

Senator
Ted Stevens,
Guest Columnist



Merchant Marine Act

On August 2, 1983 the Senate Commerce Committee unanimously reported my bill, S. 254, which amends the Merchant Marine Act of 1936 (46 USC 1177) to consolidate the use of the Capital Construction Fund (CCF) by our domestic fishing industry. Current provisions of the Capital Construction Fund encourage fishermen to put income from their operations back into vessels by depositing funds in special tax-deferral accounts. The bill extends the CCF to include shoreside processing facilities. It would allow needed capital to be funneled into the processing and distribution aspects of fishing. I cannot over-emphasize the importance of stimulating balanced growth within the industry so that we will achieve the full domestic utilization of our fishery resources.

The competitiveness of Alaska's fishing industry in the international arena must be promoted and expanded. A higher level of productivity and innovation can be achieved by our fishing industry with the proper incentives. If given the opportunity, our fishing industry can enhance the over-all productivity in the food processing industry.

Relatively large capital expenditures will be necessary for the fishing industry to realize its growth potential. Composed mainly of small to medium sized businesses, our domestic fishing industry is often unable to gain access to typical private capital sources for either equity or long-term debt. By extending the Construction Fund provisions to shoreside facilities, a major portion of the needed equity dollars will be available.

The Capital Construction Fund has radically changed the domestic fishing fleet, but harvesting is only part of the total "fishing" picture. Our harvesting capacity has exceeded the capability of existing processing facilities. This causes tremendous productivity problems. The United States enjoys 20% of the world's total fishery resources within its 200-mile Fisheries Conservation Zone (FCZ), but statistics from 1981 show that we continue to import about 1/2 of the fish consumed. Alaska has over 1/2 of the total resource within the United States' FCZ, and has the potential to supplant a major portion of the U.S. market that is now held by foreign producers. Substantial improvements and in-

novation will be necessary in many shoreside unloading, processing and distribution facilities over the next ten years.

The Capital Construction Fund currently allows any citizen owning or leasing eligible U.S. fishing vessels to establish a special account for the purpose of acquiring replacement vessels, additional vessels or reconstructed vessels. The money deposited is income resulting from the operation of a vessel. The value of this concept to the American fisherman is that taxation can be deferred on those dollars set aside in the special fund which then may only be used for procuring new or replacement fishing vessels. Otherwise, the tax deferral status of the fund is lost. The deferred taxes are eventually recovered by offsetting reductions in the depreciation allowance for the property acquired with these tax-deferred funds, except to the extent that new additions to the fund defer taxes further.

Capital Construction Fund accounts from the harvesting sector total \$480 million. Of that amount, \$360 million has been returned to the fishing fleet in the form of equity investment, leaving a net amount of \$120 million in deposits available at the present time.

Just as many other facets of our society are searching for economic recovery, the entire fishing industry is facing serious hardship. Permanent benefits from the Construction Fund extension would be felt in Alaska through new jobs, substantial construction and development work, and through the increase in tax base to Alaskan communities.

The development of shore-based processing has been targeted as the top priority of the U.S. fishing industry. Consolidating the use of CCF offers an incentive to American fishermen to invest their income in the undercapitalized sector of their own industry. Alaska stands to gain the most of any region from this important legislation. I will bring the bill to the Senate floor in early fall, and will begin efforts with the House to secure passage of S. 254.

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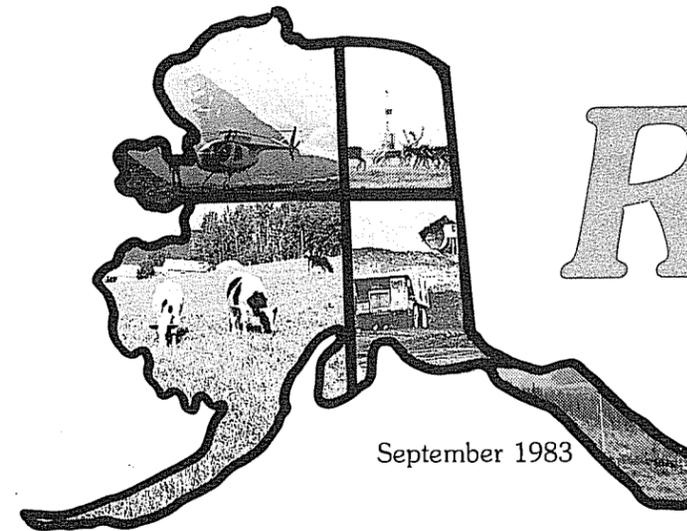
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Resource Review



September 1983

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Message From The Executive Director

By Paula P. Easley

RDC Meets With Governor

Members of the Executive Committee and RDC division directors met with Governor Sheffield on August 30 to discuss a number of issues of concern to the Council.

The Governor was commended for his efforts to give more status to mining through creation of a state Division of Mining. RDC urged that the Office of Minerals Development be left intact and that the mining industry be subject to federal hazardous waste regulations — not those being drafted by the state.

RDC recommended the Governor not sign off on the Bristol Bay Cooperative Management Plan until it undergoes major revision in accordance with directives of ANILCA.

Governor Sheffield was invited to participate in two upcoming conferences: a December meeting in New York of industry-government leaders looking at policies for Alaska's future development and the 1984 RDC International Conference on Alaska's Resources to be held February 15-16 in Anchorage. RDC presented the governor a proposal for developing a slide presentation on Alaska's resources to be used by traveling state officials and private industry. The slide presentation would be unveiled at the February conference.

To prevent recurring problems over administration of royalty oil contracts, the Council stressed the need for state expertise in dealing with the purchase and sale of oil and gas. (See accompanying article.)

The Council reaffirmed its position that the state appropriation for expansion of the Seward port be granted with "no strings attached."

Problems within the administration regarding agency review of permits and major actions were discussed as was a proposal for the governor to adopt an economic development policy for Alaska that had wide support from the legislature.

A spirit of mutual cooperation was apparent during the meeting, leaving all of us optimistic that Governor Sheffield is committed to finding solutions to economic and resource development issues facing Alaska.

COVER: U.S. Borax opened its controversial access road to the Quartz Hill Mine near Ketchikan last month. See story, page 9.

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Resource Development Council, Inc.

The Resource Development Council (RDC) is Alaska's largest privately funded non-profit 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.

RDC invites members and the general public to its weekly breakfast meeting featuring local and nationally-known speakers on economic and resource development issues. The meetings are held on Thursday at 7:15 a.m. in the Rony Room of the Pines on Tudor Road. Meeting charge is \$2 and reservations are requested by calling 278-9615.

Membership Information

The Resource Development Council extends an invitation to all persons interested in the responsible development of Alaska's resources to join the Council's efforts. For membership information, contact:

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The RDC business headquarters are located at 444 West 7th Avenue in downtown Anchorage.

Road Opens! Borax Overcomes Hurdles, A New Era Begins



The 14-foot wide Quartz Hill Access Road is now open to heavy truck traffic.

After an exhaustive permitting process and numerous court battles with environmental groups, the ribbons were cut last month opening the access road to the U.S. Borax Quartz Hill mine, signaling a new era for Ketchikan and Alaska mining.

Among those attending the road opening ceremonies were Governor Bill Sheffield, Alaska's congressional delegation, Forest Service regional forester John Sandor and U.S. Borax president Dr. Carl Randolph.

"We met the challenge of Alaska," Randolph said in a dedication speech. "Now, we will develop Quartz Hill, and as I have pledged, we'll do it right, with utmost care and concern for environmental values — in meticulous compliance with the Alaska National Interest Lands Conservation Act."

Randolph stressed that "the days of reckless, ruthless exploitation of America are long past, as outmoded as child labor and other abuses of a bygone age." He warned that "those who continue to depict the mining industry — now one of the most regulated in the country — in a 19th century robber baron image do so only with malicious irresponsibility, tragic ignorance or both."

Senator Ted Stevens said the road "represents a commitment to how development should take place. It represents a true commitment of an industry in Alaska to doing it right."

Senator Murkowski said that U.S. Borax had created a model for development of resources in Alaska.

He also pointed out that Quartz Hill is the first major mineral development in Alaska since World War II.

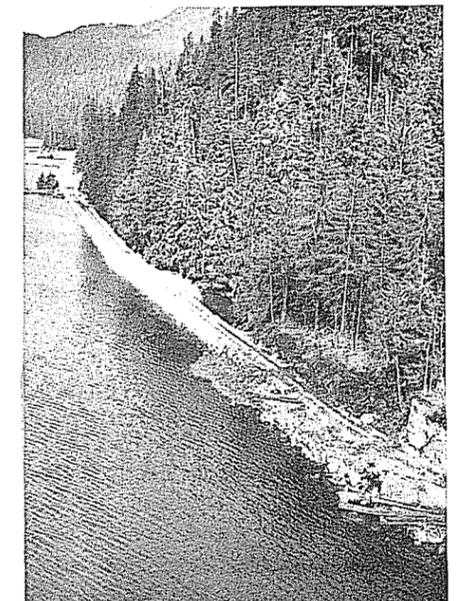
In calling the project "another world-class development for Alaska," Sheffield revealed that he is considering assigning one person in state government to speed up the permit process for development. Sheffield said Borax or any other company can deal with this person to reach all state agencies.

With the opening of the access road, Borax has spent over \$102 million developing its claim, including \$25 million in environmental safeguards and studies.

In an editorial dated August 15, the Ketchikan Daily News pointed out that its city was founded by miners, but mining eventually faded in favor of fish. When the fishing industry faded, timber developed. Then tourism capitalized on Ketchikan's scenery.

"Now we have mining coming back on a major scale," the newspaper said. "Salmon are returning in record numbers thanks to state and private agencies' rehabilitation projects. We hope for a resurgence in the timber industry as the nation's economy improves. Every year more people discover Alaska as a vacation destination."

"Ketchikan and the state will have four stable industries to support 21st century Alaskans, who will be immune from the frontier-style boom and bust cycles of Alaska's first 116 years. That truly will be a new era."



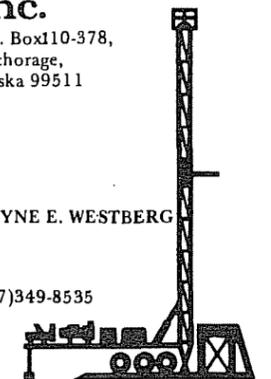
The Quartz Hill Access Road near its beginning in Wilson Arm Fjord.

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RDC: Seward Shouldn't Bear Cost

A proposal calling for Seward to repay \$3.6 million of state funding for coal terminal construction sets an undesirable precedent for construction of necessary infrastructure in Alaska, says RDC president Charles R. Webber.

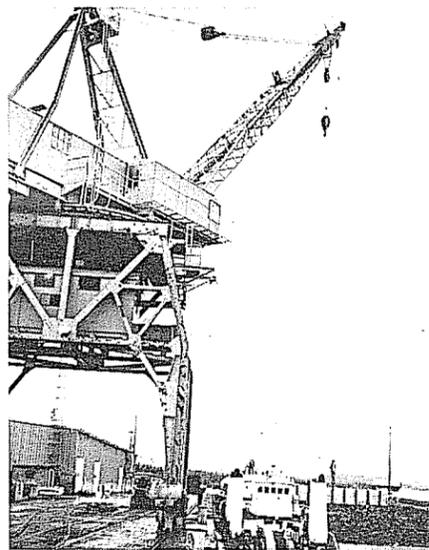
In a telegram to Department of Transportation and Public Facilities Commissioner Dan Casey, Webber said such action by the state could abort other promising economic development projects in Alaska's immediate future. He said "it is difficult to ask a small city to bear the cost of financing a regional project."

DOT recently awarded a design contract for the Seward facility, but is reviewing such questions as dock ownership, operation and user fees to recoup state dollars. The new state actions have prompted concern among many legislators, RDC and Seward.

In the past, state funds for such projects have been viewed and treated as grants. The state funding involves \$3.6 million for port dredging and building a trestle-dock with a conveyor to allow heavy ships to be loaded in deeper water.

Suneel Alaska, the company that will begin exporting Healy coal to Korea in the fall of 1984, will invest over \$20 million in rail cars and locomotives and a bulk cargo carrier, plus a conveyor system and coal storage facilities at Seward.

According to Fairbanks Senator Bettye Fahrenkamp, one of many legislators who pushed for state capital funds for the project, the original legislative intent was that the funds be treated as a grant to the city of Seward, which would contract the work and operate the dock. However, Casey says the Seward dock is one of a number of projects that could generate revenues to help recoup some costs from users and



Suneel Alaska is scheduled to begin shipping Healy coal to Korea next year through the Alaska Railroad docks at Seward, pictured above.

beneficiaries. He said that by stretching state dollars in this manner, there would be more money available for other projects.

Bristol Bay Deadline 'Unrealistic'

(Continued from Page 4)

sidered the primary goal. The plan bars state oil and gas leasing on state tide lands and for three miles offshore from Quinhagak to Cape Menhikof, including Togiak Bay. The plan also bars mining in salmon spawning streams.

The study group responsible for the plan will make its final recommendation to the Alaska Land Use Council in October. It then will be up to Governor Bill Sheffield and Secretary of Interior James Watt to agree on a final recommendation to Congress for management of the area.

RDC member Boyd Brownfield, in a Sept. 2 letter to Commissioner Casey, voiced concern over the state administration's handling of the issue. Brownfield said, "The Coal Handling Facility represents a 'giant step' to the State toward the development of our natural resources on an international scale. Clearly, it should be assumed that not only Korea, but at least Japan and other Pacific Rim customers are presently viewing with interest how the State of Alaska is going to handle their first attempt at such international trade. I view the Coal Handling Facility and how it's handled as having far reaching effects concerning the formulation of attitudes and positions of potential future foreign trade customers. The stakes are much higher than the City of Seward level; the State stands to gain (or lose) far more than any other."

Kantishna . . .

(Continued from Page 5)

He also took exception to the withholding of funds appropriated to the Park Service for an assessment of the Kantishna Hills/Dunkle Mine area from December 1982 until June 1983. Swainbank insisted such action assured that studies would be incomplete at best. He said that since no drilling could be conducted on Park Service land with \$1.5 million released to the study from a \$2.5 million appropriation, a complete picture of the mineral resources cannot be given to the Alaska Land Use Council.

"The recommendations to Congress will therefore be based upon about three months of mineral assessment, and about 300 months of caribou studies."



A Letter From Our President

by Chuck R. Webber

Productivity

Perhaps now is the time to reflect on Alaska's future with regard to its competitiveness in providing its goods and services to the world market.

It would seem that Alaska has had an extra burden in having to start from scratch in its development while its competitors have had the advantage of already in-place investments in infrastructure and necessary services to support their economic base.

While Alaska may be at a disadvantage in this respect, we also have an opportunity and a requirement to display great confidence in closing the competitive gap so that the perceived disadvantage becomes in fact a distinct advantage in years to come. This may happen because our current situation could cause industry, labor and government to take the time to plan not only for the satisfaction of current political needs, but also for the long-term ability to provide the productivity increases needed to assure Alaska's market share in its areas of competition.

Lowered costs because of cooperation in development can be related to additional jobs for Alaska's work force, increased profit potential for Alaska's investors, and very importantly, a recognition that Alaska's government has an eye to the future for the security of its citizenry in an ever more internationally competitive world.

RDC Urges State to Hire Oil Specialist

Citing the importance of crude oil contracts to the future of Alaska, the Resource Development Council has urged Governor Bill Sheffield to employ a crude oil sales specialist.

In a letter dated August 30 to the Governor, RDC President Charles R. Webber pointed out that by virtue of its ownership of reserves and daily production, Alaska is equivalent to a major oil company. Yet the State has no one who has ever bought or sold a barrel of oil or who has ever worked in the crude oil sales or gas sales end of the business, Webber said.

"Unless some changes are made, it is apparent that all future contracts proposed by the State will have some deficiencies and will have difficulty surviving the legislative study process," Webber stated. He said that if the State had negotiators who were experienced in oil and gas sales,

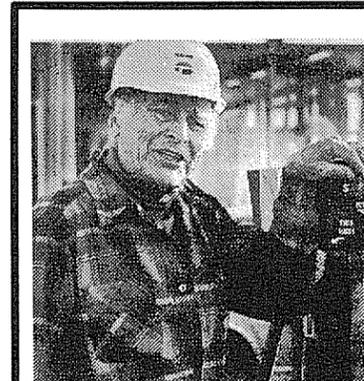
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Fairbanks Sees Growth

The economy of Fairbanks and Interior Alaska is booming, but for the growth to continue, Fairbanks North Star Borough Mayor Bill Allen says the region will have to diversify its economy by developing its tourism, mining, cement, agriculture and red meat packing industry potential.

Speaking to the Resource Development Council in August, Allen said the key to diversification lies with the state in committing itself to construction of road and railroad access to resource deposits. He said mining cannot develop its full potential unless a state transportation system is com-

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"We're Energizing Alaska!"

Bristol Bay Deadline 'Unrealistic'

The chairman of the Resource Development Council's Land Division has urged that the comment period for the Bristol Bay Cooperative Management Plan be extended at least four weeks beyond a September 20 deadline.

In testimony presented August 31 at a Public hearing in Anchorage, Dr. William E. Davis said six weeks for the public to develop comments on such a comprehensive plan was "unrealistic." Davis charged that data on which many of the recommendations are based were not available for examination by the general public. "Until these data are available and can be evaluated, we cannot be sure that the conclusions in the plan are supported by the facts," Davis said.

The RDC testimony also expressed dissatisfaction with the plan's blanket designation of fish and wildlife as the primary use for all state lands and the lack of attention to positive consequences of some of the plan's alternatives. Davis said a greater emphasis on diversified resource development would provide for positive results and that these should be factored into the planning.

As the draft now stands, Davis said it does not meet a requirement under the Alaska National Interest Lands Conservation Act that it provide for rational and orderly development of economic resources within the region in an environmentally sound manner. He stressed that there has not been adequate evaluation of alternative plans regarding mineral, forestry and agricultural resources and that there may be other alternatives which could be addressed.

Davis said a summary of the plan indicated that the "draft provides alternatives that would be less restrictive to mineral entry." However, the RDC spokesman said his organization is hard pressed to find details where that seems to be the case.

The Council also pointed out that the land classifications may be too

restrictive on use of known mineralized areas or others that may be discovered in the future.

Earlier, Jim Jinks, the Council's Deputy Director, expressed concern that the plan will affect an area containing at least ten percent of the 104 million acres the state is to receive from the federal government in its statehood entitlement.

"When we talk about ten percent of the state's land, we feel that more consideration should be given to the interests of the entire state," Jinks said.

RDC also voiced displeasure with the recommended use of cooperative agreements that are not subject to

public review. The Council supported more flexibility in providing transportation corridors in the region.

A 26-member study team of resource specialists is making an in-depth analysis of the plan on the Council's behalf and will prepare comments based on the findings of its study.

The Bristol Bay Cooperative Management Plan was intended to design a coordinated development strategy for all the 31 million acres of federal, state and native lands in the southwest region of the state.

Under the "preferred" plan, the protection of fish and wildlife is con-

(Continued on Page 8)

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New Study Fails To Support Controversial Acid Rain Proposals

Proposals to control acid rain in the Northeastern United States by requiring coal-fired power plants in the Midwest and Appalachia to significantly reduce their emissions of SO₂ are not based upon the conclusions of the National Academy of Sciences' long-awaited report on acid rain.

Entitled "Acid Deposition: Atmospheric Processes in Eastern North America," the report found that reducing emissions of SO₂ and NO_x would result in an proportionate reduction in the deposition of sulfates and nitrates. However, the report noted that all sources in eastern North America must be considered as contributing in one degree or another to the phenomenon of acid deposition. Further, the report found that evidence does exist for long-range transport of pollutants, but "the relative contributions of specific source regions to specific receptor sites remain unknown."

Because of a thorough mixing of pollutants by atmospheric processes in eastern North America, the report indicated it was difficult to distinguish between effects of distant and local sources of pollution. It says scientists cannot tell how much acid deposition in the Northeast is the result of long-range transport from the Midwest and Appalachia, and how much comes from oil-fired powerplants and automobiles in the Northeast.

"While the Midwest and Appalachian states have been assigned prime responsibility for acid deposition in the Northeast, it is very possible that the northeastern states have been playing a much larger role in the problem than one would think from reading current acid rain control proposals," commented Senator Robert Byrd of West Virginia.

According to Byrd, models that have been used to justify acid rain control strategies are inadequate and at best are considered to be only useful research tools by the Academy. Byrd claims that they have not been developed sufficiently or verified adequately to be able to predict changes in acid deposition patterns in the Northeast as the result of a reduction

of SO₂ emissions from coal-fired powerplants elsewhere.

Byrd stressed that until satisfactory answers could be found, "we must not act in a manner that would impose further hardship upon the economy of the Midwest." He said any action to curb acid rain must be fair and equitable in the distribution of costs and benefits.

Hiring of Oil Specialist Urged

(Continued from Page 3)

knew worldwide trading conditions, and were aware of terms of recent trades, better contracts could be recommended with better chances of ultimate approval. Until some exper-

tise is acquired for this purpose, the RDC chief believes proposed contracts would remain surrounded by controversy.

Handbook How To Survive A Media Interview

Regardless of how well one might know a subject, speaking on television or radio can be a terrifying prospect. If you ever find yourself in the spotlight explaining your company's positions through the media, the Resource Development Council has a publication that will provide valuable assistance to you in preparing for the media event.

How to Survive a Media Interview will not only help the spokesperson deal with the broadcast media, but with print interviews as well. Suggestions contained within this handbook are just as valuable when applied to the public hearing process.

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Judge's Ruling Favors Miners

Judge James Burski of the Department of Interior's Board of Land Appeals in Arlington, Va., has ruled that the application of mining laws should be made with equal force and effect, regardless of whether the land is under a conservation or public land designation.

In a major decision favoring the mining industry, Burski also ruled that in judging marketability of a mineral discovery, government administrators may consider historic mineral price ranges to decide if that claim can be developed into a profitable mine.

"It's of great significance to the mining industry in removing uncertainties and clarifying the standards by which claims will be evaluated," said Paula Easley, executive director of the Resource Development Council. Howard Grey, executive director of the Alaska Miners Association, said the decision "provides for standardization of the procedures — and that's good for everybody."

Burski's ruling was made last month in a challenge to Pacific Coast Molybdenum Company's claims in Southeast Alaska.

The judge admitted that in some cases in the past, higher standards have been applied to proving marketability of mineral discoveries in national forests. However, Burski said the board has long since abandoned such a position, taking the current action to repudiate it.

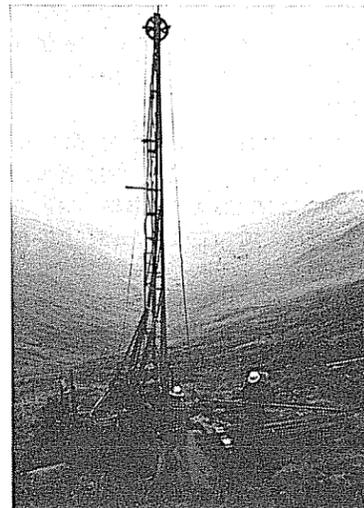
"Where the mining laws apply, they necessarily apply with equal force and effect, regardless of the characteristics of the land involved," Burski said. "The test of discovery is the same whether the land be unreserved public domain, land in a national forest, or even land in a national park."

In determining present marketability, Burski said a company need only show reasonable likelihood that a profitable mine can be developed given historic price and cost factors.

The decision was brought about by a protest of issuance of mineral

patents filed by the Southeast Alaska Conservation Council and United South East Alaska Gillnetters.

Pacific Coast Molybdenum was represented by the firm of Robertson, Monagle, Eastaugh and Bradley.



Judge Burski's ruling will remove uncertainties and clarify standards by which mining claims throughout Alaska will be evaluated.

Fairbanks . . .

(Continued from Page 3)

pleted to help get the minerals to market at reasonable costs.

"All industry needs the support of the state, not to subsidize it, but to develop an adequate transportation system," Allen said. "The state should play a major role in getting the resources to market."

Allen suggested extending the Alaska Railroad from Fairbanks to Nome with branch spurs to Interior mineral regions. He also recommended extension of the railroad to Delta, Nenana and Point McKenzie agricultural areas.



Miner Says National Park Service Studies Resulted in Caribou Deaths

In responding to the Draft Environmental Impact Statement for the Kantishna Hills-Dunkle Mine Study, a Fairbanks miner has charged that intensive study of the McKinley caribou herd in the Dunkle township by the National Park Service is partly responsible for the herd's decline.

In a lengthy report to the NPS, Dick Swainbank said that although factors such as predators, calf mortality and migration must be considered, "there is a definite correlation between the decline of the herd from 1966, and the frequency and intensity of the Park Service studies."

The McKinley herd has been studied for 24 years, with many overflights, including low-level circling of pregnant caribou in 1971, with increasingly frequent and intensive studies since 1976. The studies have included radiocollaring of caribou and one-quarter mile grid surveys by helicopters and light planes.

During these studies, Swainbank claims the Park Service herded a large group of animals from the park and into the Dunkle township. In addition, Swainbank said a number of caribou died shortly after collaring and separation of calves from the group occurred.

"These activities occurred within about four weeks of calving, despite the existence at that time of at least four publications documenting possible panic responses of caribou cows and calves to helicopters and advice from the Alaska Department of Fish and Game that such activity might be harmful," Swainbank pointed out.

"I believe that President Carter and many well-meaning Congressmen condemned the caribou to continued and increased harassment, and though they probably had the welfare of the herd at heart, it is a classic case of 'the road to hell being paved with good intentions,'" Swainbank stated.

In his report, Swainbank pointed out that the caribou herd was at its peak of 30,000 animals in 1943 when the Dunkle Mine was working at full capacity. The decline began soon after the closure of the mine.

By 1966 the herd's population had fallen to 10,000 and continued a downward trend to 1,500 in 1974. During the period of intense aerial studies, the herd's population plummeted to 500 and has remained constant since.

The Fairbanks miner also said the present Park Service visitor facilities and road "destroy more land than even the overstated estimates given for the 'worst case' scenario in the DEIS." Swainbank insisted that a modern mine would be less visible and disruptive than the present park and associated visitor facilities near McKinley village.



Considering the impact of the present Park Service tour activity on the road through the park, and the impact of the past 24 years of study by the NPS, "the sheer resilience of the herd is surprising, and the proposal to restrict all activity in the Dunkle township because of 'known and suspected conflicts of mining

with caribou' is to say the least the height of hypocrisy and is an attempt to discourage mining," Swainbank said.

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