 24 months of passage, requiring that at least 300,000 acres of the 1.5 million acre Coastal Plain be offered for leasing. It also requires that all revenues from ANWR development be split evenly.

The Reconciliation bills containing the Murkowski and Young provisions were expected to head to the Senate and House floors in October. Once both measures pass their respective chambers, a conference committee would mesh the bills, advancing a single pro-drilling provision on a budget measure which should land on President Clinton's Oval Office desk later this month or next.

# ANWR provision provides for lease sales, environmental protection

(Continued from page 1)

sions to open the Coastal Plain.

"We gave a rationale upon which it could fit into the Clinton administration's policy with regard to the environment and jobs," Knowles said. "I don't think it's (the veto) ironclad."

The Governor was relieved that Clinton rejected a request from environmentalists to use his executive authority to designate the Coastal Plain (Arctic Oil Reserve) a national monument. In September, environmentalists and some of the President's advisors had lobbied for a national monument to preempt Congressional action allowing lease sales in the AOR. Knowles and a number of state cabinet officers worked aggressively to counter that effort.

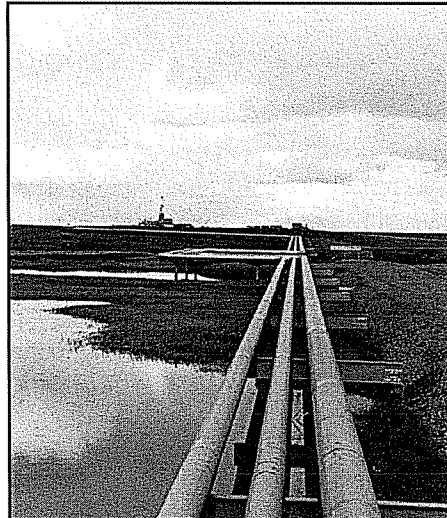
A monument designation would have elevated the AOR to the same status as a number of popular American landmarks, giving the issue more direct public exposure.

"It might well have become an issue that could not be discussed on its own merits, but would have assumed a life of its own," Knowles said.

Knowles spoke directly with the President's Chief of Staff Leon Panetta and with other officials. He also obtained support of governors across the West.

The Governor said he received a very "open" response to Alaska's case in meetings with White House and congressional officials. Officials in both places indicated more willingness to support development if convinced that it can be done so in an environmentally responsible way and the benefits of development are shared.

Knowles also met with the editorial boards of the New York Times, Washington Post, Wall Street Journal and USA Today. He told reporters that oil development now is less invasive and less damaging to the environment than when he roughnecked at Prudhoe Bay in 1968. For example, he said gravel pads are smaller, wells are drilled closer



"If we could build the Prudhoe Bay field over again from scratch using current technology, the 5,600 acres of tundra directly affected there would shrink to 1,600 acres," Governor Tony Knowles told reporters in Washington, D.C. last month. (Photo by Carl Portman)

together, fewer roads are needed and revegetation efforts have been improved.

Despite the removal of the monument issue, the fight is far from over as the President is under immense pressure from non-development groups and their political allies to veto any budget bill containing the ANWR provision.

Because the initial budget bill containing ANWR would likely be vetoed for many reasons, Knowles is hopeful that the drilling provision would escape the President's veto pen on a second compromise budget bill.

In a letter to President Clinton last month, Congressman Don Young said that the needs of Alaska's Native people are more important than the demands of the professional environmental community on the ANWR issue.

"I understand that you may have been misinformed about this issue by members of your administration—many of whom worked in top leadership positions in the professional environmental community prior to joining your cabinet," Young said. "However, this is the time to reject the pressure of the profes-

sional environmentalists and do what is right for the Native people of Alaska," Young continued.

Young emphasized that the Inupiat Eskimos who live in the Coastal Plain of ANWR support oil and gas development. He also noted that the Alaska Federation of Natives, the statewide organization that represents the traditional interests of more than 90,000 Alaska Natives, supports oil development. His letter explained how oil revenues have brought 20th Century living standards to rural villages previously at Third World levels. In addition, it pointed out how little of ANWR would actually be disturbed by development.

Last month's progress on opening the Coastal Plain came in the Senate Energy and Natural Resources Committee and the House Committee on Natural Resources.

The Senate development provisions, written by energy committee chairman Frank Murkowski, were approved on a 13-7 vote while the House measure sailed through Young's natural resources committee by a 27-12 margin.

Young's measure includes numerous environmental safeguards to ensure that oil activity is conducted in the most environmentally-sound manner possible.

"Alaskans want these safeguards to ensure that oil exploration and development will be the model program for the Arctic," Young said. "Under the provisions of our legislation, oil and gas development would not occur until 10 to 15 years from now so that these regulations could be fully developed and implemented."

The major environmental provisions in the legislation include requiring the Secretary of Interior to develop the rules and regulations prior to lease sales to ensure that activities undertaken in ANWR achieve protections for wildlife, habitat and subsistence resources. Environmental safeguards developed



## Thoughts from the President by Elizabeth Rensch

*These carefully selected topics and presentations are sure to offer razor sharp insights on innovative approaches designed to stimulate domestic and international trade.*

Once again, through the collaborative effort of our volunteer board of directors and RDC staff, the Resource Development Council invites you to attend our 16th Annual Conference November 16 - 17 at the Hotel Captain Cook in Anchorage.

This year's conference, aptly called "Alaska's Global Position: Navigating Turbulent Times," collectively serves

## Alaska's Global Position Navigating Turbulent Times

up the big picture in global positioning, perceptions, risks, probabilities and realities, which is guaranteed to challenge those chosen to lead Alaskan business and industry strategically into the next century.

Guest speakers from across the nation, as well as local delegates and business leaders will assemble for two days to explore the latest global strategies in the development and marketing of our natural resources. The conference will also explore Alaska's global position in transportation, telecommunications and technology.

These carefully selected topics and presentations are sure to offer razor sharp insights on innovative approaches designed to stimulate domestic and international trade. Useful information and powerful insight that could result in

Alaska being at the "hub" of a truly global market.

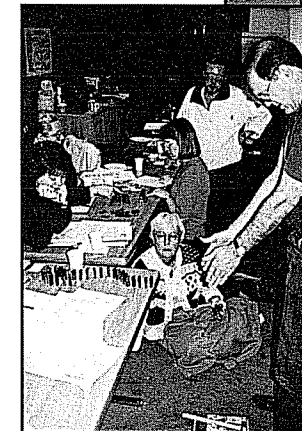
Back by popular demand, interactive workshops are slated early to provide professional tools to help you position your business for success when faced with political and public opinion issues. Plan to attend the keynote luncheon at noon Thursday as Governor Knowles kicks off day one offering his comments on the hottest issues. And don't miss our legislative leadership when they present their views at the keynote luncheon Friday.

The gourmet breaks, networking opportunities, the All-Alaska Expo displays and, most importantly, the unique fellowship of our diverse membership and guests will make this year's RDC conference the business, social and political event NOT to be missed!

## Teachers trained in how to assist students in drawing connections between raw materials and manufactured products

Teachers from several Alaska school districts met in Anchorage last month for a three day "Training of Trainers" session on how to use AMEREF's Alaska Resources Kit in classroom instruction. The session was very successful, with a significant amount of time spent on familiarizing teachers with the new activities contained in the new "Energy and Environment" and "Economy/Ecology" modules. Teachers attending the session have agreed to serve as trainers in their school districts for the AMEREF program.

Training is an important component of the AMEREF Minerals and Energy Education Program. Trainers not only teach other teachers in the use of AMEREF materials, but encourage them to frequently utilize the Alaska Resources Kit, which is considered the heart of resource education in Alaska. The main objective of the program is to provide students with the knowledge, skills and attitudes necessary to make informed decisions on natural resource issues. Each year AMEREF produces new kits for Alaska schools and periodically updates its Alaska-specific resource education materials.



AMEREF trainer Shelly Szipsky describes student activities and teacher lesson plans while curriculum writer Jennifer Coggins and Program Coordinator Terri Campbell assist. At left, several teachers pilot AMEREF activities. (Photos by Carl Portman)



# Timber shortfalls ignite new battle, delegation works to achieve reliable timber supply

(Continued from page 1)

offered for sale.

The recent chronic shortfalls in timber offerings have resulted in the closing of mills in Sitka, Wrangell, Saxman and Ketchikan. Direct industry employment has plummeted 42 percent and the region's overall total payroll has fallen by more than \$40 million. Other workers outside the timber industry, including school teachers, longshoremen, marine pilots, tug boat operators and those providing local services and products, have been caught in a domino effect.

Timber sales currently scheduled by the Forest Service are only enough to keep existing timber processing plants open at about 50 percent capacity, and certainly not enough to permit the re-opening of the Wrangell sawmill or the development of value-added firms, such as a medium density fiberboard plant or a kiln facility.

The timber supply crisis has brought renewed efforts by Alaska's congressional delegation to free up more timber from the forest. But those efforts have met stiff resistance from opponents of development, sparking a new battle over the Tongass.

In 1990, after years of debate, Congress approved the Tongass Timber Reform Act (TTRA) in order to strike a reasonable balance between environmental concerns and providing enough timber to sustain a healthy forest products industry in the region. Many people believed the reform package, known as the "grand compromise," would bring peace to a forest used by multiple interests.

In return for setting aside another 1.1 million acres, adding buffer strips along salmon streams and renegotiating the long-term contracts with the region's pulp mills, the timber industry was supposed to receive a dependable supply of timber — expected to be about 400 million board feet annually — enough to keep the then existing timber industry jobs secure.

But over the past five years, the TTRA has not worked as intended be-

cause of reversals in Forest Service policy after the Presidential election. Additionally, the agency's proposal to proceed with the current Tongass Land Management Plan (TLMP) has been challenged by the delegation because it proposes a harvest that is insufficient to meet even the industry's scaled-down needs.

The Forest Service is not entirely to blame for the shortfalls as much of this year's timber supply was to come from more than 130 million board feet of timber in the northern Tongass that is now tied up by an injunction filed by environmental groups. That timber was originally reserved for cutting under the Alaska Pulp Corporation's (APC) long-term timber-supply contract. When the contract was terminated by the Forest Service in 1993, the timber was to be released in independent timber sales.

Non-development groups had aggressively opposed the long-term contract, claiming it represented a monopoly and that the timber should be offered to independent operators to foster competition and diversity in the region's forest products industry. Some of these groups now claim new environmental impact statements should be prepared before the timber is offered for sale.

Senator Stevens had won approval of a provision in a huge Department of Interior spending bill which would have mooted the lawsuit by stating that once an EIS is completed, it need not be repeated solely because the timber is to be sold to a different company. The House, however, turned back the spending bill because of controversial provisions unrelated to the Tongass.

The bill, which has been sent back to a House-Senate conference committee for revision, would also have forced the Forest Service to implement its 1993 preferred alternative for managing the Tongass. The preferred alternative, known as Alternative P in TLMP, came out of an extensive public process that included 35 public hearings and 11,000 comments. It was ready for final implementation in 1993, but was

scuttled by the new Clinton administration.

The timber industry did not support adoption of Alternative P when it was originally proposed, contending that the plan did not go far enough in meeting its needs. The industry has since modified its position, believing that Alternative P is the best it can get under the current administration.

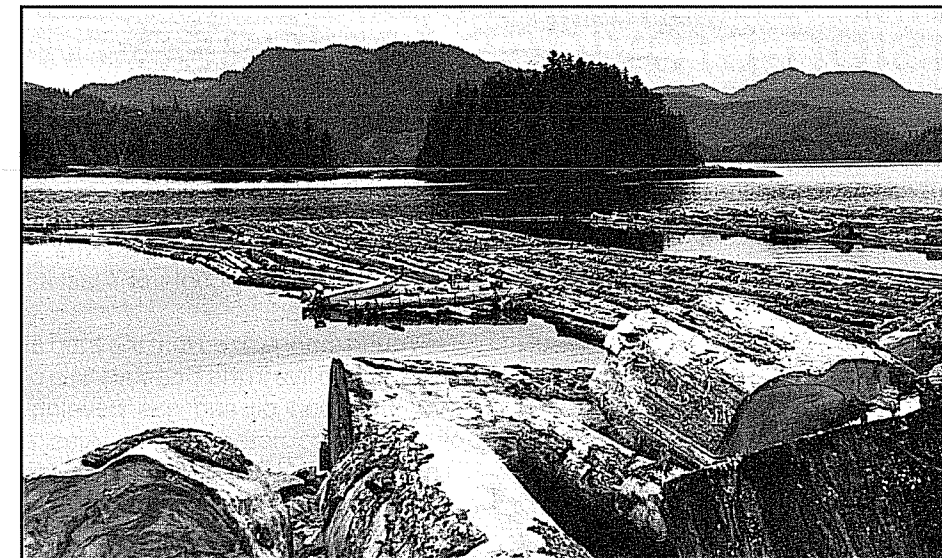
The language agreed to by the conferees in the bill would have required the Forest Service to implement its preferred Alternative P for one year. During that time the Forest Service could continue the TLMP planning process. The bill also required that any revised TLMP keep the same number of acres available for timber production as were available in 1993.

Stevens said the legislation met the twin goals of giving the timber industry a reliable and sustainable timber supply while allowing the TLMP revision process to continue.

A joint House-Senate conference committee is expected to reconstruct the spending bill later this month, especially its controversial provisions dealing with the Mining Law. Stevens intends to pursue the Tongass provisions in the bill which is expected to be back on the House and Senate floor by late October.

Meanwhile, Senator Murkowski is making changes to a timber-supply bill he introduced earlier this summer, the Southeast Alaska Jobs and Communities Protection Act. New workshops will be held on the revised legislation before formal hearings are held. That legislation would also seek to establish a dedicated timber reserve, based upon market demand, to protect industry jobs and provide a stable, long-term timber supply.

At press time of this publication, the Forest Service announced it would try to release 310 million board feet of timber over the next 12 months. Proposed sales include 210 million board feet to Ketchikan Pulp Company and 100 million to independent operators.



Logging activities in the Tongass National Forest are restricted to a dedicated harvest base of under 1.7 million acres. More than two-thirds of the commercial forest is closed to logging. (Photo by Carl Portman)

## Bill would transfer Tongass to State

In an effort to increase Alaskan control of the Tongass National Forest, Congressman Don Young has introduced a bill to allow transfer of the 17 million acre forest to the State of Alaska.

"We've reached a point where the conflicts over management of the Tongass have intensified so much that federal solutions based on federal policies made by federal political appointees do not work in the Tongass," Young said. "The resource itself and the Alaskans who depend on it are too important."

Under Young's bill, Alaska's legislature and the Governor can elect to receive the entire Tongass. When they do, a one year transition to state ownership begins. At the end of the transition period, Alaska would receive a deed to the Tongass, and the forest then begins to be managed under laws made by Alaskans.

Those with valid existing rights in the Tongass would be protected as the State would be required to maintain those rights.

While the federal government would relinquish title to its largest national forest, it also would save more than the \$100 million it costs annually to operate the forest. In addition, the federal government would receive 25 percent royalty on any timber the state logged in the forest.

Young acknowledged that President Clinton would never sign the bill into law, but he hopes the legislation will ignite a "sagebrush rebellion" of conservative Westerners who are frustrated with overly intrusive and dictatorial federal policies.

Young said his bill would give the legislature and the Knowles administration what they want — maximum self determination with respect to land management decisions which affect Alaskans.

"We all need to start discussing solutions that achieve sound, balanced decisions and bring control back to Alaskans," Young said.

"Congress and the Forest Service take more and more land from multiple use," Young pointed out. "The timber industry is unhappy. Even the environmentalists seem like an unhappy group, as they are continually appealing Forest Service decisions and suing the Forest Service time after time. Their actions cause taxpayers big bucks."

## Southeast poll shows support for logging

A survey of 1,200 Southeast Alaska households show slightly more than half favor the Alaska delegation's congressional efforts to sustain timber industry jobs in the Tongass National Forest.

The poll, conducted by the McDowell Group, was released last month by the United Brotherhood of Carpenters and Joiners. Poll takers said the delegation support was 57 percent overall, and 66 percent outside Juneau.

McDowell said the survey had an error rate of plus or minus 3 percent.

Of those surveyed, 77 percent said people and jobs should receive "the same or more consideration" as fish and wildlife management in the Tongass.

Since the Tongass Timber Reform Act was passed in 1990, more than 1,100 timber industry jobs have been lost in Southeast Alaska. Efforts initiated by Alaska's congressional delegation are aimed at retaining industry employment levels at 2,400 jobs, the approximate amount of jobs which existed in the forest when TTRA was enacted.

TTRA was considered a grand compromise which was to bring peace among diverse interests which use the forest. The industry was forced to make a series of concessions through TTRA, but the law specifically set aside 3.4 million acres of 5.7 million acres of prime forest for harvesting over a 100-year rotation cycle. That timber reserve was supposed to sustain industry jobs, but in the five years since TTRA, the land base reserved for timber has fallen to less than 1.7 million acres, well below the balance set by Congress in 1990.