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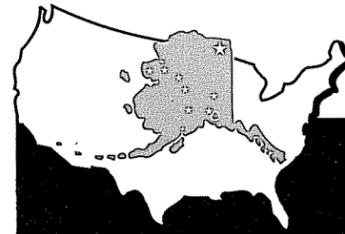
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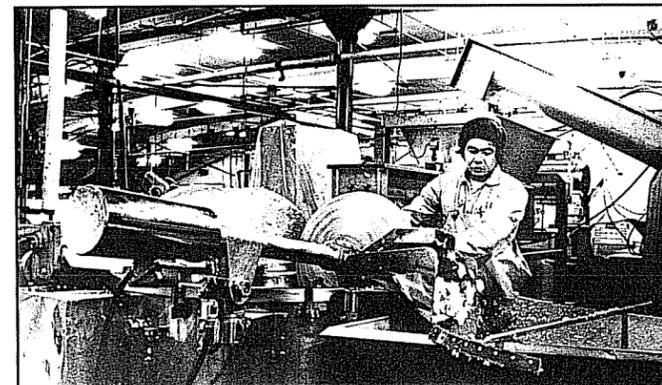
# Resource Review

May 1992

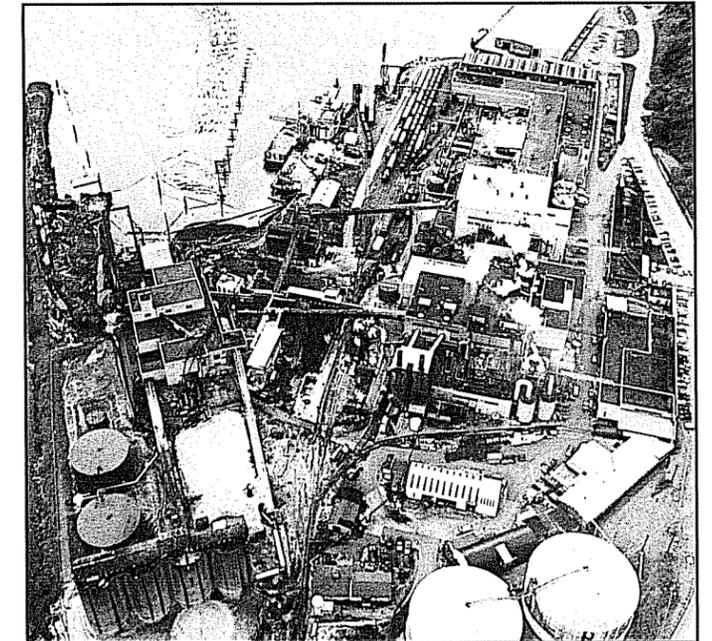
A monthly publication of the Resource Development Council, Inc.

## Pulp mill permit stipulations

# New EPA pollution restrictions could pinch all industries, communities



The EPA's new federal pollution restrictions for the Southeast Alaska pulp mills could crossover to other industries, including fish processing, shown above. The new water discharge permit requirements for the Alaska Pulp Corporation's mill at Sitka, pictured at right, could cost the company at least \$104 million initially and triple its annual environmental expenses. The Ketchikan Pulp Corporation has stated it would need to spend \$140 million to comply with its draft permit.



## Rules show little consideration to economic side of equation

Alaska industries and communities could feel the pinch of new discharge limits contained in a federal water permit for the Alaska Pulp Corporation's (APC) Sitka mill. The new pollution restrictions have raised concern among industry and community leaders that federal regulators are ignoring the economic side of the equation in their quest to regulate impacts on the environment.

"What has not gotten much attention is the fact that these strict interpretations of water discharge limits can easily crossover to other industries like oil and gas, mining and fish

processing — and even to municipalities," warned APC spokesman Rollo Pool. "None of them could meet these limits, either, and we suggest those groups take a closer look."

The EPA's new federal pollution restrictions for the Southeast pulp mills has once again shown that there is no test in the regulatory process that effectively balances economic and environmental concerns.

"The Alaska Pulp Corporation's new water quality permit is a blatant example of government's tendency to require

(Continued to page 4)

# Annual Meeting is a family event celebrating resource education



**Message from the Acting Director**  
by  
Debbie Reinwand

The keynote address by Gordon will focus on striking a balance between development and the environment. Mr. Gordon is a nationally-recognized speaker from Washington, D.C. who has addressed a number of organizations throughout the nation. We hope his speech will provide a new perspective on responsible development.

Another highlight of the meeting will be the presentation of the first Outstanding Resource Education Awards, with honorees to be selected in the individual and business categories. RDC is excited about the opportunity to spotlight those people who have taken the time to work in the schools and show students the resource world in a close and personal way.

The student winners of RDC's essay contest will also be honored at the meeting. The competition is divided into junior high and high school categories. Students can address one of three topics in a 200-word essay. The winners each receive a \$500 U.S. Savings Bond and their essay will be published in the *Resource Review*. The topics are "Resources I use in my everyday life," "Three important reasons for allowing ANWR oil development," and "The significance of resource development to Alaska's economy." For more information on the contest and to receive research materials, contact RDC staff at 276-0700.

Finally, RDC would like to thank its generous sponsors - **Alyeska Pipeline Service Company; ARCO Alaska, Inc.; Arctic Slope Regional Corporation; BP Exploration (Alaska) Inc.; Koncor Forest Products; Koniag, Inc.; NANA Regional Corporation; The Anchorage Times.**

## Tickets

Tickets for the event are \$50 per adult and \$15 per child (up to 18 years).  
Please call RDC at 276-0700 to make reservations.

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



# RDC offers \$500 prize in essay contest

The Resource Development Council is offering an essay contest to all Junior High and High School students in Alaska on three topics relating to resource development.

Contest rules require students to choose one of the following topics as the theme of their essay:

- *Three important reasons for allowing ANWR oil development*
- *Significance of resource development to Alaska's economy*
- *The natural resources I use in my everyday life*

The essays are limited to 200 words and must be typed or neatly handwritten. Entries must include name, address and telephone number. The deadline for entries is 5 p.m., Friday, May 22.

Winners will receive a \$500 U.S. Savings Bond. The winning entry will also be published in the *Resource Review*. The essay award will be presented at RDC's Annual Meeting on June 5.

Essays should be turned into RDC's office at 121 W. Fireweed Lane, Suite 250, Anchorage, AK 99503.

## RDC Briefs

Compiled by Nancy Davis

### Local businessman feels pinch of ESA

Whales are among the animals protected under the Endangered Species Act but unless amended, the ESA will also protect 1,000-year-old, fossilized whale bones.

Local businessman and artist Mike Dupps purchased more than 15,000 pounds of the bones from families on St. Lawrence Island, Alaska for the purpose of carving sculpture for commercial trade. The bones were excavated from private land prior to the enactment of the ESA in 1972.

Now Dupps has been told by the (NOAA) that he cannot ship his carvings because it is considered illegal under the ESA to transport any part of an endangered animal.

Unless amended to allow for the free trade of pre-act or fossilized bone, the ESA will cost Dupps and others like him thousands of dollars in investments to protect animals that died thousands of years ago.

### Pebble Beach prospect postponed

Cominco Alaska Exploration has postponed development of a huge Pebble Beach copper-gold deposit even though ore estimates have doubled to 500 million tons.

Bruce Bouley, exploration manager for Cominco, told a capacity crowd at RDC's March 26 breakfast meeting that the low-grade ore- 35 hundredths of an ounce per ton- and its remote location 120 miles southeast of Anchorage make the Pebble Beach deposit economically marginal.

However, the gold content of 12 hundredths of an ounce per ton of ore improves the chance of its development, Bouley said.

Current copper prices of about \$1 per pound are too low to justify development, but would warrant another look if prices rose to \$1.40 per pound.

### Gold strikes near Fairbanks

There's gold in them there hills! Ongoing mineral strikes in hills surrounding Fairbanks are causing industry leaders to forecast a modern-day gold rush that could potentially transform the oil-based economics of the Interior city in the next few years.

Exploration on Ester Dome, about seven miles northwest of Fairbanks, has uncovered massive mine potential, comparable to the rich Fort Knox gold mine on neighboring Murphy Dome, said Gary Anselmo, president of Vancouver, B.C. based Silverado Mines Ltd.

Ester Dome is part of a joint venture between Silverado and American Copper & Nickel Co., encompassing 15 deposits in a 15-square-mile area.

The 3.2 million ounces of gold reserves at Fort Knox has lured other mining companies to Fairbanks.

According to Harry Noyes, manager of natural resources for Doyon Ltd., "there is a lot of activity in the Interior as major and junior mining companies recognize the region's potential. It's realistic to expect more discoveries will be made over the next few years."

Noyes said exploration would also increase on land owned by Fairbanks-based Doyon, a Native regional corporation with significant subsurface rights.

With prospects like Fort Knox, which is expected to be in production by 1995, mining could become the single-most important sector in Fairbanks.

### Mineral production climbs

Mining production increased by 4 percent in 1991, according to a report released by the Alaska Department of Natural Resources (DNR).

Gold, coal, zinc, and silver mining production increased to a total value of \$554 million, but still resulted in falling profits for many mining firms due to low commodity prices.

*"Objective, realistic regulations developed to control, but not prevent the use of cyanide in the precious metals mining industry in Alaska will promote prosperity."*

-Richard Hughes



Tom Crafford, Exploration Manager of North Pacific Mining Corporation, stands before a drip tube application of dilute cyanide solution at a heap leach operation in Nevada.

# Cyanide

## Draft regulations, new federal tax concern miners

Cyanide. To most people, this chemical triggers an immediate negative reaction. Yet Richard Hughes insists that cyanide is not only a chemical Americans can live with, but one which promotes an enhanced and prosperous quality of life.

Hughes, President of BTW Mining and Exploration Company in Anchorage, told the Resource Development Council recently that millions of Americans come into daily contact with cyanide through the foods they eat and the products they consume. The chemical is also vital to mining operations where the controlled use of the naturally occurring compound provides for cost effective methods of hardening metals.

Cyanide has become an issue in Alaska and throughout the U.S. after the environmental community raised concerns about its use in mining. However, industry officials contend the com-

pound is no more dangerous than many of the chemicals found under the kitchen sink.

The Department of Environmental Conservation recently published a set of draft regulations concerning the mining application of the chemical. In addition, Congress is considering legislation to tax the use of cyanide in mining at the rate of 50 cents per pound, essentially doubling the cost of the compound and severely impacting the operating costs of most precious metal mining operations.

Hughes said cyanide's current contribution to operating cost is in the order of \$25 to \$50 per ounce. Doubling this cost will put a lot of mines out of business, he stressed.

One hard rock mining operation has been commissioned in Alaska that uses a cyanide heap leaching process. A number of other mining prospects

*Industry maintains that cyanide is no more dangerous than many of the chemicals found under the kitchen sink.*

throughout Interior and Southeast Alaska plan to use cyanide in the leaching of precious metals from ores.

In 1990, the EPA adopted a tough new cyanide limit for drinking water. In the process of developing water quality regulations, many states adopted the EPA limit for fluids discharged into state waters.

Hughes pointed out that many states with operating mines came to realize that the federal standard was unrealistic and modified their regulations. Most modifications either increased the limit or used various methods to determine the quantity of cyanide. Nevada uses a standard limit for discharge then modifies permits to meet site specific conditions.

Hughes emphasized that "objective, realistic regulations developed to control, but not prevent the use of cyanide in the precious metals mining industry in Alaska will promote prosperity here."



Thoughts  
from the  
President  
by  
John Rense

## Looking beyond ourselves

When we meet as professionals, why don't we include our children and our elders? I believe they would understand and be proud of what we say to each other. The business community has evolved a professional process that largely excludes those who should most benefit from our efforts.

When an issue of community importance arises in village Alaska, all members of the community may be involved in the debate. On major issues, the villages usually become united and the consensus process works. We need to learn from this, and quickly. Most of us spend far more time reinforcing the environmental ethics of our youth than we spend acquainting them with the challenges and values of our professions.

The business community, particularly the portion involved in resource development and use, is losing the philosophical support of its own people. We may be on the cutting edge of technology and finance, but somehow we are losing touch with a society that is changing with tremendous speed.

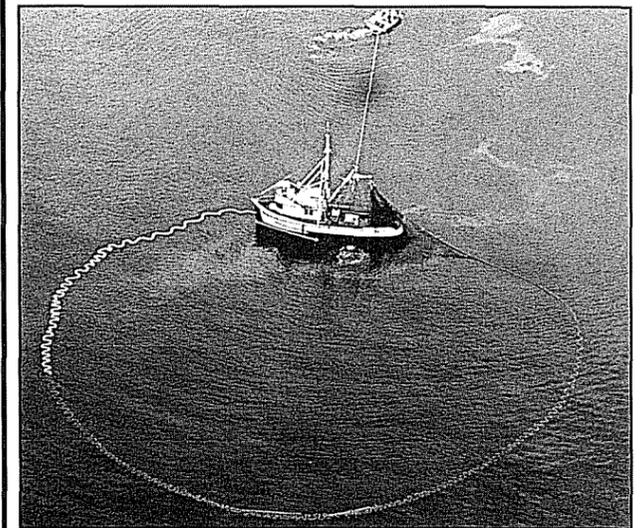
Just a few generations ago most people learned first hand about the cycles of life and death, risk and reward. Many learned these things living on or visiting a family farm. Others learned as apprentices, whether in a trade, living a subsistence life, or working in their family's store. Today the farm-club system is largely gone. People learn about life from what they hear and see, especially from their teachers, television, other media, and their peers.

How are we being treated by these sources or information? One can easily identify the bad guys on television — they wear the dark suits and ties. The good guys have on tennis shoes. The good guys talk to everybody, the bad guys just talk to each other. Our children watch on average something like six hours of television each day.

We better change quickly. The business community needs to become a driving social force in our communities. Children need to be involved earlier and more directly. We need to reinvolve our elderly. The first step to broadening our grassroots base is to earn the respect and support of those closest to us.

I doubt if most of us have really shown our children, through generosity and personal involvement, how much we really care about our society. The business community needs to open its doors to its own people. Either that, or we need to start wearing tennis shoes.

## State predicts lower salmon harvest



Alaska's total salmon harvest is forecast at 139 million fish this summer, down 27 percent from 190 million last year.

## Higher prices expected

Alaska commercial fishermen should not expect to swamp their nets with salmon this summer, but higher prices for sockeyes should remove the threat of a strike in Bristol Bay.

"I don't think we're going to have a sour season like the industry had last year, but it's not going to be a particularly sweet one," said Herman Savikko, chief statistician for the Alaska Department of Fish and Game.

Savikko unveiled his agency's predictions for the upcoming commercial fishing season at the Resource Development Council's April 30 breakfast meeting in Anchorage.

Alaska's total salmon harvest is forecast at 139 million fish this summer, down 27 percent from 190 million last year, Savikko said. However, prices for the sockeye harvest are expected to range between \$1 to \$1.25 per pound, up from last year's 11-year low of 76 cents per pound. Processors' initial offers of 50 cents per pound led to a two-week strike at the height of the 1991 season.

Alaska's salmon industry generated \$310 million in 1991, down 44 percent from \$550 million in 1990.

A four-year low in Japan's frozen salmon inventory has raised hopes for higher prices.

# More red tape, tougher limits for Southeast Alaska pulp mills

(Continued from cover)

private industry to spend like there is no limit to corporate resources," said RDC Acting Director Debbie Reinwand. "While RDC supports reasonable measures to protect the environment, more consideration needs to be given to benefits versus costs."

The Senate Resources Committee scheduled an oversight hearing May 4 in Juneau to determine what the Environmental Protection Agency's (EPA) new strict rules will mean for other Alaska industries and communities.

APC officials claim the new permit requirements will cost the mill at least \$104 million initially and triple its annual environmental expenses. The Ketchikan Pulp Corporation has stated it would need to spend \$140 million to comply with its draft permit.

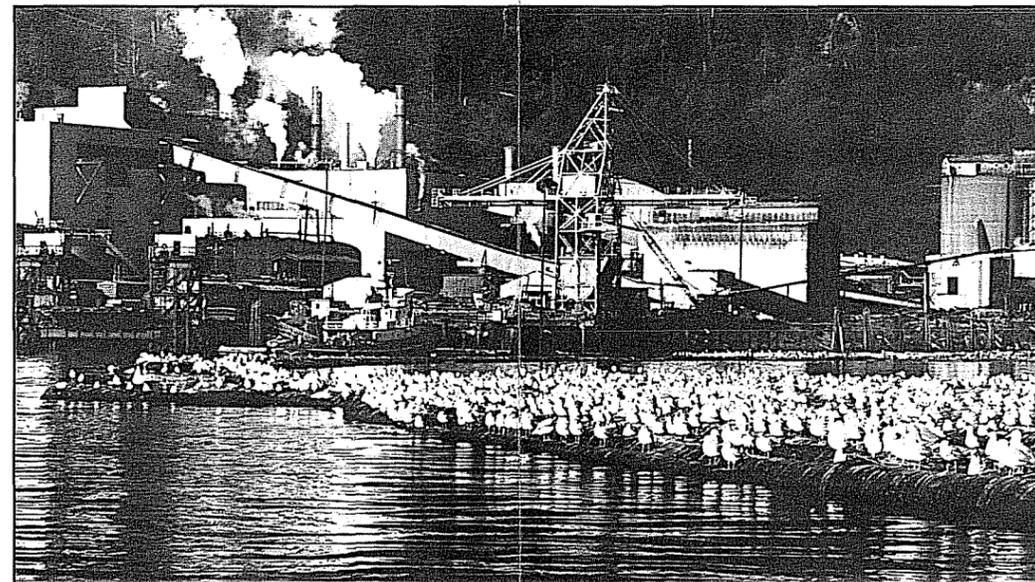
"The changes the EPA is propos-

ing does not take into account the economics of world markets, new technology, other environmental trade-offs, or a company's ability to afford or finance them," said Frank Roppel, APC Executive Vice President.

"Very simply, the pulp markets are soft and these new costs cannot be passed on to the consumer," he added. "No prudent banker would even consider lending money to fund such modifications."

State officials fear burdensome federal red tape could lead to the closure of the Sitka and Ketchikan mills, putting Southeast Alaska's economy into a tailspin.

"This would very seriously threaten the survival of the mill, or any pulp mill anywhere," said Martin Pihl of the Ketchikan Pulp Company. "These per-



The Alaska Pulp Corporation estimates it will have to spend \$33 million each year to meet the new permit requirements.

mits go far beyond permits that we have seen anywhere."

Greg Kellogg, EPA's Chief of Water Compliance in Seattle, said the Alaska mills will have a tough time meeting the restrictions.

"This is much more complex than any permit the facility has dealt with in

the past when it comes to water quality," he said. "This will be a challenge for Alaska Pulp to meet these limits."

Many of the permit regulations are based on state water quality standards, Kellogg said. However, state standards haven't changed since the last EPA mill permits were issued in the 1980s, noted Mead Treadwell, Deputy Commissioner of the Alaska Department of Environmental Conservation. Treadwell said his agency is puzzled as to why the new permits are so much tougher. He told The Anchorage Daily News that the state may challenge how the EPA has interpreted some state standards and also may consider revising some of those standards.

APC officials say the mill has an improving environmental record and that they intend to ask for a "grandfather clause" to exempt it from the new stipulations that are tighter in some instances than those imposed on the other mills in the Pacific Northwest.

"We are not against making our operation as clean as it can be, or against testing, or against a little tightening here and there. But there is a limit to what you can do to a 32-year old mill and to what is reasonable and fair," Roppel said. He stressed that there is a limit to the company's ability to absorb the huge costs entailed in meeting the new standards.

**"The changes the EPA is proposing does not take into account the economics of world markets, new technology, other environmental tradeoffs, or a company's ability to afford or finance them."**

- Frank Roppel, APC Executive Vice President

APC's Pool said that if the company accepted the conditions of the permit that it would immediately be thrown into non-compliance on many fronts, forcing more fines, more public outcry and more agency scrutiny.

The company received the draft EPA permit in late March and has been attempting to estimate many of the new costs. The largest estimated capital expenses would be about \$79 million for modifications to wood digesting, bleaching and washing processes and \$10 million to install equipment to remove color from waste water. Pool said the amount of testing the new permit requires will add at least eleven persons to the environmental staff that now numbers 30 persons. The company estimates it will spend \$33 million each year to meet the new permit restrictions.

"There seems to be no calculation of the costs of these new burdens or the environmental benefits," said Roppel. He said there are likely to be trade-offs in other environmental arenas, such as air and landfill issues, that the permit should address.

Roppel said the new costs from the

new permit would add \$190 per ton to the price of its pulp that now sells in world markets for \$550 - \$650 per ton. He said a competing mill in British Columbia already has about \$100 per ton cost advantage over the Sitka mill because of fewer environmental restrictions.

Pool said APC's environmental record has been misrepresented and maligned.

"If someone cares to look at the record, the full record, they will see improvements and advances," Pool said. "We are making great strides in acute toxicity of our wastewater and meeting limits of our current permit. In the last five years we have spent over \$30 million for air and water pollution controls and we spend about \$12 million annually."

Looking at two pollution limits of its current water permit, he said the company has had four daily violations in the last 500 days and one monthly violation in the last 16 months. Four of those five violations came before mid-February 1991 when the company installed a \$2.6 million press to squeeze wastewater effluent so sludge could be burned.



Pulp from APC's Sitka mill is loaded on a ship. Because pulp markets are soft, APC says it will be unable to pass the costs of meeting the new permit on to the consumer.



Alaska communities, both large and small, may be required to meet new water discharge limits similar to those being imposed on Southeast Alaska's two major pulp mills.