

SCOMM

#9:136

Alex Miller
Vice President
Government and Labor Relations

P.O. Box 60029
Fairbanks, Alaska 99701
(907) 452-7171
Telex: 090-35454

File Royalty oil

I am Robert W. Johnson. I appear before you today, as the representative of TEAMSTERS LOCAL 959, bargaining representative for more than 23,000 Alaskan workers.

Our Local Union has worked for Alaska's resource development for many years, now. We have begged, pleaded, urged and even - on occasion - propagandized for this resource development, including the development of a petrochemical industry. Our record, carved over the years, clearly demonstrates our pro-development stand.

Accordingly, it grieves us very much to come here, today and urge that this particular development be held off, until such time as the State has fulfilled its part in the development.

Mr Chairman, Members of the Committee, I would direct your attention to an item clipped from the Anchorage Times of Wednesday, November 30th, last. This article, entitled "LeResche Wants Possible Problems Analyzed," refers to a letter sent from the Commissioner of Natural Resources to the Commissioner of Environmental Conservation. It requests the Environmental Commissioner to expedite certain, limited studies regarding the suitability of the Kenai area for this petrochemical development.

Ladies and gentlemen, this is too little, too late. In the bluntest terms, no matter where this petrochemical development is placed, there is going to be a lawsuit, or lawsuits, regarding the environmental factors involved. To approach any development without being prepared for such legal action is sheer insanity and the State is obviously unprepared.

So far as we have been able to learn, the State is likewise

unprepared for the many items it must furnish to any developer. The placement of this petrochemical industry involves - ultimately - the creation of a new city of 12,000 - 15,000 persons. This means schools, sewers, water, health facilities, streets and all the other elements which go into the making of such a community. Since nearly every area under consideration lies within either a second-class borough, or an area without government, at all, the burden for working out such details, lies with the State.

It may be claimed that there is five years, before all this will be required and that is more than adequate to work out all the details. Our answer to that is, "Hogwash!" If there is any basic truth about the development of our State, it is this: WE ABSOLUTELY MUST DO IT RIGHT THE FIRST TIME.....FOR WE ARE NEVER GOING TO BE GIVEN THE SECOND CHANCE WHICH THE OTHER STATES ARE NOW RECEIVING.

THE FIRST MISTAKE ALASKA MAKES IN ITS DEVELOPMENT WILL BE THE TOMBSTONE ON THE GRAVE OF ALL DEVELOPMENT.

There are additional reasons for asking that you study and research this petrochemical development, before granting a contract for hasty development.

First, full petrochemical development will come only by the combining of oil with natural gas. It is imperative that the developer be assured adequate supplies of the gas for the full life of the contract.

Second, oil and gas, as energy, are one of the three basic requirements for the development of all other mineral resources in our State. Given an available market, transportation for the ore,

or concentrates and energy for the mining and the transportation: and we have a chance to build other industries. However, this requires advance planning, preparation and above all, an over-all view which is totally lacking, today.

A crash program for petrochemical development could very well crash and burn all prospects for the development of other minerals. This would be an irreparable loss, so far as the future of our State is concerned.

Third, we have local considerations which must be weighed in planning this petrochemical development. Fairbanks desperately needs natural gas fuel for the correction of winter air pollution. Unless this air pollution is cleared, there is ample reason to believe any future growth of that city will be absolutely stalemated.

Many of the villages, particularly in the Northwest, are paying horrendous prices - as high as \$ 1.63 per gallon - for oil fuel. On their extremely limited funds, this creates a hardship. Every effort must be "built in" to this development to gain them some relief - hopefully in the form of propane, or liquified natural gas.

Finally, Alaska needs to program the base requirements for its full development, before rushing into a contract involving one of the three, base-requirements for any development beyond this particular industry.

We would urge this Committee to back away from any contract for twenty to twenty five years; to research and study all aspects of this petro-chemical industry, with especial emphasis on all matters

related to the environment; to coordinate all studies with the subsequent development of both renewable and non-renewable resources; and then, when the knowledge to proceed is available, get the show on the road.

This may well result in a one, or two year delay. So be it. The only thing we have to lose is our ignorance and we fail to see that as a fatal loss.

One last thing, about this matter of rushing to catch up on development. There is an old problem in logic which illustrates the futility of such an effort.

According to this problem, you are driving from Point "A" to Point "C", a distance of two miles. Point "B" sits right in the middle, one mile from both "A" and "C". If you go 30 miles an hour from Point "A" to Point "B", how fast must you drive from Point "B" to "C" to average 60 miles an hour?

The answer is.....it can't be done. You've already used two minutes to go the first mile.

Since we can't "catch up" on development, let's take the time to make certain we do it right. The State we save may be our own.

LeResche Wants Possible Problems Analyzed

Natural Resources Commissioner Robert LeResche has urged the Department of Environmental Conservation to analyze potential air and water quality problems which might result from adding a royalty oil processing plant at North Kenai.

All state departments have been asked to submit comments by tomorrow on the anticipated impact of such a plant.

In a letter to Environmental Conservation Commissioner Ernst Mueller, LeResche said: "Your department has been very helpful in flagging potential air quality problems in Valdez should royalty oil processing be added to the existing terminal activities. Now that industry attention is focusing on North Kenai, I hope your department can likewise take a rough cut at potential air and water problems at that location."

LeResche said he hoped Mueller's department would "not only consider the incremental emissions of a refinery of the existing airshed quality in the North Kenai area, but that you will also evaluate the cumulative effects of this proposed project with that of the pending Pacific

Alaska LNG project."

The letter continues, "Apparently the (federal) Environmental Protection Agency has some concerns about the development of the Kenai area as an industrial center and is undertaking a one-year study to determine the environmental capacities.

"While we certainly cannot hope to duplicate the EPA study, particularly in light of our limited time and resources, and while detailed analyses is a function of the permit processes which will follow a royalty (oil) sale, I do hope the advice of

your department on this will broadly reflect such long-range considerations."

Four bidders have submitted final proposals for purchase of the state's one-eighth royalty share of Prudhoe Bay oil. The state's requirement for bids specified that potential purchasers must agree to process the oil in Alaska. The four who have submitted bids have offered to construct refineries and petrochemical plants ranging in size from 150,000 to 250,000 barrels a day and ranging in investment from \$400 million to \$2.5 billion.

LeResche has said he hopes to

submit a final contract or contracts for sale of the royalty oil to the Roy-

alty Oil and Gas Development Advisory Board by early January. If the

board approves, the contracts would go to the legislature prior to Feb. 1.