ALASKA'S RESOURCE CHALLENGE: THE NEXT FIVE YEARS

COMMON SENSE FOR ALASKA, INC.

1983

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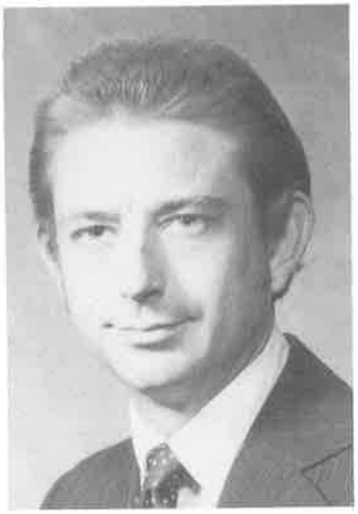
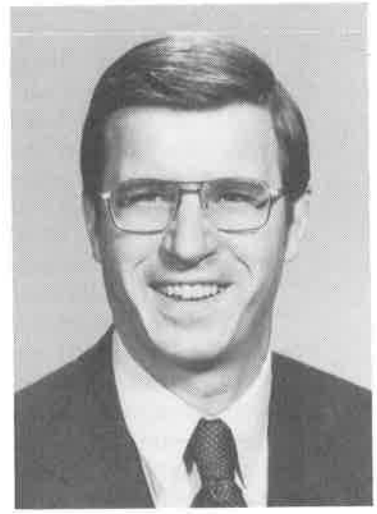


Dave Harbour
Program Chairman
1982

G. Kent Edwards
President
Common Sense for Alaska



John K. Norman
Moderator
1982

INTRODUCTION
"Alaska's Resource Challenge: The Next Five Years"

In past public awareness seminars, Common Sense for Alaska has focused on the expenditure side of the balance sheet and on the need to manage our wealth wisely and to monitor trends in government growth and spending. There is another side to the operating statement: the income side. Just as it behooves any business to pause periodically and take stock of what its future income may be, so it would do well for us as Alaskans to stop and ask ourselves what the future holds for us and what income we can expect to fund programs that are now underway.

In Alaska, income equates with development of our natural resources and is indisputably linked to wise development of those resources. Consequently, this report focuses on future resource development in Alaska. We will examine those industries that provide income in the form of direct revenues, taxes and royalties to the state of Alaska. In addition, we will look at the role of other industries that provide indirect income and at the same time pay their own way: those industries that enhance the private sector by creating jobs for our fellow citizens.

Our intent in this report is not to duplicate or divert attention from the very fine work of other organizations in our state such as the Resource Development Council. Our goal is simply to expose the facts for your intelligent consideration. We deem it critical that every Alaskan and, in particular, that our legislators and others in government keep in mind the relationship between the two sides of the balance sheet and the fact that expenditures and income are necessarily related. If we adopt political courses of action which impede or discourage the development of our natural resources, then we must be prepared for a corresponding reduction in the amount of income available to our government. Similarly, if we are to continue to attempt to maintain the present high level of state and municipal government spending, then we must plan ahead so as to be able to pay for this in the future.

This project is but one of many of the programs and projects which have been undertaken by Common Sense for Alaska in an effort to keep the public informed and interested in the issues that affect government spending and government growth. Our common concern over the growth and direction of government is the bond that has brought the members of Common Sense for Alaska together as an organization.

We would like to thank many of our state's leading non-profit organizations for their co-sponsorship. They are:

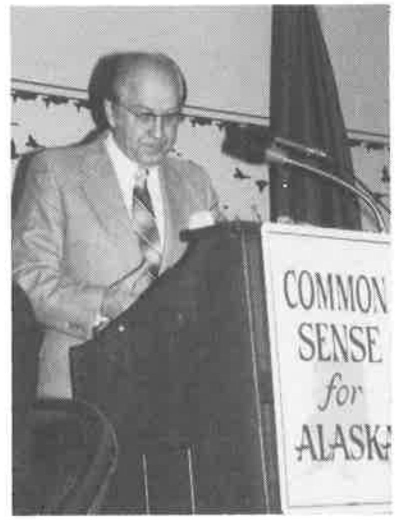
- Alaska Black Caucus
- Alaska Council on Economic Education
- Alaska State Chamber of Commerce
- Alaska Support Industry Alliance
- Anchorage Chamber of Commerce
- Associated General Contractors, Alaska Chapter
- Association of Professional Landmen
- Big Lake Lions Service Organization
- National Federation of Independent Business
- Resource Development Council of Alaska, Inc.

We want to acknowledge those legislators who attended our seminar:

Representative Bob Bettisworth
Representative Charlie Bussell
Representative Joe Flood
Representative Milo Fritz
Representative Walt Furnace
Representative Vern Hurlbert
Representative John Lindauer
Representative John Liska
Representative Rick Uehling
Representative Jerry Ward
Senator Jan Faiks
Senator Paul Fischer
Senator Rick Halford
Senator Arliss Sturgulewski

Finally, we want to thank the following sponsors who graciously hosted these legislators:

- Arthur Young & Company, CPA
- CH_2M Hill, Inc.
- Coopers & Lybrand, CPA
- George W. Easley Company
- Hartig, Rhodes, Norman, Mahoney & Edwards Law Firm
- Mr. Peter Miller
- Peterson Mining & Exploration
- Yellow Cab Company



Dr. Glenn Olds
President
Alaska Pacific University

Invocation

Introduction

It is tempting to forget, in the inventory of Alaska's abundant resources, that every resource, both natural and human, is finally rooted in the ground of all our resources, the providence, creation, dependability and goodness of God, under whom our nation, and our lives also, are celebrated and lived. In that mood of acknowledgment, wonder, and gratitude, let us pray:

Prayer:

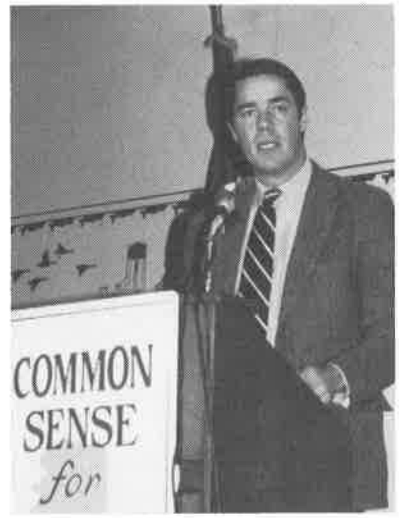
Eternal God, our renewing and ever real resource, Thou art the One, Who before the morning stars began, or the earth or our heavens were born, was at work fashioning order out of chaos, a universe out of multiversity, life out of aimless cosmic dust, and didst call us, out of this grand star adventure, to stand erect, freeing our hands to work, our minds to soar, our hearts to love, and our souls to acknowledge Thee as our Creator, Companion, and Lord. We give Thee thanks for this unspeakable gift of co-creation with Thee, of stewardship of divine beginnings in this our common earth, and for unfinished tasks of fashioning a new and better world than the one we first entered in dumb dependence as children.

We thank Thee for the mountains of this great land, that shame our small mindedness with their grandeur, and our flat plain views, with the challenge of unplumbed heights, skyscapes to match our highest hopes and Thy call for greatness. We thank Thee for the marvel of Thy strategy, sewing deep within the earth beneath our feet, and in the cool clean water that flows across our land to the sea, and in the fresh free air we breath with such delight, the secret of resources beyond our imagining, to feed life, sustain work, invite invention, command partnership, and recreate a new Eden in which the innocent and needy of the earth may walk unafraid and in joy.

As we count these blessings, measuring their promise in our small coin of calculation and reconstruction, may we remember always all things come of Thee oh, Lord, and are meant, in the end, to enhance the life of Thy children everywhere. May they be blessed, and our deliberation this day and always with Thy guidance and direction: leaders of this great land as they fashion new paths in which to walk; our people as they work and serve to make Alaska, Alyeska, the Great Land, great in Thy sight, in industry, generosity, humanity, and integrity. Like the great eagle, our symbol and endangered specie, may we soar to new heights for vision without which the people perish: in freedom without which no one lives as fully human; in risky strength whose flight matches our northern lighted sky with a path of determined destiny. With this uncommon common sense we pray, in the power of Thy promised spirit, and in His name and disclosure of Thy purpose for us we celebrate this season.

Amen

Welcome



Tony Knowles
Mayor, City of Anchorage

It is certainly my pleasure as Mayor of Anchorage, on behalf of the citizens of Anchorage, to welcome you to this third annual conference of Common Sense for Alaska, Inc. This being a statewide conference, I appreciate the long distances that many of you have traveled to come here to discuss a most important subject for Alaska. In years past, I know that the direction of this organization has been primarily focused on the expenditure side. I note the excitement and energy that is going into your discussion now as you turn toward the income and the revenue generating side of this great state.

Anchorage certainly has more than just a passing interest in this endeavor. Anchorage's economic engine is indeed driven by development throughout the state of Alaska. In fact, in many ways we are protected from the excesses of development because as a headquarter city we benefit from the growth but are protected indirectly from the lack of growth in some areas because of our situation. From the Anchorage taxpayer's viewpoint, we want to encourage you as you plot sound and orderly economic growth for the state of Alaska. I encourage the conference, and wish you all success.

"Alaska's Resource Challenge:

The Next Five Years"

Governor Bill Sheffield

As a member and former president of Common Sense, I take pride in appearing before you today as Governor of this great state. We have a bright future ahead of us if we can pull together for the common good and as all of you here know, if we use common sense. I can promise you that there will be a lot more common sense in Juneau with me as Governor than there was before.

We are here today to talk about the future. The conference theme is "Alaska's Resource Challenge: The Next Five Years." The next five years will put us in 1988. That's about the time that the great Prudhoe Bay oil field is expected to start declining in production. For Alaska that is a day of reckoning and we should start planning now the various courses of action.

The first is to make sure the size of state government does not get out of control. My administration is already moving to stop government waste and inefficiencies. When the legislature convenes in January, I hope to work with both the House and Senate to implement our new spending limitation to insure that our wealth is not squandered.

The second course of action between now and 1988 is to make sure that when Prudhoe Bay production declines, other oil fields are brought on line to keep the pipeline as full as possible. The state has and will continue to offer promising leases to the oil and gas industry on the North Slope and in the Beaufort Sea. With any luck and with a stable taxing policy by the state, those leases could well be producing oil by the end of this decade. I know it takes a long time to develop oil wells in the Arctic, especially when the industry and the state must take precautions to guard the environment and pay attention to the desires of local residents who are most affected. We can produce oil and protect the environment in our state. We now have eleven oil and gas leases planned on state land between now and 1986. The next one is scheduled for the month of May in the Western Prudhoe Bay or Simpson Lagoon.

My main reason for appearing in this conference is to talk to you about the oil and gas industry or the decline of the Prudhoe Bay field. One of the main themes of my campaign and one of my main themes as Governor will be to diversify our economy. Alaska has ample amounts of minerals that are not being utilized today. We should be encouraging the development of coal and hardrock minerals. We can do this directly through the lease of state lands. We can also encourage the mineral industry through indirect means by improving our transportation systems. Improving Alaska's transportation system will cost money. To make sure that money is invested wisely, we have to develop domestic and international markets for our minerals. This will take time and effort, but I think all of us here today will agree that time and effort are worth it if we ever hope to diversify our economy.

Those of you who are here from the timber and fishing industries will agree that overseas markets have a large role to play in whether we make a profit or a loss. The state stands ready to help you in any way that it can to get your industries back on their feet. I was heartened to read the other day about the decision of the 9th Circuit Court of Appeals that upheld our primary processing law for timber. We have enough problems in the timber industry without interference from federal courts.

Thank you for your time and I look forward to working with you all the way through.

Robert R. Richards
Vice Chairman
Alaska Pacific Bancorporation

"The Challenge of Developing Alaska's Resources"

When future generations look back to the decade of the 70's and 80's in Alaskan economic history, one of the great ironies will be that Jay Hammond, who reluctantly condoned economic growth, led Alaska through the greatest decade of employment growth in the twentieth century.

Compounding the irony is that Bill Sheffield, whose administration was enthusiastically committed to achieving a vibrant economic growth, will have governed during a period of rather modest increases.

What gives rise to this ironic situation?

Despite the Alaska constitution which gives our governor extraordinary great powers and despite the rather strong personalities of both governors Hammond and Sheffield, the indisputable fact remains that the major determinant of economic growth in any region is the relationship between world economic conditions and the relative cost of the resources of the various economic regions around the world. Relating this general statement to Alaska, the major factor, indeed, virtually the sole factor determining the economic vibrancy of Alaska over the next few years is going to be the world price of oil.

This is because oil fuels the two forces driving the Alaska economy: the petroleum industry and state and municipal government spending. The speed with which these two forces move forward is virtually entirely dependent upon the world price of oil. Indeed, if the world oil price today were $45 a barrel, that Alpetco refinery proposed for Valdez would be under construction, the trans-Alaska gas pipeline would be under construction, and the Dow/Shell consortium likely would be firming up contracts with the state to develop a petrochemical industry here.

Perhaps it would be appropriate, then, for the leadoff speaker in today's important conference to set the stage by describing the world economic context within which we Alaskans will have to address the challenge of developing Alaska's resources. To summarize the conclusion before I present the analysis, the context is going to be unfavorable, therefore the challenge is going to be tough.

The context for our analysis today actually has two general dimensions: the internal situation and the external situation. First, looking internally, 1983 is going to be a dandy year for the Alaska economy. This year has been a record-breaker for every industry, except fishing and forest products which experienced disasters and which face equally gloomy outlooks for next year. Alaska's other industries — petroleum, hardrock mining, tourism, construction, retail and wholesale trade, services and the government sectors are on a "roll" whose strong momentum will carry over into next year.

Beyond next year, however, I feel a looming problem which causes me to be greatly concerned about the viability of the Alaska economy in the latter half of the eighties. The cause for concern is the opposite side of the coin of today's economic exuberance. Today's vibrant prosperity reflects our continuing to celebrate like drunken sailors the Prudhoe Bonanza. All over the state we see libraries, performing arts centers, swimming pools, low cost residences, $1,000.00 dividends — the whole array of funds — pouring into an economy barely able to absorb it.

Also, development work on the North Slope and oil related office building construction has added to the merriment.

However, we must realize that the two rich uncles supporting this economic glee — the petroleum industry and state and municipal government — are going to tire a bit, and are going to have to sit down for a rest and contemplate their diminishing financial resources.

And why do I place so much importance on these two sectors? Because they dominate the Alaska economy. If we take a look at Alaska's other traditional basic industries, fishing, forest products, tourism, hardrock mining, agriculture, some light manufacturing, we find that the gross value of output of these industries is only about one-fifth of the value of output of the petroleum industry and the level of municipal and state spending. The petroleum industry and state and local government dwarf the basic sector, generating five times the value of output. This then leads us directly to the external situation: namely, the world price of oil because that is what drives both the petroleum industry and government in Alaska.

The chief characteristic of the world economic environment over the next five years relative to our interest here today is: there is going to be no meaningful increase in the world price of oil, gas or coal. There is a little silver lining in this cloud, however, in that no dramatic collapse is foreseen either. In order to accurately analyze the likelihood of a further collapse in oil prices it is important to consider several elements.

First, prices have already plummeted. Average world market prices exceeded $40 per barrel in 1980 and last fall fell to below $30 per barrel. Secondly, the likelihood of a further surge in supply seems remote. The OPEC cartel has already broken, with Iran, Libya, Nigeria, and Venezuela severely exceeding their official production quotas. Additionally, both Mexico and the United Kingdom, relatively new significant suppliers on the world scene, have been producing full bore. Ten years ago these two sources were providing the United States approximately 30,000 barrels per day; today they are selling us over 900,000 barrels per day.

Thirdly, oil production of the Soviet Union, the world's second largest oil exporter, has peaked and is now declining. Fourthly, concern over competition from the huge new Pt. Arguello discovery off Southern California seems to be an overreaction in the short run. Production from this field is not expected before 1985.

Finally, effective control of the supply side of the question lies exclusively with Saudi Arabia, whose oil reserves dwarf those of the rest of the world and who currently produces about one-fourth of the world's supply of oil. Saudi Arabia and her Persian Gulf neighbors — Kuwait, Qatar, and the United Arab Emirates, who account for 45% of OPEC's output and who have a high ratio of oil reserves to population, are facing strong internal political pressure to hold back production. This intense pressure being placed on the leaders by the general populace seems to be emerging out of the natural long run concern over a depleting nonrenewable resource, despite incredibly large reserves. Accordingly, it seems most reasonable to expect the Saudis to continue to hold the line.

Looking at the demand side, no decreases are foreseen that would trigger a price collapse. Again, demand has already plummeted in response to the rather severe recessions in the United States, Japan, and Western Europe and in response to the implementation of effective conservation measures. As a result, U. S. oil imports in 1982 were about half their level of 1979. There seems to be a consensus that the U. S. recession has bottomed, while admittedly no agreement exists as to if, when, and how vigorous any recovery might be. At any rate, for these analytical purposes, a further decline in energy demand due to further slippage of the U. S. economy seems remote.

Additionally, the major effect of conservation measures seems to have already been felt. Conservation achievements in the industrialized nations of the world have been impressive, and it is likely that further energy efficiencies, though necessary and prudent, will be incrementally small relative to recent accomplishments. Therefore, while it is recognized that no measurable increase in demand is foreseen in the short run, it is asserted that no decrease in demand is expected either.

The conclusion, then, when examining both the supply side where production is already surprisingly relatively high and the demand side where further decreases are not anticipated, is that further price declines are not likely to occur. It is further recognized that in the short run any increases in demand will be virtually imperceptible, reflecting an excruciatingly gradual economic recovery in the U. S. and continuing effective conservation achievements and can be entirely offset by supply increases from the existing substantial excess capacity. Accordingly, I do not see any meaningful increase in oil prices over the next few years.

Now, this analysis notwithstanding, virtual control of upward and downward movement in oil prices lies with the Saudis and, therefore, can be effected in either direction depending upon the Saudis' inclination to take rather severe courses of action. Current readings on both the internal and external interests of Saudi Arabia suggest that they will continue to maintain their current posture and that the forecast of relatively stable nominal oil prices over the next few years is reasonable.

Nevertheless, the Alaska economy is precariously dependent upon one world statistic. In light of this, the forecast of stable oil prices has both a favorable and an unfavorable implication. The favorable implication is that there will be no further downturn in state spending or in petroleum industry investment or exploration activity in Alaska in the short run. The unfavorable implication is that there will be no upturn either.

Alaska, by virtue of its inadquate infrastructure, its remoteness, its harsh climatic conditions, and its both rugged and fragile terrain is a high cost source of any of its resources. In economics jargon, it is "at the margin," among the last sources to be considered. Accordingly, as long as world oil prices do not rise significantly, as I have predicted, Alaska projects will be relatively unattractive. For example, the gas pipeline is not under construction today solely because abundant, less expensive alternative energy supplies exist in the midwest market. The proposed Valdez oil refinery that was going to process the state's royalty oil is not under construction because the price of its output was finally foreseen to be below levels required for feasibility. The petrochemical plants contemplated for Alaska tidewater are not being built because the world is awash with lower cost sources.

Looking further out, then, I don't think any major oil or gas related project is going to materialize in Alaska before the late 1980's at the earliest. Secondly, assuming North Slope wellhead prices remain level through Fiscal Year 1985 and increase at the rate of inflation thereafter (averaging around 7.5%) and assuming that modest production will be forthcoming from adjacent North Slope fields, total petroleum revenues to the State of Alaska will likely peak in seven years and in fifteen years will be about two-thirds their present level.

In light of the anticipated peaking and subsequent decline in oil revenues combined with uncertainty regarding the timing and magnitude of future major energy related development projects, the legislature has commenced to exhibit a prudent conservatism in its budgeting state expenditures, and, therefore, the government sector will begin to subside — appropriately so. Clearly, then, the deck is stacked against us when we look out into the intermediate-run.

Where, then does the answer lie?

It seems to me that the key to resource development lies in five areas. First, we should do all that we can to further diversify our economy by turning every stone, looking in every nook and cranny even for the slightest opportunity for meaningful sustainable business investment, realizing all of the time that we are pursuing diversification that it is only going to play a minute role in affecting the growth of the Alaska economy. Remember the immensity of the petroleum industry.

Nevertheless, in my opinion, even though we are talking about a tiny scale with very modest expectations, the fact still remains that more diversification is better than less diversification, ipso facto. It is a positive force, albeit small, in the direction of bringing about a more stable economy. So the first thing that we can do is push in the direction of further diversification, maintaining realistically modest expectations.

The second thing that we can do is expand the infrastructure, invest in projects which increase the volume of and/or decrease the cost of energy, transportation, labor, medical care, education — the whole array of support systems which any business enterprise needs. As we all well know, the most glaring deficiency is our inadequate transportation systems and inadequate power supplies.

Again, however, great care must be taken to ensure that investments in such projects are not merely political monuments that take on a much greater public attractiveness than their dollars and cents benefits would justify. Rigorous, sharp pencil analyses must be performed on all infrastructure type investments, bringing into consideration, however, a long range perspective.

The third way in which the state can foster resource development is through creative financing. The State of Alaska, by virtue of possessing a sizeable pool of capital, is in a position to creatively package the financing side of projects that could be the very factor that thrusts a particular project into economic feasibility. Tax exempt financings, tailored repayment schedules, terms on rates and maturities tied to further development commitments, and other types of creative packaging are ways in which the possessor of capital can stimulate projects.

A fourth catalyst to economic development are those groups which are the only private owners of natural resources in Alaska: the Native corporations. Through identifying their resources and developing meaningful long range development plans, these twelve firms, by virtue of being the only private land and resource owners in the state, are in the center of the stage. They are the dominant factor in determining the rate at which Alaska's resources are going to be developed.

I think that it is impossible for us to even come close to fathoming the immensity of the potential of these organizations. They own land that is equal in size to the state of Washington. Look at the giant organization which the late Frederick Weyerhaeuser created based on timber and land one-twentieth the size of that given the Alaskan Natives.

Take a look at just one of our Native corporations, the Arctic Slope Regional Corporation. Earlier this year the National Petroleum Council released a study that predicted that one-third of the future of the United States oil and gas discoveries would be in the Alaskan Arctic. In that region there is one private land owner. To try to get an intuitive feeling for the future role of this organization, imagine if east Texas — where oil discoveries created immeasurable wealth for hundreds of families — imagine if that area had been owned by the federal government, the state government, and one private land owner!

Indeed, the Arctic Slope Regional Corporation and its sister Native corporations are the dominant players in meeting the challenge of developing Alaska's resources.

The fifth and, frankly, I think the most important factor in stimulating resource development in Alaska is developing a positive attitude toward resource development on the part of all of us, which most importantly, translates into a helpfulness on the part of public officials involved in the process. The Southeastern region of the United States experienced dramatic economic growth during the post World War II period which was brought about almost entirely by a genuine commitment on the part of public officials and government employees in that area to bring it about.

I will never forget my first job as a young economist with the Weyerhaeuser Company serving on a task force to determine the site for a pulpmill in the South. The just plain helpfulness on the part of the people in the various departments of commerce and economic development and the departments of natural resources was incredible. Transportation was provided for us; office space, typewriters, calculators and other equipment were provided right on the premises of the state office buildings; we were given assistance in accessing the libraries and files that contained data on timber location and characteristics, wage rates, transportation routes, etc. The whole array of information that we needed to complete our study was quickly and completely and courteously provided to us. Finally, an appropriate person in each state was available to introduce us to any other person in the state who we felt was relevant for our completing the study. Indeed, the most dramatic thing that the Sheffield Administration can do will be to create a constructive, helpful attitude on the part of public servants toward firms contemplating developing Alaska's resources.

Well, giving a speech on this subject and enumerating what we ought to do is easy. Implementing what we ought to do — particularly in light of the unfavorable world economic conditions that we will be facing over the next five years — is going to be tough, but we Alaskans have always flourished in the face of tough challenges.

Industry Panel

"The Role of Renewable Resource Industries in Supporting Alaska's Economy"

PANEL #1

Panel #1, the first of two industry panels, dealt with the role of renewable resources in Alaska. Panel members included:

John Daly, Senior Vice President, Kodiak Lumber Mills (logging)
Alec Brindle, President, Wards Cove Packing Company (fishing)
Dale Fox, Executive Director, Alaska Visitors Association (tourism)
Dr. James Drew, Dean of the School of Agriculture and Land Resources Management and Director of Agricultural Experiment Station, University of Alaska, Fairbanks (agriculture)

The following pages contain summaries of the panelists' presentations.

John Daly
Logging

The timber industry in Alaska is concentrated in Southeastern Alaska and its coastal regions. It consists of two pulp mills, one in Ketchikan and one in Sitka. Maximum capacity is about 400,000 tons per year and almost 100% of production is exported outside of the United States. There are eight major saw mills and/or chip producing mills in Alaska. This production is all exported outside of the U. S. and probably 90% of it goes to Japan.

Logging production: in 1980 the industry produced about 635,000,000 board feet of logs. In 1981 that went up slightly to 650,000,000 board feet. This year it will drop to about 600,000,000 board feet and my estimate for 1983 is it will drop further to about 550,000,000 board feet of logs.

The pulp mills have a capacity of 400,000 tons a year and for the past three years — and next year — will have operated the pulp mills at about 75% of capacity. In terms of total dollars: in 1981 total export sales for the forest product industries was $278,000,000. There were approximately 3000 employees on various payrolls and the total payroll for the logging, pulp mill and saw mill industry was $78,000,000.

Alec Brindle
Fishing

When Dave Harbour invited me to participate in this panel, he suggested that I take a few minutes and provide you with a summary of how the fishing industry supports Alaska's economy. While I didn't say so at the time, I thought he had the subject backwards: for with the recent collapse of king crab stocks; the botulism incident from which the salmon canning industry is still trying to recover; and the general weakness in the export market for Alaskan seafood, it occurred to me that perhaps my remarks ought to be directed to how the Alaska economy can support the fishing industry!

Today's Northwest and Alaska Fishing Industry is a multi-billion dollar complex of fishermen, processors, marketing organizations and a host of allied interests which together produce jobs and economic growth. In recent years this region's production of seafood has led the country, producing one-third of the volume and one-half the value of all edible fish and shellfish produced in the United States. In 1981 companies operating in Alaska alone produced over 600 million pounds of seafood products with a wholesale value of a billion dollars. The seafood industry is Alaska's leading employer. It is estimated that throughout Alaska and the Northwest, direct and indirect employment attributable to the seafood industry is well in excess of 100,000 jobs. This is a fair measure of the importance of this industry in Alaska.

We in the fishing industry are uniquely dependent upon the state. We deal in a common property resource whose health, indeed, whose existence depends upon wise and judicious resource management. With such management and a state commitment to the research and development necessary to enhance these resources, the seafood industry will continue its vital albeit unspectacular contribution to Alaska's economy.

Dale Fox
Tourism

Tourism is big business. In Alaska the visitor industry is often rated #2 or #3 depending upon who is measuring and what criteria are used.

Estimates for this year show 660,000 visitors bringing 470 million dollars which also creates many thousands of jobs for Alaskans. The phenomenal and consistent 15% annual growth rate of the visitor industry and the dollars it brings to Alaska have indeed been Alaska's renewable resource success.

The growth patterns and health of an industry are the important aspects to consider when we look to Alaska's future. Non-renewable resources including oil and gas, coal and other minerals will continue to provide Alaska many benefits for the resources we export. But as we look to the long term, development of all of our renewable resources is vital to Alaska's economic well being as the non-renewable resources will decline in importance over an extended period of time.

Tourism as a stable industry in the Alaskan economy will soften some of the traditional boom/bust cycles we have been plagued with in the past. The consistency of the growth in tourism will keep it as one of Alaska's top industries especially as we continue to develop a year-round market.

Briefly, what can state policy do to affect the development of the visitor industry? The Alaska Visitors Association is encouraging the state to continue cooperative government/industry marketing programs which have become the model tourism marketing program in the United States. We also encourage public infrastructure development of the public facilities which are necessary for visitors as well as for a better quality of life for Alaskans. Projects like roads, docks, and airports top our list.

My counsel to the visitor industry is for us to support development in the non-renewable resources as they will provide much of the initial capital for development of the renewable resource industries. Looking toward a strong future for Alaska, all of the renewable resources must be developed to the fullest potential.

Dr. James Drew
Agriculture

Agricultural commodities can be produced in Alaska. Practical experience has repeatedly demonstrated the successful production of field and horticultural crops, meat and milk in the Tanana and Matanuska valleys, beef and sheep on the Kenai Peninsula, Kodiak Island and the Aleutians, and reindeer in western Alaska. Moreover, the annual precipitation and length of growing season in potential agricultural areas in the Tanana and Susitna valleys are similar to the Peace River Valley in northern Alberta, Canada. Barley is produced profitably on thousands of acres in the Peace River Valley from Grande Prairie to High Level to Fort Vermilion. With a fee base of barley and forages, this area also produces beef, pork and milk.

A major roadblock preventing a larger agricultural industry in Alaska is that almost all of the potential agricultural land in Alaska has been held by the state or federal government. Because of the limited private ownership of agricultural land, only small and scattered farms could be developed in Alaska. Consequently, Alaska's agricultural sector could not take advantage of economies of scale associated with farming elsewhere in the United States. In addition, Alaska's economic infrastructure, including the transportation system, did not facilitate supplying farms with needed materials or marketing agricultural products. Thus, the cost of producing and marketing agricultural products was high. These impediments to agricultural development are not biological or climatic. They are matters of economic organization and development and can be changed by policy changes, investment, availability of credit, and research and technology.

Through 1982, Alaska invested approximately $50 million of state funds for facilities and farm loans to implement the Delta and Point Mackenzie Agricultural Projects. Projections in 1982 indicate that funds required through 1990 will total approximately $238 million. Agricultural commodities that can be expected from this projected development include: the annual production of barley by 1990 will be approximately 300,000 tons (approximately 100,000 will be consumed by livestock within the state and about 200,000 tons will remain for export); the value of crops and livestock produced annually in Alaska by 1990 under this scenario will be approximately $105 million. In addition, at an average price of $400 per acre, the 500,000 acres of developed cropland will have a value of $200 million. In 1975 there were approximately 900 persons employed on Alaskan farms. By 1990, farm employment will increase to approximately 2400 persons. A substantial number of additional jobs will be created in agriculturally related non-farm employment.

"The Role of Sub-Surface Resource Industries In Supporting Alaska's Economy"

INDUSTRY PANEL #2

This second of two industry panels included the following members:

O. K. "Easy" Gilbreth, Exploration & Production Affairs Manager, Alaska Oil & Gas Association (oil & gas)

John Sims, Director, Office of Mineral Development, State of Alaska (hardrock mining)

Bob Stiles, Project Manager, Diamond Coal Company (coal)

As with the previous panel, their remarks have been summarized on the following pages.

O. K. Gilbreth
Oil & Gas

The oil industry has been active in the state since 1898. During this time, less than 2000 wells have been drilled but the prolific discoveries made have catapulted the state near the top of the list in nearly all areas of production and reserves. This state has between 33 to 65 percent of all the undiscovered reserves in the United States and the Outer Continental Shelf, yet we have only 2/10 to 3/10 of 1% of the active drilling rigs.

What do you suppose causes this tremendous discrepancy in drilling and reserves?

We're not allowed to lease and drill in many areas.

Our industry is composed of optimists. They have to be to stay in business. Let's look at some of the areas where they have made expenditures or investments in the state to back up their optimism. The following figures are current as of January 1, 1982:

1. The original cost of the physical assets of the oil industry in Alaska was 18.8 billion dollars;
2. There were 15,000 people directly employed in the oil industry in the state;
3. The physical assets amount to an average investment of $1,709,000 per employee directly employed by the oil companies;
4. If we consider a multiplier effect for secondary and tertiary employment from 2.5 to 7, this would indicate that about 37,500 to 105,000 people in the state depend on the oil industry to a large extent for their livelihood;
5. The direct payroll of oil company employees in 1981 alone was 288 million dollars;
6. In addition to taxes, in 1981 the industry paid 500 million dollars in bonuses, rent and royalties on oil and gas leases in the state, nearly all of which went to the state and federal government.

Now let's talk about the future. Governmental controls now result in delays of 9 to 14 years from date of leasing to bring a new field on production and provide income to the government. One way that the potential future decline in state revenue can be minimized is to cut the present delay time.

Many of the problems that the oil industry and the state face are artificially created and can be minimized through a concerted effort to work together to reduce delays and increase opportunities for exploration and development. In this manner, stability can be achieved and state and industry income fluctuations can be reduced, new fields can be brought on line sooner, more people can be employed and our state can enjoy a vibrant economy for many decades to come. We're optimistic!

John Sims
Hardrock mining

Internationally, the mining industry is in deep recession or outright depression. Against this gloomy background the mining industry in Alaska has performed remarkably well in 1982 and is expected to show a modest 4% growth in gross value: to $293 M. There was a significant increase in expenditures for development projects and a sharp increase in gold production which rose almost 50% to an estimated 200,000 ounces worth $80 M.

In 1983, we should see, at best, modest growth in the mineral industry in Alaska as the national economy claws its way towards recovery.

Beyond 1983 the future is very bright for mining in Alaska and by the early 1990's mining is expected to be a $2 billion per year industry and growing rapidly. A major upturn will start in 1986 when the first of the new generation of hardrock and coal mines begin production.

Large though the potential for mining is in Alaska, physical disruption of the surface will impact but a tiny fraction of the land area. An enormous project such as Quartz Hill, for example, will directly impact only 5 or 6 square miles. This observation underscores the assertion that mining *is* the highest and best use for lands which contain viable major mineral deposits. It will take cooperation between the public and private sectors and an understanding of how the industry functions if mining is to reach its full potential in Alaska:

1. An assured stable taxation policy;
2. Regulations impacting resource development and performance standards relating to air and water quality must be revised;
3. State land classification policy should reflect the lack of knowledge of the subsurface and its resources by adopting compatible multiple-use classifications providing a minimum of restriction to mineral entry onto state land;
4. The state must assume a lead role in the provision of major elements of infrastructure such as transportation systems, docks and power lines;
5. In-state processing of mineral concentrates could provide a significant value added component to the mining economy; and
6. The quality of economic education in the public school system must be greatly improved with appropriate attention given to enhancing awareness of the major contribution mining plays in supporting our national economy.

Perhaps with an element of cynicism many Alaskans express the view that mining has been promising a lot for rather a long time without really getting anywhere! Have things changed? Most certainly they have and the reasons are many and varied. All this leads me to predict a very bright future for this great and diversified primary industry in Alaska.

Bob Stiles
Coal

For the near term, i.e., the next five years, the coal industry will not contribute any substantial increases in state revenues over that which it currently contributes.

For the longer term, i.e., for the next 20 years, any increases in revenue to the state from the coal industry would be a function of the two following factors:

1. The economic vitality and growth of the natural market areas for the Alaskan coal, that is, the Pacific Rim from the U.S. Pacific northwest and the so-called Pacific Basin countries of Japan, Korea and Taiwan; and
2. The world supply and cost of oil and natural gas.

At present, the only producing coal mine in the State of Alaska is the Usibelli mine near Healy. Usibelli currently produces approximately 800,000 tons per year with the potential of increasing that production to 1 million-plus tons per year over the near term. This increase in production from Usibelli's mine would contribute a small increase in revenue in comparison to the state's other current sources of revenue.

For the longer term, however, the picture is somewhat brighter. Over the next 20 years the potential certainly exists for the overall production of coal in Alaska to increase from its current levels of 800,000-1,000,000 tons a year to as much as 10-25 million tons a year by the year 2000. This increase in production, with the concomitant increase in state revenues, is a function of market conditions: the price and supply of fuels; and economic vitality and growth of market areas.

The largest consumer of Alaskan coal in the natural market areas for the foreseeable future will be the electric utility industry. Using some simple arithmetic, if one assumes that the coal industry in Alaska develops to the point where it is producing between 10 and 25 million tons per year at $32.00 per ton in current dollars, the total revenue to the industry within the state would be on the order of 300-750 million dollars per year. If one considers the daily production rate of 1½ million barrels per day through the pipeline at a value of $30.00 per barrel, the total revenue from the pipeline to the oil industry would be on the order of 16½ billion dollars per year. This is 20-40 times the total revenue to the coal industry in Alaska under the most optimistic set of circumstances.

While development of Alaskan coal is a positive step for the overall Alaskan economy, revenues to the state from the coal industry will not come close to approaching the current revenues to the state from oil. Nor will the coal industry substantially take up the slack in revenues to the state which result from declining production and/or decreasing prices in oil.

Lee E. Fisher
Coopers & Lybrand

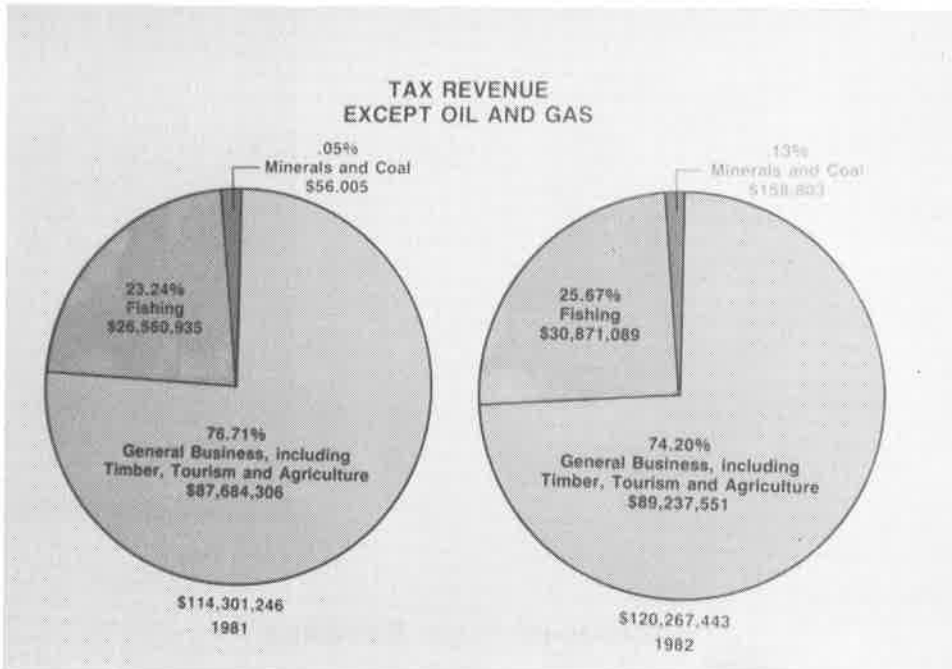
"Sources of State Revenue"

The industry panelists you have just enjoyed represent the primary renewable and nonrenewable segments of our state's economy. They present an interesting study, in that, when you compare many of their similarities, the same facts can be used to describe their differences. The revenue derived by the state from these industries is a classical example. Nothing binds them closer together than the taxes and fees they pay into the coffers of the State of Alaska, yet no other factor better describes their great differences.

During the past two years these industries have paid just under five billion dollars to the State of Alaska, exclusive of royalties. The Department of Revenue has approximately forty major categories of tax, license, permit and fee revenue accounts which can be identified to industry sources. Because of Revenue's classifications, some industries are easily identified; some are commingled; and others are impossible to identify. For example, account 001 is property tax — totally attributable to the oil and gas industry. At the other extreme is account 038 — Corporate Income Tax. Through June 30, 1982 this source of tax revenue includes all businesses and industries, except oil and gas, thus it is impossible to allocate to industries such as fishing, mining, timber, tourism or agriculture.

When I first started analysis of these accounts, the inability to specifically identify revenue sources to each industry bothered me. Then the old auditor took over and materiality became my guide.

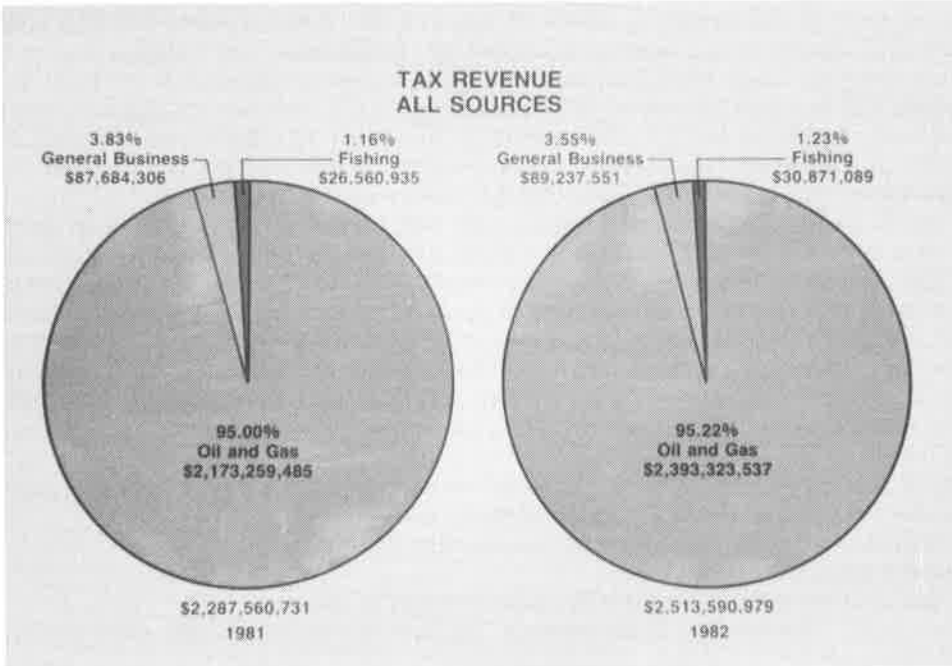
The first 2 graphs will show what is meant by materiality. Since timber, tourism and agriculture cannot be identified to specific revenue sources in the state's chart of accounts, they are included in the General Business category. Oil & gas, fishing, and minerals & coal are the three industries that can be fairly well identified.



GRAPH 1

Figures for fiscal 1981 are on the left and 1982 on the right. First, we want to examine revenue from all sources, except oil and gas. You'll appreciate the reason for this in just a moment. In both fiscal years, business contributed approximately 75% of the revenues; fishing approximately 25% and minerals & coal, something less than 1%.

It is only through presentation of this graph first that we can give recognition to the material and stable tax, license, permit and fee revenues generated by non-oil and gas businesses in our state.



GRAPH 2

The second graph shows the past two year's reveues from all sources. Now you can see the necessity of presenting the first slide. Fishing, as you saw, accounted for 25% of revenues when oil and gas taxes were not considered. Now it is just slightly over 1%. Business, including timber, tourism, and agriculture becomes about 3½% and our friends in the minerals and coal industry are impossible to portray when working with 2¼ to 2½ billion dollars of annual revenues — and remember this is without recognition of royalty income.

Bob Richards has given us his annual update from a professional economist's viewpoint. He describes in straightforward language a positive attitude about our future, though the glow is dimmer. But in the past eight years we have grown accustomed to also hearing pessimistic viewpoints and forecasts, particularly when they originated in Juneau.Governor Sheffield's remarks during this past week and again this morning indicate a new attitude is dawning and a "half empty glass of water" may once again be viewed as "half full." But the other guys' last shots are still reverberating around the state and deserve commentary as we consider "Sources of State Revenues."

Last month the Governor's Council on Economic Policy met for a roundtable discussion on Alaska's fiscal future. Some of you may have seen their briefing paper or participated in the public forum. They identify three "optimistic" schools of thought on the subject of future state spending and its relationship to the Alaskan economy.

Those three viewpoints are:

- Projections of state oil revenue are unduly pessimistic.
- State oil revenues may decline, but other sources of revenue will be developed to make up the difference.
- Oil revenues may decline and no other significant source of tax revenue may be found; but, by the time revenues drop sharply, the unsubsidized private sector will have grown enough to offset the adverse economic impact of reduced state spending.

That was on page one and represented just about the last positive or optimistic statement contained in the next thirty odd pages. In fact, a quotation on page two set the tone for the rest of the briefing paper and the ultimate recommendations of the Council.

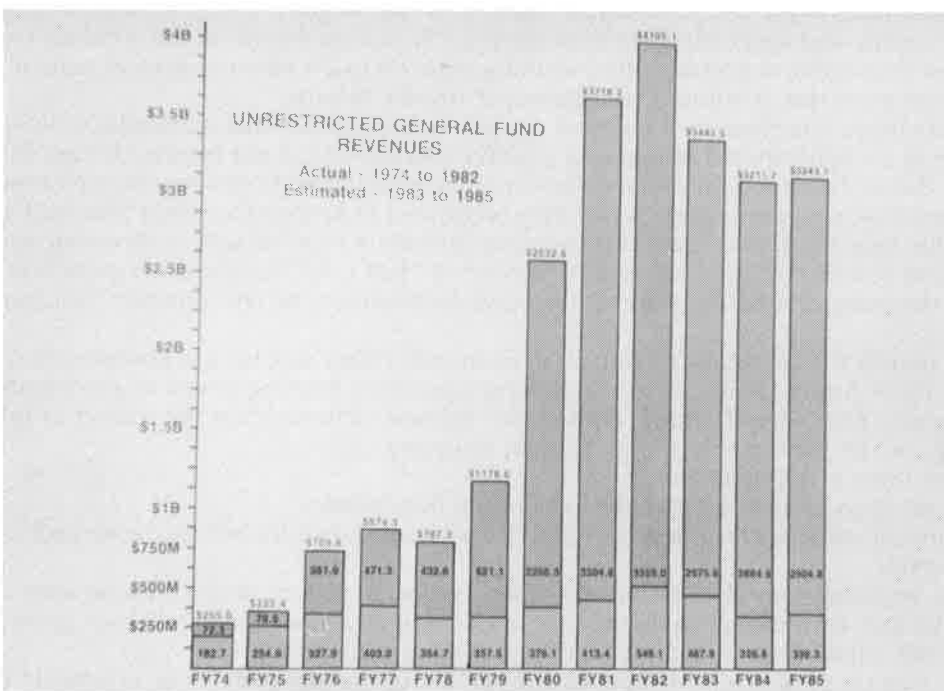
In his support of the opposing school of thought, Dr. Arlon Tussing concludes his recent analysis of oil's impact on the Alaskan economy by stating that "notwithstanding a climate of optimism in the Anchorage business community that borders on euphoria, we believe, that the current boom will be short-lived and will be followed by the most severe recession experienced by Alaska since statehood in 1958. The reason is, of course, the downturn of world oil prices, which has a powerful adverse impact both (1) on the state's current income and (2) on the outlook for future private investment in Alaska energy-related industry."

Leaving oil and gas as a revenue source, this same briefing paper quotes an old friend of business and industry — this time in a Department of Revenue internal memorandum — wherein state employee James Love, former director of AkPIRG, states, "Virtually no economic program will provide a tax base comparable to current Prudhoe Bay oil revenues. Petroleum is a 'high rent' sector of the economy, and just about everything else that can survive in Alaska is far more marginal. Tussing, Goldsmith and others have persuasively argued that it is absurd to talk about any development scenarios for the fishing or mining sectors matching but a small fraction of state tax revenues from oil production. The same might be said about agriculture or manufacturing sectors."

The final recommendations of this Council on Economic Policy may have escaped your attention earlier this week. These recommendations are . . .

- To reinstitute the personal income tax, or, alternatively,
- Create a state-wide sales tax.
- To use caution in investing the Permanent Fund in Alaska.
- Don't build "speculative infrastructure" such as docks, roads and other projects to encourage development.

So much for the dismal picture this group paints. Just what are the numbers that have created all this disagreement and potential of problems?



GRAPH 3

I believe a crucial element related to our state's operations is being overlooked in the emphasis on the "declining revenue" side of the equation. Let's set the stage for that thought by looking at the last graph.

Unrestricted general fund revenues, including royalties, have climbed from $255 million in 1974 to $4.1 billion this year. Notwithstanding the Department of Revenue's very cautious projections, we are told that the next five years will bring in something over $3 billion per year. Longer range projections aren't bad either, if your viewpoint spans more than just the past few years and includes more than a myopic viewpoint of oil, oil and more oil, and never looks at our other potential and our future needs. I'm going to guess that Governor Hickel's comments about the potential of the Alaska gas pipeline will support a more optimistic attitude and will relate very well to the positive approach of the Sheffield Administration.

I want to close with a thought that brings the revenue issue to a logical conclusion. In my household and my business, it starts with a philosophy called "living within your means." There is a measurement tool used to accomplish this goal and I believe it has been overlooked for the past eight years. It involves responsible budgeting as a starter.

Then we go to use of one of the four basic financial statements required by generally accepted reporting standards of the accounting profession known as "The Funds Statement." Its principal objective is to report "sources of funds" and "uses of funds" with a resultant annual increase or decrease in available cash or cash equivalents. When government officials start to think in these terms and use these tools, our revenue "problems" will become "opportunities."

The topic "Sources of State Revenue" is obviously complex, but is only half of the question we should be contemplating today. Of at least equal, and perhaps even more importance, is "uses of funds." As you view these dramatic figures and projections, the real question should be . . . How are they being used? This is the crucial element that is being overlooked. Since 1974, we have come from use of $255 million in unrestricted revenues to $4.1 billion this year. The fact that the funds available for use in the next 10 to 15 years may only be 2 or 3 billion per year is being viewed as a horrible problem. I suggest it is a wonderful opportunity if we are stewards of the revenues and "use" them in building for the future.

In total and absolute disagreement with the Council on Economic Policy, I believe most Alaskans . . .

- Oppose reimposition of the individual income tax.
- Oppose a state-wide tax.
- Believe that prudent investment of a portion of the Permanent Fund in Alaska is wise.
- And, wish to see roads, docks, and other "speculative infrastructure" built to encourage development.

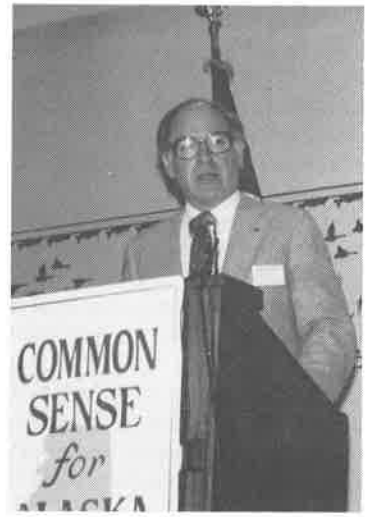
Alaska's resource challenge of the next five years and every day thereafter will be limitless for one basic reason. Our people are our greatest resource. Our collective minds and integrity will respond to whatever challenges arise as we make Alaska, truly the "Great Land."

I re-emphasize Bob Richards' closing thought. It's a question of our leadership having a positive attitude.

"Stabilizing Alaska's Resource Investment Climate"

Representative Bob Bettisworth
Alaska State Legislature

Esther Wunnicke
Commissioner
Department of Natural Resources



Dick Lyon
Commissioner
Department of Commerce

PANEL #3

The Governmental Policy Panel, composed of newly appointed Commissioners Wunnicke and Lyon and House Finance Vice Chairman Bettisworth, discussed government's role in stabilizing Alaska's resource investment climate. Their edited remarks are contained in the compendium on the following pages.

Representative Bob Bettisworth
Alaska State Legislature

In my opinion with the advent of Common Sense for Alaska and others, from 1975 to today, you have completely re-educated the Alaska public. You started two years ago in changing the philosophy of the State House. Historians probably one day, in looking at the political scene in Alaska, will come back and look at this era as a truly remarkable feat in political history.

Several years ago, we discovered oil and there were voices around Alaska that said, "This is great, this is fantastic, it's going to produce a lot of dollars, but it's not going to produce many jobs. This is a catalyst to get Alaska's resources moving." Many of us agreed and many entered that era with much enthusiasm. That catalyst is certainly still with us but it has not been mixed properly. A new Governor and a new legislature gives us the opportunity to get that catalyst properly mixed. All the progress we've made today in fishing, timber, minerals, agriculture, and small business is because of those oil dollars. I do not believe that the oil is going to diminish; the oil dollars may diminish because of pricing but we have ample time to get the rest going and to get that catalyst properly mixed.

If there is ever a time, it is now for the legislature to do all the things that we want to do to maintain the oil revenues we are experiencing.

In closing I'd like to say that I hope I or someone else can stand here four years from now and say that what was done was not in spite of government, but because of its help.

Commissioner Dick Lyon
Department of Commerce &
Economic Development

I want to take two quotes from Governor Sheffield's speech: "I hope to work with both the House and Senate to implement our new spending limitation." Those words sound awfully sweet to my ears. I assure you the Governor is sincere. It is important for the Executive to say that. We have a strong executive system in our government and Governor Sheffield is in fact a strong Executive. He leaves no doubt who is in charge and that in fact he is in charge.

It is very clear the Governor intends to place an emphasis on economic development, and I don't say that to be self serving. In the Department of Commerce and Economic Development and its related and contained boards and commissions, increased emphasis will be placed on economic development. The Department has both a regulatory function and a stimulative function. The emphasis will be on economic stimulation. The focus is going to be on the market. Where will Alaska's resources be going in the next two generations? Under what terms and conditions and to what extent do we want to do something today that makes as much economic sense?

Basically, there is one profound question we will have to ask, "Is it going to be Susitna, some substitute, or are we going to have another developmental investment choice?" That is going to be an important decision for the Administration to make because we are going to run out of money before we run out of ideas. Secondly, "Do we target the most likely places? Do we send our salesmen out where the plums are, stick them in the tough places, or let them go out and find their own markets?" We are going to have to answer that question, also.

In conclusion, the bottom line is attitude and emphasis. The Administration is going to target economic development based on both renewable and nonrenewable resources. It clearly intends to limit the growth of government and promote a stable investment climate.

Esther Wunnicke
Department of Natural Resources

Alaska is in a very unique position in that the state for whom you are the shareholders owns so much of its land and so many of its resources. The Department of Natural Resources' obligation is to be the steward of those lands and resources while they remain in state ownership. Even if Alaska as a state government did not own those lands and resources, it would still have a Department of Natural Resources, it would still have a Department of Economic Development to provide other services to those private landowners who own the lands and control the resources.

To mention only a few of those programs within the Department of Natural Resources of course is the five year oil and gas leasing program. I would hope that that would be a very regular and predictable, planned program over the years. There are 55 currently active coal leases in Alaska and 50,000 active mining claims on state lands.

As a land and resource owner, the state needs to inventory and evaluate its assets like minerals, coal, oil & gas, water, soils, and timber. It needs to manage those assets, to be businesslike, to audit our records and to seek expertise in the management of our resources. The management of state resources has to take a very long term view. We have to plan so that our management is efficient and effective and we should look to the end result. We need to seek the best managers for these assets. We need to know when to buy and when to sell, when to let go and when to put things in private hands.

We also have an obligation to provide technical assistance to whomever owns the land or resource; in forestry, for example, to the native landowners, or in minerals, to the small miners. We need to help in simple, homely, common sense kinds of things. I think we can reduce duplication of effort. We can be more efficient and selective. We can provide very many needed products and seek trained people. We can work constructively, optimistically and cooperatively with municipal and federal governments and with private industry. We can all be very creative in developing a civilization in Alaska with all its physical, intellectual, and spiritual parts. I look forward to working with every one of you.

Frank G. Turpin
Alyeska Pipeline Service Company

"Getting the Most for Our Resource Dollar: Setting Priorities"

I am here today as the President of the Anchorage Chamber of Commerce, representing our twelve hundred members who are the leaders of this community, and are at the forefront of planning efforts like this one on a municipal level.

I was pleased when Dave Harbour invited me to come here and speak to you . . . because the wise use of our resources is a subject of special interest to the Chamber.

I am reminded of the story about the company president who went to check the service at his firm's cafeteria. About halfway through his meal, he asked for another pat of butter.

"I'm sorry," said the waitress, "only one pat of butter per person."

"Do you know who I am?" he asked.

"No," said the waitress.

"I am the President of this company."

"Do you know who I am?" the waitress responded.

"No."

"I'm the person," she said, "who passes out the butter and you only get one pat."

I use that story to make a couple of points.

One — there is, indeed, somebody who "passes out the butter," or the budget monies, or revenues we derive from our resources. And, two — we had better let that "somebody" know, well in advance, how we Alaskans want that revenue spent . . . set some guidelines, and be sure they are followed . . . no matter who comes along later and demands "an extra pat of butter."

There is a way to do this. It's called setting priorities. If we are going to build ourselves a strong and healthy Alaska for the future, we had better resolve now to do just that. No matter how great our needs may seem, we cannot afford to do everything. We have great resources. I think we have a great future . . . if we plan now to make it great.

In the case of managing our resources, all of us might endorse a three-step process:

Step One — Make an inventory of our resources. In other words, how much money are we going to have in the years to come, based on the development of all types of resources with which to build the best society possible for Alaska's citizens. Make that column "A."

Step Two — Identify our real needs, and their cost. Put them in Column "B."

Step Three — Realistically justify the two. If the sum of Column "B" is greater than Column "A" . . . and almost certainly it will be . . . then we've got to make decisions. Or, as I have said, set priorities.

That may seem oversimplified, but is it? Take Step One, our resources. Can we really make an inventory? Well, of course we can. We've already done so on a limited basis, for at least some of our resources.

Petroleum is one area I know something about . . . and the prospects there, long range, are certainly attractive. You've all heard the estimates of future petroleum resources. What they mean is that, in the not-too-distant future, possibly by the end of this century, half of all U. S. petroleum production could be in Alaska.

And the worth of all that . . . in dollars?

One petroleum industry executive said here in Anchorage a few months ago that over the next 40 to 50 years, some 300 billion dollars, at 1981 values, could be invested by the industry here. That's nearly 20 times the amount already invested.

What about other resources? You've heard about some of these. We are a state rich in resources other than oil and gas. These include fish, timber, water, arable land, wildlife, valuable minerals . . . even fur.

And these resources can be the foundations of dynamic industries: commercial fishing, forestry, hydroelectric power, agriculture, tourism . . . and others. These, in turn, could attract others, such as manufacturing and transportation . . . and stimulate still others, such as construction.

Do we really have a comprehensive inventory of these other resources . . . and of their potential for revenue generation? To be fair, much has been done in this regard for a state as young as Alaska.

But a concerted effort, possibly, could bring together and expand the work already done, into a master inventory of Alaska's resources . . . and their revenue potential. At least a good beginning could be made within the term of the new Administration in Juneau.

Oversimplified? Of course! It WOULD NOT be a simple task. But it COULD be done. And, what an INVALUABLE planning tool such an inventory would be!

What about Step Two, identifying our needs, and their costs? Well, if the idea of a gigantic inventory of Alaska seemed hopeless . . . this may appear utterly impractical.

But maybe not.

Perhaps what we need is a statewide "must list," the basis for which would be long-range planning on the community level . . . looking ahead to growth and development, and the consequent needs for such things as transportation, power and water, education facilities, and so on.

It would probably be incomplete . . . surely in need of constant revision . . . and most assuredly, when the costs were totaled up . . . overwhelmingly expensive! An invaluable tool, maybe. But could we afford it?

We come now, of course, to Step Three, setting priorities. Somebody has to look at the "bank account," the resource inventory we made, and the sum of revenues at hand; put aside enough to "pay the rent," satisfy our long-term obligation; and then decide which of the items on our "must list" we can afford, and when, with what's left.

Will it work? I think it can. It is what we all do in setting priorities.

How do we initiate such a system of inventory, long-range planning, and setting priorities? Your legislator can't do it alone. Nor can any combination of legislators from any district or area. Any such effort would be immediately suspect, and would enhance the sense of intercommunity rivalry and mistrust.

The same would result from any such effort by any single Chamber of Commerce or organization such as Common Sense for Alaska. We represent "special interests," as well as limited geographic areas.

It seems to me there is but one place such an effort can begin . . . and from where it can be guided to completion . . . and that is the Governor's office. Organizations such as Common Sense, the Anchorage Chamber of Commerce, and we as individuals, CAN make our desires known to our Governor.

If we make it work, we'll be getting the MOST for our resource dollar.

"How We Are Preparing Human Resources to Meet The Natural Resource Development Challenge"

Dr. Glenn Olds
President
Alaska Pacific University

Dr. David Outcalt
Chancellor
University of Alaska, Anchorage

PANEL #4

Leaders of two major institutions of higher learning discussed the role of education in Alaska's resource development challenge. Their comments have been summarized in the following pages.

Dr. Glenn Olds
Alaska Pacific University

Have we properly prepared our human resources for this new hour of opportunity? Alaska's natural resource future does not belong to the unskilled, the untrained, or the incompetent. Luck may play a part in discovery, but rarely in development. No resource can be properly inventoried, much less inventively and responsibly developed without major fresh attention to human resource development.

The present brain drain, and outmigration of our ablest and most talented young is almost a national scandal. Only 35% of Alaska's finest go on to any form of higher education. Of them, over 75% of our finest high school graduates leave the state for higher education and career training, and less than 15% return. Current state policy and financial resources encourage and aid this outmigration without abatement. No other state remotely compares with this human resource loss, yet few seem ready to address its ready consequence head on.

Lacking home grown and seasoned human resources to staff our exciting and explosive economic and social development, our state depends increasingly on a highly transient, non-rooted, and frequently ill-adjusted and rarely dependable long-term "outsider." In the field of education with which I am most familiar, the average tenure of teachers in rural Alaska is under 2 years, and less than 10% of all teachers in Alaska are trained by Alaskan institutions that know the state well, and can prepare teachers for staying power and the long pull.

In the fields of business and industry, a study just finished for the Chamber of Commerce reveals that the average tenure in the skilled fields is from two to three years, and the replacement and training cost averages about $70,000 a position, sufficient to fully educate three Alaskans through four years of college at Alaska Pacific University.

In a modest and sustained way we are seeking to address and redress this curious neglect of our obvious human resource development.

1. We have reopened and for six years developed programs aimed at Alaska's unmet human resource need: starting with 34 students, and last year serving 4,000 different students, 1,736 degree related, and 394 full time.

2. Last year, we established a Center for Entrepreneurship and Pacific Development, aimed at identifying, encouraging, training, backstopping, entrepreneur, the risk taker, the self-motivated, enterprising, initiating, private enterpriser — to give yeast, challenge, drive, and direction to our otherwise heavily governmentally dependent state.

3. We have activated and extended our Pacific outreach, focus, ties and programs. We have brought Japan's Mitsubishi distinguished research chairman on our board, forged program links with China, Korea, Singapore, India, and the Philippines. We have built human bridges of contact, partnership, and promise with key leaders and institutions in these lands across which, with state Administration's encouragement, trade, goals and commerce can flow.

4. We have developed our five major concentrations in the central target areas of our state's need: Management; Resource Development; Education; Communications; Value and Religious Studies.

We need:

1. A new and enlightened public policy toward private and public higher education; we are almost alone in 50 states in having a public policy which not only precludes direct aid to the private sector, but is doubly damning if you happen to be a private *institution* of higher education;

2. Establishment of carefully selected institutes for applied research, public/private cooperative models, addressing the research and development needs of every major resource industry addressed by this conference;

3. Expansion of our knowledge, competence, and contact with the Pacific Rim, notably China, Japan, Korea, and Southeast Asia;

4. Cultural exchanges with the completion of the Sullivan Arena, the Civic Center, and Performing Arts Center should make Anchorage the crossroads of a gulfstream of talent going both ways; and finally

5. Moral leadership to match our mountains and abundance. It can only be nurtured in a higher educational system that puts moral and religious values, personal integrity and responsibility high on its list of priorities to develop in its future leaders.

Dr. David Outcalt
Chancellor
University of Alaska

There is a large gap in terms of what needs to be done and what the University of Alaska is presently doing. If all units of the University were operating at full steam for the next several years, it would still not close the gap.

Briefly described, the University consists of three university centers, a community college system, plus a free standing community college. The community college system consists of a variety of rather small colleges in local communities scattered throughout the state. Their responsibility is to deliver local education tailored to meet the needs of their partaicular community. In Anchorage there is a very large, mature, well developed community college, Anchorage Community College, which is doing an excellent job of providing services.

The university centers consist of two universities and one institution which is in the stage of a college, in Juneau. The original campus of the University at Fairbanks is a relatively broadly defined standard land grant type of institution with courses and programs in both the liberal arts and professional fields on the campus plus a variety of outreach activities throughout the state including, very importantly, the area of natural resources.

The University of Alaska, Anchorage is very new as universities go. It is developing into a comprehensive university fundamentally serving the community of Anchorage which is the service center of the state. That very much influences what UAA is like and what it tries to do. UAA very heavily emphasizes professional education in addition to the standard liberal arts.

In terms of being able to close the gap between what UAA now delivers and what needs to be delivered, there are three fundamental components for any university whether it is public or whether it is private. First there must be land on which to develop the institution. Secondly there needs to be facilities and thirdly there must be people to provide the instruction and carry out the public services, which is part of our mission, and also carry out the research. To do that takes a lot of planning to bring those three things together.

If facilities are built which are not properly designed for the courses and programs, a lot of money is wasted. If courses and programs are planned but the facilities are not provided, they cannot be given. To be able to deliver all those together takes a very careful analysis of what the state resources are in terms of ability to provide both public monies and private monies.

Those of you who try to operate anything in this state know the discouragement caused by the cost of doing things in the state of Alaska. If you are bedeviled by state regulations in private enterprise, I can guarantee that we are bedeviled in a public university. We spend a lot of money doing very little from time to time. We simply must find ways to be more efficient and less bureaucratic in some of our regulations.

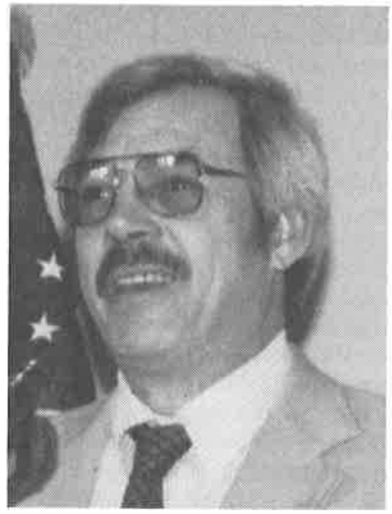
One of the challenges to UAA is one which is going to be shared by other state agencies and private firms. That is, capital may be reasonably accessible in the next decade while operation money will be less and less accessible.

There are ways in which we can deal with this particular problem. There are universities in the United States and in other countries which have successfully reversed the level of costs so that the major cost is spent in developing courses and programs with a much lower cost of delivering them. We have to address the idea of reversing those costs right away. The advantage of so doing is that once a course or program is developed, operating costs can be kept down and there is a commitment to higher costs only when starting something new. We are not saddled with the terrible overhead of accelerating costs.

I believe these things can be done, and am quite optimistic that we will do it.

"Will Alaska's Resource Potential Be Realized?"

Mano Frey
Resource Development
Council for Alaska



Dr. Ross G. Schaff
State Geologist
Division of Geological
and Geophysical Surveys

PANEL #5

This panel, made up of Mr. Mano Frey, President of the Resource Development Council for Alaska, and Dr. Ross Schaff, State Geologist for the Division of Geological and Geophysical Surveys, addressed the possibility of our state achieving full use of its resources. Summaries of the presentations follow.

Mano Frey
Resource Development
Council for Alaska

To the question "Will Alaska's Potential be Realized?" the most correct answer is "maybe."

With that positive note must come a negative: there are a lot of people out there who prefer to see our state's potential remain just that, potential.

It is easy to view all environmentalists as "obstructionist enemies" because many of them are. Yet there are some who honestly seek to employ science and technology in enhancing the environment as a part of industrial progress. If Alaska's development potential is ever to be realized, we need to learn who these people are and start communicating with them. And they need to understand that obstructionism for its own sake or for reasons having no relation to protecting the environment will no longer be tolerated.

If this present optimism is to become reality, there are several things we must do:

1. Recognizing that we cannot match the no-growthers in emotionalism, our only course of action is to give people more and more facts and win them over with reason.
2. It is critical that we mobilize support for development policies and projects from every part of the state.
3. We need to build strong coalitions to support our projects.
4. Industry — and by that I mean practically the entire private sector — needs to start telling the public about the many good things it does. That means tooting your own horn. It's important that you do.
5. Business firms need to appoint people whose job it is to research environmental and social issues and respond to press inquiries.
6. And, of course, we need to be active at the legislative level, giving good counsel to legislators who value our research, experience and knowledge.

The battles for Susitna, the Alaska Railroad, coal development, hardrock mining — you name it — are just really beginning. While we can see, for example, the rationale for extending the Alaska Railroad to support the expansion of the resource industries, just wait 'til we try it! Or, wait 'til they hold public hearings on a right-of-way permit through a national monument!

No other state is in the position we find ourselves today. We need to change the thinking on these issues or we'll be talking "potential" for a long time.

Dr. Ross G. Schaff
State Geologist
Division of Geological
and Geophysical Surveys

Figure 1, based on a United States Geological Survey map, shows Alaska's oil and gas regions in dark grey and areas of hard rock mineral potential in light grey. The area is enormous and represents a challenging exploration target.

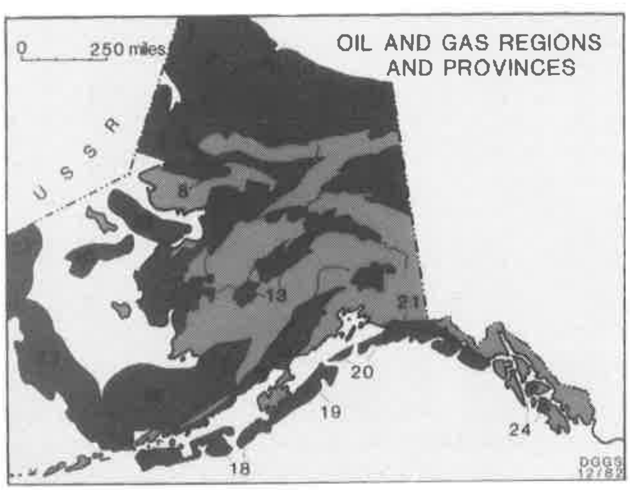


FIGURE 1

Figure 2 shows some natural gas estimates made by the USGS. Estimates for Alaska are represented on the left and the other 49 states on the right. The two colors represent degree of probability of discovery, the light grey being the more certain and the dark grey being the less certain. The major contrast other than size is the greater degree of certainty in exploration in the lower 49 than in Alaska.

We might note that in Alaska most prospects are offshore while in the lower 49, most prospects are *onshore.* Major onshore prospects in Alaska are on the North Slope. Though you may not agree with these numbers, or those of the National Petroleum Council, they do give a perspective of the enormous resource potential in Alaska.

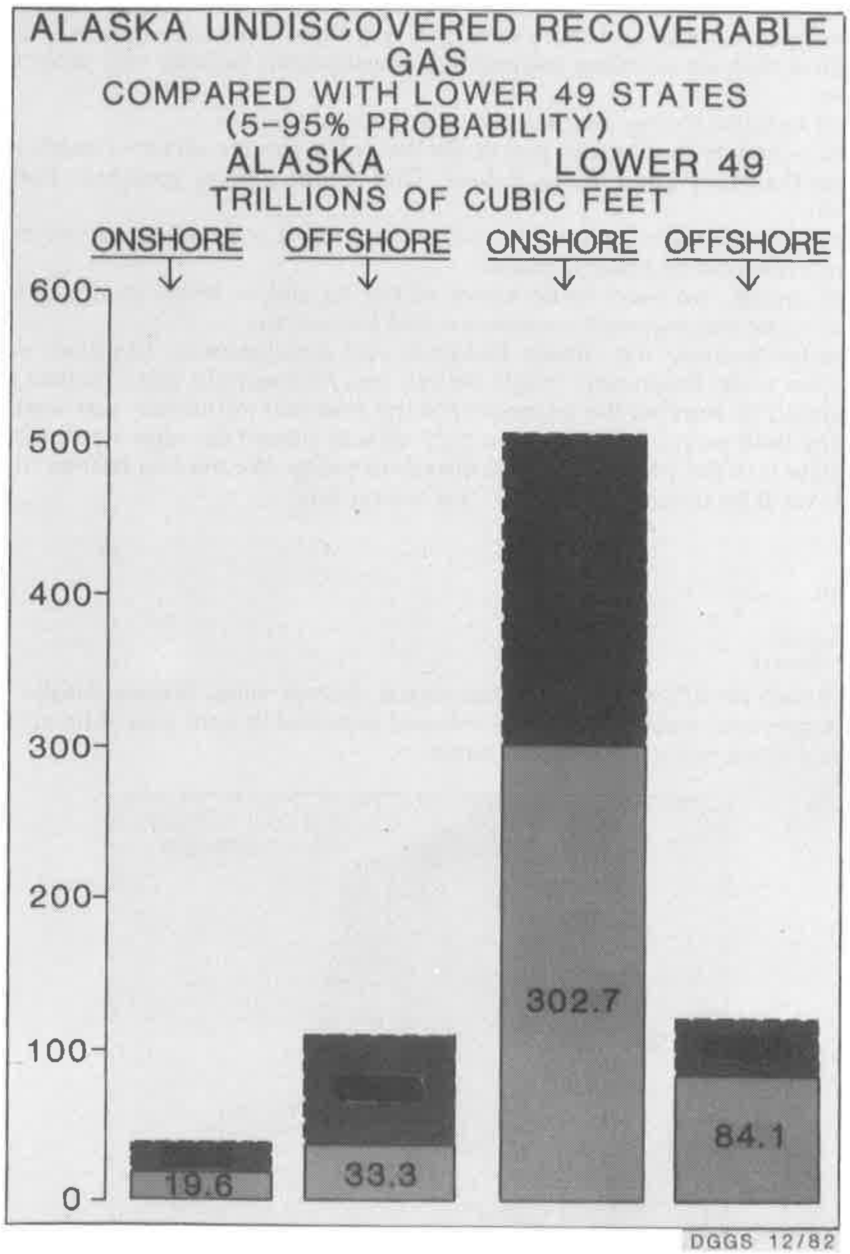


FIGURE 2

Figure 3 compares the undiscovered resources of National Petroleum Reserve - Alaska and Arctic National Wildlife Refuge. These estimates were made during the d-2 battle when we were having some discussions back in Washington as to which regions were really of importance. Of course, both are. In the Wildlife Refuge you are looking for about the same amount of oil in a much smaller area. The potentially larger pools in the Arctic National Wildlife Refuge means that the state should have a strong interest in federal policy affecting the Arctic National Wildlife Refuge.

COMPARISON
OF THE
ARCTIC NATIONAL WILDLIFE RANGE (ANWR)
WITH THE
NATIONAL PETROLEUM RESERVE-ALASKA (NPRA)

UNDISCOVERED RESOURCES
IN PLACE
(Billions of Barrels)

	BARRELS OF OIL EQUIVALENT		POOL SIZE	
	NPRA	ANWR	NPRA	ANWR
MEAN—	7.9	6.9	.37	.90
5%—	18.4	20.5	1.7	3.8

DGGS 12/82

FIGURE 3

Few people in the U.S. consider Alaska to be a coal state. This is understandable because we have production of about 800,000 tons per year. Figure 4 shows the general distribution of the coal fields; numerous isolated outcrops are not shown.

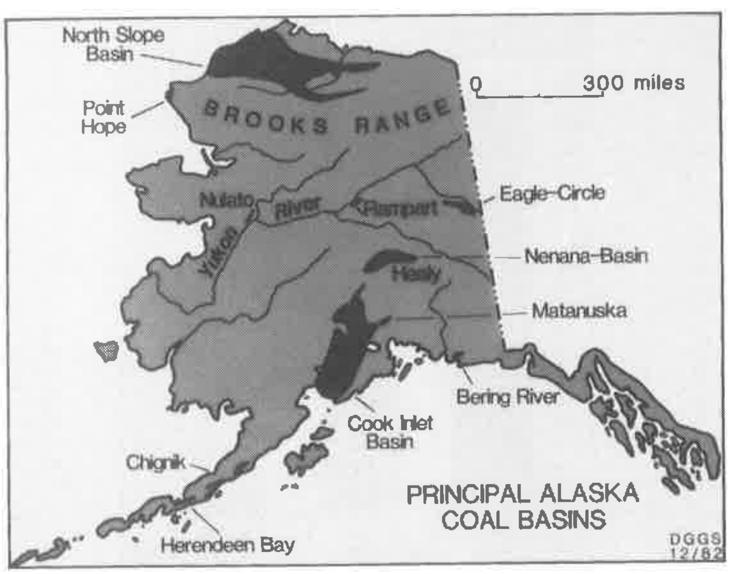


FIGURE 4

Figure 5 gives you a perspective on Alaska coal. The light grey column is a very conservative number of about 1.9 trillion tons of coal. One could say that Alaska may contain about half the coal of the U.S. If you want some sort of a relationship to oil, that might represent 7 trillion barrels of oil as an energy equivalent. That is an enormous energy equivalent.

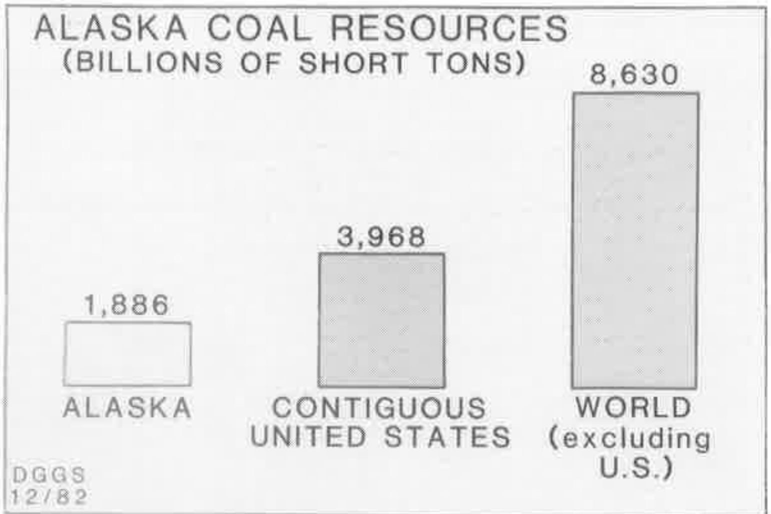


FIGURE 5

Figure 6 compares Alaska coal reserves. In terms of its distribution, it seems that everything related to energy is on the North Slope. The North Slope is on the left. The two shades represent what we do know — dark grey — and what we think we have — light grey. As with oil and gas, there is an enormous question as to what this resource really consists of. Different scientists have made estimates, with some as high as six billion tons.

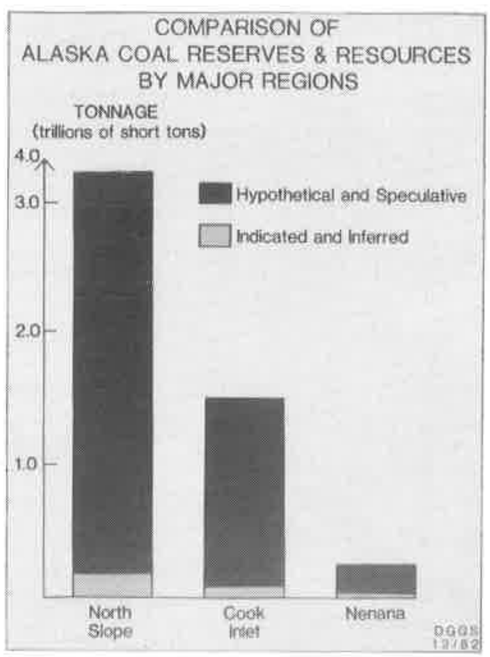


FIGURE 6

Figure 7 summarizes mineral production for the last hundred years. You can see that gold and silver have been the mainstay. I think that it is important to realize that the small scale miner has made a consistent effort in Alaska to mine minerals. There is a latecomer here in sand and gravel mining. This industry is now an 88 million-dollar-a-year business in the state.

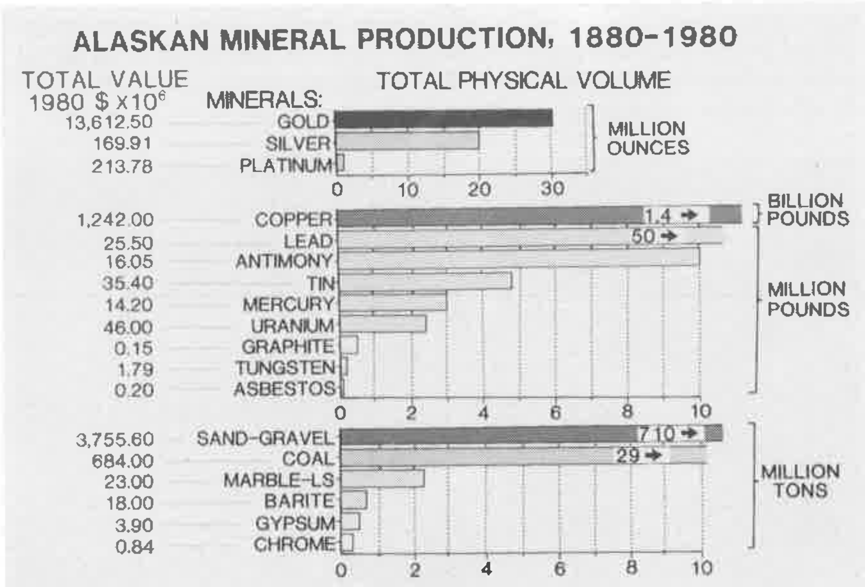


FIGURE 7

The buzzword in minerals today on the national scene is "strategic and critical minerals" and should have an impact on the mineral development in Alaska. Figure 8 lists some of these strategic minerals, some of the sources that we now receive, and projects how vulnerable we are. Asbestos, Chrome, Cobalt, Copper, Nickel and Platinum would probably be the most important of the set of strategic minerals. The encouraging thing about the strategic mineral issue is that more people are becoming aware of its importance to the U.S.

THE MOST STRATEGIC MATERIALS FOR THE UNITED STATES

Material	U. S. Army War College vulnerability index	Major supplier countries
CHROMIUM	34	SOVIET UNION, SOUTH AFRICA
PLATINUM METALS	32	SOVIET UNION, SOUTH AFRICA
TUNGSTEN	27	CANADA, PERU
MANGANESE	23	BRAZIL, GABON
TITANIUM	20	AUSTRALIA, CANADA
COBALT	20	ZAIRE, CANADA
TANTALUM	16	ZAIRE, BRAZIL, CANADA
NICKEL	14	CANADA, NORWAY
MERCURY	11	CANADA, MEXICO, SPAIN
TIN	6	MALAYSIA, THAILAND

FIGURE 8

Alaska's geothermal energy is undeveloped and the potential is enormous. The total resource here, I am told, rivals that of the geysers in California which now are providing San Francisco with nearly 50% of its electrical energy. In Dutch Harbor and Unalaska the Division of Geological and Geophysical Survey, in cooperation with the USGS, has found some six or seven fields of potential commercial importance.

This volcano shown here, Makushin, is only one of the 88 volcanoes that has been identified on the chain. There is an active drilling program going on at this point by Republic Geothermal and they have encountered temperatures of 200° Centigrade at a depth of 1500 feet. This certainly is a category of a commercial geothermal resource.

In summary, by any standards, Alaska minerals (petroleum, geothermal, coal and other resources) are exceptional in size and variety. They are largely unknown and of course largely undeveloped. Central to their continued development would be proper transportation and infrastructure developments, accessibility and of course, continued exploration to find the resources which do exist.

The Honorable Walter J. Hickel
Governor's Committee on
the Alaska Natural Gas Pipeline

"New State Revenue Potential: The Alaska Gas Pipeline"

I'd like to make just a few remarks on the purpose for the Governor's Committee on North Slope Natural Gas and our progress to this point.

Prudhoe Bay's 26 trillion cubic feet of gas was discovered fourteen years ago. It happened on state land where we as Alaskans could control its destiny. And that's where we are today.

That gas needs to get to market.

When Governor Hammond asked Governor Egan and me to head this committee last June, he did so because the prospects for immediate construction of the Northwest line were once again delayed. I've said in the past and I'll say again that if that line can be built economically, let's build it. If not, let's look for alternatives that are economic. By appointing this committee, that is precisely what the State of Alaska as a prudent owner is doing.

The first work of the committee was directed toward looking at the resource itself. It's not just methane up there sitting in the ground. There's a whole host of heavier products in a gaseous form . . . ethanes and butanes and propanes . . . which better than burning in a boiler, can be used to feed a whole petrochemical industry.

Products range from antibiotics to vitamins, plastics to fibers. Burning that gas in a boiler would be like using a diamond for a doorknob.

So what that resource tells us is that any transportation system off the North Slope has to take those opportunities into account. Our alternative is simple, we want to move that valve at Prudhoe Bay to tidewater. At tidewater, all of the components of that gas can be separated and sent their different ways. We open up the different components of the gas to their best markets . . . making the project more viable in the long run. Better yet, we take all the gas . . . without leaving anything behind.

And when you look at the long term use of that resource you have the opportunity to create what I call a Gulf Coast of the North. I'm talking about a complete petrochemical industry. One that would benefit more than just Fairbanks or Anchorage but all of Alaska.

Gas wells in America are being shut in for lack of market. Our alternative at tidewater gives us the flexibility of a Good Humor ice cream truck. You follow the market because you cannot force it to move to you. A tidewater line is flexible. We can ship gas to Ohio if we have to, but we are not locked in.

The same basic concept worked with Alyeska and can work with natural gas . . . tidewater is the key.

The basic approach and components of the Committee's plan are simple. We are looking at a 36-inch line running approximately 820 miles from Prudhoe Bay to tidewater. We have built in several options which help to make the project economically feasible.

Alternatives like a staged approach to construction . . . where phase one would deliver approximately one billion cubic feet per day. With additional compressor stations, phases two and three would increase that throughput to just three billion cubic feet per day.

With that one option we can:

- Get gas flowing sooner.
- Get gas flowing cheaper through lower initial construction costs.
- Approach the market initially with a quantity that it can easily absorb.
- We even see a benefit through a more sustained construction employment opportunity, instead of the short term cycles of the past.

That is the kind of approach our committee has taken . . . a search for the most economical and efficient way to get that gas to market. We have had meetings with our government leaders in Washington. We have been to Japan and Korea to meet with the major L.N.G. importers, and we have met with the major oil producers.

The overall response has been positive. We feel very confident about what we have found. Our final report will be presented to Governor Sheffield and the legislature soon after the first of the year. What lies ahead is the need for Alaskans statewide to combine their efforts, to unify themselves in an effort to get the gas to market and working for Alaska.

Two ideas have a unique impact on the success of any project:

The first is what I call a realignment of the nations. You're friends with who you trade with, and today we're forcing our Pacific Rim trading partners to look elsewhere . . . including the Soviet Union . . . for energy.

The second is Alaska's natural markets. When we wanted to get a timber industry started in Alaska after World War II, we couldn't *give* a tree away in Seattle. Our coal will never compete in Wyoming. And we're not going to sell natural gas in Oklahoma. We have to go to our natural market . . . Asia.

I want to mention one additional point. The theme of this conference is Alaska's Resource Challenge, that challenge is also a very real opportunity. Our responsibility, yours and mine, is to build the bridge that turns that challenge into opportunity, whether it is a pipeline for natural gas, a dam for low cost hydroelectric power or even new programs to capitalize on our tremendous human resources.

The opportunity is ours. We must make it happen.

"Our Role in Alaska's Resource Challenge"

PANEL #6

James Flood, Chief Executive Officer, Wien Air Alaska
George W. Easley, Chairman of the Board of Directors, Alaska State Chamber of Commerce
John Shively, Senior Vice President, NANA Development Corporation
Milton Byrd, Vice President, Alaska Support Industry Alliance
Louis Overstreet, President, Alaska Black Caucus; Executive Director, Minority Business Assistance Center

Summaries of presentations dealing with these various resource-related businesses follow.

James Flood
Wien Air Alaska

Alaskan aviation is unique among American airlines because of the requirements placed on it to serve the variety of needs of the state.

First, we have to travel great distances to serve the needs of the public.

Secondly, that public is in sparsely settled villages.

Thirdly, facilities put restrictions on types of service. Alaskan aviation has met these challenges in the past. Here is what we have done:

1. As population increased and demand became greater, we kept introducing larger aircraft to handle the demand.

2. We worked directly with the aircraft manufacturers to make sure Alaskan needs were met. This resulted in development of a cargo door on B737 jets along with quick change seats so that the plane could fly all cargo, all passengers or a combination of both.

Not all runways are paved in Alaska. Again, we worked with the manufacturer to develop a gravel kit for the landing gear which allows the jets to land on the gravel runways.

These features allow the jet carrier to handle the freight and passengers in economic quantities and transport to the mainline jet hubs across the state. From the hubs, the smaller air taxi operators using every type of small aircraft from a Twin Otter to a Cessna 185 deliver the freight and passengers to the outlying villages.

We did not develop this system overnight. The aviation industry grew with the needs of Alaska.

We put into service the newest equipment available starting with the J1 that Noel Wien flew through the Ford Tri-Motors, F27s and jets. The cargo door 737s and the gravel kits were developed with the help of Alaskans and *first* used in Alaska. We have met the challenges as they were presented. We will continue to do so in the future.

George W. Easley
George W. Easley Co.

There are nearly 18,000 construction workers in the state of Alaska. These 18,000 people are employed in a number of different ways: building construction; residential construction; highway construction; industrial construction; and all other modes of construction. The pipeline was built primarily by Alaskan workers. Unfortunately, the economy of the state is a delicate one and if the economy goes through a boom and bust, rest assured that the construction industry is the first industry that is affected.

During the slowdown following the pipeline construction we lost four major statewide contracting firms. We lost them because of inconsistency in state funding. At the same time we had inconsistency in interest rates. The one stable base that the construction industry has enjoyed has been the petroleum industry which is currently declining considerably.

In spite of these inconsistencies, Alaskan contractors and engineers have developed and improved many techniques unique to the demands of our state, including:

1. A system to build on permafrost with permanent buildings;

2. Adoption of insulating highway and runway surfaces with styrofoam type products to eliminate frost heave; and

3. Advancements in seismic engineering and construction relating to public and private buildings.

This industry is prepared to meet any challenge in resource development and is most anxious to participate in resource development.

John Shively
NANA Development Corporation

It is always interesting for those of us from a native community to address groups like this because people that want to develop resources often stand at one end of the spectrum and the native community stands at the other. I think largely as result of the Alaska Native Claims Settlement Act and growth in the native corporations, we have a significant change in that attitude.

There is no question in my mind that both the future of the state and the future of the native corporations are tied directly to the development of natural resources. There are several simple reasons for this.

First of all, we own 44 million acres of land.

Secondly, as we develop our own resources, the income of the corporations goes not only to the corporation but is shared with all the native corporations throughout the state. We not only have a significant impact but we build a significant constituency throughout the state for resource development.

Thirdly, we have a lot of people. We still have a significant proportion of the state's population — around 15%. In addition, many of us are earning a significant portion of our income from the oil industry and other resource industries.

Companies like ARCO and Sohio have given native corporations opportunities to participate in resource development. I think each has come to respect the other's views on subjects that otherwise we might never have talked about.

As natives get more and more into resource development we obviously have more interest in the stabilities of the state's policies. It is an interest that I think we all share. We may want to develop things a little bit differently with different rules and requirements but there is no question that the native corporations are going to be very influential in the development of resources over the next decade.

Milton Byrd
Alaska Support Industry Alliance

Economic benefit is derived from the extraordinary distribution of wealth that occurs when a major and primary industry, such as oil exploration and production, turns to a variety of business entities for service and equipment and transportation and construction and a large array of other enterprises, each of which needs to employ varying numbers of individuals to respond.

Economic well-being is generated not by a bureaucratic planner, not by a benevolent representative of the state distributing resources, but by the vitality of a confident and unencumbered economic system.

Now the state can choose, as it has in the past, to provide predatory levels of taxation on the oil companies and others who would explore for natural wealth in the state. It can choose to create cumbersome, redundant, lengthy regulatory requirements, including permitting requirements. It can choose, in other words, to harass and soak those who would stimulate economic growth and development in Alaska. Of course, we will all pay for it, as we have been doing. Or, it can choose what the Alaska Support Industry Alliance has sought over the three years of its short history, namely clearer delineation of the function of government, and appropriate, reasonable implementation of that function and a spirit that recognizes that there are many things that government should not do.

Above all, government has played a negative role in the most subtle of all economic elements, the element of confidence in the present and especially in the future. Most of us, from primary investors, such as those who would seek out the natural wealth of the state, to those who simply work for a living, begin closing our hands tightly on our resources and hesitate to take risks with them, to make investments with them, to make purchases with them, when we become uncomfortable about the future. That issue, above all, needs the most cautious and most sensitive response by political leadership. It needs restraint and consistency.

We in the Alaska Support Industry Alliance believe we speak not for the well-being of the oil industry, but for the well-being of everybody.

Louis Overstreet
Minority Business Assistance Center

I believe it is the goal of all thinking Alaskans to make certain that our current wealth is managed and directed in ways that will ensure a prosperous future. We have recognized that it often takes strong leadership and common sense decision-making in prosperous times to insure that our wealth is not squandered. We all want to make certain that our revenues are wisely expended on solid investments for the future.

The development and expansion of opportunities for small, female and minority business usage is an area which should not be ignored. Certainly, the development of our human resources should be a high priority, and a primary investment objective. As our state's economy has grown, it has nurtured the creation of minority businesses in many varied fields. Yet even in this time of relative plenty, many small minority firms are struggling to remain alive.

By seizing the opportunity now of supporting small, female and minority business development, we would be investing in an expansion of our economy. There is a vast untapped resource of potential jobs, products, and services whose contribution to the state's development should not be overlooked. As we struggle with the challenges of the next five years, let us use our common sense in recognizing the need to include all Alaskans in our state's economic development.

David Dittman
Dittman Surveys

"Resource Research Update"

Dave Harbour asked me if we had any current information on public attitude regarding resource development in Alaska. We didn't at the moment but we did include seven questions in a survey that we were doing at the time, so this information is very current.

The sample was taken in the Anchorage and Chugiak and Eagle River area and included 300 randomly selected respondents who were asked their views in resource related questions. The first five questions were about the oil and gas industry, fishing, timber, tourism and farming. A total of 62% reported that they would like to see more resource development; 10% would like to see less; and 25% would like to see it stay at the same level.

Which industry do you think had the greatest support among the five listed: oil and gas, fishing, timber, tourism or farming? The answer was really a surprise to me. Farming was by far the highest. 83% of those responded that they would like to see more farming industry development than exists at the present time. There is a case that is important here and it is relative. If you don't have any or very little of an industry you'd like to see more of it. That doesn't mean that they would like to see it predominate.

Which industry do you think had the least support of the five industries? 15% of the respondents would like to see less tourism. That was the highest percentage in the "less development" category. The individual totals were as follows: 56% would like to see more oil and gas development, 8% less and 33% same. Fishing, 60% would like to see more, 6% less, 31% the same. Timber, 53% more, 13% less, 26% same. Tourism, 58% more, 15% less and 26% the same. Farming, 83% more, 6% less, 10% about the same.

The next question was more of a force choice. This question was, "Considering the overall effect of community contributions, which type of industry development do you support the most for Alaska?" The results were 39% oil and gas, 21% fishing, 4% timber, 12% tourism, and 18% farming.

The last question was a force choice question. "Considering the overall effects of community contributions, which type of industry development do you support the least for Alaska?" Timber 27%, Tourism 24%, Farming 16%, Oil and Gas 14%, and Fishing 11%.

In summary, by exactly a 6 to 1 margin, respondents reported they would like to see more resource development than is taking place at the present time. This is significant. This is very fresh information, right after the election, after all of the debates. Twenty-five percent would like to see resource development stay as it is.

What was interesting to me was that in the past, questions regarding resource development always had a qualifier attached such as "if they do it carefully," or "if it is done right," or "if they don't make mistakes." In this particular group of questions there were almost no qualifiers.

Acknowledgements

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