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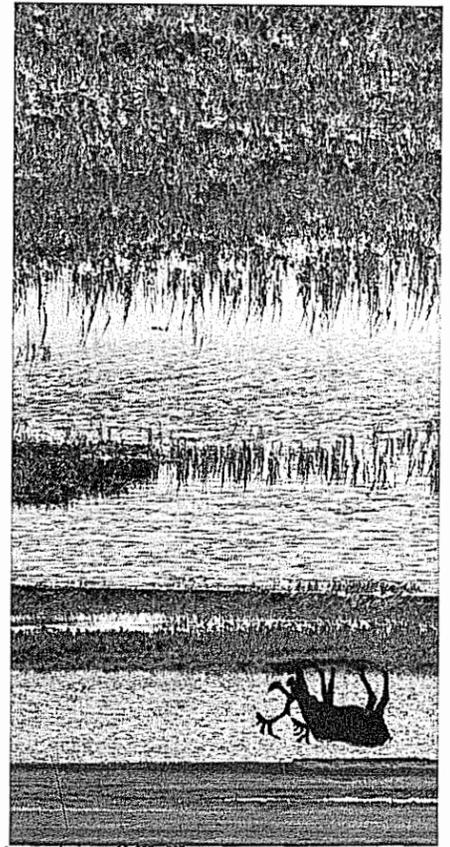
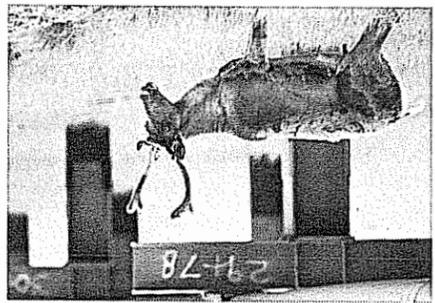


TO ALASKA

Changes in the Arctic

Purpose of NEPA is not to prevent development, but to ensure development proceeds in harmony with environment.

The National Environmental Policy Act (NEPA), passed by Congress in 1969, opened the era of strict environmental regulation in America. In the act, Congress declared that the nation must "encourage productive and enjoyable harmony between man and his environment." While the act calls for efforts to "prevent and eliminate damage to the environment and the biosphere," it also requires that the principles set forth in NEPA were brought to light in a 90-page report released by Standard Alaska Production Company in response to a U.S. Fish and Wildlife Service document alleging widespread environmental impacts from drilling operations on the North Slope. Standard was highly critical of the government's draft statement leaked to reporters in Washington, D.C. in May. The company stressed that the report was politically motivated and lacked scientific base.



Despite small changes in habitat from North Slope oil development, caribou are increasing in numbers at Prudhoe Bay. Habitat is not a limiting factor for North Slope wildlife populations.

(Continued on page 4)

Resource Review

July 1988



This edition sponsored by: **Comingo Alaska & PETERSBURG INSURANCE CENTER**

Mr. Richard W. Tindall
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6821 Sherwood Ave.
Anchorage, AK 99504

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Box 100516, Anchorage, AK 99510

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Message from the Executive Director

By
Becky L. Gay

RDC helps PLF celebrate 15 years

One of RDC's most instrumental alliances is the one shared with the Pacific Legal Foundation (PLF). PLF is a public-interest law firm with a strong mission to protect and re-establish constitutional principles which center on individual rights, including property rights, and freedoms.

RDC was introduced to PLF during Paula Easley's tenure and it was Rob Rivett of PLF and Paula whose vision and determination led RDC to establish a liaison office for PLF in Alaska. Although our "long-distance relationship" flourished, the Alaska case load grew directly proportional to the lawsuits and injunctions filed by non-development groups. Due to the burgeoning workload, RDC and the Alaska Miners Association (AMA) became even more determined to help PLF establish an office, staffed by at least one attorney, here on the front lines in Alaska. Two years ago that strength of vision came to pass and Jim Burling, the PLF attorney, moved to Alaska to set up an office housed today in the RDC headquarters in Anchorage.



President Stastny joins past presidents Henri and Lee Fisher in celebrating PLF's 15th anniversary. (Jeff Schultz photo)



RDC President Shelby Stastny congratulates chairman Alan Furth as immediate past president Joe Henri looks on. (Jeff Schultz photo)

Recently, in celebration of PLF's 15th anniversary, members of the PLF Board of Trustees traveled to Alaska under the auspices of Michael Thomas, PLF's Alaska Trustee. They toured the state from Southeast to the Arctic, seeing firsthand the vast land they have been defending in so many ways and listening to the individuals who have benefitted from PLF actions, some who face seemingly hopeless battles in their efforts to develop and access resources in the forty-ninth state.

To further our understanding of PLF, and the Trustees' understanding of RDC and Alaska, representatives of both organizations spent as much time together as possible. RDC's division directors, Chuck Herbert (Lands), Paul Glavinovich (Minerals), Paul Tweiten (Forestry), Randy Goodrich (Tourism), Al Hastings (Oil and Gas), and Larry Dinneen (International Trade/Industrial Development) gave formal briefings to PLF in a joint session. Ron Zumbum, an eloquent spokesman for and the President of PLF, gave a rousing good speech at RDC's Thursday breakfast forum. A reception sponsored by RDC and AMA, hosted by Joe and Aletha Henri in their elegant hillside home, was well-attended by pro-development advocates, legislators, members and friends to further the bonds between our organizations, and more importantly, between individuals who believe in the importance of our mission.

A strong, pro-development voice is RDC's role in Alaska politics and education, but ours cannot be the only voice in the wilderness on such issues. The battle is waged on many fronts and it is always uphill. Although education and advocacy are RDC's strong suits, litigation is often the method which our adversaries use to attack. The courts are the battlefield where so much is lost or won, and it gives us great relief to have PLF in that arena. With PLF in our court, the future looks brighter than ever. May we celebrate another fifteen years together, stronger and more successful than ever. With the help of our members, we will.

Resource Development Council, Inc.

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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Resource Review is the official monthly publication of the Resource Development Council, Box 100516, Anchorage, Alaska 99510 - (907) 276-0700.

The RDC business office is located at 807 G Street, Suite 200, Anchorage.

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Carl Portman
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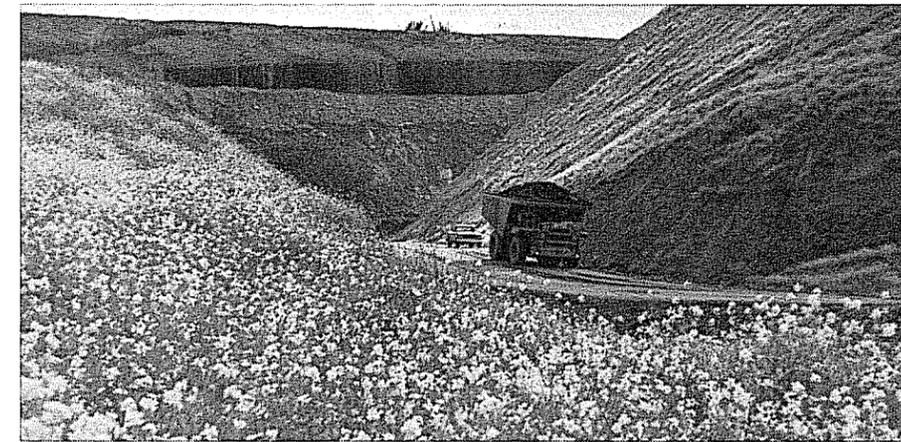
Usibelli faces bonding problem

Mine, government seek solution

Federal regulators and state officials will meet with Usibelli Coal Mine executives later this month to seek a solution to a land reclamation bonding problem which could result in the closure of Alaska's only commercial coal mine if not resolved.

The federal Officer of Surface Mining Reclamation and Enforcement has notified the Alaska Department of Natural Resources that Usibelli Coal Mine could be ordered to stop production unless the company agrees to post a higher bond for future reclamation efforts. The Healy mine south of Fairbanks produces about 1.6 million tons of coal a year. About half of the production supplies heat and electricity to Fairbanks while the other half is shipped to Korea.

Under state and federal law, companies must restore mining sites to their original condition. Reclamation bonds serve to



Reclaimed fields flourish at Usibelli Coal Mine

guarantee that state and federal regulators will have the money to do the work if the mine does not reclaim the land.

Usibelli Coal Mine has an excellent reclamation record. In fact, the company initiated very successful reclamation programs long before any state or federal regulations were developed.

Usibelli has posted its office and shop complex as collateral for a bond, which OSM claims does not adequately meet either state or federal requirements. DNR officials are presently re-evaluating the bond.

The company believes its collateral bond is more than adequate, claiming its office and shop complex are worth over \$9 million. A cash bond would cost the company over \$7 million, hindering future development projects at the mine by severely

limiting the company's financing capabilities.

According to John Sims, Vice President of Marketing at UCM, some 15 bonding companies have turned down Usibelli's request for a surety bond. President Joe Usibelli, Jr., stressed the rejections have come "not because of our financial health, but due to the wording within the bond form that the state has produced."

Expressing frustration with the whole issue, Usibelli charged the state is making the bonding problem too complex. He explained that a bond is already in place and the only real issue revolves around the value of the Usibelli complex.

However, Usibelli is hopeful all parties can come to a solution to the bonding problem when Robert Gentile, the director of the OSMR&E visits Alaska later this month.

Getting the most from RDC

by
Anne Bradley
Member Services Director

Here are two ways you can get the most from your membership investment in the Resource Development Council.

First: find out exactly what services RDC has to offer you and your business by visiting our office. We're located at 807 G Street, Suite 200. We'd love to meet you and show you what we have to offer.

For example, did you know that we have a room devoted entirely to major mailings. We call it our production room. We're equipped to send out "Red Alerts" to inform membership or others that quick action is vital on ANWR, the Tongass forest, and a variety of other issues. We also offer a conference room, a minerals collection, and a vast library containing just about every study, plan, map, memo and report conducted in Alaska since statehood.

Second: be informed on RDC activities. At any one point in time, RDC's agenda is "cram-packed" with action items. Know what we're up to so when an issue which affects your business comes along you can get involved early and strengthen our efforts with your expertise for mutual benefit. Right now our Renewable Resources Division is helping the RDC Education Foundation plan an industrial forestry symposium to take place in the late fall. This educational forum follows last year's successful boreal forest symposium.

Another example is RDC's aggressive campaign to educate key members of Congress about ANWR. Our "Adopt-a-Congressman" program highlights the views of individual Alaskans through direct personal contact. George Schmidt and Beez Hazen, two strong members, have already won Certificates of Activism for their "Adopt-a-Congressman" efforts. As with all RDC's projects there's always room for your assistance. Find out how you can help.

There are more ways to maximize the return on your membership investment. If you have any questions about how to get more for your membership, give me a call at 276-0700.



RDC's Certificate of Activism

ANWR-Tongass link is a sour deal

by Joe Henri

The political "price" exacted for a Congressional vote to open the Arctic National Wildlife Refuge (ANWR) to oil and gas development may be the further curtailment of logging in the Tongass National Forest. This would be a very unfavorable outcome, a sour deal.

The United States must open the Coastal Plain if our country is to resist substantial dependence on foreign oil. Our posture as a "superpower" demands we maintain our domestic oil supply. The trade balance of payments is now adversely influenced by the importation of too much oil; that situation will only grow worse without ANWR's supply. Thus, it is in the nation's best interest to allow development; this activity will occupy under 1% of the Plain and will not substantively injure the environment.

Therefore, the exaction of concessions in the already beleaguered Tongass is a price which should not be paid. Why should Alaska's fledgling timber industry have to pay an additional ransom, after the heavy butchering of 1980 (ANILCA) already decreed a static existence, without a reasonable hope for significant expansion, in the presence of a timber supply which could support two or three times as much industry? Finally when the world is coming to a point where the Tongass timber is wanted for a reasonable price, the government has put 90% of the land off-limits to timber cutting and the Congress is now discussing taking a portion of the 10% remaining timber land out of production for more wilderness, study, or whatever.

In the long view of things, considering Alaska's need to diversify its industrial base and expand its outputs, Congress' consideration of taking away additional acreage is preposterous. The incessant clamor to withdraw Alaska lands from useful and productive categories, and the great success which has accompanied that effort, makes

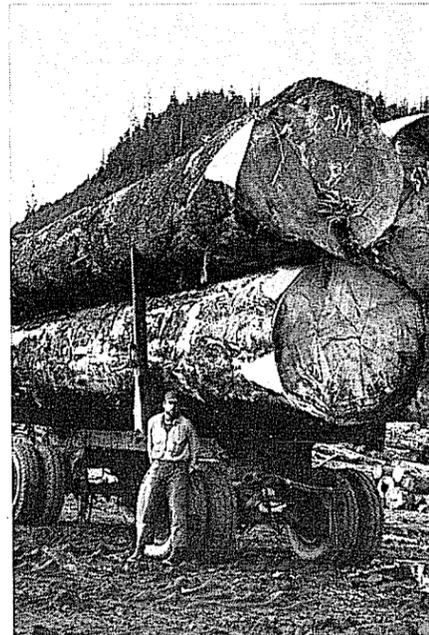
us wonder whether statehood did remove "the 49th state" from colonial status.

Adding insult to injury in the Tongass is the current attempt in the House at unilateral abrogation of two fifty-year contracts, one of which is with a Japanese trading partner. What that myopic attempt bodes for the future of much-needed investment in Alaska is still to be seen, but I can assure you it is not good. Does Congress care?

Who will enter into long-term business contracts with Alaskans after Congress has demonstrated a willingness and ability to reach across this great nation to its most farflung state and cancel 50-year contracts when we are 35 years into them? This attempt at a time of an upswing in world timber demand and with the Tongass facing a great future for sustained timber harvest under correct management of these fertile lands is not only unwarranted, but imperious. Alaskans will, as we have so often done, bear the brunt of the fallout of such Congressional action.

Far too much ground has already been taken from the forestry/timber category. Much has been made of preserving the "old growth" timber in the Tongass. From a professional forester's point of view, much of the wizened "virgin" forest is rotten. Too much acreage is dying and decadent; every third tree top is a dead top; death slowly descends the bole until the whole "old growth" is moribund; after a while it falls without plan or warning, injuring much around it.

The practice of silviculture, on the other hand, can make the lands twice as productive and useful to mankind. Removal of the dead and rotten trees allows young, vigorous growth to occur. The logging roads provide access to the woods for a variety of people who can use and enjoy the forest. It is well-documented that many creatures prosper under forest management.



Loggers and mill workers in the Tongass are proud and independent in their work of earning a living by the sweat of their brow. Former RDC intern Steve Connelly, an employee of Ketchikan Pulp at Thorne Bay, warns that "many jobs in the timber industry are demanding and often difficult and dangerous." He adds, "not just anybody off the streets of New York City can stand up to the demands of their occupation."

Timberlands on the Tongass should be expanded, not contracted or bargained away. Linking the opening of ANWR with the demise of the Tongass would be another foreclosing attack on Alaska's well-being and opportunities to prosper from resource development. The lack of understanding of Alaska resource issues is pervasive and must be countered by education and information by pro-development forces.

Needless to say, the purpose of the Resource Development Council's existence is furthering sound resource development, and we stand ready to render any assistance within our competence.

State issues permit, company seeks coal contracts

The Alaska Department of Natural Resources has issued its final approval for a major coal mine on the west side of Cook Inlet 45 miles west of Anchorage.

The long-sought permit allows Diamond Alaska Coal Company to mine up to 12 million tons of coal annually from the Beluga area. It covers 3,596 acres, with about half that to be disturbed by actual mining. Diamond is required to restore disturbed areas to approximately their original contour and reclaimed as wildlife habitat.

Twenty stipulations in the permit also detail water quality standards, fish and wildlife monitoring, revegetation and construction methods.

The permit was approved by the state Division of Mining in late 1987, but portions of the ruling were appealed by both environmen-

talists and the company itself.

"The approved plan demonstrates that surface coal mining, environmental protection and reclamation are all possible under reasonable regulations," said Natural Resources Commissioner Judy Brady. The plan has also been approved by the departments of Fish and Game and Environmental Conservation.

Diamond is pursuing contracts for the coal with Pacific Rim nations. If the mine extracts the allowed 12 million tons of coal annually, it would be one of the nation's largest coal mines.

Although Beluga coal has a lower energy value and higher moisture content than coal mined in other locations, it is low in sulfur, a major air pollutant.

Where there's a (political) will there's a way

Alaska is a state rich in natural resources without the "political will" to develop those resources! I believe the phrase "where there's a will there's a way," is applicable to the ability of our federal, state, and municipal governments to rationally develop the vast natural resources of our state in a manner which will provide a prosperous, quality way of life for those of us who live here now and for our children and grandchildren for generations to come.

Why, then, do we not see the same level of activity which exists in our sister states or sister countries when it comes to developing the abundant resources which exist in Alaska? It seems quite apparent to me that the necessary "will" is not present. Many argue that the will is not present in our elected officials, others argue that the lack of will exists in the "bureaucrats" that survive numerous elected officials, still others insist that it is merely an expression of the dictates of the electorate or the people as a whole manifested in the elected officials and the bureaucrats.

I define "political will" as the strength on behalf of elected officials to carry out well developed plans, which have the support of a majority of the people regardless of the outcry of a vocal minority or attempts to block those plans on the part of non-elected bureaucrats. "Political will" involves making a decision that is in the best interests of a majority of the electorate, after making a "prudent man's" inquiry into the economic, environmental, and resource management questions which surround the project. A "prudent man's" inquiry would be the same inquiry required of a private executive called upon to make a similar decision on behalf of his company and shareholders. There are no guarantees or certainties in private industry just as there are none in the public sector. There are trade-offs which must be recognized and evaluated. Too often, our elected officials "back off" of a project as soon as someone points out a drawback or objects to a project. "Political will," while recognizing that every project will raise cries of outrage from some segment of the population, has the courage to carry out the project, if it meets the criteria delineated above.

There are a few procedural tricks utilized by elected officials and bureaucrats who do not have the courage to make a decision or the "political will" to carry out their decisions. One such trick is the "feasibility study." Certainly feasibility studies are a useful tool and a "must" for most major projects. Once a study is completed, however, it should serve as the basis for either going ahead with the project or determining that it wasn't such a good idea after all. Too often, however, a positive feasibility study merely serves as



Thoughts from
the
President

by
J. Shelby Stastny

the base point for another study and another study, etc.

Another procedural "trick" is the public hearing. Again, the public hearing is a necessary and useful tool to determine that there have not been important issues overlooked by those members of government doing the initial planning of a project. Too often, however, the public hearing is held up as a "mandate of the people" against a project because the preponderance of those testifying were against the project. The public hearing was never meant to be a forum to determine the popularity of a project! Polls were meant to serve that purpose. The purpose of a public hearing is to allow public officials to determine if there are issues which they had overlooked when making their initial determination. It is only natural that those opposed to a project are going to make their point of view known at a public hearing. It is also only natural that those in favor of a project do not feel compelled to testify at a public hearing, since the elected officials are doing exactly what they think their public officials should do.

Our friends in other parts of the world with similar boreal forests have taught us a great deal about managing this forest for recreation and as a productive natural resource. Yet people criticize long-term contracts for the resource as unfair. Resource managers have known for years that without long-term contracts, companies which can add value to our resource will not invest the dollars necessary to build facilities to process.

If there really were a "political will" we would be negotiating with timber companies for the sale of timber in the Susitna Valley. If there was a "political will" small placer miners would be injecting dollars into our economy. We must insist that the mindset of politicians and bureaucrats be changed. I'm convinced that if there were a "political will" there would be a way to develop our resources in an environmentally-sound manner.

Henri to head RDC's educational arm

Joe Henri, an Anchorage logging and export executive, has been elected president of the Resource Development Council Education Foundation, Inc., the educational arm of the Resource Development



Joe Henri

Council. Until this May, Henri served at the helm of RDC, Inc., while Tom Pargeter, a National Bank of Alaska vice president, headed the Foundation.

Pargeter remains on the Foundation's Executive Committee, which also includes vice president Milton Byrd of Charter College, secretary John Hall, a Girdwood forestry consultant, and Treasurer Larry Laughman, a senior manager with Peat, Marwick, Main and CO. Shelby Stastny, who was recently elected president of RDC, also serves on the Foundation's Executive Board.

Henri is the owner and operator of South-Central Timber Development, Inc., an Anchorage-based logging and exporting firm. He is also engaged in the private prac-

tice of law.

The RDC Education Foundation provides information and education to the citizens of Alaska and the nation concerning management of Alaska's resources and related issues. The Foundation conducts nonpartisan analysis, study, research and educational seminars to benefit the general public and increase awareness of the importance of sound resource development to a strong economy.

"The story of what Alaska can do for America through the development of our natural resources is not known," Henri said. "The average American has no idea what Alaska development can do for the country. Americans must be systematically educated."



Aerial view reveals the vast Arctic Coastal Plain.

Industry critical of government report

Draft assumes any change to environment is negative

(Continued from cover)

The Fish and Wildlife Service document, *Comparison of Actual and Predicted Impacts of the Trans-Alaska Pipeline System and Prudhoe Bay Oil Fields on the North Slope of Alaska*, is based on an aesthetically derived assumption that any change to the environment is negative. The bias stems from the view that what exists in nature represents what is biologically "best" simply by the fact of its existence. The conclusion, therefore, is any change, especially man-induced, is necessarily adverse.

The separation of biology from aesthetics is invariably overlooked when development impacts are discussed. The purpose of NEPA is to ensure that the environmental changes caused by a major project are evaluated as part of the federal decision making process and found to be acceptable. The purpose of the environmental impact statements and regulations are to minimize the effects of such change and **not simply to prevent change.**

In evaluating the predicted impacts of the pipeline and oil field activity, the Fish and Wildlife Services draft relied entirely upon the EIS prepared for the pipeline in 1972. At least 13 EIS's have been issued since then for oil and gas development on Alaska's North Slope.

Standard noted that EIS's are intended to provide decisionmakers with an assessment of the relative value of a project's al-

ternatives, including the "no action" option. The company stressed that an EIS is a management tool, not an ultimate predictive tool.

Much of the Fish and Wildlife Service's criticism of the pipeline EIS is that predictions of impact were qualitative and that the EIS failed to quantify much of the impact of oil field development. This criticism ignores the fact that the EIS was prepared shortly after the passage of NEPA, and that two decades of tremendous growth in environmental sciences have since passed. The mere existence of impacts which were predicted or not specifically quantified does not make them negative or significant.

In the government draft, the underlying biological assumption is that any change is bad and that simple construction of a building or pipeline reduces wildlife numbers by covering land that is habitat. The fact is that wildlife populations have been increasing, and numerous studies have found that development of the pipeline and the oil fields has not had a negative effect on wildlife or their populations. Furthermore, habitat is not a limiting factor for North Slope wildlife populations.

Standard charged that, by implication, the Fish and Wildlife Service is questioning the effectiveness of the entire environmental impact statement assessment process and the principles set forth in NEPA.

Steve Taylor, Standard Alaska's environmental manager, labeled the government draft as a "political document" designed to slow efforts to open the Arctic National Wildlife Refuge (ANWR) to exploration and development.

Taylor said the report leads the reader to believe that oil and gas development at Prudhoe has taken place in a regulatory vacuum when in fact the North Slope has been one of the most studied and strictly regulated industrial developments in North America.

The government admits the report was unfinished and the object of dispute within the federal agency. The draft itself acknowledges that "its findings have not been validated, and it is not a final document."

In preparing the report, the agency wrote the report "does not represent the position of the region, the service or the Department of the Interior." In addition, the Fairbanks region, which produced the draft, recognized that the document may contain "technical deficiencies" and considers it to be a "working document which is still under review and revision."

Unfortunately, even with the disclaimers the negative aspects of the report were highlighted in extensive nationwide media coverage which seemed to legitimize the conclusions of the report, however deficient it was in its methodology.

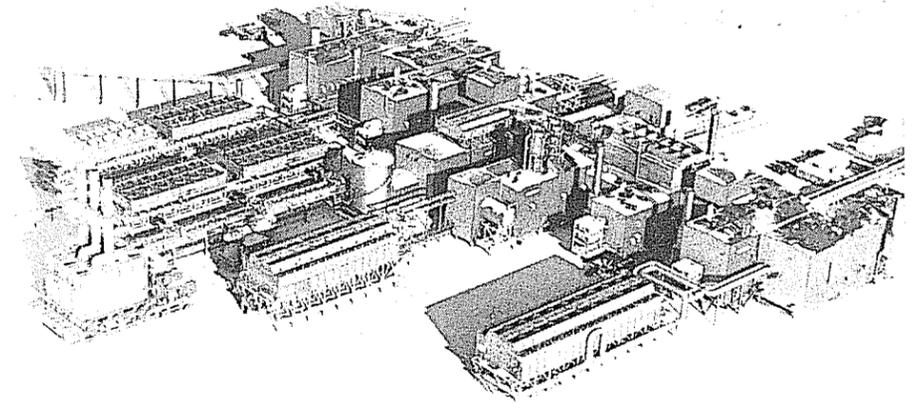
Tax stability pays big dividend

Major expansion at Prudhoe, more projects on horizon

A decision by Alaska's largest oil producers to move ahead with a major \$350 million expansion of gas handling facilities at Prudhoe Bay appears directly linked to the stable tax and investment climate that has existed in Alaska over the past several years.

The Gas Handling Expansion project, announced recently by Standard Alaska Production Company, ARCO Alaska, Inc., and Exxon Co., USA, will increase oil production by some 90,000 barrels a day and spark a substantial increase in royalties, taxes and jobs. The project will tap an additional 400 million barrels of oil over the life of the field.

The Prudhoe Bay unit owners may still add a second gas expansion project of comparable scope, creating more jobs, stimulating new economic activity and increasing recoverable oil reserves. The decision to pursue further expansion could come as early as next year. However, tax stability is a major factor in seeing the additional expansion and investments in other new projects become a reality during a time of low oil prices. An increase in oil taxes would dampen the economics of the project and send the wrong signal to an industry enduring turbulent times.



The Central Gas Facility, the world's largest gas handling plant, is currently designed to handle 3 billion cubic feet of natural gas daily. The huge facility is operated by ARCO Alaska, Inc.

Stability in Alaska's investment climate has created an incentive for operators to launch expensive projects aimed at pushing back the expected decline in America's largest oil field.

The increased oil production resulting from the new gas expansion project will

bring the state an additional \$1.4 billion in royalties and taxes over the next 20 years, based on \$20 a barrel oil. The project will generate an estimated 1,750 new jobs in Alaska construction, drilling, freight, pipeline welding and materials handling.

Various factors influence ANWR bill

The merits of opening the Arctic National Wildlife Refuge to oil and gas development appear clouded by election-year politics and other influences, reducing the likelihood that Congress will vote on the issue soon, according to John Katz, the state's chief lobbyist in Washington.

Six months remain until the curtain comes down on the 100th Congress. However, Katz translates this span into 30 legislative days given the numerous recesses for political conventions, holidays and pre-election campaigning.

To date, four legislative committees have held one or more hearings on ANWR. Earlier this year, the Senate Energy Committee reported a bill which would permit leasing, subject to environmental stipulations. The measure is pending on the Senate calendar, but no floor action is contemplated soon.

In May the House Merchant Marine and Fisheries Committee passed a similar development bill. Although far from perfect, Katz said the two bills represent promising initial steps in the legislative process.

Congressional action has now shifted to the House Interior and Insular Affairs Committee where additional hearings have been held.

Congressman Jim Wright, the powerful House speaker, supports prompt enactment of a bill, but his desires may be thwarted by several influential congressmen who believe that ANWR is not a good issue to vote on in an election year.

It is becoming evident that Rep. George Miller, Chairman of the House Interior water and power subcommittee, sees the proposed ANWR land trades as a major obstacle to committee work on a development bill. Miller is using the critical General Accounting Office report on the exchanges to support his arguments against the trades, which threaten to derail ANWR legislation.

Other important factors are influencing the course of ANWR legislation. Many congressmen, particularly those opposed to ANWR development, want to postpone action pending the election of a new president.

Sharp disagreements between labor and management over labor agreements and local hire further cloud the picture.

Katz believes the political timing issues will pass and ANWR will eventually be opened.

"I think the national implications of energy security and national defense considerations are too compelling for oil exploration to be blocked in America's most promising onshore geological area," Katz said.

As Americans become more aware of the pitfalls inherent in the nation's increasing dependency on foreign oil, the current political dynamics will change, Katz predicted. Alaskans who favor ANWR development have no choice but to continue their strong advocacy, he stressed.