

COMMUNITY
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Business News

Decision!

"Most discussions of decision making assume that only senior executives make decisions or that only senior executives' decisions matter. This is a dangerous mistake."

— Peter Drucker

Tell me: what was the greatest learning experience of your life?

Mine happened thirty years ago sitting on a lawn chair under a palm tree beside a swimming pool at Claremont Graduate School.

A half dozen of us spent an exclusive, historical, sunny week basking in the wisdom of legendary management guru, Peter Drucker.

The quotation above crystallizes one of his 'take away' messages to us: good managers know that the day to day decisions of regular folks are critical to a successful operation.

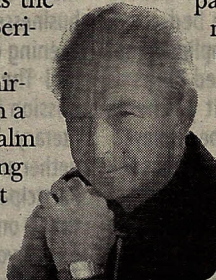
Decades after that week-

long seminar with Drucker, I still apply his "management by objective" and related principles to many situations. In public policy decisions, for example, one recognizes that citizens play a critical role—by deciding to vote, to participate in the community, to write letters to the editor or deciding to donate to worthy causes.

Drucker also placed a premium on integrity. "Never mind your happiness; do your duty," he once said.

Next summer, during our primary election, citizens will have a duty to make big decisions on candidates for public office. Voters will also decide whether or not to repeal an oil tax reform law (SB 21) passed this year by the Legislature and signed into law by the Governor.

Do any of us want to



By Dave Harbour

make an unwise decision on oil taxes? Of course not. That leads us to the question of, "what is the wisest decision", and it's not too soon to be thinking about it right now.

Having wrestled with this issue for several years now, I offer our readers these thoughts.

1. What do oil taxes have to do with me? Oil companies are like newspapers, banks, commercial fishermen or grocery stores: they must make a profit to survive. To make a profit, they must make more money than they spend on expenses. One of their expenses is taxes. If taxes and other expenses are too high, they must invest elsewhere. Alaska's oil and gas royalties, property taxes, income taxes and production taxes pay over 90% of Alaska's state operating budget. Meanwhile, citizens pay no state income or sales tax and get a Permanent Fund check. If oil companies didn't pay for state government, we would. With some of the highest oil taxes in the world, the Legislature and Governor acted to make Alaska more competitive - to keep the Alyeska oil pipeline from closing down. The Alyeska pipeline takes Alaskan oil to market but we are producing less and less. If Alyeska goes down for lack of oil, the state government will

implode. We wouldn't have money for roads, airports, public safety or a jillion other state programs - including municipal revenue sharing and support for schools and rural Alaska programs. Economists say that without more oil investment, the pipeline's days are numbered. Over half of Alaska's jobs are at risk along with our futures.

2. Do lower oil taxes guarantee more oil? At a legislative hearing on the subject long-time Alaskan employer Maynard Tapp said, "I guarantee you that no money you take away in taxes will be used for resource development." Can we agree that keeping high taxes in place will not logically lead to more oil?

3. Long term or short term? Let's ask ourselves, "Do we make decisions for our immediate benefit, or for the long run?" Of course, most would agree we make decisions with the future in mind, especially if we have children. Voting next August to repeal tax reform and keep high taxes in place will benefit us for a little while, as oil in the pipeline continues to drop below $\frac{3}{4}$ empty. But in the long run, can we agree that even though lower taxes are no guarantee of more oil, it is a logical way to encourage more production? More production will mean a longer

life for the pipeline and more economic support for our kids in the long run.

As we seek wisdom, what have other Alaskans said publically about the oil tax issue?

Northrim Bank Chairman Mark Langland testified, "The oil industry is carrying the primary burden of supporting state government, but government's appetite for money is unlimited. When the oil industry can no longer feed that appetite Alaska's citizens will have to fill the gap."

Steel worker Peter Macksey told legislators that, "The oil industry supports the lifestyle and programs that this state has become accustomed to. I am telling you that you are asking too much from this group and strangling all associated with it."

Local manufacturer, Lynn Johnson, said his employee strength is down 10% and income is off 40% due to less oil industry purchasing.

The late Governor Walter J. Hickel's Commonwealth North organization told the legislature that it had studied the issue and concluded that, "without increased production Alaska's economy is in jeopardy," and that, "...trading some current oil tax revenue for longer-term production from North Slope fields is in the best interest of all Alaskans."

President Theodore Roo-

The 9th Annual Alaska Oil & Gas Congress will convene at Anchorage's Downtown Marriott Hotel Sept. 16-19. Dave Harbour and North Slope Borough Mayor Charlotte Brower are Co-Chairing the event. For more information: www.alaskaoilandgascongress.com.

sevelt observed, "Nine-tenths of wisdom is being wise in time." With oil rapidly depleting can we summon the wisdom in time to return to healthy production?

Drucker might have advised that in a democracy, we all share the duty and responsibility for the final decision on oil taxes -but it is our children who will experience the result.

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The opinions in this column are those of the author and do not necessarily reflect those of the editors.