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January 30, 1990

Comments on SSHB 332 and SB 318
"An Act establishing the Goodnews Bay Critical Habitat Area;
and providing for an effective date."

The following comments are presented on behalf of the Alaska Miners Association. The Goodnews Bay Mining District has provided the only platinum produced in the United States, beginning in 1916 with the annual production increasing to 37,000 ounces in a six-month's operation in 1938 - from a single operator. Production continued until 1975, and all production was from uplands.

Platinum is a critical/strategic metal and 93% of the nation's requirements are imported - from South Africa, the United Kingdom, and Russia. Renewed production from Alaska would certainly reduce the present imbalance of payments in international trade. The U.S. Bureau of Mines and the U.S. Geological Survey have conducted extensive surveys in this mining district in recent years indicating potential reserves, and have published their findings. These reserves are indicated both on-shore and off-shore lands. Renewed interest has been shown by the mining industry in this mining district.

An example of present-day mining technology practiced by the industry is best described by the Bima dredging operation of Westgold off-shore of Nome. Production has been on-going for the past three seasons and has had no adverse effects on the fishery. Environmental consequences of Westgold's Nome Offshore Placer Project after four years of study include:

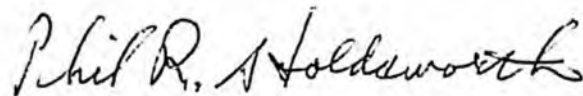
1. After two to three years, substrate types occur in the same proportion as surrounding areas.
2. No change in oxygen concentration in water column.
3. No change in trace metal concentrations of eight priority metals.
4. Within three years recolonization community structure is similar to control areas; community appears to be moving through successional maturation process.
5. No avoidance of mined areas by King Crab.
6. No trace metals being concentrated in king crab, fish or king crab food items.
7. Community recovery based on existing database is estimated at less than five years for sand substrate and seven years for cobble substrates.

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It should be pointed out that platinum metal does not amalgamate with mercury. Its recovery is simply a gravity concentration process with the concentrates shipped to a refinery.

The Alaska Miners Association is opposed to this type of legislation which, by creating a "Critical Habitat Area" and "closed to mineral entry and mineral leasing", would prevent the production of a critical/strategic metal such as platinum. This is not in the best interest of the state and nation.

Respectfully submitted,

A handwritten signature in cursive script that reads "Phil R. Holdsworth". The signature is written in dark ink and is positioned below the typed name.

Phil R. Holdsworth



SB318

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VIA COURIER

March 22, 1990

Senator Bettye M. Fahrenkamp
Alaska State Legislature
State Capital Building, Room 125-C
Juneau, Alaska 99811
U.S.A.

Dear Bettye:

It was a pleasure meeting with you yesterday concerning the Goodnews Bay Critical Habitat bill and its effect on our proposed platinum mining operations. We greatly appreciate your help on this matter.

For your information, I am enclosing the corporate information package describing Fairbanks Gold Ltd. and our operations on the Fort Knox Property. Eric Friedland, the Chairman of Fairbanks Gold Ltd., Hank Giegerich and I plan to travel to Alaska sometime in the middle to end of April, and we will make a point of seeing you in Juneau.

Once again, thanks for all your help.

Very truly yours,

FAIRBANKS GOLD LTD.

Harris Saxon
Executive Vice President

Calista Corporation

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Comments on SSHB 332 and SB 318

"An Act establishing the Goodnews Bay Critical Habitat Area; and
providing for an effective date"

Calista Corporation is one of the regional native corporations set up pursuant to the Alaska Native Claims Settlement Act. The Calista region includes a major portion of southwest Alaska and Calista represents roughly 13,000 shareholders, some of whom live in the villages of Platinum and Goodnews.

Calista views this issue as involving four factors.

- The right of local people to control the resource they use.
- The desire to protect the fishery resource
- The sometimes legitimate threat people feel from change.
- And finally the need to preserve long term economic opportunities in a region that is one of the poorest in the State.

It is Calista's position that in the rush to exert local control and to protect the commercial and subsistence resources within Goodnews Bay that an eye be kept to the economic future of the Goodnews-Platinum area. This is a complicated issue. This bill may not provide a clear cut protection for the lifestyle and well being of the Platinum and Goodnews people. Indeed this bill as written may constitute a threat to the economic opportunities and future of the Goodnews area and to Southwest Alaska in general.

First, let me address the issues inside the Bay. Calista recognizes that Goodnews Bay is the front and back yards of the villages of Goodnews and Platinum. As you know, Goodnews Bay is host to major salmon and herring runs which, in addition to public assistance programs, are the current base for the local cash and subsistence economies. Calista supports the reasoned protection of this resource.

But let us remember that historically the local fish harvest has been the victim of competition from outside fisherman and from the reluctance of fish processors to send tenders to this remote location. It is clear that the commercial and subsistence fishery can be threatened by high seas

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and False Pass intercept fisheries far beyond the impact of an offshore **exploration** effort.

There are other 'inside the bay' issues which concern Calista. The critical habitat designation will add an entire new and distinct layer of regulation. Specifically, what will the impact of this designation be on future dock and harbor facilities?

-What is the impact of this bill on the barge traffic and the moorage of those barges which serve the local community?

-What impact will this designation have on the future of fish processing plants and possible mariculture ventures?

Additionally, the village of Goodnews is home to a quarry which in the past has provided jobs and local revenue. This quarry is the only source of rock in the entire region. Goodnews rock has been designated by the Corps of Engineers as the preferred material for the future Bethel sea wall. The rock has been used in Mekoryuk, Amautlauk, Kipnuk, Nunapitchuk and Bethel. Gravel has been shipped from Platinum to Bethel and Kipnuk. Will the Critical Habitat designation impinge upon the access to or the extraction of this important regional resource? If commercial hydrocarbons are located elsewhere in southwest Alaska or if large capitol projects are funded it will be these locations that supply the rock and gravel needed for those activities.

Calista asks that these questions be specifically addressed in the bill so that these possible activities are not limited by a future rigorous interpretation of the Critical Habitat designation.

We are also worried that the added level of regulation, protection and bureaucratic oversight will adversely impact the existing and future platinum placer and lode platinum exploration efforts in the Salmon River Drainage and gold exploration in the Upper Goodnews River tributaries. We have all seen how the consequences of over regulation can choke the opportunities and limit the economic choices of an area. The Calista Region and Southwest Alaska is already protected by some of the largest Wildlife Refuges in the world, the 26 million acre Yukon Delta National Wildlife Refuge and the 4.7 million acre Togiak National Wildlife Refuge.

On the technical side, the Platinum and Goodnews area is also a unique geologic environment. Due to the unique character of the ultra-mafic intrusive rocks (iron and magnesium rich) in this area there is simply no other place in North America which rivals this area for past platinum production or for the potential for additional placer and lode reserves. In

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addition, the offshore area west and south of Red Mountain has the potential to host significant marine placer platinum reserves.

Calista has participated in lode and placer exploration. I have personally reviewed all the data available on the nature and distribution of the offshore platinum resource. In this context, we have reviewed the results of previous exploration by Inlet Oil in Goodnews Bay. Based on review of the sampling and the spurious analytical methods used, we feel that this program was without merit and there is no creditable evidence that there is recoverable platinum resources inside Goodnews Bay.

There is, however, a considerable body of data from government and private geologic investigations which indicates that recoverable resources of platinum may exist directly west and south of Red Mountain. This area is well outside the eel grass beds of Goodnews Bay.

I would like to draw an important distinction here between exploration (drilling of shallow, widely spaced 6 inch diameter holes) and development (dredging large volumes of seabed). As the offshore operation at Nome has demonstrated, no short or long-term environmental consequences are associated with marine placer exploration. Although a dredging operation disturbs the seabed to a greater degree than simple exploration; the recently concluded studies by the Federal Mineral Management Service (MMS) and Battelle Corporation indicate, the operation of the Bima dredge has had no adverse effects on the commercial or subsistence fisheries at Nome.

There will be a great deal of discussion about the blue mussel bed offshore of Flat Cape. Let's be serious here. Blue mussel beds occur with regularity along the coast; they can not be characterized as unique or threatened. The exhaustive studies from the Nome operation indicate that re-colonization can be expected within a few years of dredging. These beds would be unaffected by exploration efforts.

Other impacts of offshore exploration and development should also be considered. The Nome experience has demonstrated that year round jobs, technical training, and the diversification of the economy can have a positive effect on a community. It is Calista's view that the possible benefits and economic opportunities such operations can create should not be dismissed lightly. We believe this is particularly true in area like Southwest Alaska where year round jobs are scarce (especially for young men); where many are not fortunate enough to hold fishing permits; and

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where a staggering percentage of people and families must rely on federal and state assistance to make it through the year.

Calista does not support the Critical Habitat designation because of all the uncertainties it creates and additionally because we feel that alternative options to a Critical Habitat designation have not been fully explored. If the decision is made to proceed with a Critical Habitat designation then Calista Corporation asks that the bill specifically mention future harbor improvements, barge transport of gravel and rock, on shore mining, and fish processing facilities as compatible activities with the Critical Habitat designation.

We request that the Critical Habitat be limited to Goodnews Bay and the area at the mouth of the Bay. We ask that the scope of the bill be limited to areas within **Township 12s and 13s and Ranges 73, 74, 75, 76**. We strongly advise the committee that the areas west and south of Red Mountain be eliminated from this bill.

One additional clarification should be made at this time in subsections (a) (1) and (2). We feel some confusion is possible over the area covered by this bill. The beginning of each of those subsections should be changed to read: "The State tideland, submerged land, water of the State below the mean high tide line..." . This would clearly remove fresh water bodies within those sections of land identified in subsections (1) and (2) and above the mean high tide line from inclusion within the Critical Habitat area. We don't believe this was the intent of the bill and this would provide clarification to agency personnel interpreting and applying the new law. *We would have some very serious concerns if the intent of the bill was to expand well above tide water.*

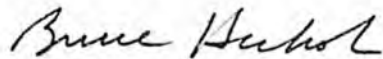
We propose that the bill be amended so that State lands and waters below mean high tide and within Goodnews Bay and the areas immediately west and north of the village of Platinum be withdrawn from mineral entry [Townships 12s and 13s and Ranges 73, 74, 75, 76]. This bill would then specifically prohibit mineral exploration and mineral extraction in these State waters.

We further propose that the Critical Habitat designation be removed from the bill. A Critical Habitat designation simply has too many uncertain ramifications and possibly negative consequences to be applied to this important area.

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We propose that the area south and west of the Village of Platinum and south and west of Red Mountain be removed from consideration by this bill. The Department of Natural Resources would be left to determine how best to manage these waters and resources.

We believe that this approach best suits the present and future needs of the local people. On the behalf of Calista Corporation I thank you for the opportunity to discuss this very complicated issue. Please feel free to contact us if we may be of any assistance. Thank You.



Bruce Hickok
Geologist and Subsurface Lands Manager