

LET
YOUR
STACKS
SMOKE

Industries will be allowed by new Environmental Protection Agency regulations to increase some individual sources of air pollution if they can reduce their total air pollution.

At present each smokestack is monitored as an individual source. Under the new regulations smoke

from all a plant's smokestacks will be considered as a single source. According to the government agency, the new method of monitoring smoke will encourage industries to come up with innovative and cheaper methods of controlling pollution.

ANOTHER
VIEW
ON
ENERGY

Science News in January reviewed the National Academy of Science report by its Committee on Nuclear and Alternative Energy Systems. The report states, "the energy problem does not arise from an overall physical scarcity of resources. There are several plausible options for an indefinitely sustainable energy supply . . . The problem is in effecting a socially acceptable and smooth transition from gradually depleting resources of oil and natural gas

to new technologies whose potentials are not now fully developed or assessed and whose costs are generally unpredictable."

The authors contend that the reducing of the growth of energy demand should be the highest priority of the Federal government's energy policy and that coal and nuclear power will offer the only large-scale, intermediate-term options for generating electrical power.

A BOOM
IN '82.

The quarterly report of the State Division of Economic Enterprise suggests that the Northwest Alaska gas pipeline and the Alpetco and Pacific Alaska LNG Projects could reach their peak employment levels in the summer of 1982 if there are no cancellations or delays in the projects. The report

also predicts a strong 1982 construction season (due to lower interest rates and decreasing house and commercial inventories) and growth in the bottom-fish industry and in tourism.

The report also predicts a "mini gold rush" in Alaska this summer if gold prices continue to rise.

STAY
IN
BUSINESS -
OR
ELSE

A report by the National Center for Economic Alternatives says that a company should be held accountable if it establishes a plant in a community and that community develops a "reliance" on it. The authors, David Smith, described as an urban specialist, and Patrick McGuigan of Boston Technical Development Corp., maintain that a company should keep a plant going as long as possible and should inform government officials when it must close a plant down.

The authors, whose report was the subject of an Anchorage Times article by Bill Neikirk, say that a community builds up an infrastructure for the sake of the income which a plant brings to it. When the plant closes, the rest of the taxpayers are left with heavy taxation to pay for the now unused in-

frastructure. (One wonders whether a community must not accept a certain risk in building up an infrastructure just as a company accepts a certain risk when it builds a plant.)

Smith and McGuigan say that the federal government investment tax credit, developed to give businesses an incentive to invest in new equipment, sometimes encourages them to close down older facilities. In other cases, conglomerates may close down plants when they take over a company, in order to maximize profits.

The article implies that Smith and McGuigan recommend government regulations to force companies to keep plants in operation and government loans to help them to do so. Scary Thought.

 **Resource Development Council**
for Alaska, Inc.

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RESOURCE REVIEW

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FEBRUARY 1980

ENERGY
DEVELOPMENT:
KEY
TO
SURVIVAL

Milton Copulos, Energy Policy Analyst for the Heritage Foundation in Washington, D.C., says that if America does not become independent of other nations for its energy resources it will have a future "characterized by poverty, desperation and quite possibly foreign domination." He spoke in January to the Resource Development Council's "Investing in Alaskan Development" symposium and to the Anchorage Chamber of Commerce.

"Upon close examination," he said, "it becomes evident that there truly is no energy shortage" in America. The Republic has a shortage, rather, of a "political and regulatory framework within which to solve our energy problems. The limitations on domestic energy supplies are institutional ones, not physical ones. The inability to reduce our nation's reliance on oil imports stems not from the exhaustion of domestic reserves but from the exhaustion of domestic leadership."

To point up the government's failure, Copulos said President Carter's Energy Plan is a blueprint for increased federal regulation and increased tax revenue. It focuses on conservation "without even paying lip service to more production." Federal energy policies and programs not only ignore development, they hamper it.

Copulos' plan for developing domestic energy resources includes, first, a "national energy accounting." This accounting would be made through exploration by companies which would develop the resources. There would be a hold placed on the classification of all lands currently under consideration. Upon completion of the "energy accounting" land classification would be resumed and a designation of "priority resource preserve" would be added. The

designation would allow for the development of any petroleum or mineral resource. It would allow access to the resource and would take precedence over any previous designation.

To bring his subject of energy development home to Alaskans Copulos said that a small, vocal group, "many of whom harbor an idealized vision of pre-industrial society, have successfully hamstrung attempts to fully utilize Alaska's energy potential." They have "already benefited from industrialization and economic growth and do not care one whit if they deny such benefits to those who have not yet enjoyed them."

Copulos stated, "Alaska has been treated very much as a private preserve in the minds of some environmentalists. They have talked of locking away your energy riches. Possibly as much as 120 million acres of your land may be classified as roadless areas . . . For the sake of two weeks worth of backpacking," some environmentalists "are willing to walk away from a veritable treasure trove of energy resources. When they find themselves inconvenienced by the cutoff of oil coming from the Midwest they will be just as quick to call for the rapid and unplanned development of your energy resources giving little thought to the . . . desires . . . of the citizens of Alaska. I . . . warn you that you can prepare for the rape of your State if you do not band together now to develop . . . a plan under which you can rationally develop your energy resources."

He further warned Alaskans, "There is not at this time in Washington a perception of a united front in Alaska." He said unless Alaskans have a united front in "the legislative arena you are . . . doomed to fail."

THANKS
FOR
BEAUFORT
SEA
EFFORT
RECEIVED

RDC President Bud Dye, Executive Director Paula Easley and members recently admired a bouquet of roses which mysteriously appeared at the head table of a general meeting.

The accompanying card, signed "A Friend," read: "A small thank you for the hard work and ef-

fective role you played in making the Beaufort Sea lease sale a reality."

The florist could not be coerced to reveal the friend's name, so: Friend, whoever you are, thank you for the lovely flowers and kind words.

**ROCKING
THE
BOAT**

An editorial in the *Seward Phoenix Log* has taken strong issue with Governor Hammond's views on resource development as expressed in a recent article by the governor entitled "Resource Development Vital, but Must pay its own Way."

The editorial said Governor Hammond has been saying, ever since he took office, that he favors development -- but any development he supports must "pay for itself." On the surface this sounds great -- but what the Governor never seems to address -- is the cost to all of us, employed or not -- of unemployment.

Alaska has suffered the effects of seasonal employment since it became American soil -- and probably before that. Seasonal employment has been further complicated by booms and busts and by flat unemployment. Whole generations of Alaskans have known nothing else.

Right here in Seward we can see many of the effects of unemployment. Some of the significant effects are those of the earthquake in 1964 when 90 percent of the economy was lost. After the initial flurry of reconstruction, an apathy set in here, and pessimism has been prevalent ever since. These effects have been similar in other situations and in communities all over Alaska.

The social problems caused by under-employment and unemployment are many. I would hazard a guess that much of the alcoholism in Alaska has a direct bearing on unemployment and the pessimism and apathy it fosters. Crime is certainly a side-effect of unemployment -- for idle hands surely do the devil's work.

Other problems relating to unemployment and underemployment include fathers having to be away from families -- as they travel to find enough work to support these families. This in turn fosters divorce, poor communications between parents and children and families ending up having to keep two households going -- one at home, the other where the father is working.

Young people who have been born in and love Alaska find themselves unable to find work and must leave thus Alaska many times loses its greatest resource -- its young people. Again families are separated, old friendships and ties are broken.

Certainly there are problems associated with

growth and development. There are problems when a community is forced to find ways to provide services for more people. But there are at least as many problems in an area where many people are unemployed, where untold hours are wasted by people who have nowhere to go, nothing to do and not enough money to do things anyway.

We are given to understand that Alaska has a vast surplus of money and worthwhile means must be found to invest and spend that money. Certainly many of the social ills of Alaska could be corrected by assisting industries in getting established, and smoothing the way for development.

Most any community is probably better off with many small industries and businesses than one or two large ones that can in effect control what happens in a community -- but small industry rarely has the capital to set up shop and get established. There is much the state could do to make things easier for these industries. Low interest loans, eased regulations and paperwork loads demanded by state agencies would certainly be a help. Smoothing the way for hydroelectric projects to supply power for industry in small communities would certainly be a boost. There are countless ways in which the state could assist industry, instead of hampering it which is usually the case.

Instead of eagerly handing out money to fund studies about industry and growth, the state might better find ways to implement those studies, many of which indicate various industries are indeed feasible.

It is time for Governor Hammond to come down out of the clouds and think about the costs of unemployment and a bleak economic picture -- instead of worrying solely about whether an industry will "pay" for itself. He seems to be a nice man, but sadly lacking in sympathy for those people in Alaska who are not in a position to work for the state or some other government agency. And unfortunately, the only growth industry in Alaska these past five years has been government -- an industry that really doesn't "pay" for itself!

**Editorial -- Beverly Dunham, Editor
SEWARD PHOENIX LOG, 1-31-80**

**SPECIAL
THANKS**

To Norma Swartzbacker, Ronda Conatser, Terry Brady, Debbie Clemson, Richard Nordeen, Gordon DeWitt, Lee Rutledge Stark, Kelly Gay, Bob Huck, Jackie Lindauer, Pamela Charles, and Don Wold for their outstanding assistance in making the "Investing in Alaskan Development" sym-

posium a smoothly-run event.

And to the staff, accustomed to running in twelve directions at once, for putting in long hours to assure its success. They, incidentally, have recommended that our next conference be scheduled for March 15, 1997.

**ALPETCO
ENVIRONMENTAL
IMPACT
STATEMENT
FILED**

State board member Patty Kirkwood, an energy scientist, headed up the review team for the five-volume impact statement covering the proposed Valdez facility.

Engineers and Valdez City Manager Mark Lewis resulted in the committee's agreement that its concerns were properly addressed.

The statement underwent the most stringent review, and the committee set forth its concerns. Subsequent meetings and discussions with DOWL

Even the Environmental Protection Agency has indicated satisfaction with the quality and scope of the environmental statement.

bility study of the proposed complex. Facilities which have been proposed are a cement plant, a coal-fired electrical generating plant and an aluminum smelter. It has been suggested that the port service products from the gas conditioning plant.

The West German consortium is interested in investing in the industrial park but German Consul

Hans Ernst stresses that the consortium does not want 100% control. It wants to operate through U.S. companies.

Levesque apparently sees the guiding philosophy of the complex to be the in-state processing of Alaska's resources for sale both in and out of Alaska.

interested in getting this thing started," said Rep. Joyce Munson, D-Anchorage, chairman of the House Committee on Roads and Highways, which introduced the bill.

How about a quick and easy poll on the subject! Send a card to RDC, Box 516, Anchorage 99510. Tell us whether or not you want the legislature to fund engineering work for a Knik Arm crossing.

**KNIK ARM
CROSSING:
YES
OR
NO?**

Ray Tyson reports in the Anchorage Times that the long-discussed and studied Knik Arm crossing got a lift in the Legislature last month when a House committee introduced a bill requesting \$1.8 million for preliminary design and engineering work.

The crossing would link Anchorage and the Matanuska-Susitna Valley, drastically reducing the travel time between the two areas.

"This is more than just a study -- I'm really

**KENAI
LUMBER
SUES
LERESCHE**

The Seward Phoenix Log reports that Kenai Lumber Company in Seward has brought suit against Commissioner of Natural Resources Robert LeResche and two other officials of that department as well as Southcentral Timber Development, Inc., a Japanese firm which has a contract to export round logs from Icy Bay. The suit asks for an injunction to prevent the implementation of Amendment No. 7 to the 1969 contract for the timber sale. The amendment allows for the export of the unprocessed logs.

Under the original state contract Southcentral Timber had to perform primary manufacture before exporting Icy Bay logs. When the Southcentral mill near Seldovia was shut down by the State for not meeting environmental standards, it could not continue to perform primary manufacture. For two years Kenai Lumber in Seward did the primary man-

ufacture. Last summer Southcentral sought and obtained relief, in the form of Amendment No. 7, from the primary manufacture rule.

Frank McIlhargey, development director for the Kenai Borough and executive director of the Kenai Peninsula Economic Development Council commented on the Icy Bay sale at a hearing in January. "As long as our natural resources are in demand, we should continue efforts to retain every add-on dollar of value in Alaska before these resources are sent off to outside markets," he said.

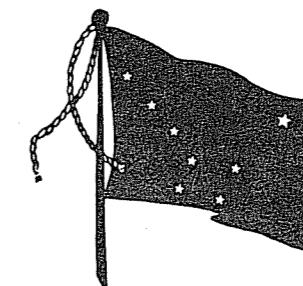
McIlhargey maintained that 35 to 40 residents of Seward would be without jobs if the Icy Bay round log export is allowed. He said the state has resisted a community effort to arrange for a negotiated sale of timber as an emergency measure to keep the mill in operation.

**GOVERNOR
HAMMOND
APPOINTS
ANCHORAGE
PROFESSOR**

Governor Hammond has appointed University of Alaska, Anchorage, professor Dean Olson to the board of the Alaska Renewable Resources Corporation. Olson teaches at the School of Business and Public Administration. He is replacing J.N. Milnes who resigned.

The Corporation was formed by the State to help businesses develop new uses for Alaska's timber, fisheries, agriculture and other renewable resources. The Corporation receives five percent of mineral and petroleum royalties, bonuses, rentals and leases on state lands.

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**INVESTING
IN ALASKAN
DEVELOPMENT:
THE
NATURAL
GAS
TASK
FORCE**

Lieutenant Governor Terry Miller told the Resource Development Council's "Investing in Alaskan Development" symposium that he has been appointed chairman of the newly-formed Gas Pipeline-Conditioning Plant-Petrochemical Committee. He called the Committee the Natural Gas Task Force. The Task Force includes state officials, legislators, and several Alaska mayors.

It will monitor the agreement of the state, the federal government, gas line sponsors and the producers to begin engineering and design of the pipeline.

The state has agreed to consider financing of a gas conditioning plant if (1) the state may be fully involved in design and cost estimation for the plant (2) the signatory parties agree to negotiate an option whereby the State could obtain the producers' and shippers' share of gas liquids (3) the signatory parties support construction of a gas liquids pipeline and (4) the signatory parties agree to the state's financing of the conditioning plant.

Further conditions which must be met for the state to finance a conditioning plant are (a) the formulation of a satisfactory design and a satisfactory cost estimate of the Alaska gas liquids transporta-

tion system (b) satisfactory federal regulation of conditioning costs (c) an option for the state to gain natural gas liquids from Prudhoe Bay (d) satisfactory treatment by the federal government of the state's conditioning plant financing proposals (e) satisfactory financing plans for both the Alaska and Canadian segment of the line (f) the issuance of all federal and Canadian approvals for the line and (g) support by the signatory parties for the steps necessary to meet conditions (a) through (f).

Miller said the Task Force may decide a petrochemical industry could be developed without necessitating financial involvement by the state, and this would be explored as well.

To skeptics who say a petrochemical industry is not feasible in Alaska, Miller said: "Perhaps not. But I say to them: what was not possible five years ago, or even two years ago, may be possible today. The turbulent world of oil and gas economics has changed the energy production industry profoundly and permanently. We in Alaska are the beneficiaries of many of these changes." He said the State of Alaska should seize this moment to promote in-state processing with all its attendant economic benefits.

**THE
FREE
MARKET
AND
ENERGY**

Reason Magazine reports that another study on the energy crisis has concluded that a return to the free market offers the best hope for solving our problems. This time it's a Ford Foundation study, carried out by a 19-member task force. The study is entitled "Energy: The Next 20 Years."

Declaring that America "is not running out of energy," it proposes rapid decontrol of oil prices without a windfall profits tax. The higher prices

would spur both conservation and the search for alternative fuels, while higher profits would lead to expanded domestic oil exploration and production. Natural gas pricing should also be decontrolled for the same reasons.

"In general, we say reduce the role of government wherever you can," says Hans Lansber, chairman of the task force.

**LETTER
FROM
A
CAUTIOUS
ADMIRER**

"I considered myself fortunate to have had the opportunity to attend the recent symposium sponsored by your organization. It is very refreshing to mingle with such a positive and ambitious group. Your concern for the economic development of Alaska will soon enable our State to realize its true potential and establish a sound, stable pattern for the future."

"I am somewhat distressed by . . . an attitude of continued dependence on the lower 48" for everything "from food products to investment capital. I do not, necessarily, imply that we declare our total independence from the United States, but it

may be wise to provide ourselves with the basic ingredients of physical and financial existence within our own State's boundaries . . .

"Alaska, through initial development of the primary industries and an increase in crude refining capabilities, could provide almost total employment, food, fiber, shelter, and an environmentally superior situation in which to live and visit . . ."

Sincerely,
Patrick T. Mulligan
Vice President

ALASKA CROP IMPROVEMENT ASSOCIATION

**THE
GOOSE
THAT
PRODUCES
THE
"OILEN"
EGGS**

Alaska can be a major exporter of energy resources according to State Rep. Dick Randolph. That is, as Randolph sees it, if politicians do not stifle development.

One politician who apparently wants to encourage development, Rep. Randolph has proposed a repeal of the state income tax levied on the oil industry. He said the repeal would save the industry \$400 million a year and would help restore

Alaska's "investment climate reputation." The state "must not kill the goose that produces the oilen eggs." Studies have shown "Alaska's investment climate wanting for fairness and stability."

The repeal would not seriously deplete the state treasury. The companies still pay more than \$800 million a year in royalties, about \$1 billion in severance taxes and about \$250 million in municipal property taxes, Randolph said.

**TAXES,
TAXES ...**

Anchorage residents pay the highest federal income tax of any metropolitan area in the nation, according to data compiled by The Tax Foundation, Inc., and the Anchorage Times Washington Bureau.

The statistics show that Anchorage's share of the federal tax burden is \$2,689 per person. The tax burden is calculated from 1977 figures, the latest available.

**AND
MORE
TAXES**

Taxes collected by the state and local governments in Alaska amounted to \$1870.71 per person. That is the highest per person amount of any state in the Union. The figure comes from U.S. News and World Report, Jan. 21, 1980.

Fresh Census Bureau figures show that Americans paid an average of \$888 in state and local taxes

in the year that ended June 30, 1978 -- up 9.2 percent over 1977. Such taxes took 12.8 percent of personal income, compared with 10.8 percent a decade earlier.

Compared to the national average of 12.8 percent, Alaskans gave 17.5 percent of their incomes for state and local taxes.

**TAX
RELIEF**

State legislators are considering a number of tax relief proposals this session, some of which are:

- Repeal the state personal income tax.
- Repeal the personal income tax for five years.
- Reduce the maximum property tax municipalities may levy from 30 mills to nine mills. Voters in a municipality would have to approve general obligation bond issues in order to be taxed at a higher rate.

-Reduce by two percent the corporate income tax for businesses not engaged in the production or transportation of crude oil or natural gas.

-Exempt interest earned on deposits with Alaska banks, trust companies, savings and loan firms, and credit unions from the State personal income tax.

-Exempt the first \$25,000 of the assessed valuation of owner-occupied property from property taxes.

**HOW
DO
YOU
SPELL
RELIEF?
N-O-
T-A-X-E-S**

State Rep. Dick Randolph, Fairbanks Libertarian, says the state should collect no personal income taxes. Here are some of the main points of his argument taken from articles in the Anchorage Daily News.

"The present administration talks continually about the economic health of the state. I'm far more concerned about the economic health of the people. We are continually being force-fed the idea that large state budgets and surpluses are somehow synonymous with the peoples' prosperity. Anyone in the private sector knows better than that."

"The basic question at issue is the fact that presently the State of Alaska has too much money and the people have too little. The challenge then is to correct this situation as efficiently, as fairly, as rapidly, and as completely as possible."

The predominant concern of those opposed to an income tax repeal is that all get treated equitably, but how can we have equity when some are paying taxes and others are not? It's imperative that we first create equity by eliminating taxes for all and then equitably share our resource wealth with all Alaskans!"

"Everyone knows that the rich don't pay taxes and that the truly poor already benefit substantially

from our social programs. The people paying the taxes are the middle class working Alaskans and that is where the greatest benefit will be."

Randolph maintains that, if the State income tax is repealed, "tens of thousands of Alaskans will have more discretionary income to spend as they see fit. We would no longer have to file a state income tax return, thereby saving the millions of dollars and countless hours that are presently required in their preparation. Not to mention the additional privacy afforded to each of us."

The Department of Revenue workforce could be reduced by 140 employees at a savings of over \$5,000,000 annually. According to the State Department of Commerce, the tax repeal would create over 1,500 private sector jobs the first year it was in effect.

Randolph maintains that if the repeal were made retroactive to January 1, 1979, it would put over \$250,000,000 into the private economy in the next 12 months. It would create 2,000 to 3,000 new jobs with at least a \$45,000,000 payroll. It would have an effect on Alaska comparable to a \$500,000,000 construction project.

**INDUSTRY
IN
THE
MAT-SU
VALLEY**

Judging from what Mat-Su Borough Manager Norman Levesque told the Resource Development Council at a January meeting, the Matanuska-Susitna Valley holds the potential for remarkable development. Coal, limestone, timber and possible petroleum deposits are within the Valley.

Levesque looks forward to the building of the Susitna hydroelectric project. Other development

possibilities he sees are a dairy and red meat industry new Point MacKenzie; new recreational sites in the Valley; and of course the capital move.

The Mat-Su Borough administration has proposed an industrial park and deep-water port near Point MacKenzie. The borough is asking a West German consortium to finance a \$100,000 feasi-

Continued on page 5