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# Resource Development Council for Alaska, Inc.

## RESOURCE REVIEW

BOX 516

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DECEMBER, 1979

### ALASKA MINING: AN ENDANGERED SPECIES?

Until about the time of the National Environmental Protection Act (1970) the main decisions on mining were economic decisions, made in the marketplace.

Geologist C. C. "Chuck" Hawley, executive director of the Alaska Miners Association, writes in the Alaska Journal that since that time mining decisions have become a matter of public debate. All debators are given equal rights and standing, adding fantastically to costs without substantially increasing benefits to the miner or the public.

Government regulatory practices, as well as regulations themselves, are now major factors in planning. Mining companies hesitate to plan mines in an area unless they know the direction regulatory bodies will take.

It is necessary for mining companies to have some stability to plan ahead. It can take as long as fifteen years from the beginning of planning of a large-scale mining operation until the operation starts to produce.

Mineral land tenure must be certain for a mining company to start development. However,

because of the nature of mining law, unpatented claims in Alaska are jeopardized by the federal government. The law protects tenure only against private parties, not government.

President Carter's withdrawals under the Antiquities and BLM Acts have forced federal land managers to examine the validity of claims as of the date of withdrawal. The examination is extremely rigorous and most mine operators were unprepared for such an examination at the time of withdrawal.

On lands not yet withdrawn the BLM and the U.S. Forest Service emphasize the Wilderness category provisions of the 603 and RARE II programs, thus severely limiting mineral development.

On state and native lands any mining deal will be uncertain until title is vested in those lands.

Mining companies believe that the current taxation attack on energy company profits may be one day directed toward them. They fear excessive taxation when the mines they want to develop begin to produce.

### PACIFIC LEGAL FOUNDATION JOINS LAWSUITS

Haines representatives Merrill Palmer, John Halliwill and Ray Rose met with RDC officials and Ron Zunbrun, president and co-founder of the Pacific Legal Foundation last month to ascertain the foundation's interest in entering the lawsuit over the Haines timber contract.

The Foundation's board of trustees subsequently met in Sacramento and agreed with RDC that resolution of the issue could have national significance, a criteria considered by PLF in choosing cases its attorneys undertake.

Papers have been filed by PLF to represent

*Continued next page*

## Season's GREETINGS



sent defendants in the suit as co-counsel. Defendants are the State of Alaska, the City and Borough of Haines and Schnabel Lumber Company.

PLF also represents the City of Skagway in its battle with the Environmental Protection Agency over the town's sewage treatment

plant. EPA wants penalties of \$10,000 a day from Skagway for failure to comply with EPA wastewater treatment standards. The new \$3.5 million plant has been shut down primarily because the city can't afford to maintain it. EPA also wants to withhold grant funds owed to the city for constructing the plant.

#### AMERICAN PETROLEUM INSTITUTE'S VIEWS ON THE SYNTHETIC FUELS CORPORATION

"We support the orderly development of synfuels . . . it makes sense for the government to provide the impetus for an accelerated effort to develop synfuels.

"We do not, however, believe that creation of yet another government entity with a huge budget is the solution when a sizeable energy research, development and demonstration agency already exists within the Department of Energy (DOE).

"Some proponents of the Energy Security Corporation say its function would be just to administer incentives available to private companies. If that is so, then it makes sense to use DOE to carry out this function -- which

it has been doing on a modest scale.

"Many private companies are already involved in the development of synthetic fuels. The better, more efficient and less costly approach to speeding up this effort would be to have the DOE synthetic fuels program help the private sector build the less-than-commercial-scale demonstration plants for those synfuels technologies that show promise. When a technology reaches the state where commercial-scale plants should be built, private companies should assume the risks . . . Commercialization of synfuel technologies can be most efficiently achieved by the private sector in response to simple, market-oriented incentives."

#### WHO GETS OIL INDUSTRY PROFITS?

The American Petroleum Institute reports that petroleum industry earnings are slightly above those of other U. S. industries for the first nine months of 1979. They have been almost exactly the same as those of all other U. S. industries for the last decade.

Analyses by non-oil institutions demonstrate a need for \$1 trillion for exploration and production, refining-marketing-transportation, and alternate energy sources between now and 1990.

Some observers seem to believe that oil company profits are being shoveled out excessively to the shareholders. In fact, the dividend-payout ratio for 25 leading American oil companies has been almost identical with that of the rest of U. S. industry over the years.

According to the Chase Manhattan Bank,

after-tax profits for 27 oil companies totaled \$81.3 billion between 1971 and 1977. Capital and exploration expenditures for those companies totaled \$153.6 billion. For every dollar of net income realized the companies invested about two.

Planned worldwide capital and exploration expenditures of 12 leading oil companies in 1979 total \$23.1 billion. This is 1.7 times the annualized, nine-month, worldwide \$13.3 billion net income for these companies. Of their total planned capital and exploration spending, 63 percent, more than \$14.5 billion has been budgeted for the United States.

The announced 1979 capital and exploration expenditures for 12 leading companies are 22 percent greater than in 1978

#### PACIFIC ALASKA LNG UPDATE

At the Royalty Board meeting on November 30 Ken Dorking and Bill Cole reported on the status of their Pacific Alaska LNG project. The FERC says the firm must have 1.5 tcf of natural gas reserves committed before proceeding with Phase 1 construction. Phase 2 can proceed if they only have 50% of reserves or 2.3 tcf.

FERC indicated that the State would be in a position at any time during the project to take royalty gas in kind without going back to FERC for approval. Therefore, royalty gas committed to the project could not be included

in supply figures. Because of this, PacAlaska does not want the royalty gas (70-85mmcf/d) until Phase 2.

Construction at Nikiski is projected to begin in 1981 if all goes well.

In a discussion of the project's delays and money already invested -- \$200 million -- Bill Cole compared the contract whereby Japan was to buy Indonesian gas. The contract was signed in 1973, facilities constructed and gas moving by 1977. In contrast to that, PacAlaska contracted with Indonesia in 1972 and still is years away from taking gas from that source.

#### ALASKA 1984

In the George Orwellian year of 1984 BIG BROTHER is supposed to dominate not only the politics of a third of the globe but business and culture as well. 1984 may conjure up all shades of evil in the minds of the literary, but **Alaska 1984** is aimed in exactly the opposite direction.

The brainchild of Bob Uchitel, Alaska 1984 will be the gathering of the world in Alaska. Planned to be a World's Fair similar to ones in Montreal, New York and Seattle, the exposition would attract businesses and governments from around the world to display their wares and national products. The result will be a meeting of the technology of an age and the brains behind it.

The outlook for the exposition is rosy. Uchitel is gathering strength both in-state and in foreign countries. Only last week the Municipality of Anchorage pledged over \$250,000 for the project. Individuals, corporations and countries have been signaling their interest over the past months. Uchitel is now concentrating on the Anchorage area to add Alaskan citizens into the funding.

Overall the exposition is expected to come out 10 to 20 million dollars in the hole. But the impact of bringing thousands of tourists into Alaska would result in the influx of more than \$500,000,000 for support industries: hotels, restaurants, taxicabs, retail stores and other tourist-related industries.

#### MEETINGS FOCUS ON SURPLUS REVENUES

On December 6 the Council brought together members of the banking community with legislators and commissioners. In a two-hour question-and-answer session the panel discussed the current state of fiscal affairs and what short- and long-term solutions existed.

Panel members included Frank Murkowski, President, National Bank of the North; E. Thomas Pargeter, Senior Vice president, National Bank of Alaska; James E. Johnson, Vice President, First National Bank of Anchorage; Bart Jones, Vice President, Alaska State Bank; Chuck Webber, Commissioner of Commerce; Tom Williams, Commissioner of Revenue, and Senator Arliss Sturgulewski.

The panel discussion was an extension of a previous presentation by the bankers alone on capital shortages.

The general consensus was that there should be a definitive, long-range economic

plan for Alaska. In the past there had been too much emphasis on solving one problem at a time. Without a comprehensive plan the state would continue to fight brush fires here and there without having an overall schedule for lasting development.

It was also generally agreed that the most strangling factor facing the private sector was that of regulation. Far too often, it was noted, good projects went bad because of excessive regulation. Other businesses were in fear that someday a federal or state regulator would suddenly show up and close down the entire operation for violations of unrealistic ordinances.

The bankers and business and labor representatives of the private sector in the audience urged legislators and commissioners to press for incentives for business and a more enlightened business climate.

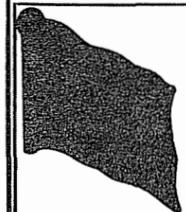
#### THE MASS TRANSIT PANACEA

Many believe that public mass transit can solve our energy problems. The federal government has spent billions to lure drivers of private cars into buses and trains with very poor results.

Charles Lave in THE ATLANTIC magazine maintains that the federal government will not get good results because cars are eminently more convenient and because we can afford them.

Lave shows that public mass transit use saves

little energy. Only 3 percent of passenger trips made in the U.S. are via public transportation. Cars use most of the energy. Lave maintains we ought to concentrate on improving the efficiency of cars. If the fuel efficiency of the average car were increased from 15.0 mpg to 15.2 mpg the nation would save more energy than if public transportation patronage were doubled.



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**STRATEGY  
FOR  
FISHERIES  
DEVELOPMENT**

Alaska fishermen and fish processors need more economic and technological information to develop the groundfish and other underutilized fish resources, according to Walter Jones of the National Marine Fisheries Service.

He writes that information is necessary for a fisheries development plan. A plan is necessary to obtain investment capital and government assistance.

Industry, natives, boat builders, suppliers, investors and community and government representatives should help design the plan.

Information would come from past and current research and development projects in ground fisheries. Jones suggests that the Alaska Fisheries Development Foundation (AFDF) gather and publish the information periodically.

For the future Jones proposes a plant that

would develop and commercially evaluate new equipment and new harvesting, processing and marketing methods.

Ron Jensen, AFDF president, states, "I hail the (Carter) administration's endorsement of a national fisheries development policy." The endorsement is "the shot in the arm the industry has been looking for."

He stressed that the policy must make provision for regional differences, that the industry itself must determine the direction of development and that government assistance must be free of layers of bureaucracy and months of delay.

He believes that both the industry and government should pay for fisheries development but that government should provide more money in the early stages of development.

**FOREIGN  
JOURNALISTS  
LEARN  
ABOUT  
ALASKA'S  
RESOURCES**

Alaska is the wealthiest State in the U.S. in terms of natural resources and perhaps even in dollars, according to Bob LeResche, Commissioner of Natural Resources.

LaResche spoke in October to 60 foreign journalists who were on a four-day Alaska tour sponsored by Sohio.

As reported in the Anchorage Times, he said Alaska has some 30 percent of the country's oil and gas reserves with 40 billion barrels of oil and

90 trillion cubic feet of natural gas. The State has about 60 percent of the nation's proven coal reserves, much of which is accessible. The state also has significant quantities of hard rock minerals with traces of 28 of the world's 32 strategic minerals.

In describing our dollar wealth LeResche said that by the late 1980's the State government will have between \$14 billion and \$18 billion in its permanent fund.

## TRANS-ALASKA OIL PIPELINE COLLECTORS' ITEMS

Commemorative plaques and desk weights certified to contain oil from the FIRST BARREL OF OIL received at Valdez, Alaska, from Prudhoe Bay, July 28, 1977:

**WALNUT PLAQUES.** Distinctive and elegantly designed, each plaque is numbered for one of 799 pipeline miles. The map of Alaska is carved in bas relief, set off by inset brass corners and inscribed plate, raised lettering and miniature pipeline containing Prudhoe Bay oil. Size: 12" x 14" Cost: \$200

**DESK WEIGHTS** Clear lucite desk weight measures 4 1/2 x 3 3/4 x 1 1/2 inches with red base. Tube of oil, pipeline mile and inscription in center. Cost: \$30

True collectors' items, only 799 of each were manufactured. Register of owners maintained at Resource Development Council. Send check or money order to (Resource Development Council), Box 516, Anchorage, Alaska 99510.

**NOTABLE  
QUOTES**

"The need to expand and modernize America's industrial supply capacity has become increasingly clear. Sagging productivity figures and the bulging U. S. trade deficit are symptoms of an underlying problem which we must begin to remedy. Investments in new, more efficient plant and equipment must be increased."

Heath Larry, President,  
National Association of Manufacturers

"Studies by the Treasury Department indicate that the amount of capital needed to support a production worker in manufacturing doubled between 1963 and 1973. It took over \$40,000 in capital for each manufacturing job in 1973.

"During the next decade, U. S. businesses will require some \$5 trillion in new capital for new plant construction, new jobs and increased productivity."

Sen. Gaylord Nelson (D-WI)

"The truth is we can control the problem of pollution as a society and in fact we are . . . We are doing remarkable things . . . in controlling pollution and we have been for the last ten years. If there is one thing that irritates me . . . it is the lack of understanding perpetrated by those who report on . . . how much progress we have made . . . in cleaning up the environment."

William Ruckelshaus, Former Director of the  
Environmental Protection Agency

"What this (windfall profits) exemption amounts to is economic warfare against the rest of the country. It will accelerate the already current problem where the economic strength of the country is being drained out of the northeast and north central regions."

Sen. John Danforth, Missouri Republican

**EDITORIAL COMMENT: It's about time!**

"The reality is that zero defects in products, plus zero pollution, plus zero risk on the job is equivalent to maximum growth of government, plus runaway inflation. That's what we have."

Gov. Dixy Lee Ray, Washington State

"When a lawmaker recently asked the General Accounting Office to provide him with a

**INTEREST  
RATES  
STALL  
HOME  
OWNERSHIP**

Carol Doucet told the Anchorage Chamber of Commerce recently that an average two-bedroom house with 1,144 sq. ft. finished, an unfinished downstairs, and a two-car garage now costs \$96,600 in Anchorage. A downpayment

list of all the forms presently in use by the federal government, he was told it would be impossible without using the agency's entire staff for a number of years."

Washington Whispers,  
U. S. News & World Report

Most of the new inventions in the world are originated by individuals working alone. A U. S. Senate Committee some time ago revealed that of the 61 most important inventions since 1900, 40 were created by individual inventors. Although government contracts are almost always awarded to large corporations and institutes, it's the brain of one man that is most frequently responsible for a major invention.

Source Unknown

"This legislature had better start looking . . . at incentives . . . to bring businesses in. One of the incentives would be the tax base, because most growing states in the Lower 48 have very attractive tax structures."

Rep. Don Young

"The proper way for government to stimulate the economy is . . . to let the "private sector reinvest its profits . . . Alaska needs this opportunity now."

Jalmar Kerttula

"It's true that eventually State income will decline if there are no new oil discoveries or major industrial developments that can be taxed to support the style to which the State government has become accustomed. However, 25 percent of all resource revenue is being socked away in the permanent fund for just such a rainy day. Instead of being worried about taxing present-day residents in time of inflation to take care of the next generation, the State should be investing some of its current income to promote economic growth that will bring revenues in the years ahead."

Anchorage Times editorial

"It's very hard to say how much coal we have, but if we talk in terms of what we think is there (Alaska), 1.8 to six trillion tons . . . that's the energy equivalent of 73 Prudhoe Bays."

State Geologist Ross Schaff  
on Alaska's coal reserves

**TAXES  
TAKE  
A HIGH  
PERCENTAGE**

The following Bureau of Labor Statistics list shows living costs of a hypothetical family of four at three budget levels. Personal income

taxes take a big bite out of an Anchorage resident's salary.

ITEM	Anchorage	U.S.	Anchorage % of U.S.
<b>Total Lower Budget</b>	<b>\$19,030</b>	<b>\$11,546</b>	<b>165%</b>
Food	4,547	3,574	127%
Housing	4,828	2,233	216%
Transportation	1,544	856	180%
Personal Income Taxes	2,540	935	272%
Medical	1,818	1,065	171%
<b>Total Intermediate Budget</b>	<b>26,329</b>	<b>18,622</b>	<b>141%</b>
Food	5,641	4,609	122%
Housing	6,817	4,182	163%
Transportation	2,071	1,572	132%
Personal Income Taxes	4,864	2,738	178%
Medical	1,820	1,070	170%
<b>Total Higher Budget</b>	<b>38,406</b>	<b>27,420</b>	<b>140%</b>
Food	6,944	5,806	120%
Housing	9,809	6,345	155%
Transportation	2,447	2,043	120%
Personal Income Taxes	10,022	5,739	175%
Medical	1,884	1,116	169%

\*Bureau of Labor Statistics

**DELTA  
BARLEY  
PROJECT  
UPDATE**

Alaska's first entry into the barley marketing business got off to a slow but apparently successful start Nov. 16 when the state sold 140 tons of the grain at a public auction in Anchorage.

Only two bidders showed up, with Alaska Mill & Feed buying 80 tons at \$131 a ton and Matanuska Maid picking up 60 tons at \$130 per ton. The firms will use the grain as feed for livestock.

Since 1977, when the 22 farmers bid for the agricultural rights of 60,585 acres divided into tracts ranging in size from 1,918 to 3,677 acres, the state has pumped in approximately \$13 million, mostly in the form of loans. Some 30,000 acres have been cleared, while 290 acres are in production, growing barley, wheat, potatoes, rapeseed, Red Fescue grass, Nugget

Blue grass, oats, peas, sunflowers, honeybees and bison.

Bob Pollock, state coordinator for the project, said he was pleased that it has resulted in a high-grade product. "I'm excited. This is the first time we've had this quality barley," Pollock said. The project has provided employment for 72 people. The project's storage capacity is now 350,000 bushels. Each acre now yields between 40-60 bushels.

Another auction is being offered Dec. 17 at the MacKay Building in Anchorage. Some 1,000 tons are being exported to Taiwan and another 300-400 tons will be sold to the farmers' cooperative. The shipment to Taiwan is expected to leave Alaska in January, and a price has not yet been set.

**IMPORTANT  
DATES  
FOR YOUR  
CALENDAR**

Friday, January 25  
and  
Saturday, January 26

RDC SYMPOSIUM

See next newsletter for details

March 29  
RDC ANNUAL MEETING

May 24  
Alaska Railroad Charter  
fundraising train trip

**GO  
BIG  
OIL**

Recently, a coalition of interests spearheaded by Ralph Nader, Barry Commoner, and other prophets of doom conducted a nationwide effort to protest the high cost of oil products, and to demand that the oil industry be, in effect, nationalized.

Though the effort was less than spectacular, it did receive a disproportionate amount of media attention, and is the harbinger of things to come, not only for the oil industry but for other corporate interests.

The oil protest day was significant because it was the opening shot in a long-festering attack on the private sector and the free market system in the U.S.A. Though the protest day participants included many representatives from organized labor, it really did not receive the support of either the rank and file of the vast majority of labor, or even the rank and file of the specific unions involved.

It mattered little to the leadership of the protest who advocate corporate control that the object of their opening shot, big oil, has during the past three decades been so effective in locating, transporting and producing oil products or that the American public has and still does enjoy, the lowest price oil products in the world. Additionally, the "Stop Big Oil" group who demanded that oil prices be dropped on behalf of

the poor and elderly would, if their demands were met, actually undermine this nation's efforts to use less oil, drop the price of gasoline, and have exactly the opposite effect because an undampened consumption of oil products would further cripple this nation's sagging dollar and add to the real grievance of the elderly and poor; that is the devalued dollar.

In reality the oil industry contains thousands of firms, intense competition, and is dominated not by a few large firms, but by the stranglehold which the owners of the basic resource, that is, Mexico, Saudi Arabia, et. al., have on the oil industry's ability to manage crude oil supply.

If the oil companies are "ripping off the people" as Nader and company contend, then they should be prosecuted to the full extent of the law; however, to promote unfounded charges and the government control of a resource as essential as petroleum is not only unwise, but irresponsible.

This country should support its corporate community and the free market which makes it possible. For when it comes to delivering the goods, no other system even approaches America's free market success. We need to preserve that system; we need to preserve the corporate mechanism, and that includes the oil industry.

Environmental Impact editorial  
Sept/Oct 1979

**HOW TO  
SAVE  
GASOLINE**

In its third quarter newsletter, Exxon USA advises: Observe the 55 mile an hour speed limit. If everyone did, this one factor alone would cut U.S. gasoline consumption by 200,000 barrels a day. Most cars get 20 percent better mileage at 55 than at 70 mph.

Drive at a steady pace. Press lightly but steadily on the accelerator so that you flow smoothly through traffic. Avoid jackrabbit starts, sudden braking, and tailgating.

Avoid idling, which gets zero miles to the gallon. Warm up your engine in the morning by driving slowly for a few minutes. Turn off the ignition when you expect to wait more than 30 seconds; restarting takes less gasoline than idling does.

Keep windows closed at highway speeds, thus avoiding drag. Take off luggage and ski racks

when not in use. Remove drag-causing fixtures, get rid of extra weight.

Join a car pool at work. Plan errands ahead... Take a vacation at home.

Have your car tuned regularly. Keep the engine filters clean. Use the gasoline octane and oil grade recommended for your car. Higher viscosity oil than recommended decreases miles-per-gallon efficiency.

Check tire pressure regularly. Underinflated tires increase gas consumption. Consider radial tires. They can improve gas mileage by as much as 10 percent.

Get a lighter, smaller car next time. The best fuel economy is associated with low vehicle weight, small engines, manual transmissions, low axle ratio and low frontal area (the width of the car times its height).

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