

Confirm.

H. Heinze

DNR Comm.

4-16-91

TELECOPY COVER SHEET

Fairbanks Legislative Information Office

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TO: Jim W FAX: — PHONE: —

FROM: Bob W PHONE: 452-4448

INSTRUCTIONS: _____

Written Testimony for House Resources
Tele 91-04-135. Please disseminate to all

RECEIVED: Date _____ Time _____

SENT: Date 5-7-91 Time 5:03

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SENT BY: Christ Shields

*omit members
the original
will follow
in the next Jim
pouch*



Alaska State Legislature

Please enter into the record my testimony to the House Resources Committee
committee name.

committee on HEINZE CONFIRMATION, dated 5/7/91
bill/subject

Mr. Heinze's opening remarks to the House Resources Committee mention his 20 year history in resource development; my concerns about his confirmation surround exactly this point. I don't believe a former Area Executive possesses sufficient neutrality to make balanced decisions on the disposition and/or protection of the resources of the state. The "maximum benefit for all" Mr. Heinze mentioned in a previous testimony to the Senate, should also take into account the concerns of the conservative Alaskans who feel that the conservation of Alaska's natural resources are as important as the prudent development of those resources. I have little faith that "environmentally sensitive" development I've heard so much about would be a genuine concern for the DWP under Mr. Heinze's leadership.

In light of these concerns I respectfully request that Mr. Heinze's confirmation be denied

Signed: Linda Brown (LINDA BROWN)
Testifier

Representing (Optional)
108 Cornelis Lane / Fairbanks, Ak 99709
Address
474-8461
Phone No.

TELECOPY COVER SHEET

Fairbanks Legislative Information Office

Office - (907) 452-4448

Fax - (907) 456-3346

TO: Gov HATHRES FAX: — PHONE: —

FROM: Box LD PHONE: 452-4448

INSTRUCTIONS: Article read by Rex Blazer during tele 91-04-135 / House Resources - Confirmation of Harold Heingz. (Requested by Committee during testimony)

RECEIVED: Date _____ Time _____

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**THE FOLLOWING PAGES
WERE TREATED AS A UNIT
IN THE ORIGINAL FILE**

Confirmation Packet
Commissioner Designee
Department of Natural Resources
Harold Heinze

17th Alaska Legislature
House Resources Committee
May 7, 1991

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I. Resume

HAROLD C. HEINZE

Background and Experience

Born on November 6, 1942 in Flushing, New York.

Attended public elementary school in Flushing, New York and Wantagh, New York.

Graduated from Wantagh High School in 1960 with a New York Regents Diploma. Awarded Bausch and Lomb Science Medal.

Worked as office boy/clerk for Reliable Reporting Service (Rockville Center, New York) during high school and first summer of college.

Attended the Colorado School of Mines (Golden, Colorado) during 1960-1964, and graduated with High Honors in receiving a B.S. in Petroleum Engineering.

Student Body President and a member of several campus organizations including Blue Key (Leadership), Tau Beta Pi (Academic Honorary), Sigma Gamma Epsilon (Earth Science Honorary), BARBS (non-fraternity students), and Alpha Phi Omega (Service). Outstanding Military Science student award all four years in the course of completing Army Engineer ROTC.

Commissioned as 2nd Lt. in U.S. Army Corps of Engineers Reserves following summer camp in 1964.

Employed during college at CSM as a research assistant (at \$1/hr.) doing computer programming (1961-1963).

Worked summers for: Atlantic Refining Co. (1962) in Casper, Wyoming, field production office; Atlantic Refining Co. (1963) in Dallas, Texas, staff headquarters; and Esso Production Research (1964) as a research assistant.

Attended the University of Tulsa for two semesters in 1964-65 in the M.S. Program for Petroleum Engineering. After finishing course work (and getting married), left graduate school without completing thesis.

Joined Atlantic Refining Co. in summer of 1965 as a Junior Engineer in Lafayette, Louisiana, working on reservoir mapping of local salt dome oil fields.

Entered two years active duty in the U.S. Army in September, 1965. Graduated first in class of three month Engineer Officer Basic Training at Fort Belvoir, Virginia. Served as instructor in pipeline construction, building construction, and water purification during remainder of tour at Fort

Belvoir Engineer School. Left active duty as a 1st Lt. in September, 1967. Resigned commission upon completion of military obligation in the early '70's.

1967-1969: Rejoined Atlantic Richfield Co. as a Junior Engineer in Midland, Texas, working on production and reservoir engineering issues of Andrews County Waterflood projects.

1969-1972: Engineer with Alaska District of Arco's North American Producing Division (Anchorage), working on reservoir engineering issues of Prudhoe Bay. One of two engineers doing Arco bid evaluation for September, 1969, lease sale (\$900MM!).

Homeowner in Oceanview, Anchorage.

1972-1973: During TAPS construction freeze, worked in the staff Reservoir Engineering Group (Arco) in Dallas doing consulting on reservoir simulation work in West Texas and Louisiana.

1973-1976: Reservoir Engineer and District Reservoir Engineer for Arco in Anchorage, working on Prudhoe Bay reservoir simulation, unitization, and production facility design.

Homeowner in College Gate, Anchorage.

1976-1979: Engineering Manager for Arco in Anchorage. Served as staff chief during Prudhoe Bay Unit negotiations. Responsible for production and reservoir engineering functions during Prudhoe Bay Field startup.

1979-1981: In Los Angeles headquarters headed the upstream group of Arco's Corporate Planning doing staff work in support of senior management.

1981-1982: In Dallas, Texas, served as Planning Manager for Arco Oil and Gas Co. doing headquarters staff work.

1982-1983: Mid-continent District Manager in Tulsa, Oklahoma, responsible for Arco's oil and gas business activities in North Texas, Oklahoma, Kansas, and Arkansas. Vice-President of Atlantic Richfield. Taught economics in local junior high school as part of Junior Achievement Project Business.

1983-1987: As President of Arco Alaska Inc. in Anchorage, responsible for production activities in Alaska. Senior Vice-President of Atlantic Richfield.

Homeowner in Huntington Park, Anchorage and 10-acre recreation lot in Talkeetna.

Various community involvements included: Board and Executive Committee of Anchorage Chamber of Commerce; Board of Alaska Pacific University's Center for Entrepreneurship; Board and Executive Committee of Alaska Oil and Gas Association; Board and Loan Committee of United Bank Alaska; Board of Providence Hospital Foundation; Board of Junior Achievement; and Board of Commonwealth North.

Special projects included: Co-Chair of the Alaska State Chamber of Commerce's Commission on Strategic Planning for the 1990's; Chair of the Challenge of Leadership Committee of Compass North; and Chair of the 1985 Anchorage United Way Campaign.

Board member of the Foundation for Research on Economics and the Environment (FREE) with headquarters in Bozeman, Montana and Seattle, Washington.

1987-1990: As President of Arco Transportation Co. in Long Beach, California, responsible for pipeline and tanker activities. TAPS owner representative for Arco pipeline.

Various community involvements included: Board and Executive Committee of Long Beach Area Chamber of Commerce; Founder and Co-Chair of the Bottomline (a non-profit) -- Childcare Solutions for Business; and member of the California Joint Select Task Force on the Changing Family (appointed by Assembly Speaker Willie Brown).

Summer of 1990: Announcement of decision to leave Atlantic Richfield and pursue other opportunities.

II. Committee Letter to Mr. Heinze

STATE OF ALASKA
House of Representatives
District 27

Representative Cliff Davidson
Chairman
House Resources Committee



Box V, Juneau, AK 99811
(907) 465-2487
Box 746, Kodiak, AK 99615
(907) 486-8250

2 April 1991

Harold Heinz, Commissioner
Alaska Department of Natural Resources
400 Willoughby Avenue
Juneau, AK 99801

Dear Commissioner Heinz,

Congratulations on your appointment to the job of Commissioner of the Department of Natural Resources. I wish you the best of luck in managing this very important department.

As you know, the House Resources Committee has scheduled an April 16th committee hearing to review your appointment prior to your confirmation by the Legislature. I would like to extend any assistance we can to you as you prepare for these hearings. I encourage you to provide us with any additional material that you feel may be of help to the Committee.

I anticipate that your confirmation hearing before the Committee will take approximately two hours. You will be allowed to make an opening statement after which committee members or other legislators will ask questions. Following that, interest groups and members of the public will be invited to testify. In fairness, you will be allowed summary comments after the public hearing.

At this time, I would like to request that you provide to the Committee, in writing, prior to the hearing, two items. First, the Committee would appreciate receiving from you, a more detailed resume than the sketchy document provided by the Governor's office. I am sure you understand that Committee members with little knowledge of your background will be interested in your experience and training.

Also, you should be able to discuss any changes you have planned for the organization of the department, including any written organizational chart.

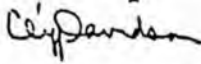
Second, it is my understanding that the Governor has requested, in writing, that each commissioner make themselves available to consult with an informal "advisory" group of individuals selected by the Governor.

Please provide the Committee with any correspondence between the Department and the Governor or his assistants concerning such an advisory group. Also, please provide a list of any individuals you may have been directed by the Governor or his assistants, verbally or in writing, to consult with in your capacity as Commissioner.

We would appreciate receiving any materials at least 48 hours before the hearing. If you do bring new materials to the hearing, it would be helpful to the Committee if you could provide at least 40 copies.

Again, congratulations on your appointment and I look forward to discussing the future of your department with you next week. With best regards,

Cordially,

A handwritten signature in cursive script that reads "Cliff Davidson".

Representative Cliff Davidson, Chairman
House Resources Committee

cc: House Resources Committee Members

III. APOC Report

Wise Guys

We're out to destroy the environmental movement once and for all," says Ron Arnold, explaining why he and partner Alan Gottlieb, at the Center for the Defense of Free Enterprise in Bellevue, Washington, launched the so-called Wise Use movement two years ago. The Gottlieb-edited *Wise Use Agenda* lists more than 222 sympathetic groups, from James Watt's Mountain States Legal Foundation to the Motorcycle Industry Council to Exxon Co. USA. It calls for immediate logging of old-growth forests; opening all public lands, including national parks, to mining and drilling; lifting protection for such "non-adaptive species as the California condor"; and expanding national-park concessions under private firms "such as Walt Disney."

"We're out to destroy the environmental movement."

Six Republican senators have written a letter on congressional letterhead to Interior Secretary Manuel Lujan, Jr., and 120 other "opinion leaders" to promote the Our Land Society, a Wise Use group in Idaho. "Advocates of environmental paranoia, locked-up resources, and costly regulation have never lacked a forum for their views . . . and this imbalance must be corrected," reads the letter signed by Senators Steve Symms and James McClure of Idaho; Conrad Burns of Montana; Strom Thurmond of South Carolina; Jesse Helms of North Carolina; and Ted Stevens of Alaska. Turner Broadcasting System felt the Wise Use sting in late 1989, when a well-organized boycott caused all the advertisers on the *World of Audubon* documentary "Rage Over Trees" to yank their ads at the last minute. Arnold takes credit. It seems God is a wise user, too. Ed A. Wright, with input from Yamaha, Honda, and Kawasaki, edits the newsletter of the Blue Ribbon Coalition, an association of sixty-three motorized-vehicle clubs and businesses. Wright traces his "preservationist" foes to John Muir, "who believed the earth is a temple in a spiritual, pantheistic sense, like the Druids. Where the Sierra Club . . . starts mixing in weird science and earth religions, that's where I say enough is enough." —Margaret L. Knax

Mother Jones
1/91



The environmental press with Gottlieb.

Photograph by Ursula Zeidler
(Narberg-Hodge)

ALASKA PUBLIC OFFICES COMMISSION
1990 CONFLICT OF INTEREST STATEMENT

RECEIVED
JAN 07 1991

APOC-IND

(P.M. H.C.)

12-31-90

IMPORTANT
INFORMATION ABOUT HOW TO COMPLETE THIS REPORT

1. This report is for the preceding calendar year, so include only information about financial interests held during January - December 1989.
2. You must show both your own financial interests and the interests held by your spouse, dependent children and nondependent children residing with you during the preceding calendar year.
3. This statement is required under AS 39.50, so it is important that it be accurate.
4. If you have any questions or need help completing the form, refer to the instruction manual. If you still need help, call APOC at 276-4176.

BACKGROUND INFORMATION:

HAROLD C. HEINZE
NAME

COMMISSIONER DEPT OF NATURAL RESOURCES
OCCUPATION

400 WILLOUGHBY AVE JUNEAU ALASKA 99801
MAILING ADDRESS street city state zip

OFFICE SOUGHT OR HELD (CHECK ONE):

STATE

MUNICIPAL

OFFICE:

TITLE:

COMMISSIONER - DEPT OF NATURAL RESOURCES

TERM OF OFFICE:

from 12/3/90 to _____

TYPE OF STATEMENT (CHECK ONE):

CANDIDATE STATEMENT

Must be filed no later than the final filing date for your declaration of candidacy.

INITIAL STATEMENT

For newly appointed state and municipal officials.

ANNUAL STATEMENT

Must be filed by April 15.

FAMILY MEMBER INFORMATION (list names):

Spouse: VICTORIA M. Dependent Children: HAROLD A.

Nondependent children, living with reporting official: _____

THE FOLLOWING SUMMARY MUST BE COMPLETED BY ALL FILERS
DO NOT COMPLETE THIS SUMMARY PAGE UNTIL YOU HAVE
COMPLETED ALL SCHEDULES.

SUMMARY OF SCHEDULES

Check one box for each schedule:

	SCHEDULE COMPLETED AND ATTACHED	NO REPORTABLE INTERESTS-- SCHEDULE LEFT BLANK
SCHEDULE A SOURCES OF INCOME	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SCHEDULE B BUSINESS AND REAL PROPERTY INTERESTS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SCHEDULE C BENEFICIAL INTERESTS, LOANS, GOVERNMENTAL CONTRACTS AND NATURAL RESOURCE LEASES	<input checked="" type="checkbox"/>	<input type="checkbox"/>

CERTIFICATION

I, the undersigned, certify under penalty of perjury that the information in this Statement is, to the best of my knowledge, true, correct and complete. By statute, a person who makes a false sworn certification which s/he does not believe to be true is guilty of perjury.

Harold C. Fleming
SIGNATURE

12/29/90
DATE

Forward Statements as follows:

STATE OFFICIALS

STATE OF ALASKA
PUBLIC OFFICES COMMISSION
221 E. NORTHERN LIGHTS. #125
ANCHORAGE, AK 99508
Telephone (907) 276-4176
FAX (907) 276-7016

STATE OF ALASKA
PUBLIC OFFICES COMMISSION
P.O. BOX CO
JUNEAU, AK 99811
Telephone (907) 465-4864

MUNICIPAL OFFICIALS

THE LOCAL CITY OR BOROUGH CLERK
IN THE JURISDICTION IN WHICH
YOU HOLD OFFICE.

NAME HAROLD C HEINZE

SCHEDULE A
SOURCES OF INCOME OVER \$100
(ACTUAL MONETARY AMOUNTS NOT REQUIRED)

SALARIED EMPLOYMENT

NAME OF OFFICIAL, SPOUSE
OR CHILD:

EMPLOYER:

HAROLD C HEINZE

ATLANTIC RICHFIELD Co

HAROLD A HEINZE

HARVEY MUDD COLLEGE

SELF EMPLOYMENT

Includes: (1) sole proprietorships; (2) all partnerships; (3) all professional corporations; and (4) corporations in which a controlling interest is held. If you check nonretail, you MUST list all clients or customers by name.

BUSINESS NAME, TYPE
AND ADDRESS:

NAMES OF CLIENTS OR CUSTOMERS:

1. _____

RETAIL NONRETAIL

2. _____

RETAIL NONRETAIL

3. _____

RETAIL NONRETAIL

(CONTINUE ANY SECTION ON BLANK PAPER)

SCHEDULE A CONTINUED

RENTAL INCOME

Includes all income over \$100 derived from real property rentals.
List managing agent (if any) and all tenants by name.

OWNER:

TENANTS:

DIVIDENDS AND INTEREST

RECIPIENT:

SOURCE:

HAROLD C HEINZE
HAROLD C + VICTORIA M HEINZE
" " "
" " "

MIDLAND ATLANTIC FEDERAL CREDIT UNION
FIRST INTERSTATE BANK OF CALIF
SANWA BANK CALIFORNIA
T-BILLS through FIRST INTERSTATE

(CONTINUED)

OTHER INCOME

Includes gifts, honoraria, income from the sale of real property, retirement, campaign funds taken as personal income, social security and other income over \$100.

RECIPIENT:

SOURCE AND TYPE OF INCOME:

HAROLD A. HEINZE
" " "

HOSPITAL of the Good Samaritan, Los Angeles
UNIV OF IOWA, Biomedical DEPT, ^{TEACHING} ASSIST

(CONTINUE ANY SECTION ON BLANK PAPER)

Schedule A (CONTINUED)

HAROLD C HEINZE

DIVIDENDS + INTEREST

HAROLD C HEINZE	ARCO Executive SUPPLEMENTARY SAVIN
" " "	ARCO Capital E S O P
HAROLD C + VICTORIA M HEINZE	FIDELITY FUNDS
	- Cash Reserves
	- Select Money Mkt Port
	- Fixed Income
	- US Gov't Reserves
	- Equity Income
VICTORIA M HEINZE	JEFFERSON - PILOT LIFE INS CO
" " "	NEW YORK LIFE INS CO
HAROLD C + VICTORIA M HEINZE	FRANKLIN CALIFORNIA TAX-FREE
	INCOME FUND
" " "	USAA CALIFORNIA BOND FUND
" " "	" " MONEY MKT FUND
" " "	ALPINE CAPITAL MGMT CORP
HAROLD C HEINZE	ARCO Employee Savings Program
HAROLD A HEINZE	FIRST INTERSTATE BANK OF CALIF
HAROLD C HEINZE	FIRST NATIONAL BANK OF
	ANCHORAGE
HAROLD C + VICTORIA M HEINZE	FIRST INTERSTATE BANK OF WASHINSTE

JAN 07 1991

Name HAROLD C HEINZE

SCHEDULE B
BUSINESS AND REAL PROPERTY INTERESTS

BUSINESS INTERESTS

Includes all interests even if they were not a source of income.
List ownership interests as a stockholder, owner, officer, partner, or employee.

Name of official, spouse or children

HAROLD C HEINZE

Name of Business

Address

ATLANTIC RICHFIELD CO 515 S. FLOWER ST, LA, CA

Nature of Interest

CORPORATE OFFICER, STOCKHOLDER, HOLDER OF STOCK OPTI.

General description of business activity

HYDROCARBON EXPLORATION, PRODUCTION, TRANSPORTATION, MANUFACTURING
AND MARKETING

Name of official, spouse or children

HAROLD A HEINZE

Name of Business

Address

ATLANTIC RICHFIELD CO AS ABOVE

Nature of Interest

STOCKHOLDER

General description of business activity

AS ABOVE

Name of official, spouse or children

VICTORIA M HEINZE

Name of Business

Address

LONG BEACH SYMPHONY GUILD 555 EAST OCEAN BLVD

Nature of Interest

LONG BEACH, CALIF

FINANCIAL SECRETARY

General description of business activity

SUPPORT OF LONG BEACH SYMPHONY

(CONTINUED) (CONTINUE ANY SECTION ON BLANK PAPER)

REAL PROPERTY INTERESTS

MUST include a street address or actual legal description.
Does not include property held through limited partnerships.
List limited partnerships on page 7.

Name of official, spouse or children

HAROLD C + VICTORIA M HEINZE

Street address or legal description

972 VIA RINCON, PALOS VERDES ESTATES, CALIF

Nature of interest (for example, option to buy, ownership, leasehold)

OWNERSHIP W/ MORTGAGE

Current use (for example, vacant, residence, recreational)

RESIDENCE

Name of official, spouse or children

HAROLD C + VICTORIA M HEINZE

Street address or legal description

2605 127th AVE NE, BELLEVUE, WASH

Nature of interest (for example, option to buy, ownership, leasehold)

OWNERSHIP W/ MORTGAGE

Current use (for example, vacant, residence, recreational)

RESIDENCE

Name of official, spouse or children

HAROLD C + VICTORIA M HEINZE

Street address or legal description

N 1/2 S 1/2 SE 1/4 NE 1/4 SECTION 15 T24N R4W

Nature of interest (for example, option to buy, ownership, leasehold)

SEWARD MERIDIAN

OWNERSHIP

Current use (for example, vacant, residence, recreational)

RECREATIONAL

SCHEDULE B (CONTINUED)

HAROLD C HEINZ

HAROLD C HEINZE

FREE

4225 ROOSEVELT WAY, NE, SEATTLE, WA

DIRECTOR

Non-Profit FOUNDATION FOR RESEARCH ON ECONOMICS & ENVIRONMENT

HAROLD C HEINZE

The BOTTOMLINE

300 OCEANGATE, LONG BEACH, CA

Co-CHAIR

Non-Profit CHILD CARE SOLUTIONS THAT MAKE BUSINESS SENSE

HAROLD C HEINZE

LONG BEACH AREA CHAMBER OF COMMERCE

ONE WORLD TRADE CENTER, LONG BEACH, CA

DIRECTOR

ECONOMIC HEALTH OF COMMUNITY

HAROLD C HEINZE

ST MARY MEDICAL CENTER FOUNDATION

1050 LINDEN AVE, LONG BEACH, CA

TRUSTEE

SUPPORT OF HOSPITAL PROGRAMS

JAN 07 1991

SCHEDULE B (CONTINUED)

HAROLD C HEINZE

HAROLD C HEINZE

F R E E

4225 ROOSEVELT WAY, NE, SEATTLE, WA

DIRECTOR

Non-Profit FOUNDATION FOR RESEARCH ON ECONOMICS + ENVIRON

HAROLD C HEINZE

The BOTTOMLINE

300 OCEANGATE, LONG BEACH, CA

Co-CHAIR

Non-Profit CHILD CARE SOLUTIONS THAT MAKE BUSINESSSEN

HAROLD C HEINZE

LONG BEACH AREA CHAMBER OF COMMERCE

ONE WORLD TRADE CENTER, LONG BEACH, CA

DIRECTOR

ECONOMIC HEALTH OF COMMUNITY

HAROLD C HEINZE

ST MARY MEDICAL CENTER FOUNDATION

1050 LINDEN AVE, LONG BEACH, CA

TRUSTEE

SUPPORT OF HOSPITAL PROGRAMS

SCHEDULE B (CONTINUED)

HAROLD C HEINZE

HAROLD C + VICTORIA M HEINZE

LIMITED PARTNERSHIPS — REAL ESTATE

HALL REGALTREE ASSOCIATES

10100 N. CENTRAL EXPRESSWAY, DALLAS, TEXAS

DBSI/TRI XVI Ltd Pship

1070 N. Curtis Rd, Boise, Idaho

DBSI/TRI XX Ltd Pship

(As Above)

COMMONWEALTH RAEDER PLACE ASSOCIATES

1011 WESTERN AVE, SEATTLE, WASH

SHEARSON + RELATED HOUSING LIMITED PARTNERSHIP

625 MADISON AVE, NEW YORK, NY

NAME HAROLD C HEIN

SCHEDULE C
BENEFICIAL INTERESTS, LOANS, GOVERNMENT CONTRACTS
AND NATURAL RESOURCE LEASES

BENEFICIAL INTEREST IN TRUSTS OR OTHER FIDUCIARY RELATION

HAROLD C HEINZE
Name of beneficiary

KEY BANK - ALASKA
Name of trustor

SAVINGS ACCT
Type of assets

KEOGH PLAN
Extent of interest

HAROLD C HEINZE
Name of beneficiary

BANK OF OKLAHOMA
Name of trustor

SAVING ACCT
Type of assets

IRA
Extent of interest

VICTORIA M HEINZE
Name of beneficiary

BANK OF OKLAHOMA
Name of trustor

SAVING ACCT
Type of assets

IRA
Extent of interest

(CONTINUED)

LOANS AND LOAN GUARANTEES

Includes all financial obligations of \$500 or more; does not include credit card balances.

HAROLD C + VICTORIA M HEINZE
Name of Debtor

CALIFORNIA FEDERAL BANK
Name of Lender

" " "
Name of Debtor

G M A C MORTGAGE CORP
Name of Lender

Name of Debtor

Name of Lender

Name of Debtor

Name of Lender

(CONTINUE ANY SECTION ON BLANK PAPER)

SCHEDULE C CONTINUED

CONTRACTS AND OFFERS TO CONTRACT WITH THE STATE
OR ITS INSTRUMENTALITY

Contracts of the reporting official's family, including the official's mother and/or father must be listed.
AS 39.50.035(8)

Name of contractor

State Contracting Dept. or Instrumentality

Contract number and description

Indicate: Bid, Held or Offered

Name of contractor

State Contracting Dept. or Instrumentality

Contract number and description

Indicate: Bid, Held or Offered

Name of contractor

State Contracting Dept. or Instrumentality

Contract number and description

Indicate: Bid, Held or Offered

LEASES OR OFFERS TO LEASE MINERAL, TIMBER, OIL OR
OTHER NATURAL RESOURCES

Contracts of the reporting official's family, including the official's mother and/or father must be listed.
AS 39.50.035(8)

Name of Lessor

Nature of Lease

Identity of Lease

Indicate: Held or Offered

Name of Lessor

Nature of Lease

Identity of Lease

Indicate: Held or Offered

(CONTINUE ANY SECTION ON BLANK PAPER)

SCHEDULE C (CONTINUED)

HAROLD C HEINZE

BENEFICIAL INTEREST IN TRUSTS

HAROLD C HEINZE

ATLANTIC RICHFIELD CO

- RETIREMENT PLAN
- DEFERRED ANNUAL INCENTIVE PLAN
- DEFERRED INCOME PLAN

TRANSITION REPORT

Harold C. Heinze -- Department of Natural Resources

Pre-Christmas Period

- met with former Commissioner Rod Swope
- spent 11 days in Juneau; 5 days in Anchorage; and 1 day each in Fairbanks and Palmer/Eagle River visiting DNR facilities, meeting employees, and getting briefed on current issues
- on Saturday (12/8/90) I telephone invited as many of the advisory/transition team as I could reach to a meeting on Monday (12/10). Ten members were able to meet in Anchorage for 5 hours (letter and list attached). Earl Beistline chaired the session and the group was able to give me consensus feedback on personnel and organization, high benefit projects, and land selection priorities
- met with half-dozen resource related companies or associations
- reviewed 7 dozen applications

Christmas/New Years Period

- Directors met and developed draft FY 91 operating budget. Discussed budget items with individual directors
- formulated organizational changes to the Commissioner's Office

New Years to Start of Legislature

- spent 8 days in Juneau; 7 days in Anchorage; 3 days in Fairbanks; and 1 day in Nome visiting DNR facilities, meeting employees, and getting briefed on current issues
- met with 4 environmental groups, 2 resource company representatives, and one municipal group

Walter J. Hickel

Box 101700
Anchorage, Alaska 99510-1700
907-276-7400

November 29, 1990

Commissioner Heinze:

The advisory/transition teams which were discussed at the November 24 Cabinet meeting have been finalized.

Following is the list of members we have assembled for your team. The team is comprised of three groups: experts who were also deeply involved in the campaign, outside experts who specifically requested the opportunity to serve on your transition team, and volunteers on the campaign who have a personal interest in the success of your department and the administration in general.

We are pleased by the high quality of these Alaskans who want to help.

The team serves at your will. Please contact them so that you can benefit from their input.


Walter J. Hickel

DEPARTMENT OF NATURAL RESOURCES

• Rich Hughes -	Anchorage	(h) 344-3786	
Dave Heatwole	Anchorage	(h) 346-2734	<i>- in Russia</i>
• Jerry Celey	Anchorage	(h) 346-2800	
• John Cowdery	Anchorage	(h) 344-0950	
• Carroll Livingston	Anchorage	(h) 274-0784	
• Jamie Linxwiler	Anchorage	(h) 276-5121	<i>(h) 248-7274</i>
• Tony Petrone	Anchorage	(h) 344-2286	
• Joe Henri	Anchorage	(h) 338-0880	<i>(h) 333-7505</i>
Barney Hollenbeck			
• John Sturgeon	Anchorage	(w) 562-3335	<i>(h) 345-2299</i>
• Bev Alek	Anchorage	(h) 349-5189	
• Earl Bestline -	Fairbanks	(h) 479-6240	<i>(w) 479-2843</i>
Neil McKinnon			
Jim Porter	Wasilla	(h) 495-6823	
Joe Usibeli	Healy	(h) 683-2427	<i>(w) 683-2226</i>
Monty Guymon	Kechikan	(h) 225-5801	
Ray Kreig	Anchorage	(h) 243-8951	<i>(w) 276-2025</i>

IV. *Los Angeles Times* Article

Los Angeles Times

MARKETS/MONEY/PERSONAL FINANCE

BUSINESS

SECTION D
SUNDAY
APRIL 24, 1971



Associated Press

Commissioner Harold C. Heinze

Ex-Arco Official on Hot Seat as Alaska's Head of Resources

■ **Environment:** Serious questions are being raised about Harold Heinze's involvement with oil-spill cleanup decisions while representing the Los Angeles energy firm.

By PATRICK LEE
TIMES STAFF WRITER

Harold C. Heinze is the man Alaska's environmentalists love to hate. The outspoken former oil executive once called the Arctic National Wildlife Refuge "a flat, crummy place." He termed environmentalists "extremists" trying to "strangle Alaska."

His confrontational style may even have hastened his abrupt departure last July from a high-profile job at image-conscious Atlantic Richfield Co. after a 25-year career, industry sources say.

So it was with surprise and dismay that environmentalists learned last December that newly elected Gov. Walter J. Hickel had tapped Heinze to oversee Alaska's powerful Natural Resources Department, which has jurisdiction over the state's vast wilderness and oil resources. Heinze's appointment as commissioner of natural resources has set off a firestorm of protests reminiscent of those against James O. Watt, Ronald Reagan's controversial Interior secretary in the 1980s. Under Alaska

PLEASE SEE HEINZE, P. 4

HEINZE: Environmentalists Protesting Ex-A

Continued from D1
law, Heinze has assumed office subject to legislative confirmation hearings that started last week.

One newspaper editorial likened the appointment to "putting the fox in the henhouse." Environmental groups around the state have targeted Heinze's confirmation hearings as a top priority.

"He has the attitude that [companies] have the God-given right to drill everywhere, cut everything and dig up every mineral that can be found in the ground," said Jim Stratton, an environmental activist based in Anchorage. "It's Manifest Destiny in [the 1990s], and other values be damned if we can make a dime."

Now, serious questions are being raised about Heinze's involvement with oil-spill cleanup decisions while he represented Los Angeles-based Arco on the owner's committee of the Alyeska Pipeline Service Co., the consortium of oil companies that operates the Trans-Alaska pipeline. Arco owns a little more than 21% of the pipeline.

Heinze's appointment—like the election of his patron, Wally Hickel—says a lot about Alaskans' complicated relationship with their abundant resources and vast wilderness, a relationship that has grown more complex since the devastating 1989 Exxon Valdez oil spill in Prince William Sound.

Hickel—a political independent returned by voters to the governor's office 25 years after he was first elected to the job—appealed strongly to one segment of Alaska's divided electorate: the wing that favors development of Alaska's rich resources.

But in the past, Hickel has shown an environmental streak as well. As Interior secretary under President Richard M. Nixon, he pushed the first Earth Day, went after polluters and even took on the oil industry after a 1969 spill in Santa Barbara.

Now, Hickel supports his nominee without hesitation. "Harold is a good executive," Hickel said in an interview. "He's creative, he's strong... but he's not foolish."

Heinze is considered one of the most pro-development officials ever to take charge of a department already considered the most development-oriented of the state's three resource agencies.

In an interview, Heinze, 48, made no apologies for that stance. "I'm certainly well-inclined to carry out the [state] constitutional mandate to develop and utilize Alaska's resources for the benefit of all," provided such development is "done right," he said.

Others, however, are raising questions about Heinze's fitness for public service. "He carries lots of baggage," said a state legislator

who declined to be named. "Very interesting and suspicious baggage."

Consider: In March, the Department of Natural Resources granted a request by Arco and Exxon Corp. to lower the royalty rate due the state on a lease in the estimated 300-million-barrel Point McIntyre oil field. The lower rate stems from the state's designation of the lease as the site where oil was discovered.

Once production begins on the lease, the decision could save both oil companies tens of millions of dollars, industry critics say.

Though the discovery was announced in 1989, the decision to cut the royalty payments was made just a week before Exxon agreed to the terms of a proposed \$1.1-billion settlement of civil and criminal cases arising out of the Exxon Valdez spill—a settlement pushed by Hickel and Alaska Atty. Gen. Charles Cole.

Heinze, denying any involvement in the settlement negotiations, called suggestions of a link between the talks and the royalty decision "absurdity." The timing was purely coincidental, he said. Cole said suggestions of a link are "absolutely false."

Heinze is in line to serve as one of three state trustees who would administer a trust fund set up to disburse proceeds from the proposed Valdez settlement. But as an Arco executive, Heinze was one of several oil officials who oversaw Alyeska, which had primary responsibility for oil-spill response in the sound.

U.S. Rep. George Miller (D-Marine) has charged that the officials, meeting in Phoenix a year before the spill, secretly decided that Alyeska would refuse to abide by a government-sanctioned cleanup plan in Prince William Sound.

Heinze, who attended the meeting, dismisses Miller's accusations as "flat wrong." Alyeska has similarly denied the charge.

The future of the settlement itself now appears in doubt because a federal judge last week rejected a criminal plea agreement that was part of the deal.

Heinze is one of several defendants in a \$50-million lawsuit filed by the Federal Deposit Insurance Corp. that alleges negligence and mismanagement in the failure of two Alaska banks. He formerly served as a director of one bank.

The FDIC alleges that bank officials made risky commercial real estate loans despite repeated warnings. Critics say the matter raises questions about Heinze's management abilities. Heinze has defended the bank's policies as sound.

Hearings this month in the

BIO: HAROLD C. HEINZE



Harold C. Heinze at confirmation hearings.

In December, Heinze was appointed by Alaska Gov. Walter to oversee Alaska's natural resources department, much to the chagrin of environmentalists. Heinze has termed environmental "extremists" trying to "strangle Alaska." Legislative confirmation hearings on Heinze's appointment started Monday.

• Born: Nov. 8, 1912

• Education: Bachelor of science, Colorado School of Mines

• Resume: Spent most of his adult life working for Arco, starting in 1965 as a junior engineer and becoming president of Arco Alaska in 1983. He was named Arco senior vice president and president of Arco Transportation Co. in 1987. He also served on owners' committee of Alyeska Pipeline Service Co. He left Arco in July last year.

• Quote: "Aggressive extremists and activists who operate in the disguise of environmentalists... [will] strangle Alaska little."

Alaska Legislature have questioned whether tankers used by Arco, Exxon and British Petroleum improperly transported hazardous waste in ballast water for disposal by Alyeska in Valdez harbor.

Heinze, who headed Arco's tankering operations at the time as president of Arco Transportation Co., says he knows of no hazardous operations during his tenure.

Environmental groups who helped fashion amendments to Alaska's Forest Practices Act last year accuse Heinze of trying to undermine the law's intent by issuing lax regulations. In part, the law calls for the creation of timber "buffer zones" around state streams that serve as fish spawning areas.

Environmentalists charge that Heinze's intervention threatens the fragile coalition of environmentalists, fishermen, loggers, landowners and mining interests that agreed on the provisions of the new law.

Heinze says the proposed regulations were based on an examination of the science involved, not on

politics. "I'm not even where anybody like that may be a good case," he said.

Questions were raised about Heinze's involvement in these matters in a two-day hearing conducted Monday by Senate Resources Committee. The bulk of the testimony about Heinze's appointment

will take place in a committee hearing of the House of Representatives on May 7, and a final appointment will take place in a combined session of legislative bodies.

Heinze has a str

Protesting Ex-Arco Official's Appointment

OLD C. HEINZE



Heinze at confirmation hearings.

er, Heinze was appointed by Alaska Gov. Walter J. Hickel to Alaska's natural resources department, much to the chagrin of environmentalists. Heinze has termed environmentalists "stragglers" trying to "strangle Alaska." Legislative confirmation of Heinze's appointment started Monday.

Nov. 6, 1942

Education: Bachelor of science, Colorado School of Mines, 1964.

Work: Spent most of his adult life working for Arco, starting in 1965 as a junior engineer and becoming president of Arco Alaska Inc. in 1987. He was named Arco senior vice president and president of Arco Transportation Co. in 1987. He also served on the board of Alyeska Pipeline Service Co. He left Arco in July of 1990.

"Aggressive extremists and activists who operate under the banner of environmentalists . . . [will] strangle Alaska little by little."

Legislature have questioned tanker use by British Petroleum and other companies that transported hazardous waste water for disposal in Valdez harbor. Heinze, who headed Arco's operations at the time as president of Arco Transportation, knows of no hazardous waste during his tenure. Environmental groups who filed amendments to the Alaska State Practices Act last year protesting Heinze of trying to circumvent the law's intent by changing regulations. In part, the amendments call for the creation of "timber zones" around state parks to serve as fish spawn-

Environmentalists charge that

Hickel, a longtime associate.

"When I called Harold, I found him in New Zealand after he'd left Arco, and I asked him how he'd like to come to work for the largest oil resource company in North America," Hickel said last week. "He said, 'Who's that?' I said, 'The state of Alaska.' And he liked that idea."

It's not the first time Heinze has drawn fire. During his tenure at Arco, he managed to anger not only environmentalists but also his corporate sponsors back in Los Angeles, industry officials said.

"He was a team player, so long as he was captain of the team," said a source who asked to remain anonymous. "Otherwise, . . . he made his own rules. He ran Arco Transportation as if it was a completely separate entity unto itself."

Heinze, a petroleum engineer by training, joined the energy firm in 1965, a year after graduating from the Colorado School of Mines.

At the end, Heinze was senior vice president of Arco. Before that, he was president of Arco's Alaska unit, the state's largest private employer. In that post, he was in charge of Arco's oil and gas operations in the massive fields of the North Slope.

It was during those years that Heinze made himself well-known to Alaskans.

"He says what he thinks, and he says it emphatically," said Arco President Robert E. Wycoff. "There were some in Alaska who were put off by that in a political sense."

At a meeting in Washington state in the 1960s, Heinze was quoted as calling the Arctic National Wildlife Refuge a "flat, crummy place." Environmentalists and some federal lawmakers are fighting to prevent oil development in the refuge.

Last week, Heinze admitted that his choice of words was poor, but he defended the characterization. "I've grown up a lot since then, and today I would say . . . that ANWR [the refuge] during the vast majority of the year is a very inhospitable place with undistinguished terrain."

Indeed, Heinze seems to have moderated his views toward environmentalists very little. "I believe their agenda does not represent the

agenda of the vast majority of Alaskans," he said.

Last July, Heinze abruptly left Arco. Some industry sources say he was forced out, others say he left out of frustration with his career prospects at Arco.

"Harold was one of the fast-track people," said one former Arco executive. "But there was only so much room at the top. . . . A few get up into the upper levels, and he was sort of career-blocked, so he left."

Last week, Arco President Wycoff denied that Heinze was asked

'Harold is a good executive. He's creative, he's strong, . . . but he's not foolish.'

WALTER J. HICKEL
Alaska's governor

to leave and added that Heinze did good work for the company. "It was Harold's choice," Wycoff said.

"The company was very open with me and simply said that in the successions to come, they did not see me as 'competitive,'" Heinze said. "And they offered me the chance to pursue other opportunities."

Now, Heinze is preparing to address the questions about his past. As for the criticism, he says philosophically, "It comes with the territory."

V. Articles Provided by DNR

Harold C. Heinze
Commissioner-Designee
Department of Natural Resources

The following materials are offered as background for the Confirmation Hearing scheduled for April 22, 1991:

1. Department Priorities
2. Oath of Office
3. Newspaper Clippings
4. "ARCO's Harold Heinze" Alaska Business Monthly, December 1985
5. "Outspoken Maverick" The Spark, ARCO corporate news magazine
6. "What Lies Over the Rainbow for Alaska's Oil Industry?" Alaska Business Monthly, March 1986
7. Environmental Issues Clippings
8. "Report to Alaska's Economic Leaders", Alaska State Chamber of Commerce, June 1987
9. "Compass North - Five Challenges For Alaska" (leadership section)
Commonwealth North February, 1985
10. Report: California Joint Select Task Force on the Changing Family
April, 1989
11. "A Green Blueprint for America", Foundation for Research on
Economics and the Environment
12. "Highway Across the Arctic" TWA Ambassador February, 1986
13. "Alaska in the Twenty-First Century" February 1991

DEPARTMENT OF NATURAL RESOURCES
Priorities

HELP MOVE "HIGH BENEFIT" PROJECTS FORWARD

- Reach consensus at policy level on short list of project types offering State significant direct benefits and having minimal negative impacts
- All agency efforts will give priority to specific projects fitting the generic description
- Suggested "high benefit" projects:
 - (1) Sale of North Slope Gas
 - (2) Additional oil production into TAPS
 - (3) Coal export
 - (4) Large hardrock mines
 - (5) Value added manufacturing using hardwoods in Interior
 - (6) Winter recreation/visitor facilities
 - (7) World class visitor attractions

PREPARE TO FINALIZE STATEHOOD LAND SELECTIONS

- 20 MM +/- 5 MM Acres of selection by 1/2/94 deadline
- Inter-department project team to work in parallel: resources; corridors; Federal; Native; strategy
- Strong emphasis on State's long-term needs
- Need public "knowledge" input early and strategy input in finalization

KEEP STATE REVENUES UP

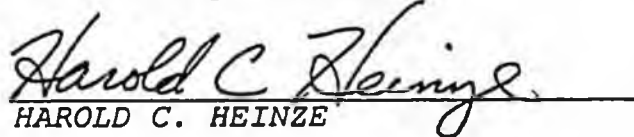
- Oil and gas lease sales
- User fees (including non-resident increment)
- Reduce delinquencies

SPECIAL "ONE TIME" EMPHASIS PROJECTS

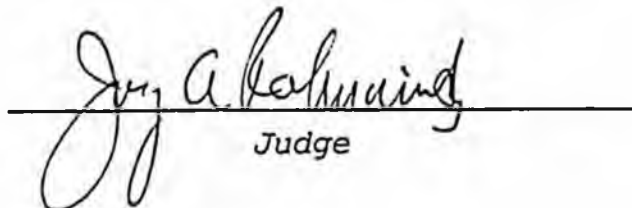
- Get Spruce Bark Beetle damage under control
- Refurbish State Parks along main highways
- Complete Replacement Capital Projects with 3-year or less payout
- Develop a backup for the Plant Materials Center's Store of Genetic Diversity
- Provide technical support for local government's efforts to solve urban area groundwater contamination
- Cleanup hazardous waste contamination on State lands

OATH OF OFFICE

I, HAROLD C. HEINZE, do solemnly swear that I will support and defend the Constitution of the United States and the Constitution of the State of Alaska, and that I will faithfully discharge my duties as Commissioner to the best of my ability.


HAROLD C. HEINZE

SUBSCRIBED AND SWORN TO before me this 3rd day of December, 1990, at Juneau, Alaska, pursuant to Article XII, section 5, of the Constitution of Alaska.


Judge



No environmental 'war' ahead, DNR's chief says

By RALPH THOMAS

1/24/91

THE JUNEAU EMPIRE

The new head of the state's land-use management department said today he would not wage war on environmental groups, but admitted the new administration has "very little common ground" with many environmentalists.

Department of Natural Resources Commissioner Harold Heinze spoke at the weekly breakfast meeting of the Alliance for Juneau's Future, a pro-development group.

Rep. Jim Zawacki, R-Anchorage, asked Heinze, "Are you going to declare war on the environmentalists? It's about time."

"No," Heinze said loudly.

The exchange drew laughter from the crowd of about 50 at a downtown restaurant.

"I understand your frustration," Heinze said. "But we're not going to be that confrontational."

Heinze then brought up the spruce-bark beetle infestation that has ravaged forests on the Kenai Peninsula. Environmental-group protests have delayed the harvest of beetle-infested trees, which Heinze said has allowed the problem to fester.

"It's crazy for people to defend the trees so they can suffer an epidemic of disease," he said. "That's idiocy."

But Heinze said he did not want to give the wrong message. Though Gov. Walter J. Hickel has said he wants an administration that does not stand in the way of development, Heinze said, "It's going to be done right ... we're very concerned about environmen-

tal issues."

Heinze was appointed Natural Resources commissioner Nov. 30. He is the former head of ARCO Alaska and has lived in Alaska a total of 14 years. Like several Hickel appointees, Heinze was a board member for Commonwealth North, an Anchorage-based, pro-development group.

Repeating a familiar Hickel theme, Heinze said the new administration's goal was to craft regulations that serve as "roadmaps, not roadblocks."

Once the rules are in place, he said, "If you don't do it that way, both feet are going to come down on your back."

Heinze said he is telling developers, "We expect you to do better than anyone has ever expected of you."

Zawacki rephrased his question after the meeting and asked Heinze if the state would intervene on behalf of industry when environmental disputes flare up.

"I don't feel it's my job to be out there carrying the water for every industry in Alaska," Heinze responded.

Before he was drawn into the discussion on environmentalists, Heinze outlined his department's priorities. He said the department would focus heavily on two areas: pushing a short list of high-benefit development projects, and completing a lands-selection process ongoing since statehood.

Heinze said the list of high-benefit projects was still taking shape, but added, "any project that sells (natural) gas off the North Slope is of very high bene-

Please turn to DNR, Page 8



MARK KELLEY/JUNEAU EMPIRE

DNR Commissioner Harold Heinze: 'It's going to be done right ... we're very concerned about environmental issues.'

DNR...

Continued from Page 1

fit to the state."

Hickel has long pushed for building a gas pipeline from the North Slope to Valdez.

He also said the list would include large-scale mining projects.

"The bigger mines offer the state a lot of benefit," he said. "The economics of smaller-scale mining has been hurt by the impact of environmental concerns."

Heinze spoke with excitement about the lands-selection task. As part of its statehood pact, Alaska was allowed to select 103 million acres of federal land.

The state so far has selected 85 million acres and has three years to complete the task. It's an immense job, he said, but one that he relishes.

Using a color-coded map to illustrate land ownership in Alaska, Heinze compared the selection process to a board game. The ultimate goal, he said, is to change the board so that more state holdings are connected.

The federal government owns more than 240 million acres of land in Alaska, the state owns about 85 million acres and Native groups own 35 million acres.

Heinze said the state needs a strategy for picking parcels, one that puts a priority on valuable resources and possible corridors between chunks of state land.

The former administration of Gov. Steve Cowper made some headway on lands selection, according to Lennie Gorsuch, who served as Natural Resources commissioner for much of Cowper's term. She said that administration completed the fourth phase of the job by choosing key pieces of property near various communities and small parcels for recreational use.

According to Gorsuch, the lands-selection process is on schedule.

Instead of implementing a bureaucratic public hearing process for land selections, Heinze said his department would rely more on meetings such as this morning's session with the Alliance for Juneau's Future. He urged the group to form an ad-hoc committee and supply the department with a list of people who have local land-use expertise.

"We need a dump-load of that knowledge," he said.

Heinze said two other priorities of the department would be to boost state revenues from resource development and deal with "hot" issues.

Among the hot items, Heinze listed the spruce-bark beetle infestation and statewide problems with hazardous wastes. He vowed to halt the beetle infestation and said hazardous waste problems - including some on the North Slope - "gotta get cleaned up."

Asked how the new administration would deal with the federal government's impending no-net-loss wetlands policy, Heinze said Hickel would appeal directly to Interior Secretary Manuel Lujan.

The new federal policy would require land-use managers to ensure that any wetlands lost to development are replaced by creating new wetlands. Alaska industry and government officials have said the policy is not needed and would hinder development across the state.

Heinze said the state may offer the federal government a compromise: The state would promise to fully protect 90 percent of its wetlands in exchange for the right to develop the remaining 10 percent. After the 10 percent is gone, the state would adopt the no-net-loss policy.

"That should allow us, for at least a few generations, to do whatever we want," he said.

"We as a young state need room to grow," he said.

"If you look at what other states have done to their wetlands, it's pathetic."

Beetles

Continued from page B1

"Everybody's going to want a chain saw this summer," Heinze said. "If you care about the health of the forest, I want you to help it. I'll provide gasoline, but you bring the chain saw and your sleeping bag."

"Instead of going down the Kenai fishing stream it's crowded every weekend, come on and go for a walk over the hill with me."

"Let me know where we stand with the Greenies after this. Again I can't see why they shouldn't want to be a positive force in protecting the forest."

Alaska Sierra Club representative Jack Heaton said the answer to the beetle epidemic that threatens about 80,000 acres of spruce in the Chugach National Forest is selective cutting.

"But Heinze's suggestion of arming Alaskans with chain saws is nothing short of ludicrous," Heaton said. "I don't have a prescription, but the Sierra Club is willing to help the Forest Service any way possible."

U.S. Forest Service entomologist Ed Holsten said the chain saw theory could save valuable forest areas in the Chugach where so many people go to enjoy the pleasures of wilderness.

"Chain saws are part of the answer," Holsten said. "People like to recreate in large trees but they don't realize these are old trees on the downside of hills and we as an agency have failed to educate the public and environmentalists that this is the best thing possible. There really isn't a pesticide we can use on them."

The beetle attacks old growth trees.

Younger spruce trees do not seem to be on the beetle's diet except in areas that are overrun with the pest, Holsten said. Clearing out the old trees makes room for the new, stronger spruce trees, he said.

Clearing areas of infested, dry and dead trees also reduces the risk of massive forest fires, said Duane Harp, U.S. Forest Service ranger for the Seward District of the Chugach National Forest.

Bruce Van Zee, who supervises the Chugach National Forest, said fighting the spruce bark beetle may be a little more complicated than bludgeoning in people with chain saws. But that is one of the answers, he said.

"I don't solve the spruce bark beetle problem, but the wood fuel problem (that has us to forest fires)," Van Zee said. "People are welcome to come out and cut, and those who want it can have it."

He said the Forest Service already has several trails in and around the Cooper Landing area where people with chain saws can get into places that have been inaccessible.

The Forest Service is also preparing to issue permits for small timber sales with cutting to begin this summer.

"One of our major concerns is the beetle will kill trees and create a dry area subject to fire," Van Zee said. "It happened in Yellowstone National Park in the summer of 1989, destroying hundreds of thousands of acres."

Heinze said cutting needs to take place soon because the beetle spreads rapidly.

"We're not trying to use that as an excuse to build roads and out-of-the-way places," he said. "I'm serious about involving people and getting them to help us save the forests. If there were a fire, there would be no question about what we would do. You have to think of this as a rolling fire. People might think we're crazy, but we're serious about this."

SPEAKING OF Commonwealth North, the organization is in the process of picking an executive director to succeed Malcolm Roberts, who resigned to become assistant chief of staff in the Hickel administration. There were 30 applications for the post, reports Judy Brady, chairman of the search committee — and herself both a former Commonwealth North executive director and a commissioner of Natural Resources in the administration of former Gov. Steve Cowper Retired Brig. Gen. John Hoyt volunteered to serve as acting executive director, pending the selection of a permanent successor to Roberts. But Hoyt is not a candidate for the job. He says he enjoys retirement too much — and to prove it, he managed to slip away to Hawaii for a few days of vacation.

Alaska Tribune 1-26-91

Heinze touts chain saws vs. beetles

By DAVID FULTON

Times Writer 1-26-91

Call it a chain saw massacre of the Alaska spruce bark beetle.

State Department of Natural Resources Commissioner Harold Heinze suggested this week Alaskans with chain saws could weed out trees infested with the destructive insect. The beetle has devastated timber stands on the Kenai Peninsula and in other areas.

"It amazes me that the people who consider themselves friends of the forest would let a situa-

tion get to the epidemic proportion that it has," Heinze said.

"Our concern should be with the health of the forest. Sometimes if there is a disease, just like if there is a disease in the body, sometimes you go in and perform a level of surgery to save the whole."

The Sierra Club calls the idea a ludicrous notion. But U.S. Forest Service officials said it is not far-fetched.

Heinze said the state is interested in having a beetle control program built around the public. The U.S. Forest Service backs the idea, Heinze said.

State and Forest Service officials have not dis-

cussed it much, although Heinze said the plan is one proposed by the Forest Service in 1986. That effort to cut the diseased trees was stopped after environmental groups objected. Last summer, the Forest Service began to consider the plan again.

Many of the infested areas, such as the 27,000 acres around Cooper Landing on the Kenai Peninsula, are in places where the state does not want to build major access roads. So the federal government has provided trails for volunteers who can go in and get the job done, Heinze said.

See Beetles, back page

DNR plans hires to keep pace with pipeline project

By DAVID FUTCH

TIMES/STAR 7-30-91

The Department of Natural Resources plans to hire at least four engineers to keep pace with Yukon Pacific Corp. as it speeds development of a multibillion-dollar natural gas pipeline from Prudhoe Bay to Valdez.

"We want to make sure this is done right and give the project the best chance to move forward as quickly as possible," said Harold Heinze, commissioner of the agency. "All I'm trying to do is make sure we march in step with Yukon Pacific and don't hold up the pace of this and we do our job right."

Gov. Walter J. Hickel, along with former ARCO Alaska Inc. chief Robert O. Anderson, founded Yukon Pacific in 1982 to tap the North Slope's estimated 35 trillion cubic feet of gas reserves for sale to Pacific Rim nations.

Hickel resigned from the corporation's board after announcing his gubernatorial candidacy late last year. His partial ownership of Yukon Pacific was placed in a blind trust before he was elected

See Pipeline, back page



'We want to make sure this is done right and give the project the best chance to move forward.'

— Harold Heinze
DNR commissioner

Pipeline

Continued from page A1

Alaska's eighth governor.

The company has received all required state and federal licenses for its proposed 796-mile, underground pipeline. It also has commitments for about a third of the gas that must be sold before construction can begin.

Heinze said his agency needs the additional engineers to work close by Yukon Pacific in its design of the Trans-Alaska Gas System. The DNR is responsible for ensuring the design does not adversely affect state land.

Yukon Pacific two weeks ago hired Bechtel Group Inc. of San Francisco to design the line, which would be built alongside the trans-Alaska oil pipeline.

"When you hire a major engineer, that's a big step," Heinze said. "Yukon Pacific has indicated they are off and running on this."

Yukon Pacific hired Bechtel Group Inc. of Houston in December to design what could be the world's largest natural gas liquefaction plant at Anderson Bay, near the Alyeska Pipeline Service Co. oil terminal in Valdez. North Slope gas would be liquefied at the facility and shipped to Pacific Rim buyers.

Construction of the pipeline

Yukon Pacific Corp. has received all required state and federal licenses for its proposed 796-mile, underground natural gas pipeline. It also has commitments for about a third of the gas that must be sold before construction can begin.

system is scheduled to begin in 1993 and to be completed in 1997, said Jeff Lowenfels, a Yukon Pacific vice president. The company has accelerated the project's pace, Lowenfels said.

"We still need the markets. Without contracts with Japan, Korea and Taiwan, we don't go (ahead with the pipeline)," Lowenfels said. "On the other hand, we have our export license, our environmental impact statement, the rights of way."

The company needs long-term purchase commitments totaling about 7 million tons of liquefied gas. Korea last year signed a letter of intent to buy about 2 million tons and has expressed interest in buying more.

Yukon Pacific said the pipeline could provide a minimum of 14 million tons of liquefied natural gas.

Purchases by Japan, which uses 70 percent of the world's natural gas production, or about 23 million tons a year, are a key to the system's construction.

The projected cost of building the pipeline and Valdez facilities

in 1986 was \$11 billion, but a higher estimate is expected soon, Lowenfels said.

State money will not be used to build the pipeline, he said.

The federal Bureau of Land Management also is bracing for the project.

The Joint Federal-State Pipeline Office in Anchorage recently hired a natural gas pipeline project coordinator and a pipeline engineer, said Mike Menge, the agency's monitoring chief.

"We are feeling our way around the elephant," Menge said. "Our purpose in hiring now is so people can be comfortable with the project as it gears up and there will be no panic. This is the advance guard."

The office represents a combination of state and federal agencies monitoring the impact of the pipeline development.

Heinze, the former president of ARCO Alaska Inc., said studies show the Pacific Rim nations are interested in a diversity of energy suppliers.

"There is an opening for Alaska gas in a number of mar-

kets," Heinze said. "Sometimes a purchaser looks around and says to himself he doesn't want to depend on just one guy."

CSX Corp. of Richmond, Va., has owned about 85 percent of Yukon Pacific's stock since 1983.

Hickel owned about 13 percent of Yukon Pacific prior to his Nov. 6 election as governor.

Hickel placed his stock in a blind trust with the United States Trust Co. of New York before he was elected, saying he wanted to avoid the appearance of a conflict of interest.

Hickel lawyer and estate planner Dave Shafiel said the goal of a blind trust is to allow the trustee complete decision-making power.

What the trustee does is confidential. The governor is not allowed to know anything about Yukon Pacific stock transactions, Shafiel said. An accountant will do Hickel's income tax statement and mail it to the trustee to fill in the blanks, he said. The trustee sends it to the Internal Revenue Service, he said.

The blind trust is in effect for the duration of Hickel's term in office, he said.

An escrow account has been set up to pay the trustee.

"The stock has value but what it's worth one can only speculate," Lowenfels said. "We're not making money now so there's no telling."

JUNEAU EXPIRE

2/12/91

**Thinking like an owner
will benefit Alaska**

Dear Editor:

Your Editorial of February 6
asked two policy questions about the
relationship between the State of
Alaska and Yukon Pacific Corpora-

tion's proposed gas line. Since I
didn't have a previous opportunity,
I'd like to share my thinking with
you now.

The use of a "fast track" priority
for projects that the State deter-
mines offer the State high benefit is
not only good "owner" thinking -
it's good government! The sale of
North Slope gas offers the State a
benefit similar to a multi-billion bar-
rel oil field and since a great deal of
the infrastructure is already in
place, the negative impacts should
be minimal and manageable. To al-
low the bureaucratic process to de-
lay these high benefit type of pro-
jects would be too high a cost to the
State. That's why the Hickel admin-
istration continues to support the
joint Federal/State Pipeline Coordi-
nator's Office. This one-stop ap-
proach to dealing with common car-
rier pipelines is so strongly support-
ed by project sponsors that they have
agreed to directly fund the State's ef-
fort. And, yes, Northwest Alaska
(and hopefully others) would receive
the same cooperation.

As to State financing of the pro-
ject, I'm against the State making a

risk investment if the proper deci-
sion and management structures are
not in place. Accepting a business
risk (i.e., market uncertainty) with-
out fully understanding it or without
the reaction ability to a changing
world will lead to failure. The nor-
mal State appropriation process isn't
and won't be structured to succeed in
the risk investment world; we can
stick with the conservative owner ap-
proach. But there are some unique
State entities which have clearly
shown an ability to succeed in the
face of risk and great market dy-
namics; The Alaska Permanent
Fund and the Alaska Railroad. A si-
milar Alaska investment organiza-
tion is possible. But since Yukon Pa-
cific has stated they don't need State
investment, it could be a moot point
for this project.

I agree that being an "owner"
isn't always easy, but thinking like
an owner will definitely help Alaska
move forward to a brighter future.

Sincerely,

Harold C. Heinze

Commissioner

Alaska Department
of Natural Resources

Businessmen remain skeptics of regulatory reform promises

By MATT KOHLMAN
The Associated Press

2/15/91

JUNEAU — Top state officials told business leaders Thursday the Hickel administration is committed to drafting regulations that are "road maps, not roadblocks."

But some business representatives said they doubted the goal could be achieved. The two sides discussed the issue at an Alaska State Chamber of Commerce workshop titled, "Regulatory Reform: Can It Be Done?"

"You bet it can. More important than that, it must be done," said John Sandor, state commissioner of Environmental Conservation.

Harold Heinze, Natural Resources commissioner, told the more than 100 business people that regulations need to be simplified. But even when they are easy to follow, the government is still bogged down in overre-

'We should eventually get to the point of sending you a postcard that has a little stamp on it that says 'yes.''

— Paul Rusanowski
Governmental Coordination

gulation, he said.

Heinze said the state often goes to great lengths just to document that it has said "yes" to a request. He cited an agency's 30-page letter approving a three-page application. The documentation was to protect the agency against a possible lawsuit, he said.

Paul Rusanowski, director of the governor's Division of Governmental Coordination, said state rules also have to be consistent and based in scientific fact.

"We shouldn't be denying things unless it's necessary," he said. "We should eventually get to the point of sending you a postcard that has a little stamp on it that says 'yes.'"

But business leaders said simplifying rules will not stop regulations that are vague, badly applied or delayed. Confusion is the overall effect, they said.

"The players think they are playing American football. The referees think they are applying the rules of rugby or soccer," said Brian Davies, a vice president of BP Exploration (Alaska) Inc.

Davies also said that while the administration's attitude is encouraging, it has not been seen yet in the lower levels of government.

"While the generals are leading the charge, we're a little worried what the sergeants are doing," he said.



Harold Heinze

John Sund, vice president of Silver Lining Seafoods Co. in Ketchikan, complained about irrelevant requirements and "uneducated or vindictive enforcement."

He suggested the agencies put a quota on the number of regulations the state can adopt or establish voluntary laws so businesses can police themselves.

Alaska's hands are full with big task of selecting federal lands

By DAVE PATRICK

TIMES JUNEAU BUREAU

JUNEAU — With an eye on the calendar, state, federal and native corporation officials are mounting a strategic, legal, and political effort to fulfill a 35-year project: state land selection.

By early 1994, selection of 105 million acres of federally held land must be

completed by the state under terms of the Alaska Statehood Act and the Alaska National Interest Lands Conservation Act.

Besides the scientific guesswork attached to mineral development potential, land managers will have to hack their way through a thicket of complex legal and political problems. The task

seems daunting in purpose and process.

"What we do by Jan. 2, 1994, sets the future for the state of Alaska," said Harold Heinze, commissioner of the Department of Natural Resources, the lead state agency.

The state must pick 20 million remaining acres by the deadline. That puts the land selection rate at just over

600,000 acres a month.

The DNR has fattened its budget and formed a project team crossing 14 different agencies and divisions in state government. State officials predict their work will be finished in the three-plus years. At least one Native corporate executive thinks it is impossible.

"I would be absolutely surprised if

we could finalize our selections in the next 20 years," said John Shively, vice-president of NANA, a Kotzebue-based Native regional corporation. "The state may need to get an extension."

"No. N-O," Heinze said emphatically. "It's a tough, big chore but it's doable." In fact, Gov. Walter J. Hickel has

See Lands, page A9

Lands

Continued from page A1

told U.S. Interior Secretary Manuel Lujan an extension may be necessary, said Harry Gamble, Hickel's acting press secretary. An extension would require an act of Congress.

Foremost among the hurdles is the issue of dual land selection. The state and Alaska's 12 native regional corporations have laid claim to 9 million acres of land. DNR officials down play the conflict, likening the state and native corporations to players on the same team.

"We're not trying to take anything away from the native corporations. We want the last best acre to belong to Alaskans and not the federal government," Swanson said.

Even so, Swanson said native corporations have dragged their feet in ranking their most sought-after land selections. NANA's Shively said it's understandable given the immense stakes.

"The natives were here a long time before the DNR and the fact we want to take a little time approaching this is a responsible point of view," Shively said.

Under the land selection process, native corporations and the state identify tracts they wish to withdraw from federal holdings and an application is made to the Bureau of Land Management, the lead federal agency. Native selections are given priority by agreement of state and federal officials.

The BLM clears title and the land is conveyed by transferring a patent to the owner. Patents held by the state are stored in fireproof file cabinets stored in a vault.

State and federal officials concede the patent conveyance process will likely run well past the turn of the cen-

tury. For now, land selection is crucial. Once completed, Alaska will hold title to 29 percent of its land, more than any other state.

"Writers of the statehood compact realized Alaska's need to become financially independent from Washington, (D.C.)," said Ron Swanson of the DNR Division of Land and Water Management.

Alaska's land selections have already mined some revenue-producing gems. The most notable: The super-giant Prudhoe Bay oil field, which became state land in 1964.

It is unlikely the remaining lands hold another Prudhoe Bay, DNR officials said. But the selections are coveted for their location near cities, villages, and utility and transportation corridors; the parcels may hold rich prospects for recreation or coal, oil, gas and timber development.

All parties agree a considerable number of legal and political hurdles must

be cleared: Age-old mining claims remain unresolved. Rights of ways for public highways and historic trails on federal lands must be established. The federal government's acre-for-acre replacement policy for development on wetlands could drastically reduce the value of state-selected lands.

"The federal government could make much of the land worthless with its no-net loss policy," Heinze said. Similarly, native land selections could be drastically altered by a U.S. Supreme Court decision last year.

The Gulkana River case seems to give the state jurisdiction over 100,000 miles of rivers and streams which course through some native selected tracts.

"Those may have to be subtracted out of our selections," Shively said. "For natives to get down to their final selection point is a very difficult mathematical exercise." And costly. In the

past, costs for surveying parcels as small as 40 acres have run \$10,000, said BLM officials.

"We have about four months a year we can survey," said David Vickery, BLM public information officer. "We've got to have aircraft support, including helicopters. We've got to set up field camps which requires logistical support. It's very expensive."

The federal agency is responsible for laying out boundaries for all land selections and budgeted \$10.5 million in surveying costs alone last year, Vickery said. Following his Feb. 4 meeting with Hickel, Lujan said he wanted land selection to proceed with a sense of urgency.

Even so, federal land managers liken it to packing two centuries of work into less than four decades.

"It took the Lower 48 over 200 years to develop land policies and pass laws," Vickery said. "Alaska's only been at this for 30 years."

Hickel officer develops new owner-state idea

By DAVE PATRICK

TIMES JUNEAU BUREAU

JUNEAU — One of Gov. Walter J. Hickel's cabinet officers came on a notion to convey Hickel's owner-state concept. The governor's philosophy holds that Alaskans, as owners or shareholders in the state's vast storehouse of natural resources, must promote development of resources.

The cabinet member's idea: Put chalk boards in state buildings with a daily listing of oil prices. The cabinet officer: Former ARCO Alaska Inc. oil baron and Department of Natural Resources Commissioner Harold Heinze. He said an oil price tote board is used at an ARCO North Slope facility.

Oil revenue accounts for 85 percent of the state treasury each year. Heinze, and Administration Commissioner Millett Keller, overseer of state buildings, said the concept was only half-seriously discussed.

•••

Anchorage lawmakers, looking to bridge internal bickering, have formed a 27-member group, or caucus, with four co-chairs: two from the Senate, two from the House.

"I suspect we'll be a power to be reckoned with," said co-chairman Rep. Larry Baker, R-Anchorage. House Speaker Ben Grussendorf, D-Sitka, gave the caucus his blessing.

"Let's see, a liberal, a moderate, a conservative and a reactionary. I'd say Anchorage is now well-represented."

•••

Millett Keller, commissioner of the Department of Administration, said Juneau bureaucrats find it hard to look beyond Southeast Alaska. Keller said it was difficult finding an Alaska map for his office. He finally found one through Harold Heinze, Department of Natural Resources commissioner.

"Folks around here just don't use maps," Keller said, standing in front of his newfound multicolored chart. "I get the distinct impression that people think (this) is the state of Alaska," Keller said, cupping his hands around the Southeast region.

Keller called his newfound trophy an "owner-state map" since it outlines land owned in Alaska by the state and federal governments.

Coghill, Heinze tout tourist amenities for Denali National Park

By DAVE PATRICK

2/20/91

TIMES JUNEAU BUREAU

JUNEAU — The Hickel administration Tuesday proposed to federal park officials an ambitious plan of paved roads and rail and hotel development they say will boost tourism in Denali National Park and Preserve.

Lt. Gov. Jack Coghill and Harold Heinze, commissioner of the Department of Natural Resources, said only half the tourists that come to Alaska visit the park each year because of poor access to the park's centerpiece,

Mount McKinley.

"Our reasonable goal is nine out of 10 visitors," Heinze told seven federal parks officials.

"The more visitors the more dollars," he said.

Heinze and Coghill also said the administration supports construction of a privately operated 250-room hotel in the park.

A task force of state and federal officials has been assembled to resolve the access dispute arising out of interlocking federal and state park lands.

Heinze said the undeveloped land is of little use if no one can

see it.

"We didn't select this (state) land to look at it on a map," Heinze said.

About half a million people travel the 90-mile dirt and gravel Kantishna road each year, the only route into the park.

Those willing to make the trip find a spectacular view of North America's tallest mountain peak and frequently encounter wildlife.

Federal officials said they would cooperate with Coghill and Heinze, within limits of protecting wildlife and the 6-million-acre

park's natural setting.

"We have parts of a great mosaic and they should work together for the public's use and economic benefit," said Boyd Evison, director of the National Park Service in Alaska.

Cutting a 70-mile road into the park from the George Parks Highway north of Healy southwest over a historic gold mining trail, ridges and a valley would make park access easier, Coghill said.

"We think it ought to be paved so you get rid of that eternal dust," Coghill said of the gravel

road.

Evison said permafrost heaves and rough terrain would make road upkeep costly.

A privately operated elevated rail line into the park also could be considered, Evison said.

But the new road may disturb wolf dens and the 3,000-head Denali caribou herd that winter and calve in the area, Park Superintendent Russ Berry said.

Park officials said access development would be subject to stringent and lengthy federal environmental reviews. Neverthe-

less Coghill said he hoped to see road construction begin within two years.

Coghill said the state would press for a road by asserting a claim to historic rights of way on Denali Park land.

"We want a partnership, not a confrontation," he said.

The park service has scheduled a public hearing concerning the road tonight at 6 at the Anchorage Museum of History and Art.

Proponents vow minimal impact opening ANWR

By BERT TARRANT

TIMES BUSINESS WRITER 2-22-91

Oil development in the Arctic National Wildlife Refuge can be done with up to 75 percent less physical impact and virtually no drilling waste discharge than was the case at Prudhoe Bay, industry and government officials said on Thursday.

"We have decreased the size of our production pads by 75 percent, from 40 acres to 10 acres," said Dr. Chris Herlugson, senior environmental scientist for BP Exploration (Alaska) Inc.

Herlugson spoke to about 50 participants at an Alaska Wise Use Conference on ANWR held in Anchorage on Thursday. He reviewed a number of efforts the oil industry has undertaken to minimize its physical impact in arctic oil and gas exploration and development.

"We have made a major practice of using ice roads and ice pads in exploratory efforts," he said. "We also are using ice roads for pipeline construction. When the ice melts, the roads and pads disappear."

Substantial reductions have space between wells, he said. Development of Prudhoe Bay used 105-foot well spacing, which has been reduced to 35 feet. Well-spacing for development of the Endicott Field on the North Slope is 10 feet.

"We also have eliminated the use of reserve pits, which are used to contain drilling wastes and cuttings," Herlugson said. "The standard for ANWR (development) will be no reserve pits and zero discharge of wastes."

"Environmental sensitivity is "We recognize we are only borrowing the land."

Herlugson was one of a day-long lineup of speakers who told



Times Photo by MICHAEL DINNEEN

Natural Resources Commissioner Harold Heinze said Thursday development and environment can harmonize.

conference participants that ANWR would be developed responsibly.

Harold Heinze, commissioner of the state Department of Natural Resources, opened the program.

"Development is not inherently harmful to the environment. Both can live in harmony," Heinze said. "We can assure development is conducted and the environment.

Lt. Gov. Jack Coghill told the conference late Thursday that infrastructure already exists to develop ANWR without additional significant impact.

"It will be relatively easy to bring the oil over to the pipeline," he said.

Ann Rappoport, a wildlife biologist with the U.S. Fish and Wildlife Service, said the "use of the best technology available" means that of the 1.5-million-acre ANWR coastal plain, only 6,000 acres will be affected directly and another 7,000 acres indirect.

See ANWR, page C5

2/22/91

Ice roads, small pads to protect land

ANWR

Continued from page C1

ly.

Rappoport said the federal agency's recommendation that the coastal plain be opened to exploration and development was based on five years of first-ever biological studies as well as three years of industry surface studies and two years of seismic exploration.

The initial Fish and Wildlife Service studies ended in 1987, but Rappoport said her agency in 1988 "began building on the original five-year program."

"We need to have the regula-

tory regime in place before development occurs," said Dr. Wayne Reglin, northern regional deputy director of the state Department of Fish and Game.

"The industry needs to know the rules before it gets started," Reglin said. "With ANWR, we all know the world is watching us."

Mitigation and revegetation measures during and after development must stress the return of species native to the area before development, said Phillip D.J. Smith, a resource consultant.

"I can turn a disturbed area on the Slope into a golf green, but that's not what we want," he said. "Revegetation is designed to promote the return to indigenous habitat."

Over Glacier Bay, Heinze says

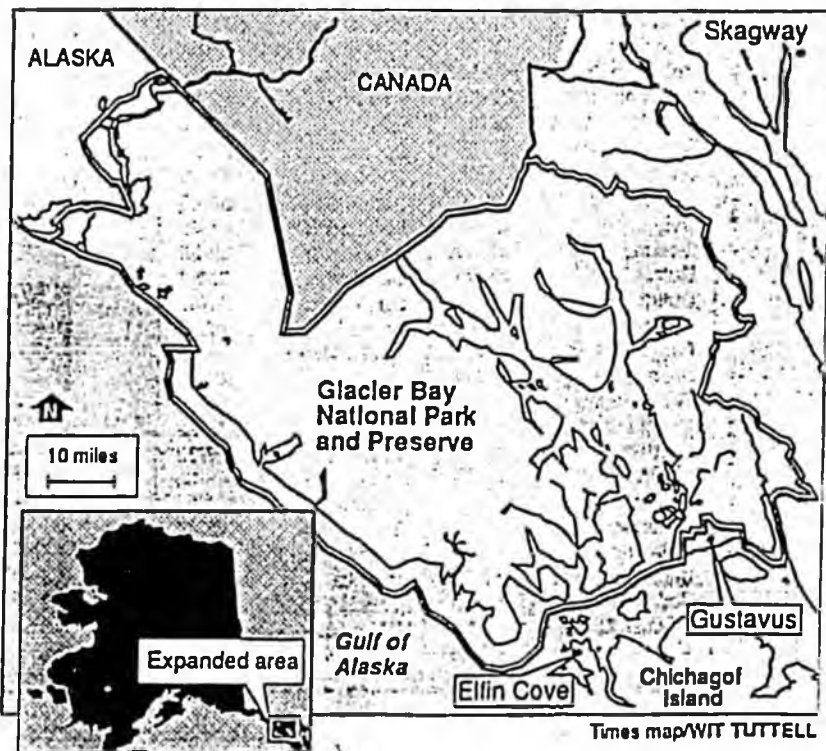
ize originally created as a national monument by President Calvin Coolidge.

at a "Part of our contention is that it was a park before statehood," Quinley said. "The state hadn't been created for another 30 some years"

Meanwhile, an attorney for a coalition of commercial park users said the state should check with them before making any moves.

Bruce Weyhrauch is representing the Allied Fishermen of Southeast Alaska, which has intervened in a lawsuit against the Park Service filed by the Alaska Wildlife Alliance. The Alliance's suit seeks an order forcing the Park Service to ban commercial fishing in the bay. All parties are currently working on a pre-trial settlement that might be jeopardized by any state action, he

See Glacier, page A9



Glacier

Continued from page A1

said.

"Clearly this is a Hickel issue," Weyhrauch said. "It's a federal-state issue. If he's considering it, he should discuss it with his constituents."

The Park Service says commercial and subsistence fishing in the park's waters were not authorized by Congress when the park was created in 1925 or in later years when it was enlarged.

Glacier Bay lies 65 miles west of Juneau, a body of water nearly surrounded by tidewater glaciers.

About 200 years ago the bay was covered with ice. Since then the glaciers have retreated to reveal myriad inlets, bays and fiords.

The park's boundaries in the Gulf of Alaska stretch far beyond

the bay. From Excursion Inlet on the northeast to Cape Fairweather, the park's boundaries, for the most part, stretch from one to three miles out on the water. Beyond the cape, the boundary continues along the shore to Dry Bay and up the Alsek River to the Canadian border.

The park waters hold productive salmon, halibut and crab fisheries, Weyhrauch said. "It covers a half-million acres of marine waters."

"It's a major part of the fishing grounds," said fisherman Sandy Craig of Juneau. "Approximately 25 percent of Southeast Dungeness crab come from those waters."

"It's been fished constantly since before the turn of the century, long before it was a monument."

Commercial fishing will continue while the Park Service studies its impact, said Jensen, the park's superintendent. When studies are completed several

years from now, the agency will decide whether to allow commercial fishing in the park.

"If it was clear from those studies that there are no adverse affects," Jensen said, "we would consider modifying the existing prohibition to allow commercial fishing to continue."

He said the federal Wilderness Act prohibits commercial fishing in the park's wilderness waters. Non-wilderness waters could be opened by regulatory change, he said.

For the Park Service to allow subsistence in Glacier Bay, it would require a change in the Alaska National Interest Lands Conservation Act, Jensen said.

Jensen said regulations are being written to prohibit subsistence fishing in Glacier Bay, but the regulations likely will not be completed until after the summer season. Subsistence should therefore be allowed for another year, he said.

Sunday, March 3, 1991, The Anchorage Times

State can't get land rights of way—Heinze

By INGRID MARTIN
Staff Writer

The state's Natural Resources commissioner sees a major roadblock to future development of resources on state land—access.

Commissioner Harold Heinze told members of the Alaska Support Industry Alliance on Wednesday that the state needs to work out rights of way with the federal government and Native corporations so it has complete access to its lands.



HEINZE

"I think Alaskans find it easy to focus on the resource side," he said. "But our biggest problem right now is we can't get the stuff."

For example, Heinze said, the state retains ownership of all "navigable" waterways that cross federal lands. However, the federal government continues to dispute whether many are navigable, Heinze said.

"What waterways in Alaska aren't navigable?" Heinze asked. "There may be one, but I can't think of the name right off."

At the same time, the state faces a deadline for selecting the last 20 million acres to which it is entitled. The Alaska Statehood Act gave the new state government the right to

select about 104 million acres of land. So far, the state has laid claim to about 84 million acres, and has until Jan. 2, 1994 to select the rest.

Whatever land it chooses should be as resource-rich and strategically located as possible, Heinze told Alliance members. He brought color-coded maps detailing locations of federal parks, monuments, refuges, protected forests, reserves and wildlife habitats. The maps also outlined Native corporation land, state-owned lands, and the land still available for selection by the state.

Federal lands often engulfs state and Native lands, Heinze noted.

With less than three years to the federal deadline, the Department

Natural Resources is soliciting public input—from industrial experts to private citizens to students—regarding land selection.

"We don't have time to go out and get data. We only have time to go out and get knowledge," Heinze said.

Heinze also said he wants to pursue sales of North Slope gas. The gas could be brought to Fairbanks, he said, where consumers would appreciate the low-cost energy.

"I have a boss who, over the years, seems to have expressed a great interest in the sale of natural gas," Heinze said. "I don't think he has to demonstrate his credentials."

FAIRBANKS DAILY NEWS-MINER

3/28/91

Business leaders called upon to help make land selections

By BERT TARRANT

TIMES BUSINESS WRITER

Alaska Department of Natural Resources commissioner Harold C. Heinze Monday called on business and industry groups to assist his office in making its final 20 million



Heinze

acres in land selections under the Alaska Statehood Act.

Heinze told a luncheon meeting of the Anchorage Chamber of Commerce at the Anchorage Hilton that land selections were one of his department's top two priorities. The other is helping move forward "high benefit" projects, such as the sale of North Slope natural gas, additional oil production, coal export

and large hard-rock mines.

"Alaska has until Jan. 2, 1991 to select 20 million acres, plus or minus five million, to finish it off," he said. "That will complete our entitlement of 105 million acres, an area about the size of California and a little over one quarter of Alaska's total of 378 million acres."

Heinze said the deadline comes 35 years after Alaska became a state.

"Selections originally were to be completed in 25 years, but 10 years were added to take into account Native land selections under the Alaska Native Claims Settlement Act (of 1971)."

The resources department is making a parallel effort on land selections with emphasis on resource and transportation corridor assessment, he said.

"We are working with the Alaska Miners Association on re-

source assessment," Heinze said. "In a few weeks, a large mailing will go out to their members to find out areas they want us to look at."

He also asked for help from other resource and industry groups.

"We need knowledge from you to help us answer what we want to end up with," he said. "I think it would be worth the chamber setting up a committee

to discuss this. How wisely we select those lands will affect future generations."

The Yukon River cuts the state in half but has only one bridge crossing it, he said.

Heinze said the state has 20 million acres worth of selections, but faces problems that could alter that figure either way by as much as 5 million acres, including issues of navigable river and Native land selections.

HEINZE 'DISTURBED' BY MCINTYRE DELAY

4/8/91
By Ray Tyson
For the Journal of Commerce

Arco Alaska's decision to postpone crude oil production from the Point McIntyre field caught nearly everyone by surprise, including the state's top resource official and former president of the company, Harold Heinze, who appears to be in no mood for surprises or delays in light of dwindling state oil revenues.

"Point McIntyre isn't another Prudhoe Bay or anything like that, but it's those kinds of additional revenue streams we need," said Heinze, commissioner of the state Dept. of Natural Resources.

Heinze, who served as president of Arco Alaska in the mid-1980s, said he was "surprised," "disturbed" and "a little dismayed" by

Arco's March 26 announcement delaying Point McIntyre production until 1993.



Heinze
taxes.

Arco, the field operator, had planned to bring Point McIntyre on line in late 1992. But the company has been unable to agree on field equity and other key issues with its partners, Exxon and BP Exploration.

Continued on Page 6

Continued from Page 1

tion. Arco, which discovered the field in 1988, says it's entitled to a 30 percent to 40 percent share of the field.

Just when startup will begin, "depends on how long the delay will be," Arco spokesman Ronnie Chappell said. "We're trying to make this delay as short as possible."

BP said it could take six to nine months to resolve the issues, which means startup may be delayed at least a year.

"We understand that people occasionally need time to get their house in order," Heinze said. "But obviously, the state's interest in the longer term is not served if this becomes a drawn out delay."

Under terms of its lease agreement with the oil companies, the state can terminate a lease "by an appropriate judicial proceeding," if "paying quantities" of oil or gas are not brought into production within a reasonable period.

"As a good royalty owner we have a little patience," Heinze said. "On the other hand, if we really started to reach a point, yeah, there are ways we could put pressure on them."

In addition to reservoir equity, the issue of "facility sharing" also must be worked out among the partners, who plan to commingle oil from Point McIntyre and the producing Lisburne field in the Arco operated Lisburne production facilities. The issue is

Continued on Page 26

Heinze

Continued from Page 6

complicated because the producers, who currently process crude through the Lisburne facility hold separate ownership percentages in the Pt. McIntyre and Lisburne fields.

BP spokesman Paul Laird also said BP also is questioning the "maturity of engineering" on the project. "We felt more engineering needed to be done before we are comfortable with the project," he said.

Though production startup at Point McIntyre has been delayed, field development work will continue, Arco's Chappell said. "We will continue with delineation of the field," he said. "We're currently drilling two wells and plan two more this year. Engineering work will continue, and we plan to go forward with gravel work, including roads and drilling pads."

More so than BP, Arco and Exxon

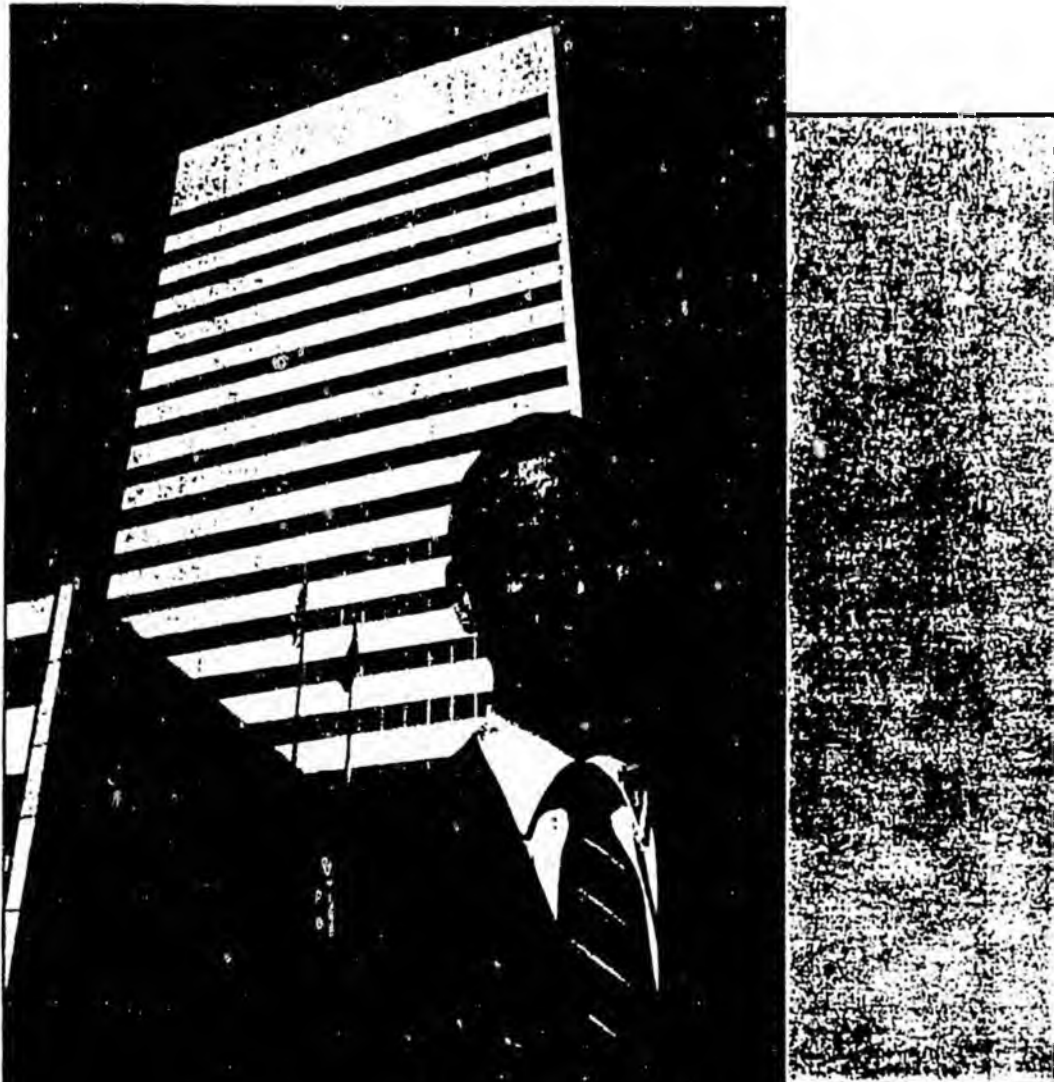
hold a greater interest in seeing the Point McIntyre oil field brought into production as soon as possible. Arco and Exxon hold a 50-50 share of the parcel on which oil was discovered in 1988 and therefore are entitled to a substantial royalty rate reduction.

Last month the state reduced the royalty rate on the Point McIntyre discovery lease from 12.5 percent to 10 percent. Under terms of the agreement, the lower rate is effective until 1998, or 10 years after the field was discovered. That means for every remaining year the field is not brought into production, Arco and Exxon forfeit a year of low royalty payments to the state.

"At least one company (ARCO) is in a hurry to rush into the project prior to the resolution of key issues, and at least one company (BP) doesn't see any compelling reason to make decisions prior to the issues being resolved," Laird said.

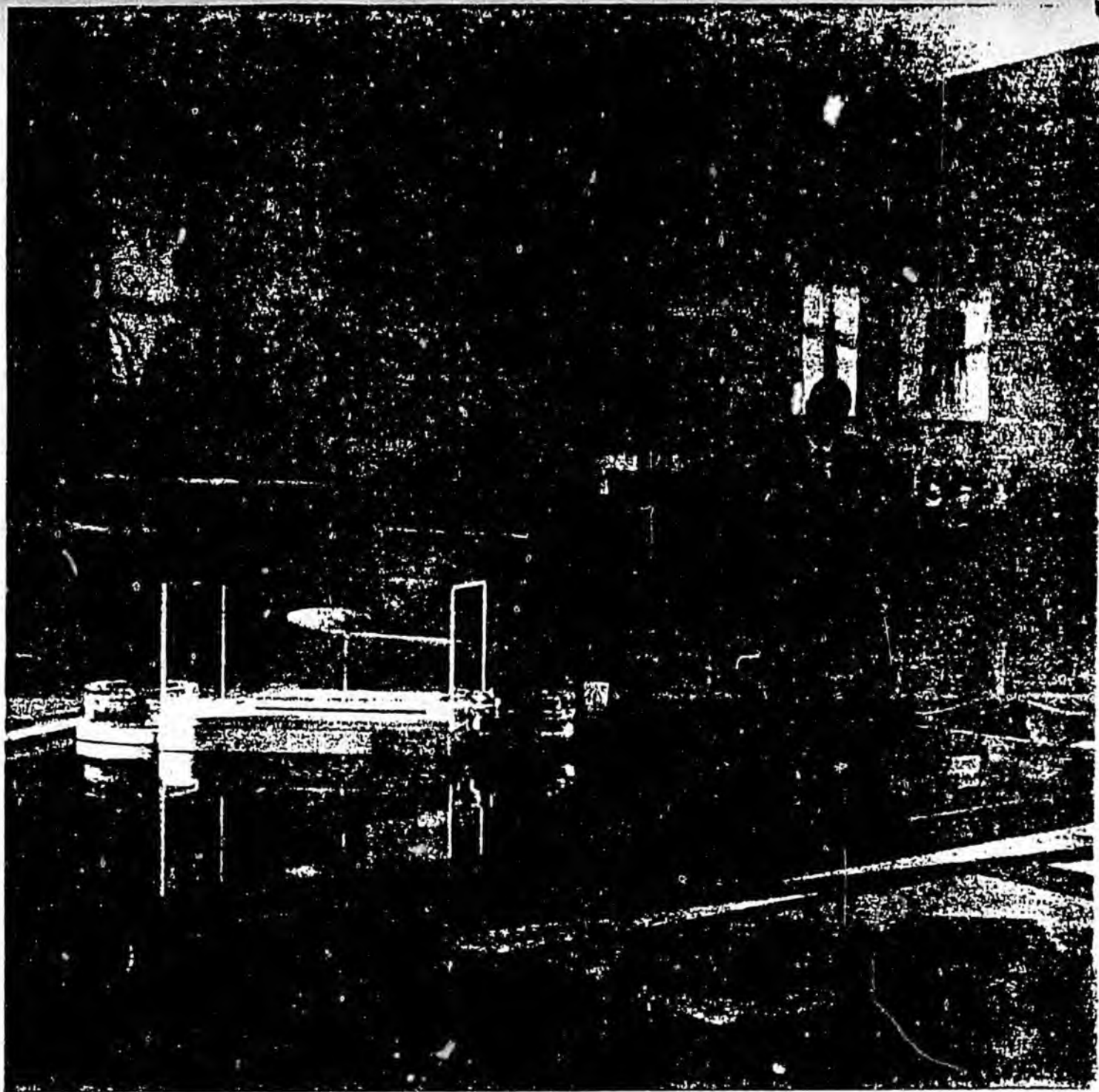
DECEMBER 1985
THREE DOLLARS

ALASKA BUSINESS Monthly



ARCO's Harold Heinze Oil's voice of reason

ATU Services vs. private enterprise
Freight over troubled waters
Computers and 1985 taxes
Securities registration and Alaskan law



ARCO's Harold Heinze

A meteoric ascent
to the room at the top

BY PAUL LAIRD



Paul Land

Since soaring through ARCO's ranks to become president of its major subsidiary, ARCO Alaska, 43-year-old Harold Heinze has become a leading voice of reason for Alaska's multibillion-dollar oil industry.

EVEN AS A YOUTH, his future was all but cast in cement. He loved math. Loved chemistry. Loved physics. Loved to tinker. Couldn't spell or write to save his soul. "I was predestined to be an engineer," Harold Heinze recalls.

When it came time to look to the future and put tinkering into its proper perspective, he settled on petroleum engineering — a suitable compromise between the things he already liked best and something he figured he could learn to like a lot better after he got out of school: good pay.

So it was off to the Colorado School of Mines, where he graduated in 1964 with a degree in petroleum engineering. He was doing a bit of outside reading in those days, too: when he ran across several articles by a young but tremendously successful oil man named Robert "R.O." Anderson, he liked what he was reading.

Anderson, at 44, only recently had sold his successful New Mexico production company to tiny Philadelphia-based Atlantic Refining Co. in exchange for stock that made him Atlantic's biggest shareholder. And about the time Heinze was graduating from Colorado School of Mines, Anderson was cancelling his early retirement from the oil business to become Atlantic's chairman.

"(Anderson) seemed to have a vision of where he was going, and when I read the things he was saying, they made a lot of sense," Heinze recalls. "Atlantic Refining had always been a stodgy little company before he took over, but he was an idea person who was willing to go out and do things."

In short, it sounded like the kind of act Heinze wanted to join. In August of 1965, after a year of graduate school, he did just that.

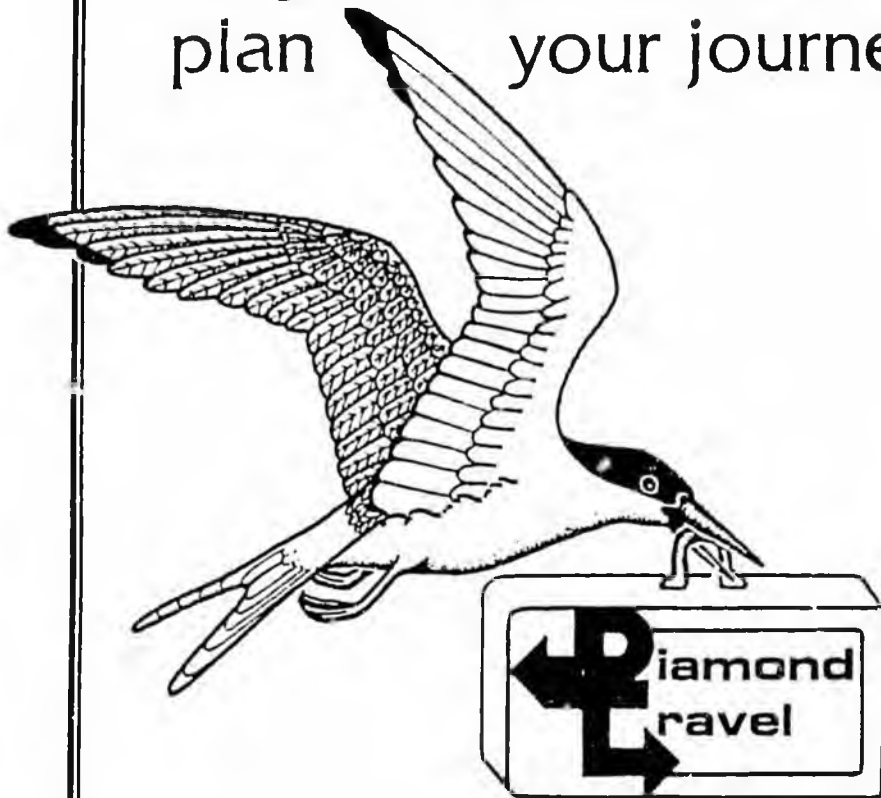
In the 20 years that followed, Anderson would steer Atlantic Refining into a merger with Richfield Oil and mold Atlantic Richfield Co. into a multibillion-dollar, multinational giant. Today he continues to serve as its chairman.

Heinze, after a two-year stint in the Army that lasted until 1967, would advance from junior engineer at the company's operation in Midland, Texas, to president of its major wholly-owned subsidiary. He also recently was elected senior vice president of the parent company.

Now 43 and in his third assignment in Alaska, he heads the largest private-sector work force in the state and is responsible for multibillion-barrel oil and gas reserves and production statewide as president of ARCO Alaska Inc.



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*The Arctic tern has the longest migration of any bird, traveling 11,000 miles
each way from Alaska to the Antarctic.

Says Robert Wycoff, vice chairman of ARCO at its Los Angeles headquarters, "When we were looking for a new president for ARCO Alaska, Harold was by far the most qualified person in the company. He had an excellent background in Alaska, and every time we've given him a job to do, he's excelled at it.

"Alaska is ARCO's major operation, but it's been a reward for Harold, too. I can remember his response when we offered him the job. He said, 'Color me ready, because I'm ready to go.'"

BEFORE 1981, ALASKAN operations were a division of ARCO, and a vice president headed the division. Since succeeding Paul Norgaard in May 1983 to become the third president of ARCO Alaska, Heinze has responded to his "reward" with an unconditional commitment to his company and his community.

While refining his skills as a communicator, he's matched an ability to lead with a realistic perspective of goals and strategies to become a catalyst for growth within the company, a corporate ambassador for ARCO outside the company and a leading statesman for the entire oil industry in the state.

"If you were to ask the average Alaskan what he thinks about ARCO, I think you'd get a very positive reaction," says one oil industry observer. "Harold has played a strong public relations and community role for the company, and he's provided the direction."

Heinze credits his meteoric ascent through ARCO's corporate ranks to "being at the right place at the right time," but he allows it was a personal "stroke of genius" that first brought him to the right place (Alaska) at the right time (early 1969).

He was a junior engineer in Midland in 1968 when ARCO first discovered oil at Prudhoe Bay, and he remembers his own excitement at the announcement. "I knew it was big and knew it was important. I was in a position to understand just how significant the find really was, and I decided I wanted to be a part of it."

Just to make sure no one missed the point, he began wearing a parka to work in Midland. Within months, he got his chance to wear it at Prudhoe.

The "youngest of the young" among a group of about a dozen engineers who went to work on the North Slope early in 1969, Heinze participated in

the early engineering work at Prudhoe, testing wells and playing an active role in lease sales. His first transfer back to the Lower 48 came several years later "when the euphoria of '69 and '70 gave way to the boring waiting (for pipeline construction) of '72 and '73."

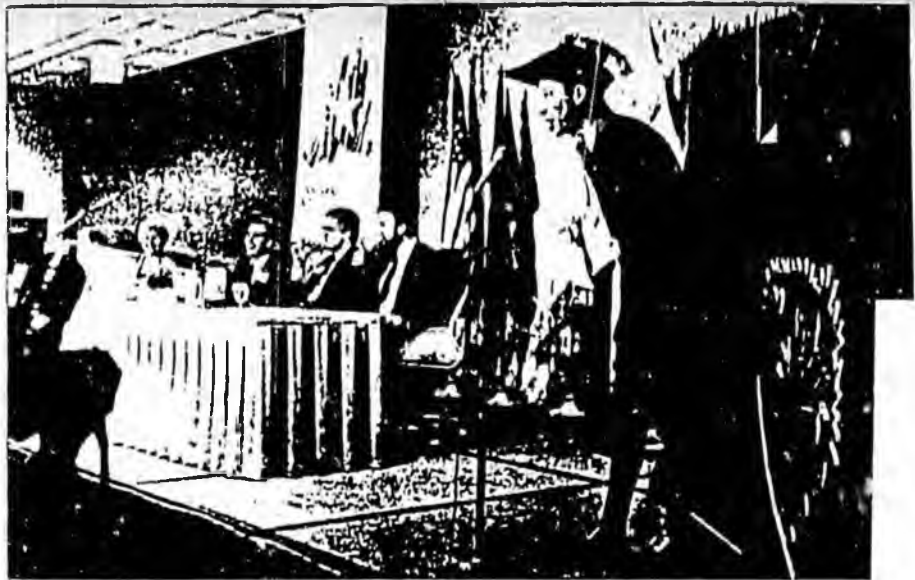
He returned to Alaska in 1976 as engineering manager for ARCO's Northern Alaska District (Prudhoe Bay) but once again was transferred Outside on Thanksgiving Day 1979 to take on other corporate duties in Los Angeles.

"Both times we left, it was tough for us," he says. "We've come to feel Alaska is our home. The first time we figured it would be a long time before we returned, and the second time we figured it was goodbye." His final assignment before returning as president of ARCO Alaska was vice president of ARCO Oil & Gas Co.'s Mid-Continent District based in Tulsa.

He's never been preoccupied with the next promotion, and at one point he only wanted to be a district engineer. "I've never held one job and said I wanted to have another," he says. "Whatever comes will come, and I don't need to prove anything to myself."

His ascent has dictated that he make what one acquaintance calls "the hardest transition in the world"—the shift from the highly structured profession of engineering to the people-oriented business of management.

He learned to be comfortable in front of groups when he was an instructor in the Army, and he hasn't shied away from opportunities to refine his public relations skills since



Heinze juggles his time between weighty decision making responsibilities at ARCO Alaska and community activities like playing Robin Hood in this United Way fundraising show.

then.

"I've always been conscious of everything I've done as a learning experience, no matter how tenuous it becomes at times," he says. Now he's instrumental in virtually all of ARCO Alaska's external relations activities, and he's become a visible symbol of the company in the Alaskan community.

Eugene Erskine, CEO of United Bancorporation Alaska, describes the ARCO Alaska president as "an engineer who's worked hard at becoming a public person. He's taken on the challenge of public speaking even though you get the feeling he really doesn't enjoy it sometimes."

Since becoming ARCO Alaska president, Heinze has served as a director at UBA. He also is a member of

the UBA board's loan committee, which reviews all loan proposals involving \$800,000 or more.

"The first few (UBA) board meetings he attended, he seldom said anything," says Erskine. "My first impression was that he was a lot like Glenn Simpson (the first president of ARCO Alaska); (Simpson) attended the meetings but didn't say much. Since those first few meetings, though, his logic and his business training have brought valuable practical input to our board."

IN ADDITION TO his positions with UBA's board, Heinze is a director of the Anchorage Chamber of Commerce, Commonwealth North, the Energy Source Education Council, Junior Achievement, Providence Hospital Foundation and Alaska Pacific University's Center for Entrepreneurship. He also serves as president of the Alaska Oil & Gas Association.

It's not unusual for his days to begin with an early-morning breakfast and end with a meeting or dinner that lasts well into the night. Erskine says Heinze is "always willing to take on a task, and when he gets involved, he gets involved all the way. He's an ideal board member because he doesn't want to come in and manage the bank, but he wants to help."

Adds Max Hodel, president of Commonwealth North, "Harold has a strong dedication not only to ARCO and the petroleum industry, but also to ARCO's responsibilities to the community."

While Heinze sometimes worries he's "over-extended" with outside ac-



Heinze and son Hal display process with stakes for wife Vicky and Penny, the family dog

tivities and spends less time with his people at ARCO than he should, others in the company tell a different story. One associate maintains Heinze is involved in every major corporate decision, and others say his interest in his staff has gained him the respect and loyalty of most of the company's 2,000-plus employees.

Last year ARCO Alaska launched an internal program of defining what elements would go into making the company "the best" and how it could go about achieving that goal. One employee relates how Heinze cancelled all of his appointments one afternoon

to sit in on a session of about 50 accounting department employees who were discussing the issue.

"I don't know how employees in other departments feel," says the accountant, "but the people in accounting are really loyal to him. They're proud of the way he's outspoken in the community, and they were really impressed that he took the time to find out about their feelings."

Heinze says he's always been particularly cautious in making decisions that will impact people and maintains he's the one who's ultimately responsible for dealing with "more nebulous things like knowing the pulse of the organization - when we feel good and when we're down on ourselves."

His management capabilities have faced a formidable challenge this year with a streamlining program that whittled ARCO Alaska's staff by nearly 15 percent through early retirements. At the same time, ARCO Alaska's in-state exploration staff was cut from 200 to 35 when company-wide exploration activity was centralized in Dallas.

"Right now we're emerging from a queasiness in the organization," he says. "We were shaken, and understandably so. For a while it was a case of moving holes around to make sure we'd do what needed to be done and put off what could wait. But we're stronger for it, and you have to think of it as a learning experience."

Reorganization within ARCO Alaska and throughout the company has been inevitable in the current environment of declining world oil prices, he maintains, and the reorganization has positioned the company to once again move forward.

"When the world turns our way again and we get a tailwind, we'll be ready to take advantage of it," he says. "We're here to stay. Sometimes when you run into a tough headwind, you

hold your ground - instead of charging.

"But the only thing that's really changed is the pace of progress toward our objectives. When you're in a dark room and you want to get to the other side of the room, you're more cautious and you don't go as fast as you would if the lights were on."

ARCO's Wycoff says Heinze's ability to provide a broad conceptual overview of the potential effects of new programs and policies, coupled with his strength at working with industry partners in operating North Slope fields, were important considerations in his selection as ARCO Alaska's president.

HIS DEMONSTRATED the same innate business sense in other environments as well. UBA's Erskine calls him a "quick study," and he says he "never has any qualms about making decisions based on (Heinze's) input."

While oil industry profits have suffered from declining oil prices, the bottom lines of most Alaskan banks have suffered from declining real estate activity. Most banks are experiencing higher loan delinquency rates, and United Bank Alaska has been no exception.

Some UBA board members have expressed their misgivings about current loan setbacks, but Heinze has evaluated the losses in the context of an aggressive real estate lending strategy that brought UBA healthy returns and tremendous growth in assets in 1983 and early 1984.

Says CEO Erskine, "He realizes we made money through real estate before, and now we have to wait until building comes back. He understands that times like these are when a bank really has to work with builders; you don't shut a guy down now, or you're sure to take a loss."

His willingness to take a stand and to carry ARCO's banner into the public arena has thrust Heinze to the forefront as an industry spokesman as well. Observers describe him as a straight shooter - no flowery overstatements of the benevolence of the oil industry and no fire-and-brimstone sermons on the evils of government regulation.

That no-nonsense approach is representative of the tone R.O. Anderson has set for the entire ARCO organization. Atlantic Richfield was the only oil producer that spoke out against the now-defunct oil depletion allowance, a measure that dramatically reduced



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taxes on the industry. It was the first in the industry to advocate channeling federal highway funds into mass transit, and it contributed to the unsuccessful effort to derail California's Proposition 13 tax-reduction initiative.

Likewise, the ARCO Alaska president has nurtured credibility by understanding all aspects of an issue and evaluating their net impact before advocating a course of action.

"With Harold Heinze, every issue is approached with reason and logic," says one observer. "He doesn't tell a lot of phony stories about what will hap-

pen to Alaska if the petroleum industry doesn't get its way. While others rant and rave and complain about 'those fools down in Juneau,' he uses his forum to educate."

Most recently, he's used that forum to advocate a realistic approach to resource development and government spending at the state level. He maintains the state is failing to live up to its responsibilities as one of Alaska's major "landlords."

"Prudhoe Bay is not representative of resource development," he says. "With the resources it has, Alaska should be bragging about all the proj-

ects it has going. The state needs to be an advocate of resource development, but so far it's been too paranoid to be anything but a regulator. The only way Alaska's resources will ever amount to anything is if we develop them, and if the state were a responsible landowner, it would at least prospect its property to find out what it has."

In recent years, state government has been running on an annual budget of about \$5,000 for every man, woman and child residing in Alaska. Heinze says the state should adopt a "needs approach" on spending.

"I'm just suggesting that Alaska might try to 'eke by' with a budget of perhaps \$4,500 per person," he says. "It's a difficult transition, but instead of being wealthy, we're going to have to learn to be *prudently* wealthy. The only way this state will fail is if we force it to fail."

HE SAYS ARCO's commitment to Alaska is as strong as ever and notes that a record sealift scheduled for 1986 will add substantially to the company's North Slope production capacity. Even the company's in-state employment will rebound to previous levels over the next two years, he predicts. "We've been through rough times before," he says, "and we realize we're here for generations. Buoyant forces will bring us back to where we were before the cutbacks."

In a state oil and gas lease sale this fall, ARCO Alaska and Amerada Hess jointly bid about \$9.6 million to lead bidding in the sale. "There's so much potential to be explored that we'll be here for decades," Heinze says.

And Heinze? During his more than 10 years in the state, he's developed a similar attachment to Alaska. He and his family just completed the second year of what he calls his "five-year plan" for building a cabin in the woods north of Talkeetna, and Phase 3 scheduled for next summer calls for walls.

But there's a bond even stronger than his love of Alaska, and that's his loyalty to the company that gave him the opportunity to grow with Alaska in the first place. If he's ever forced to choose between the two, the decision would be painful, he concedes; next time he says goodbye to Alaska, it will *really* mean goodbye.

"But if ARCO feels I can do more good somewhere else, I'll go," he says. "In my position, I need other people to trust my judgment. I have to be willing to trust others."

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PARENTING AND WORK: *MAKING IT WORK*

RESOURCES



OUTSPOKEN MAVERICK

The image makes Harold Heinze one of Alaska's best-known leaders

by Bill Stephens

The trim, silver jet flies over Mt. McKinley, halfway from Anchorage to Prudhoe. Already, ARCO Alaska President Harold Heinze has met with one lieutenant over a newspaper article, with another about this morning's scheduled talk to Prudhoe employees, and he's starting a third airborne meeting about the 1987 budget.

Earlier, he had attended a community breakfast. At the North Slope, after meeting with employees, Heinze will observe unloading of the summer's sealift, then hold a press conference. Tonight, he and his wife will attend the theater.

A busy day for Heinze. But fairly typical.

Heinze, 43, leads ARCO Alaska Inc. (AAI) at a challenging time. Many think this energetic, outspoken maverick is the right leader for now.

Falling prices have dropped AAI profits. More investment is needed to fully develop the North Slope, including the giant Prudhoe field, but money is tight and Prudhoe co-owners disagree on future development. Employees are apprehensive about cutbacks. Increased state oil taxes loom.

Heinze is the point man on all these fronts. Urging current austerity and future planning, Heinze is popular with employees. A tireless community leader, he's made the company a political force, becoming Alaska's best-known oil man.

A wiry charismaker, Heinze does not, at first glance, strike a commanding

presence. But when he starts talking, you notice. His powerful voice serves him well at the podium or in the boardroom. His mind is sharp, and he moves faster than an Arctic jack rabbit.

Says an industry colleague: "He looks like a teenaged hayseed, but soon, you recognize he's no kid, no hayseed."

Colleagues marvel at his energy. One morning last winter, while he was suffering from a cold, Heinze was out waving a United Way banner on a street corner before work. He attends three community breakfast meetings and two evening functions per week. He travels constantly. But at the same time, he maintains a private personal life. His wife Vicky says their family life hasn't suffered from his success.

Heinze holds no regular staff meeting, ignores organization charts, and hates paperwork. His personal filing system consists of a four-foot stack of paper. "He's too busy to worry about keeping files," says secretary Sherre Jones. "Besides, he's got everything filed in his head." He disdains trappings, driving a camper to work and eating in the company cafeteria. His hobbies, which are solitary, include computer war games, monster movies and science fiction.

Heinze has flair. At a long-winded budget goals meeting, Heinze whipped out a piece of paper, ripped off a small corner and held it up. "We should be able to write our goals on this," he said, smiling. "It's not all that complex. Oil prices are the pits. We've got to pinch pennies now without sacrificing our future."

At a United Way kick-off lunch, Heinze dressed as Robin Hood. To dramatize oil industry talks to local school kids, he has dressed as a sheik.

Heinze has become a public figure partly because he's outspoken and feisty. At a conference, Alaska Governor Sheffield took some digs at the oil industry and cited some incorrect reserve figures. Heinze, the next speaker, counter-attacked and corrected the Governor. In Juneau, union picketers, objecting to oil industry local hire policies, blocked Heinze's path. With TV cameras rolling, Heinze engaged the biggest picketer in a debate.

He's also a "techie," a child of the TV and computer age who stunned his financial staff by figuring out overnight on his home computer the financial impact of a price drop.

The plane touches down at Prudhoe, and Heinze takes the shuttle to the base camp. It's rainy and cold. The base camp conference room fills with employees.

"I came here," Heinze tells them, "because of employee anxiety about cuts. We did some streamlining to save jobs, and we froze wages because they were out of whack. But I have no other shoe to drop."

Says one operator: "We're turning out twice the work with half the people."



RESOURCES

With all the changes, we wonder if this is still a people-oriented company."

"Yes, it is," Heinze responds. "Our situation isn't desperate, but it's serious. We've got to spend less without skimping on safety or the environment. We need your commitment and ideas."

After lunch, Heinze boards a bus for the Prudhoe docks. It's drizzling harder now, and he slips on a waterproof coat. The bus passes a trailer transporting a 3000-ton module. At the dock, Heinze inspects huge, just-unloaded modules.

Heinze says falling oil prices have forced ARCO to re-evaluate its rapid-development thinking. A decision was made to temporarily delay North Slope development drilling in order to finish the sealift.

"We've put off part of our future," Heinze says, "but we haven't given it up. We'll be in these fields a long time. Their value will come back, and we

need a core of folks working on long-term things like reservoir studies.

"We need long-term development, but we can wait," he adds. "Right now, we need to figure out what to do in this low-price world. We will not have a large capital program in 1987. We'll defer things and figure out which projects we can afford now."

Later, at the press conference in the Prudhoe base camp auditorium, Heinze says this sealift represents a maturing of North Slope oil fields.

"Why is this the last major sealift?" a reporter asks.

"We've now finished the planned development of Prudhoe, and no other pieces have been approved. Because prices are low, our motivation to move fast isn't great. But after a full assuming Alaska's investment climate remains stable, there will be big sealifts again."

Heinze grew up on Long Island. His father, a career personnel man with ARAMCO, says his oldest son was high-spirited and liked math and science. Young Harold built model airplanes, an alarm system that woke him up to his favorite TV science show, and a babysitting alarm system for his brother's crib.

Influenced by his father, Harold studied petroleum engineering at the Colorado School of Mines, where he was almost expelled for helping dismantle a rival school's sign. However, Heinze went on to be first in his major and student body president. At that time, he met future wife Vicky, a bockish, independent, well-traveled Army brat who would prove an ideal mate.

In 1968, after military service, a crewcut Heinze went to work for ARCO in Midland, Texas. "I had read about R.O. Anderson and liked what he was doing," he says. His goal was to be engineering manager in Alaska or Australia.

That same year, ARCO made the Prudhoe discovery. As a hint to his Midland bosses of his desire to move to Alaska, he wore a parka around the office, and in 1969, the Heinzes arrived in Anchorage.

Heinze was one of four young engineers assigned to devise a Prudhoe reservoir strategy, the foundation for development. "It was exciting, pioneering work," he recalls.

It was also tough. Between 1969 and 1970, Heinze spent much time in Dallas, working through the night on computers. But the time in Alaska, Heinze says, was a time of frontier closeness, parties and touring backroads.

Recalls Chris Woessner, one of the foursome, "Harold was the smartest, hardest working guy around. We all knew we'd work for him some day."

But the young engineers were frustrated in their desire to implement their plan when pipeline construction stalled. So in 1972, the Heinzes sold their Bronco, parkas and snow shovel and moved to Dallas, where Harold took an engineering staff job. In 1973, he was

recalled to Alaska, ultimately becoming head of North Slope engineering. In 1977, he retained through the 1977 Prudhoe start-up. During this period, Heinze helped shape field development.

One former colleague calls Harold the "midwife" of Prudhoe. Recalls Paul Norgaard, his supervisor, "Harold has worked hard on his transition to manager because his inclination was to do the job himself. He learned."

From 1979 to 1983, Heinze worked in Los Angeles, Dallas and Tulsa. In 1983, when the top Alaska job came open, he told Vicky, "It won't be me." The next day, he was offered the job and accepted.

Heinze quickly established respect. Says one colleague: "Harold's an engineer's engineer. He's direct, dynamic, volatile, and so knowledgeable about Alaska that it can be intimidating." Says another: "He expects a lot, but gives you considerable freedom."

He also began building an employee-oriented reputation. Every two weeks, AAI flies one of its two 727s to Seattle for maintenance. Heinze decided to offer the unused seating space to employees on those flights. One time, he cancelled his afternoon appointment to sit in on an accounting department rap session. He regularly contacts hospitalized employees.

Heinze's public service is impressive. When he learned of problems some employees had securing day care for family members, he helped create a dependent care task force in Anchorage. He led the 1985 Alaska United Way drive to a record. As chairman of the Anchorage Chamber of Commerce Crime Commission, he's waging a war on drugs. "It's hard to turn down requests for my time," Heinze admits.

The day after Heinze's North Slope, he addresses the Civic Action Program (CAP) group in Anchorage. So many employees sign up that the meeting held in the huge AAI lobby.

"If you add increased taxes to lower prices," he says, "we can't expect Alaska simply has to spend less."



He adds: "We need to flex our political muscle. We're the largest private employer in the state. People know we've got a loaded gun. They don't know yet if it's a blank or a silver bullet. They will see the proof in this election."

That evening, driving to a CAP barbeque, Heinze says ARCO Alaska had previously rarely chosen sides or taken direct public positions. "About a year ago, I began to feel we had to become more outspoken." So last fall, ARCO did TV commercials about the tax issue. One included Heinze at the North Slope, looking, he says, "like a parka salesman."

AAI is aggressively endorsing fiscal conservatives. "This has high risk," Heinze admits. "Alaskans take their politics personally, so we may alienate some people. But it's worth the risk. I am skating at the edge of partisan politics. We have become activist, outspoken fiscal conservatives, but we have not abandoned our social conscience, and CAP is still bipartisan."

Alone at night in his computer room, Heinze tackles the Germans in an electronic Battle of the Bulge. He moves the warriors around the screen. Because he grew up virtually as an only child, he enjoys time alone. Despite his public profile, he considers himself an introvert. After dinner, Heinze says he thinks people limit themselves too much. He enjoys stretching himself in many areas, and he's never felt his creativity threatened in a big company.

Heinze likes to see himself as approachable, tough, fair, energetic and flexible. He admits to cultivating an aura of unpredictability and to impatience. His success, he says, is due to hard work, good teachers and timing. He admits to normal apprehensions, but says he's at peace with himself careerwise.

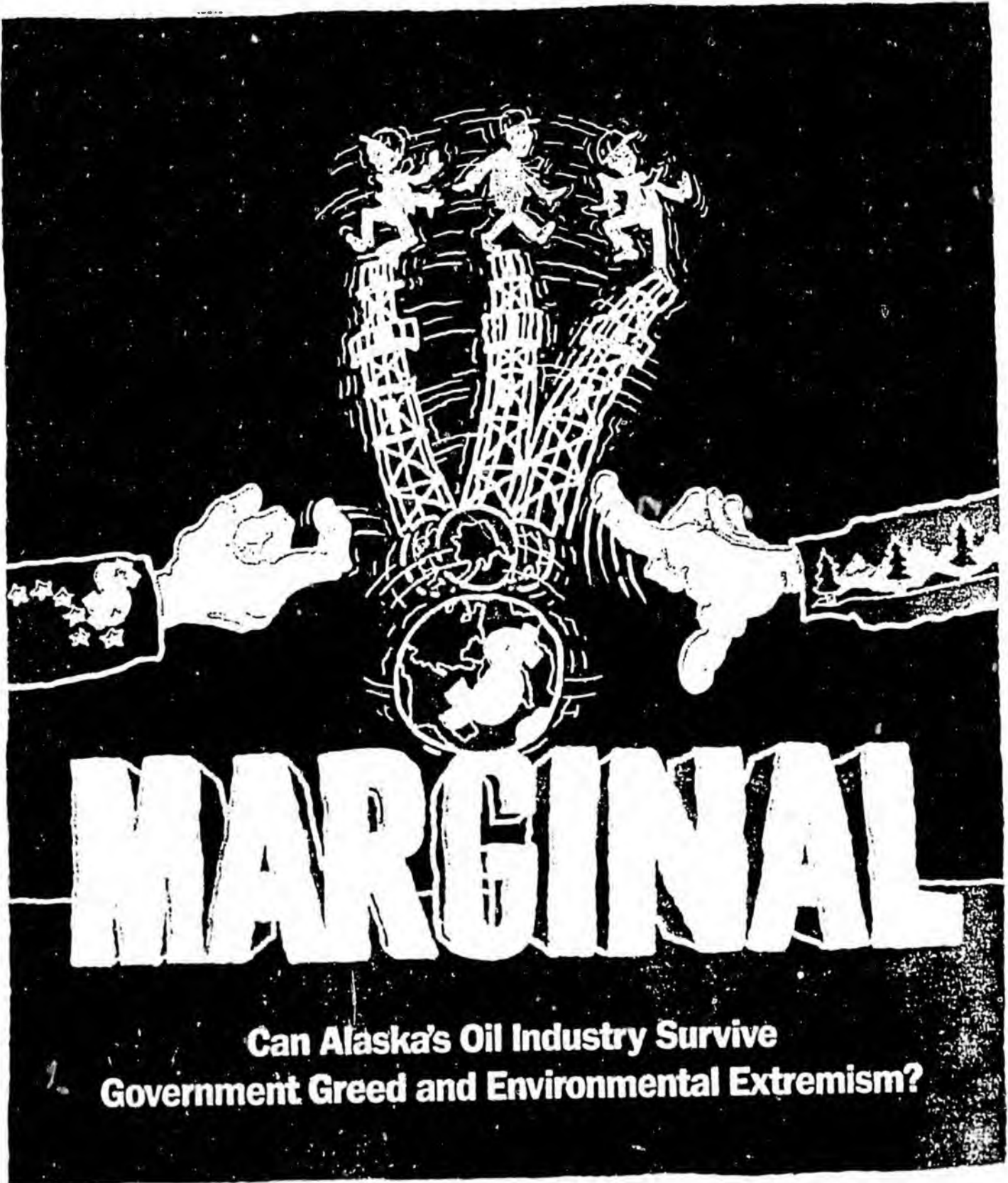
Heinze doesn't feel he's a workaholic, but the next day, Friday, he will visit a remote mine. On Sunday, he will fly to South Alaska to meet author James Michener, who's working on an Alas-a book. Saturday, there will probably be time for rest. A chance to re-win the Battle of the Bulge. ➤



HEINZE VARIETY — Harold Heinze's world doesn't lack variety. Clockwise from upper left, he poses with a dog, attends a local hospital committee meeting, meets with employees at Prudhoe, and talks with staffers in PMA. (Seated) and Rich Dyer in his Anchorage office. (Photos by Bill Steinhilber)

MARCH 1986
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ALASKA BUSINESS Monthly



**Can Alaska's Oil Industry Survive
Government Greed and Environmental Extremism?**

1996

BY PAUL LAIRD

MARGINAL. If you haven't done so already, get used to the word. Like Mary Lou Retton chirping, "It's supercharged," you'll hear it with monotonous regularity while you're watching TV. It will jump off the page while you're reading the newspaper. If your livelihood depends on the well being of the Alaskan oil industry (and whose doesn't?), it may even haunt you in your dreams.

It's a one-word synopsis of the future of oilfield development in the state, and it will permeate every bottom-line decision of whether to explore, where to explore, whether to develop and how to develop for years to come. In many ways, it could drive the future of the entire Alaskan economy.

"Marginal," predicts one analyst, "will be the buzzword of the Alaskan oil industry for the rest of the '80s and well into the '90s."

What force, what stroke of fate will imprint "marginal" on the Alaskan consciousness alongside "Where's the beef?" and "Well excuuuuuse me?" A simple realization: There may never be another Prudhoe Bay.

At least in the foreseeable future, oil industry revenues will depend on extending the productive life of the giant Prudhoe Bay field and finding cost-effective ways to develop "marginal" fields that pose higher costs in the face of lower yields and lower prices.

"Over the next 10 years, we probably won't be so lucky as to find another Prudhoe Bay or even another Kuparuk," says George Nelson, president of Sohio Alaska Petroleum Co. "Marginal fields will make the difference, and compared to Prudhoe Bay and Kuparuk, they'll be very small and very expensive."

A number of variables will determine whether "marginal" translates into marginally profitable or marginally unprofitable and shape the Alaskan oil industry of 1996.

Both the industry and the state are at the mercy of the most important of these variables — the price of oil on world markets. With prices sagging and experts projecting stagnation and further declines for the remainder of the decade, exploration and development in Alaska almost inevitably will suffer.

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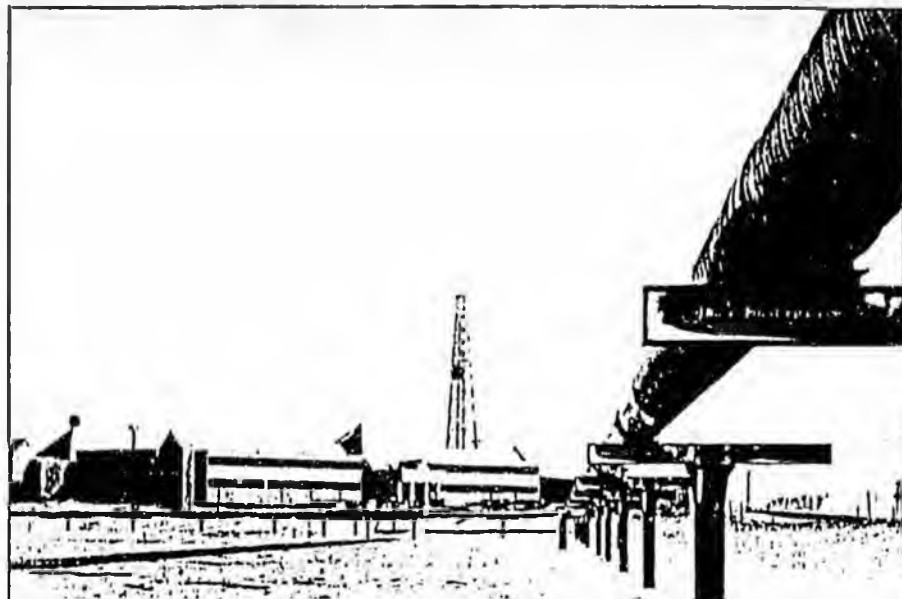
What lies over the



Rainbow descends on Trans Alaska Pipeline near Delta Junction

Rainbow for the Alaskan Oil Industry?

Conoco's Milne Point production facility is framed by the project's 11.5-mile pipeline on the North Slope



1986 Peter Aaron/ESTO

While the fruits of today's exploration in Alaska won't be realized until the 1990s, when prices are expected to rebound, the sagging prices are putting a squeeze on the cash flow of even the large multinationals dominating the industry in Alaska.

Since exploration largely is financed out of cash flow, that squeeze is placing new limitations on the level of exploration today and inevitably will be felt in the level of development and production well into the '90s.

Says Warren Shimmerlik, vice president and domestic oil analyst in the New York office of Merrill Lynch, Pierce, Fenner & Smith, "If prices fall sharply, it could set North Slope exploration and development back as much as five years." Corporate restructuring to ward off hostile takeovers also is reducing the amount of capital available for exploration.

This two-pronged attack on cash flow is forcing weaker companies out of the market altogether and dictating that even the better-capitalized survivors reassess the potential benefits of high-cost, high-risk, high-yield Alaskan prospects versus the relative safety of lower-risk, lower-yield prospecting elsewhere. Phillips Petroleum and Marathon Oil both have pulled up their Alaskan stakes in recent months.

Harold Heinze, president of ARCO Alaska, calls the trend toward lower-risk investments "high grading" and says he's "never heard of any form of high grading that favors Alaska. If Alaska can maintain its share of exploration and development in this climate, it will be doing well."

Despite Alaska's prevailing preoccupation with oil prices and their impact on state revenues, there are a

number of non-price variables that will dictate the extent to which oil companies can minimize the *cost* side of the investment equation and maximize returns on their oilfield investments.

They range from technological and engineering advances to taxation and the availability of acreage for wildcatting. In the climate of stagnant or falling prices that's expected to prevail for the remainder of the '80s they'll play an even more crucial role in molding the industry of the '90s.

While declining prices have depressed profits, returns have been shored up by ever-improving technology. Lower prices have added a new urgency to developing new technologies that cut costs. "Many of the advances have been through experimentation, and that offers good returns without high-cost research," says Merrill's Shimmerlik.

DRILLING COSTS HAVE FALLEN substantially in recent years because of new drilling techniques and equipment, and drilling advances in the Arctic have been particularly dramatic. Horizontal drilling pioneered by Sohio enables companies to maximize recovery while cutting back on the number of drilling platforms required. Amoco now uses computer modeling and satellite communications to monitor and direct operations on its Navarin Basin rigs from Tulsa. Mobile and reusable offshore platforms have replaced expensive gravel islands for some projects.

"Technological advances will continue regardless of oil prices," says Heinze. He says North Slope drilling operations that once took 30 days to reach permafrost, 30 days to reach

well depth and another two weeks to move the rigs now take a day to reach permafrost, two weeks to reach well depth and 15 minutes to move rigs because advances have made rigs more compact and efficient.

Reducing the time between commitment of funds for a project and payback will be increasingly important in cutting costs. ARCO reached peak production of 250,000 barrels a day at Kuparuk nearly a year ahead of schedule.

Conoco was able to launch production at Milne Point northwest of Kuparuk and Prudhoe Bay in a record 21 months from project startup by performing preliminary engineering in-house and by assembling and testing much of the equipment and many of the facilities in the Lower 48 before they were barged to the North Slope.

Milne Point, the first of the new generation of marginal fields to begin production on the North Slope, is estimated to have 100 million barrels of recoverable reserves. That compares with about 10 billion barrels at Prudhoe Bay.

Al Hastings, Conoco's Alaskan Operations safety, regulatory and external affairs director, says preliminary engineering was under way before the project had received formal regulatory approval to speed up the development phase. "Without eventual approval, the money we spent on the preliminary engineering would have been wasted," he admits.

But because of razor-thin margins on the project, Conoco had to shave time wherever it could. "We knew we couldn't afford to stretch out the development phase," he says. Conoco also was able to reduce development time

by piggybacking the environmental impact studies that were conducted for nearby Kuparuk and Prudhoe.

Unlike the Sohio and ARCO base operations complexes at Prudhoe, Conoco's "Starship Milne" complex emphasizes a "no-frills" approach to design. Contractors and company employees are housed in separate wings of the same structure, and there are common recreation and dining areas.

HASTINGS SAYS MILNE also has much less redundancy in its monitoring and production systems than Prudhoe, and Heinze says that's happening with other projects as well.

"We're designing a lot closer (to actual requirements) and taking more reasonable risks," says the ARCO Alaska president. "With Prudhoe Bay, there was so much riding on getting the field into operation that we had to include a lot of backups and build in a lot of extra capacity. Now that we know more about how things work, we don't have to do as much of that."

With the uncertainties and expenses involved in exploration, producers will place growing emphasis on enhancing recovery from existing wells and improving the economics of developing known reserves. That's already resulted in secondary and tertiary recovery investments at Prudhoe Bay, and Sohio's Nelson predicts there will be ongoing investment in Prudhoe recovery.

"With 23 billion barrels of oil in place in the formation, there's absolutely no doubt we'll spend more to get the other 13 billion out once we've gotten the first 10," vows the Sohio Alaska chief.

John Lichtblau, president of the New York-based Petroleum Industry Research Foundation, says a price rebound in the early '90s also will provide much-needed capital for development of the 25 billion-barrel West Sak Sands formation atop the Sadlerochit (Prudhoe Bay) and Kuparuk formations on the North Slope.

Scott Hawkins, corporate economist at Key Bancshares of Alaska, says the emphasis on recovery and production will result in higher well maintenance expenditures in the '90s and make production more labor-intensive.

That will result in more business opportunities for service companies. At the same time, however, computer advances will reduce manpower re-

quirements in other areas of oilfield operations.

In another segment of the industry, the trend toward more in-state refining capacity already under way with Tesoro's refinery expansion on the Kenai Peninsula, Mapco's expansion in North Pole, PetroStar's new refinery in North Pole and another refining facility planned for Fox will continue into the '90s as Alaska's infrastructure develops and its population grows.

Most experts agree, however, exploration and development will continue to play a prominent role in the future of the Alaskan oil industry. Despite higher costs, Alaska holds the lure of higher yields.

Some observers cite multimillion-dollar exploratory disappointments at Mukluk Island and elsewhere in Alaska as evidence the industry soon will tire altogether of the high risks Alaskan prospects pose, but industry executives say the industry will continue to prospect in Alaska as long as government makes acreage available under reasonable terms.

Says Heinze, "We'd all feel better if the results of some of the exploration were more encouraging, but the lack of success in some areas doesn't spoil

other areas of the state. People in the industry blunted their picks in the North Sea for 10 years before they got their first commercial find, but once they unraveled the mystery, it was easy. We have to remember that with the (Outer Continental Shelf). The first find at Prudhoe Bay just came easy."

Adds Nelson, "Of the 500 million acres of good prospecting left in the United States, 300 million of them are here."

In the absence of a second megafind the magnitude of Prudhoe Bay, however, existing pipeline infrastructure will play a prominent role in charting the course of exploration and development in the state. It's no coincidence that North Slope development began with the giant Prudhoe Bay field and gradually has worked its way west to Kuparuk, Milne Point, Lisburne and Endicott.

Transportation costs are a key component in the economics of developing a field, and the expanding pipeline network along the North Slope combined with the original Trans Alaska Pipeline System from the Slope to tidewater at Valdez enhance the economics of developing any reserves close enough to feed into the existing

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network. "The proximity of the Kuparuk line was an important factor in our decision to proceed with Milne Point," says Conoco's Hastings.

By maximizing use of existing pipeline infrastructure, owners also maximize returns on previous pipeline investments.

Hawkins says because of the importance of transportation costs in determining the economics of developing a prospect, the outlook is bleak for extensive activity in remote areas like the Gulf of Alaska and the Bering Sea in the absence of a major breakthrough in transportation technology. "In the 1990s, we'll think of wildcatting in the Bering Sea and the Gulf as things from the 'good old days,'" he predicts. "There just won't be money for high-risk wildcatting."

He predicts lower drilling costs and existing infrastructure in Southcentral will spawn a new breed of independents interested in exploring and developing Cook Inlet prospects, particularly as wildcatting opportunities in the Lower 48 fade.

OTHERS, HOWEVER, SAY that's unlikely unless independents form consortia to bid on and prospect tracts. Says Nelson, "Smaller companies can't stand the heat of tying up their money for 10 to 12 years through leasing, environmental impact studies, exploration and development. The little guy doesn't have the cash flow to tie up his capital that long."

The Sohio Alaska president and others in the industry say government ultimately will determine the state's future role in petroleum exploration and production. Keys will be tax and regulatory climates and the availability of acreage for prospecting.

"The foci of the industry over the next 10 years will be to find more oil, primarily north of the Brooks Range and in the Cook Inlet region, and to improve recovery," states Hawkins. "There will be no downturn in activity north of the Brooks."

"But that assessment is based on the political assumption that the tax climate will remain stable. This is going to sound like a political statement, but it's an economic reality: If the legislature increases taxes on the oil industry again, we'll have a contracting industry."

Nelson is more blunt. "With new taxation, exploration will cease," he says. "When the tax climate is con-

stantly changing, you can't calculate the economics of a project."

While the issue probably is dead for 1986, the Alaska Legislature is pondering whether to return to an oil and gas tax program that was adopted in 1978 and then largely was repealed in 1981 (see story beginning on Page 34). Under the 1978 program, companies paid taxes to Alaska based on the percentage of overall corporate profits attributable to Alaskan production.

Separate accounting was abandoned in 1981 after a U.S. Supreme Court decision hinted the formula could be unconstitutional. Since then, however, its constitutionality has been upheld. A bill to resume separate accounting was introduced by Rep. Al Adams, D-Kotzebue, during the legislature's 1985 session.

A former commissioner of the Alaska Department of Natural Resources and state energy director, Jack Roderrick, maintains taxation will have no impact on exploration. "What we really need to keep some momentum is a discovery," he says.

But the Key Bancshares economist says reinstating separate accounting will send a signal to the oil industry that the tax climate in Alaska is unsta-

ble, and that will spur contraction.

"The negative impact will come two-thirds from the uncertainty the change causes and one-third from the additional taxes," he says. "With a field the size of Prudhoe Bay, the industry could live with a higher degree of risk and uncertainty, but marginal fields don't hold the promise of the huge returns of Prudhoe Bay."

The separate accounting issue may be used as a lever for local hire proponents in the legislature to pressure oil companies to pressure contractors to adopt hiring policies favoring Alaska residents, but there's speculation a return to separate accounting in a climate of falling prices is unlikely.

Economist Andrew Safir, president of Los Angeles-based RECON Research Corp., says declining oil prices may actually result in pressure on the state to reduce taxes and its royalty share to encourage production. "With prices declining, some companies may find taxes and royalty payments too high to produce," he says.

Adds another industry analyst, "There's no law that says the industry has to pump anything through the pipeline."

Several industry experts say Milne Point production and production from

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the Lisburne and Endicott reservoirs scheduled to begin in 1987 and 1988 becomes uneconomic as the wellhead price of North Slope crude (the spot price minus negotiated transportation charges) approaches \$15 per barrel.

'Alaska is paranoid about allowing too much exploration'

The per-barrel wellhead price had stabilized at between \$16.50 and \$17 late in 1985, but that \$15 barrier was in imminent danger of being pierced in the midst of pricing turmoil earlier this year when OPEC announced it would drop prices to regain market share.

Conoco officials say their decision whether to invest \$700 million in three additional phases of Milne Point will hinge in part on whether the state grants the company's request to reduce its royalty surcharge from 20 percent to the standard 12.5 percent assessed on other production. Royalties on Milne oil were increased in exchange for an extension on leases on

the tracts.

Loss of the federal depletion allowance and the investment tax credit will further dampen the economics of Alaskan oil investments, but analysts say neither is likely to play a pivotal role in a company's decision whether to proceed with a project.

Equally important in charting the future of petroleum exploration and development in Alaska will be the government's stance on making acreage available for wildcatting. Heinze says unless the state adopts a plan for assessing its subsurface resource potential and encourages prospecting, exploration activities will gravitate toward Native and federal lands.

"Once the state leases acreage, it's almost schizophrenic about allowing exploration," says the ARCO Alaska president. "The state is falling so far behind the federal government and the Native corporations in assessing resource potential on their land that it's almost scandalous. The Native corporations know a lot more about their 40 million acres than the state does about its 100 million.

"The state gets paranoid about allowing too much exploration, but it needs to be paranoid about not setting

aside enough acreage for exploration purposes."

ARCO and other oil companies are involved in a number of joint ventures with Native corporations to prospect for oil and other resources.

Experts say Congress will set the tone for future prospecting on federal lands in Alaska in 1987 when it decides whether to allow exploration in the Arctic National Wildlife Refuge. Analysts say the industry believes recoverable reserves from the reserve could be the largest in Alaska since Prudhoe Bay; in some areas of the refuge, oil literally seeps from the ground.

During a recent symposium on Alaska's petroleum future sponsored by Alaska Pacific University, a former president of ARCO Exploration Co. and senior vice president of Atlantic Richfield said Alaska faces new competition from China in attracting exploration investment dollars.

"The new administration (in China) is aggressive in pursuing foreign investment," said Harry Jamison, who was Alaska manager for ARCO when oil was discovered at Prudhoe Bay. In a bid to increase offshore production, China is opening up more than 700,000 square miles for foreign exploration.

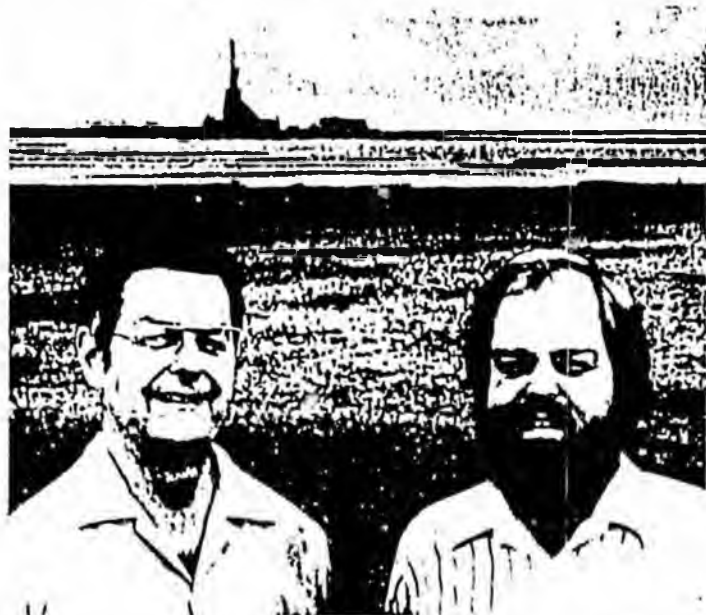
"Other places with Alaska-scale potential are reacting a lot better to lower oil prices," adds Heinze. He predicts every multinational petroleum company will be represented at a conference on investment opportunities scheduled for December in China, "and I bet it won't cost China a lot of money to find out what it really has."

Alaska also is competing for the exploration and development investment dollar with prospects in the Canadian portion of the Beaufort Sea.

THE COSTS OF complying with federal, state, municipal and borough regulations will be more significant in determining the economics of marginal field development as well. Nelson says Sohio and its partners in the Endicott project, expected to yield a maximum of 100,000 barrels a day, will spend between \$4 million and \$5 million annually to monitor the Endicott causeway.

Warren Hairford, Alaskan operations manager for Conoco, says U.S. Environmental Protection recently issued a 121-page book of regulations governing the disposal of waste oil from crankcases of vehicles used on the North Slope. "We're still trying to digest its significance to us," he says.

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Marginal field prospects in Alaska's petroleum future may be hard pressed to generate sufficient returns to afford some of the regulatory limitations and requirements imposed on Prudhoe Bay and construction of the Trans Alaska Pipeline System.

Says Nelson, "We can't afford to design and build everything with a worst-case scenario in mind, and we can't afford to reinvent the wheel with each new project."

TWO OTHER NOTEWORTHY wild cards loom on the horizon that could have a dramatic impact on the structure of the Alaskan oil industry in 1996: the export of North Slope crude and finding a cost-effective means of getting North Slope natural gas to market.

Authority to export North Slope crude could spawn new sources of foreign capital to finance in-state exploration and development while enhancing the netback to the state and some producers for oil exported in foreign flagships. Cautions Petroleum Industry Research Foundation's Lichtblau, however, "Producers who've purchased their own ships to get oil to the West Coast will be less than eager to export."

Heinze equates the ability to cost-effectively bring North Slope natural gas to market to "bringing another multibillion-barrel oilfield into production" and says construction of a transportation system for natural gas would be a tremendous boon to the Alaskan economy. Nelson says producers also are exploring ways to convert North Slope natural gas into a form that will enable it to be transported in the existing oil pipeline.

Additional revenues from natural gas sales would enhance the economics of any oilfield prospect and generate capital for additional exploration and development, the ARCO Alaska president adds, "but to develop and market Alaska's natural gas, you need a long-term perspective."

"Right now, everything is short-term oriented. Banks are bearish on energy and won't make loans, and all trends are running counter to the ability to raise capital. It's doubtful natural gas will be a dominant force in the Alaskan oil industry over the next five or 10 years."

Aside from those two big unknowns and uncontrollable variables like the world price of oil, the new era of marginal oilfield development is bound to result in a new sense of cost

consciousness in the industry that was so noticeably absent in the development of Prudhoe Bay and the construction of the Trans Alaska Pipeline.

That cost consciousness will manifest itself in ongoing technological and design advances that minimize time, expense and risk before payback and maximize yields. It also could result in a concentration of development activity near existing transportation infrastructure and temper exploration in remote areas.

Alaska's tax and regulatory climate will play an increasingly significant role in industry's Alaskan strategies

and could spell the difference between a contracting industry that's focusing almost exclusively on production by the time 1996 arrives or one that's still aggressively pursuing exploration and development opportunities as well.

In a climate of narrower margins, higher taxes and the economic uncertainty that comes with erratic tax policies not only will dampen returns, but also could detour investment dollars to lower-risk, lower-yield prospects.

"There's a lot of room left for success in Alaska," Jamison says. "The oil industry won't leave, but will it continue to develop ideas for the future?" □

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ACTION ALERT!!

The James Watt style of government is thriving in Alaska. Governor Walter Hickel has put the foxes in charge of the chicken coops. The Alaska Dept. of Conservation and the Dept. of Natural Resources are now under the control of some of industry's most aggressive proponents of resource exploitation.

The State Legislature is holding hearings on whether or not to confirm Gov. Hickel's appointments of the commissioners of these departments. Your legislators will soon vote on these confirmations. With YOUR help, these appointments can still be blocked.

Harold Heinze, Commissioner
Dept. of Natural Resources

The job of the Commissioner of DNR is to manage the use of Alaska's land, forests and oil and minerals, including the administration of Alaska's State Parks.

-- Harold Heinze, former president of ARCO Alaska, believes Alaska's oil belongs to the oil companies, not the people of Alaska: *"I love those people who refer to it as 'our oil'. That oil was found by somebody -- not the state -- but it seems they've spent time ever since trying to screw us out of the deal."*

- Harold Heinze has attacked the leaders of Alaska's environmental organizations as *"aggressive extremists and activists who operate under the disguise of environmentalists"* and who are working to *"strangle Alaska"*.

- Harold Heinze complains that Alaska has a history of too much environmental protection. *"With the resources it has, Alaska should be bragging about all the projects it has going. The state needs to become an advocate of resource development, but so far, it's been too paranoid to be anything but a regulator. The only way Alaska's resources will ever amount to anything is if we develop them."*

Is this the person you want to manage Alaska's natural resources?



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John Sandor, Commissioner
Dept. of Environmental Conservation

The job of the Commissioner of DEC is to protect the environment by regulation and enforcement of laws controlling oil, mining and other polluting industries.

- John Sandor, as the former top Forest Service official in Alaska, wanted to clear-cut all of the magnificent ancient forests of the Tongass: "*It is desirable to liquidate the existing decadent climax stands as soon as possible.*" He did everything he could to carry out that philosophy, including "pre-roading," a policy of building government-subsidized logging roads, even in areas which were not slated to be cut -- just to destroy the Wilderness potential and make sure that they would eventually be logged.

- John Sandor is co-founder of the Alliance for Juneau's Future, and served as its Executive Director. The sole purpose of this organization is to promote mining in the Juneau area, despite the resulting grave toxic pollution.

- John Sandor, as Commissioner of DEC, has played favorites with the oil industry by secretly turning over draft government regulations, so that the industry could suggest modifications *before* the documents were released to the public.

Is this the person you want to protect Alaska's environment?

WHAT YOU CAN DO:

Write or call your state senators and representatives today. Ask them to oppose confirmation of Commissioners Harold Heinze and John Sandor. Also, send copies of your letters to Senator Lloyd Jones and Representative Cliff Davidson; they are the chairs of the Senate Resources Committee and the House Resources Committee, respectively -- the committees which are conducting the confirmation hearings.

The address for all state legislators is:

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Alaska State Legislature
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... or you can telephone their offices or call your local State Legislative Information Office to send a free Public Opinion Message.

P.S. Confirmation hearings are scheduled for mid-April; the full state Legislature will vote soon after that. Please contact your state senators and representatives right away.

Arco chief blasts 'extreme' activists

Associated Press MAR 8 1984

Kenai — Extremists disguised as environmentalists are working to strangle Alaska and its resource development, Arco Alaska President Harold Heinze said Wednesday.

Heinze said Alaska is not getting the full benefit of its natural resources because "a very, very small segment of our population has adopted extreme positions on environmental and land issues, and are force-feeding their rhetoric to all of us."

"Basically, the activist rhetoric is purely this: all the waters of Alaska are for fish and all the lands of Alaska are for animals," he charged.

Then, using a newspaper clipping he had distributed earlier, Heinze identified "a dozen of Alaska's leading conservationists."

The list read like a 'Who's Who' in the Alaska environmental movement. And at least one of those singled out bristled at

Heinze's comments.

"It doesn't make sense to call people names," said Margie Gibson of Friends of the Earth. "I think he's categorizing a group of people he's never met of having some sort of hidden agenda for destruction of industry in this state."

Green said she and her colleagues seek a balance between development and the environment.

"I want to see Alaska be a different kind of place than the rest of the United States," she said.

"I'm not picking on environmental groups," Heinze insisted. "It's just that within those groups there are activist people who take on extreme views."

"I'm not attacking the environmental movement," Heinze told the Kenai Chamber of Commerce. "We're all environmentalists." MAR 8 1984

Heinze also invited the local commercial fishing industry to join in the fight to beat back the extremists.

1984

A View From The North

EDITOR'S NOTE: This month Alaska Airlines is pleased to present a guest editorial by Harold C. Heinze, President, ARCO Alaska, Inc., Anchorage. Active in community affairs statewide, Mr. Heinze has been president of ARCO since 1983. He has worked for ARCO for 17 years, 15 of which have been in Alaska.

When you're the youngest, it's reassuring to know the older members of the family also have faced tough times and survived.

That's Alaska's situation right now. We're the youngest among the family of Pacific Coast states, including Washington, Oregon and California. We are all states with extreme natural beauty. Our people are conservationists in the true sense of the word: dedicated to the wise use of resources.

People in our states also share great environmental sensitivity. They choose to live where they live because they cherish their environment and they want their children to be able to enjoy it, too.

At the same time, we all are struggling with economic survival. The oil industry is in a crisis as the result of tumbling oil prices. As a state that is dependent on oil and gas royalties and taxes for nearly 90 percent of its total income, Alaska also has been hard-hit.

We have gone from an extravagantly wealthy state to a modestly wealthy state in a matter of a few months. Alaska isn't destitute, by any means. An \$8 billion Permanent Fund savings account is still there. But the days of being able to pay for everything, the seemingly bottomless pork barrel, are behind Alaska. As a state, we have to learn to live within our means.

We can look to our "sister" West Coast states and realize that they, too, have weathered some hard economic times. But the people didn't lose faith.

As resource states, we face the common problem of having the world market set the price for our commod-

ities. In the case of Washington and Oregon, timber has been a recent victim of low world prices. California, a major oil production state, has been hit along with Alaska by diminished oil prices.

What happens in Alaskan oil development has a direct impact on Washington and Oregon. The construction of our new oil production facilities on the North Slope has taken place for the last ten years at a number of fabrication sites on the West Coast, principally Anacortes and Tacoma, Washington, and Portland, Oregon.

That construction effort has resulted in several thousand jobs each year at those sites, with payrolls totaling several hundred million dollars a year. We have been extremely pleased with the cooperation ARCO has received in these construction efforts. Labor, management and port authorities all worked together to meet schedules.

This summer's sealift to the North Slope of Alaska marked ARCO's last planned shipment of oil field facilities. There are other projects we could undertake to enhance oil recovery at Prudhoe Bay, Kuparuk and Lisburne oil fields. And there are other large known deposits of oil on the North Slope, including the giant West Sak field, which could be as large as the Prudhoe Bay field.

These economically marginal projects must wait until the world price of oil increases to a level that makes new development possible. Assuming that the state of Alaska maintains a stable investment climate, these known oil reservoirs provide a bright future for our oil industry.

The uncertainty of oil prices, and the resulting economic impact on all of the West Coast states, points to the necessity for a realistic long-term national energy policy. Are we willing to be forever dependent on foreign sources for our oil? The U.S. already imports 30 percent of our oil and that could increase to 50 percent or more

in the next decade.

Even in these tough economic times, Alaska's future, and the national security of the U.S., shouldn't be mortgaged. In frontier Alaska, it takes ten to 15 years to bring a new discovery into production.

An extraordinary amount of oil may exist in a very small portion of the Arctic National Wildlife Refuge (ANWR) in northeast Alaska. According to the U.S. Geological Survey, it could compare to Kuparuk, the second largest oil field in North America, located west of Prudhoe Bay on Alaska's North Slope. Only exploratory drilling will tell for sure if oil is there.

Soon, Congress must decide whether or not to allow oil and gas exploration on the Coastal Plain of ANWR. Some are saying it should be added to Alaska's wilderness area, which already is larger than the entire state of Washington.

Thirty years of oil production from the Kenai National Wildlife Refuge, south of Anchorage, and 15 years of oil field development on the North Slope of Alaska provide proof that environmentally sensitive development is compatible with wildlife and conservation values.

Several million dollars are spent each year to study, monitor and ensure minimal disturbance to the physical environment and wildlife on the North Slope. What we've learned over the years allows us to be confident that ANWR can be explored and developed without harming the environment.

As sister states, we on the West Coast of the U.S. share common values, spectacular natural beauty and a wealth of natural resources. Working together, we can ensure a healthy economic future for all of us by continuing to use our resources wisely. ■

Harold C. Heinze

Harold C. Heinze
President, ARCO Alaska

Oily tests for Heinze

Dear Editor:

A recent Times editorial (Dec. 5) praised the appointment of Harold Heinze as Natural Resources Commissioner. The editorial suggested that Mr. Heinze will do for Alaska what he has done in the past for ARCO. We hope this is true. He will have several early opportunities to show his commitment to protecting and enhancing the value of Alaska's oil resources.

One early litmus test of Mr. Heinze's commitment will be whether he backs the recently adopted regulations which encourage oil companies to settle oil tax disputes.

A second litmus test will be how aggressively the new commissioner investigates the practice of under-pricing oil. The former Revenue Commissioner has charged that oil companies do not increase oil prices as quickly as they reduce them. As a result, the state is deprived of the increased revenue it would receive if those companies promptly reported oil price increases. If the state can benefit from oil price increases as quickly as they lose revenue from oil price drops, we could increase state revenues by as much as \$180 million.

The third litmus test for the new commissioner will be his position on the Economic Limit Factor (ELF). If he will represent the state's interest as aggressively as he represented ARCO's in the past, no doubt he will oppose any effort to repeal or gut the ELF.

The people of Alaska expect the state to receive fair compensation for its oil. I hope Mr. Heinz will now become their champion, not ARCO's.

Don Clocksin
Anchorage

Alch. Times 12/17/90

Anchorage Daily News, Dec. 17, 1990
'Owner-state' a rip-off

I am compelled to voice my objection to Harold Heinze as the commissioner of the Department of Natural Resources. The "owner-state" will not result in the Viscount of Talkeetna, the Duke of Douglas or the Prince of Juneau, but will instead be a massive rip-off of public resources transferred to private corporate interests of the state. Harold Heinze will do Alaska a great injustice as commissioner of the Department of Natural Resources.

— *Jed Whittaker*

ANCH TIMES 3/1/91

Hickel says Alaska must use its resources

By JOE HUNT

TIMES WRITER

The world cannot expect to preserve its natural habitat without first taking care of its human habitat, Gov. Walter J. Hickel told environmentalists Thursday night.

"I have always said that when a man is cold and hungry and unemployed he is in an ugly environment regardless of his natural surroundings," Hickel said. "And when people are deprived and scared and fearful, they do not invest the extra care ... and energy needed to

protect the environment."

Conservationists and developers must work hand-in-hand to utilize Alaska's resources for the betterment of its people while at the same time protecting the land, water and air, he said.

Hickel appeared before an audience

suspicious of the governor's pro-development agenda.

"There is a lot of anxiety about his proposals among our members," said Sue Libenson, director of Alaska Center for the Environment. "And that's put See Hickel, page B3

Hickel

Continued from page B1

ting it politely.

"Realistically, this administration comes in with a pretty clear agenda," she said before the event. "I think people will scrutinize this administration very closely."

Hickel was the keynote speaker to help the center mark its 20th anniversary as an advocate for conservation issues and environmental education in Alaska.

"Let's develop the great riches which God has endowed our state and let's do it responsibly," Hickel told the group. The governor proposed creating a world class recreation area and scientific center in Prince William Sound, buying timber rights within Kachemak Bay State Park and improving water and sewage treatment facilities in remote villages.

In questions afterward, the audience used one of the governor's own stories to illustrate a need to find alternatives to oil and gas consumption. During the speech, Hickel told the crowd that while he was secretary of the Department of Interior, the state department asked him not to sign a law placing eight species of whales on the endangered species list. The space industry needed the whale oil, they told him.

Hickel said he turned to the men and asked what they were going to do when the whales became extinct. "They paused a moment and then said 'We'll have to find a substitute.' I said 'Well find that substitute now' and I signed the order," he said.

The audience wanted to know why that story could not make the same point about fossil fuels.

"We're bent on finding more resources but we're not equally bent on finding ways to conserve," one man told the governor.

Hickel said he applauds the idea, but for now the only alternative to handle the energy needs of the world is nuclear and that has become unacceptable environmentally.

The governor calls himself an environmentalist, but he has yet to prove it, said Walt Parker, one of the founding members of the center. He predicted Hickel will help the state's environmental movement in the same odd way former Interior Secretary James Watt boosted the national environmental ranks 10 years ago. Watt, as chief of the nation's parks and refuges, caused so much concern among closet environmentalists that membership of national watchdog groups swelled by over 1 million.

DAILY NEWS 2/27/91

Hickel seeks funds for 'war' on beetles

By TOM KIZZIA
Daily News reporter

The Hickel administration wants to launch a statewide "war" on spruce bark beetles, with tactics ranging from large-scale timber sales to arming Boy Scouts and convicts with chain saws.

The administration is asking the legislature for \$2.5 million to begin work on the state's aging spruce forests, which are coming under increasing attack from the beetles.

State officials say more intensive management can prevent a repeat of the devastation in Cooper Landing on the Kenai Peninsula, where thousands of acres of standing spruce have been killed by a beetle epidemic and pose a fire danger to the community.

"We're going to put ourselves in the game of making active management decisions," state forester Bob Dick said. "We have man-

aged our forests by default so far."

But intensive management of forests can be expensive — especially in Alaska, where millions of acres of wilderness could be affected. The state and federal governments already are paying more than \$1 million to have dead trees removed from several thousand acres around Cooper Landing, which has ready road access. Another \$1 million outlay is

planned for reforestation.

Dick said the eventual cost of a spruce beetle program to state, federal and private landowners could run between \$20 million and \$30 million, depending on how much land is managed by relatively inexpensive controlled burning. Though building roads to commercial timber sales can be expensive, he said, the state might justify the extra cost

as a means of providing access.

"We might want to look at it as a capital investment," Dick said. "We have an opportunity here to open up new areas to the general public."

Environmentalists say the current spread of beetles is abnormal — triggered by man's interference in the fire-regenerated forest systems — and concede the need for increased forest

management around some developed areas, said Alan Phipps, state land-use specialist with the Alaska Center for the Environment. But he questioned the need for intensive management in remote areas.

"We're concerned they'll turn this into an excuse for widespread logging and road-building," Phipps said. Commissioner of Natural

Please see Page C-3, BEETLES

BEETLES: 'War' waged

Continued from Page C-1

Resources Harold Heinze, who has taken a strong interest in the spruce beetle program, said the administration would probably employ a range of options to slow the spread of beetles, including use of volunteers or prisoners to hike to inaccessible areas, cut down infested trees and burn them. Involving the public that way should increase support for the program, he said.

"We're coming at it from a forest health point of view, which is something all Alaskans can relate to," Heinze said. "I think everyone's going to want a Beetle Buster T-shirt."

Heinze said Colorado had to spend more than \$20 million to control a bark beetle problem that had been allowed to get out of hand.

Colorado spent some \$8 million in state funds, plus additional federal funds, on Ponderosa pine beetles between 1974 and 1985, said Dave Leatherman, entomologist for the Colorado State Forest Service. The money was concentrated on some 500,000 acres of mountain subdivisions protecting trees near homes, and much of it was spent on a chemical pesticide since banned by the Environmental Protection Agency, Leatherman said.

No money was spent on several million acres of wild forests, where tree mortality was extensive, but the beetle epidemic eventually exhausted itself, Leatherman said.

"We decided where to draw the battle lines," Leatherman said. "The only thing that's possible is to write some areas off and let what's going to happen happen. The public is not going to subsidize a multimillion-

dollar effort to save trees nobody's going to get to anyway."

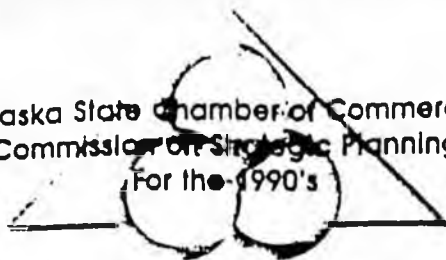
That may have been Alaska's attitude in the past, but the continued spread of spruce beetles — the hot new zone looks like the Kasilof-Clam Gulch area on the Kenai Peninsula — has prompted a more aggressive posture. The recent shift to an "owner-state" philosophy may have changed things, too: In his State of the State address last month, Gov. Walter Hickel vowed to improve the health of state forests and said, "We will begin by waging war on the bark beetle."

Part of the state's role would be to coordinate logging on private lands to promote health of the forests, Dick said. That includes a large tract of Native corporation land slated for logging.

A proposal drawn up by the state Division of Forestry said the Kenai Peninsula is the top priority for increased management, followed by the west side of Cook Inlet, the Copper River, the Yukon River south from Galena, the Tanana Basin, the Upper Kuskokwim River and maritime spruce areas such as Glacier Bay, Kachemak Bay and Yakutat.

Bark beetles are a natural part of the ecology of spruce forests. Their larvae kill living spruce by eating a nutrient-rich layer of tree under the bark. Foresters attribute the epidemic numbers of beetles on the Kenai Peninsula to the susceptibility of an over-mature, uniformly aged forest created by decades of fire suppression. Slash left by seismic exploration for oil and power line cuts have added to the problem by providing breeding grounds for the insects, according to pest experts.

Alaska State Chamber of Commerce
Commission on Strategic Planning
For the 1990's



Harold Heinze, Co-Chairman
ARCO Alaska, Inc.

Peter McDowell, Co-Chairman
Coopers & Lybrand

J. Bratton J. Brecht G. Easley D. Gottstein R. Huhndorf D. Langworthy A. Parrish W. Settleff M. Thompson J. Usbell P. Wien P. Williams

REPORT TO

ALASKA'S ECONOMIC LEADERS

JUNE 1987

RECEIVED
JUL 22 1987
HAROLD C. HEINZE

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INTRODUCTION

The Commissioners

The sixteen Commissioners included:

- Harold Heinze, Co-Chairman, ARCO Alaska, Anchorage
- Peter McDowell, Co-Chairman, Coopers & Lybrand, Anchorage and Juneau
- Janna Brattain, Merrill Lynch, Pierce, Fenner & Smith, Inc., Anchorage
- Julius Brecht, Wohlforth, Flint & Gruening, Anchorage
- George Easley, Alaska Aggregate Corporation, Anchorage
- David Gottstein, J. B. Gottstein, Anchorage
- Roy Huhndorf, Cook Inlet Region, Inc., Anchorage
- Don Langworthy, IBM, Anchorage
- Al Parrish, Westmark Hotels, Anchorage
- Dr. Walter Soboleff, Sealaska Corporation, Tenakee Springs
- Morris Thompson, Doyon, Ltd., Fairbanks
- Joe Usibelli, Usibelli Coal Mine Co., Healy
- Richard Wien, Florcraft, Inc., Fairbanks
- Gary Wilken (alternate), Wilken-Alaska, Inc., Fairbanks
- Bob Williams, Chevron USA Inc., Kenai
- Mary Willis, Humana Hospital, Anchorage

The Commissioners were also joined by seven observers, including:

- Robert Atwood, Anchorage Times, Anchorage
- Al Fleetwood, Enserch Alaska Services, Inc., Anchorage
- Mark Hazelwood, ARCO Alaska, Anchorage
- Francis Hurley, Archdiocese of Anchorage
- George Krusz, Alaska State Chamber of Commerce, Juneau
- Byron Mallott, Sealaska Corporation, Juneau
- Sally Smith, Alaska State Chamber of Commerce, Anchorage

"EXPORT MODEL" Of The Alaskan Economy 1986

		<u>Millions</u>
Oil And Gas		\$4,000
Fishing		300
Timber		200
Minerals		100
Coal		25
Travel/Tourism		500
Defense	1,600	
Other Federal	1,300	
	<u>2,900</u>	
Less Federal Taxes	<u>2,000</u>	900
Permanent Fund Dividend		<u>300</u>
Total Estimated Value		\$6,325

COMPASS NORTH

Five Challenges For Alaska

AN ACTION REPORT
BY
COMMONWEALTH NORTH

Edited by
Judith M. Brady
Executive Director

February, 1985

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PREFACE

COMPASS NORTH: What next for Alaska?

COMPASS NORTH was started in Alaska's Silver Anniversary year, its 25th year of Statehood. It was initiated by Commonwealth North's Board of Directors as a means of bringing together knowledgeable Alaskans to review the past and to set a direction for the future.

The starting point, the "Compass", is Alaska's Constitution - a Constitution designed under the leadership of Commonwealth North's founding co-chairman, Governor William A. Egan. Governor Bill didn't live to see the conclusion of COMPASS NORTH, but he did set the criteria for selecting participants: "people who know about Alaska and care about it".

This describes the 77 Commonwealth North members who participated in this year-long study: men and women representing a wide spectrum of constituencies and philosophies, whose vision, hard work, and risk taking have contributed to the Alaska of today. They include two of Alaska's governors; members of the Constitutional Convention; leaders of the Statehood movement; past and present legislators; activists in the Alaska Native Claims Settlement Act and the Alaska National Interest Conservation Act; builders of businesses, civic organizations, hospitals, churches, schools.

The charge to each of the five Challenge committees was to strive for consensus on issues of such importance to Alaska that they will be resolved, by decision or default, within the next few years - and the resolution will affect the future direction of the state.

As these Alaskans worked together, a sense of urgency began to develop, a sense of the enormous opportunities in the coming years and a sense of the enormous dangers to our system if wrong decisions are made.

COMPASS NORTH sets out a new direction for the future, a new way of thinking based on the hope that Alaska will continue to be a frontier of opportunity for every individual.

EXECUTIVE SUMMARY

COMPASS NORTH: Setting a direction for the future

Alaska is "unique" in so many ways that Alaskans take the word for granted. In this state "unique" is a cliché; unique in size, unique in beauty, unique in resources.

What is only beginning to be understood is that Alaska is also unique in its economic structure. It is this uniqueness that will decide its future.

Alaska is an "owner state". It owns 28% of its land base, which includes the largest discovered oil field in North America. The revenues from this field give the state government control over the largest pool of capital in the economy.

Land and capital are ingredients of ownership. They are the basis of power. The State of Alaska, as the owner of more than 100 million acres of land and billions of dollars in resource wealth, has power.

In a democratic society, all governments have obligations to the people. In Alaska the government has an obligation of ownership that is above and beyond that of a traditional state government. It has an obligation as an owner to help sustain the economy - to use its land and capital to preserve and enhance the private enterprise system.

This is a new frontier in public obligation. Never before has a state government been so wealthy in relation to its citizens. Never before has a state government controlled so much of its land and capital assets.

This new frontier means Alaskans must pioneer a new concept of state government, a government that uses its power in partnership with the private sector to create new opportunity and new wealth.

Alaska's obligation of ownership is more than an interesting hypothesis: the state is on a time line. Every available public and private forecast depicts a rapid decline in Prudhoe Bay oil revenues in the 1990's. The state's economy is almost totally dependent on these revenues.

If Alaska is not a responsible owner, if the state government does not stop dissipating its capital base on current operations, the result may be similar to that of a failed company: unemployment, bankruptcy, and social hardship.

There will be many Alaskans who do not believe the state has any obligations as an owner. They will believe that all state revenues should be treated alike and "spent" on public services. They will believe that all state land should be preserved from further development.

The irony and tragedy for Alaska, should this thinking prevail, is that without a strong, growing economy, the government will not be able to provide public services or protect the environment. The private sector will not be able to generate jobs and income.

What must be done to meet the obligations of ownership?

Alaskans and our leaders must begin to think like owners - to make our ownership work for us.

Alaskans must begin to think about revenue as owners:

Traditional government leaders ask: How much do we have to spend?

Leaders of Alaska as an owner state must ask: What is our income? What are our assets? Can we sustain the current level of spending into the future? Where should we invest to get the greatest return on our money?

- THE STATE'S OWNERSHIP REVENUES ARE CAPITAL ASSETS THAT MUST BE MANAGED TO CREATE NEW WEALTH.

As an owner the state receives revenues that are separate from taxes. These are royalties, rentals, and bonuses from the lease and sale of its resources. This capital should be treated as a powerful renewable resource, a means of creating new wealth.

EXECUTIVE SUMMARY

But right now only 25% of these ownership revenues must be invested in the Permanent Fund. The rest are being spent on the current operation of government. The state must stop dissipating this capital base.

- ALASKA'S OWNERSHIP REVENUES SHOULD BE DIVIDED EQUALLY BETWEEN THE PERMANENT FUND AND A NEW CAPITAL INVESTMENT FUND.

It is likely that the Permanent Fund will be a "safety net", a means of sustaining government service as Prudhoe Bay revenues decline. The Capital Investment Fund would be the means of encouraging new development. It could finance revenue producing, regionally important projects that add to the long term economic health of the state.

- THE FUTURE OF THE PERMANENT FUND IS TOO IMPORTANT AN ASSET TO BE LEFT TO "DECISION BY DEFAULT". THE LEGISLATURE SHOULD ENACT LEGISLATION WHICH ESTABLISHES LONG TERM GOALS FOR THE FUND.
- TO ENSURE A "SOFT LANDING" FROM THE DECLINE OF PRUDHOE BAY REVENUES, CURRENT SPENDING MUST BE REDUCED TO LEVELS THAT CAN BE SUSTAINED IN THE FUTURE.
- MISUSE OF WEALTH IS A GREAT DANGER IN AN OWNER STATE. THE STATE GOVERNMENT MUST REFRAIN FROM USING ITS WEALTH TO USURP LOCAL DECISIONS OR DISPLACE LOCAL RESPONSIBILITY.

The legislature has taken over the role of local government by direct appropriation and other political distribution practices that bypass or dictate to local communities.

Revenue sharing must follow the constitutional mandate of "maximum local self governa

State revenue sharing should be accomplished through a single formula based on equitable distribution. Except for emergencies, no funds should be allocated outside such formula. The emphasis must be on local decision making and local responsibility.

Alaskans must begin to think about land as owners:

Traditional government leaders ask: Are we doing a balanced job regulating between private land owners?

Leaders of an owner state must ask: What are our resource assets worth? Is there enough development underway to maintain our economy and continue growth? Are we helping the private sector promote responsible development?

- ALASKA'S STATEHOOD LANDS AND RESOURCES SHOULD BE MANAGED AS CAPITAL ASSETS. PUBLIC POLICY MUST BE REFOCUSED, AS A MATTER OF HIGHEST PRIORITY, TO REFLECT THE STATE'S DEPENDENCE ON NATURAL RESOURCE DEVELOPMENT.

Resource development is Alaska's only option for a continued economic base.

The plain fact is, if there is no further natural resource development, the state will be bankrupt.

Public leadership must distinguish between ritualistic environmentalism and areas of true ecological concern. After years of government decisions weighted in favor of "no development" today's leadership must redirect public policy toward action consistent with the mandate of Alaska's Constitution: "to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest."

- THE LEGISLATURE, AS CUSTODIAN FOR STATE LANDS, SHOULD DEVELOP A COMPREHENSIVE POLICY THAT RECOGNIZES THE STATE'S RELIANCE ON RESOURCE DEVELOPMENT AND DIRECTS MANAGEMENT OF THESE RESOURCES AS CAPITAL ASSETS.
- THE GOVERNOR SHOULD FORGE THE RESOURCE DEVELOPMENT STRATEGY NECESSARY TO ENACT LEGISLATIVE POLICY.

The leadership must work together to meld Alaska's need for development with concern for the environment by formulating an overall state resource development strategy. The

EXECUTIVE SUMMARY

emphasis should be on technically sound, efficient permitting; stable tax policies; and balanced multiple use management by state agencies.

- THE OBLIGATION OF OWNERSHIP INCLUDES ENCOURAGING NEW REVENUE SOURCES. THE STATE SHOULD DETERMINE ITS ROLE AS AN INVESTOR IN THE DEVELOPMENT OF ALASKA'S RESOURCES.

It can be good public policy to invest state funds in resource development projects, but the state must decide the limits and goals of its investment role. At a minimum, project investment should be economically feasible and be able to return to the state a cash flow having a present value greater than the state's investment.

To meet these obligations of ownership Alaska's elected leaders must use the full power of their Constitutional authority and responsibility.

Public policy will decide the future of the owner state, and it is Alaska's elected leaders who decide public policy. Alaska needs decisive leadership now, leadership that understands the obligations of ownership and has the courage to make the politically hard decisions necessary to meet that obligation.

No other state constitution grants more authority to the governor than does Alaska's. No other state constitution implies more public trust in its legislative representatives than does Alaska's.

It is these elected leaders who must meet the obligation of ownership by preserving Alaska's capital assets.

It is these elected leaders who must meet the obligation of ownership by advocating responsible resource development.

If our leadership fails in this pioneering effort we could well end up with socialism - a government that uses its land and capital to feed its own growth.

The challenge for Alaskans is to develop economic and social strategies that use public ownership as a catalyst to develop a strong free enterprise system.

THE CHALLENGE OF LEADERSHIP



COMPASS NORTH

THE CHALLENGE OF LEADERSHIP
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State of Alaska
Appellate Court Judge

MEAD TREADWELL
Yukon Pacific Corporation
Corporate Secretary

THE CHALLENGE OF LEADERSHIP

An examination of the critical decision-making roles of Alaska's executive and legislative branches.

Alaska has a tremendous need for decisive leadership right now. The Constitution sets out the authority of the governor and the legislature; why then is there continual disagreement over who has the right to decide?

The struggle over budget responsibility goes beyond a healthy check and balance. It has resulted in decision-by-default with each side blaming the other for overspending and indeciveness. What can be done? Do we need to change the Constitution - the leaders - or the practices?

CONCLUSIONS & RECOMMENDATIONS

The following are the principal conclusions and recommendations of the Challenge of Leadership Committee:

1. Alaska's Constitution sets out strong roles for both the governor and the legislature, but these roles have become blurred and weakened in practice. The result has been decision-by-default, over-spending, and indecisiveness. For the sake of the state's future, Alaska's elected leaders must return to the mandates of the Constitution.

RECOMMENDATION: Alaska's Constitution clearly makes the preparation of a total state budget the duty of the governor. He must take whatever action is required to carry out this responsibility.

2. The legislature is the arbitrator of the public interest, but this decision-making role is seriously impaired because the state cannot accurately determine where its dollars are being spent.

RECOMMENDATION: The House and Senate Finance Committee should hold joint meetings with the legislative leadership and the governor to adopt procedures reforming the oversight process of the state budget.

3. The elected leadership is responsible for considering both the present and the future needs of the state in determining public policy.

RECOMMENDATION: The proposed Capital Investment Fund is the best way to strike a balance between current and future needs. The governor and the legislature should support the proposal to amend the Constitution to establish such a fund.

-
4. The legislature is the testing ground for spending priorities but there has been no serious review of the operating budget since it began its upward spiral in 1979. Without such review the state will become buried in "political entitlements" that will severely limit its spending choices in the future.

RECOMMENDATION: The governor and the legislature should open public debate on program review to determine responsible ways to cut the operating budget to sustainable levels and encourage improved program delivery through priority and goal setting.

5. The writers of the Constitution designed a positive role for the legislature, a legislature intended to be a part-time group of citizens working in all walks of life.

RECOMMENDATION: In conjunction with the recent passage of the Constitutional amendment to limit sessions, two other steps should be taken to encourage a citizens legislature:

- The Conflict of Interest statute should be amended so it no longer infringes on an individual's right of privacy to such a degree that it discourages able and principled people from running for office.
- The number of consecutive terms should be limited to two four year terms in the Senate, and four two year terms in the House.

THE CHALLENGE: A CALL FOR COURAGE IN LEADERSHIP

The State of Alaska has some hard decisions to make during the coming years: survival decisions.

- How much of its oil wealth should be saved?
- How much should be invested in projects to generate new wealth?
- Should the state reinstitute taxes?
- Which programs should be strengthened, which eliminated?

These are "choosing between" rather than "handing out" decisions - the most difficult for elected leaders to make, especially in Alaska.

Small as it is in population, the state abounds in contradictions. It is shaped by differences both of geography and philosophy: the rural subsistence communities and the urban service centers; the "growthers" and the "no-growthers"; the public sector and the private sector; the savers, the investors, and the spenders of public revenues.

The danger is that elected leaders sometimes become paralyzed by the conflicting demands and opt for the easy way out - no decision at all.

Right now Alaska doesn't have time for the easy way out. The state is midway through what may be the single most wealthy period in its history. If no decisions are made, or if the wrong decisions are made,

Right now, Alaska
doesn't have time for
the easy way out.

the opportunities this wealth presents will be lost. Because of the expected decline of Prudhoe Bay revenues in the 1990s, wrong decisions now could cost the state its future.


This is what the challenge of leadership is all about: a test of vision to use this opportunity of wealth to set a direction for the future and a test of courage to make the politically hard decisions necessary to get there.

Yet, over the past five years there have been few examples of elected leaders attempting to respond to this magnificent challenge.

Instead of public debate as to what choices would be in the best interest of the state, too often there has been public squabbling over who gets to decide. Instead of an assessment of statewide priorities, there has been a statewide handout.

This has begun to change, for the public hasn't been bought off that easily. Elected leaders who were most insistent that their constituents wanted "all they could get" are being defeated. Elected leaders who have been attempting to make the hard decisions are starting to make headway.

Alaskans expect courage in leadership: they expect the hard decisions to be made.



Alaskans expect
courage in leadership.

THE GOVERNOR: ADVOCATE & INITIATOR



No other state constitution grants more authority to the governor than does Alaska's.

Any discussion of public policy usually comes down to: "If it is going to happen, the governor has to support it."

This doesn't mean the will of the governor always prevails--far from it. It does mean that the governor's agenda establishes the central issues for public debate.

Under Alaska's Constitution it is the governor who is the initiator, the advocate of a direction for the future.

Alaska's Constitutional Convention delegates had lived with the frustrations of shared powers. To replace this system, the delegates created a centralized structure directly accountable to a governor with the powers necessary for strong leadership.

Unlike most states, Alaska's Constitution gives the governor the power to veto line item appropriations along with the duty to submit a state budget to the legislature.

The Constitutional duty to submit a state budget is the major source of friction with those legislators who would like to reduce the governor's role to merely that of administrator.

Alaska's Constitution clearly imposes on the governor the duty to submit a total proposed budget for all of the public funds to be spent in the coming year - a budget that reflects his balancing of the state's priorities.


While the legislature is given exclusive power to appropriate funds, Article IX, Section 12, intends that the governor act as the initiator of public policy in submitting a complete budget. He is to propose spending priorities in the best interest of the state as a whole.

The practice of the past six years has resulted in a partial budget, with the governor submitting an operating budget while the capital funds are divided into thirds among the governor, the two branches of the legislature.

This is an abdication of authority and responsibility by the governor and an unconstitutional assumption of power by the legislature.

The Constitution intends that public debate among legislators, as to where funds will be spent and to what purpose, will result in state spending that reflects public consensus.

The practical result of the one-third, one-third, one-third division is the loss of opportunity to ever reach consensus.



“The governor shall submit to the legislature . . . a budget for the next fiscal year.”

Article IX, Section 12

The rule has been: no questions asked.

If necessary, the hammer of the veto must be used again and again.

Members of the House and Senate, as well as the governor, have millions of public dollars to spend that are never subject to the open debate process of determining the highest and best use of public funds. Instead, the rule has been: "I will not question how you spend your millions if you do not question how I spend mine."

For the most part, no questions have been asked and the cost in lost opportunities, for money that could have been better spent, is immense.

The governor, as well as individual members of the legislature, have been attempting to change this practice.

The executive branch must take whatever action is necessary to bring the budget process back in line with the Constitution.

Each governor must prepare a total budget in advance of the legislative session, soliciting input of local governments, regional legislative caucuses, and the people as he or she designs statewide priorities.

Finally, if necessary, each governor must use the Constitutional hammer of the line item veto again and again.

LEADERSHIP

LEGISLATURE: ARBITRATOR FOR THE PUBLIC

To balance its strong executive, Alaska's Constitution establishes an equally strong legislature. The tone of Article II is that of public confidence in elected representatives.


With the confidence is given the authority: to appropriate funds; to write the laws of the state; to set management policy for Alaska's public resources.

The legislature is to act as reconciler of the many contradictory interests that make up Alaska. It is to be the public arena for arguments to be aired and choices made.

The legislature is the arbitrator of what is in the public's "best interest."

The problem over the past five years is that the legislature has neglected its role of arbitrator - of choosing among opposing interests to decide the public interest.

Questions of leadership are whether individual legislators will be willing to make the hard choices with oil revenues still available; and, whether the budgeting process can be streamlined to make such choices more possible.



The legislature is the arena in which choices are to be made.

REMOVING OBSTACLES TO LEADERSHIP

While the governor has the duty to initiate the budget, the legislature has the responsibility to evaluate, decide, and appropriate. If the governor doesn't veto - the legislature has the final word.

Right now it is evident that no one is quite sure what that word is. Other recent studies have reached the same conclusion:

The state has lost track of where its dollars are being spent.

It is the opinion of many policy-makers that few officials are certain as to what agencies are spending their money on, or to what purpose, and that the capital budget review process is flatly out of control.

Elected leaders cannot test the validity of proposed spending priorities when essential information is not available or is confused.

There must be a clearing away of obstacles to informed decision-making:

- Regaining oversight of budget expenditures must be a major priority for the legislature.

It is not possible for elected leaders to make credible statements about whether or not the budget can or cannot be curtailed when it is general knowledge that specific information is lacking to back up these judgements.

LEADERSHIP

This "gap" in need-to-know information has been of concern to many legislators and several studies have been done on legislative reform.

These studies should be used as a starting place for action. In particular, the 1983 recommendations of the National Conference of State Legislatures should be reviewed for implementation. This report was authorized by the Alaska Legislature's Joint Special Committee on Legislative Reform.

The House and Senate Finance Committees should hold joint meetings with the governor to decide which recommendations they will endorse on budget process.



The legislature must distinguish between capital improvements and capital investments.

One former legislator describes the situation in the following manner: When you visit farm country, you can quickly tell which are the consuming farms and which are the producing farms. Those farms with large houses and small barns are the consuming farms. Those with large barns and small houses are the producing farms. "Alaska's oil wealth", he said, "is being spent on the house, not the barn."

A Capital Investment Fund is the best way to meet investment needs.

A longer term compromise of current and future capital investment needs must be struck or Alaska's opportunities will be missed.

The dedication of a portion of current income for future large investment projects is an essential security in achieving a proper balance.

The Capital Investment Fund concept is the best means of doing this. The legislature must begin the process of amending Alaska's Constitution to dedicate a portion of Alaska's resource revenues for investments in large scale, revenue-producing projects.

- The legislature must reaffirm its role as a testing ground for priorities in the operating budget and open public debate on responsible ways to cut back this budget to a sustainable level.

LEADERSHIP

Between 1979 and 1982, Alaska's budget skyrocketed, going from \$1.4 billion to over \$4 billion.

Most lawmakers agree that there has been no serious test of priorities of the operating budget since 1979.


The proposed FY 1986 budget calls for "holding the line" - but it's a line that is too high to be sustained in the future. The latest budget maintains operating expenses that erupted into being with the dramatic increase of oil prices.

The state is literally burying itself in "political entitlements". Program budgets that doubled or quadrupled only in the past four years are now being treated as if they represented true entitlement obligations.

Instead of priority assessment, some lawmakers are making "voter" assessments and taking the position that so many budget dollars represents so many votes. It suddenly becomes irresponsible to attempt to cut back the operating budget to where it can be sustained in the years to come.

Did the state permanently quadruple its entitlements in a four year period? Is this the operating budget the state wants to or intends to maintain (with inflation increases) into the future?

If there is no test for priorities now, the answers to all these questions will, by default, become "yes".



The state is literally burying itself in "political entitlements".

TO ENCOURAGE A 'CITIZEN' LEGISLATURE

The writers of Alaska's Constitution designed a strong, positive role for the legislature - which they envisioned as a citizen legislature.

It is obvious from the record of the Constitutional Convention that the delegates wanted a legislator who says "we" and means: "we members of the public" They did not want a legislator who says "we" and means: "we members of the legislature".

Too often members of the public hear legislators say: "Well, it may be a good idea, but you don't understand politics." or "Of course, I don't think it's right, but you have to go along with the majority."

When legislators become condescending toward the public, there is no citizen legislature; there is a self-serving bureaucracy responsible first to itself.

The passage of the Constitutional amendment to limit sessions will help broaden access. In addition, two other actions should be taken:

- The Conflict of Interest statute should be strengthened and amended so that it no longer infringes on an individual's right to privacy to such a degree that it discourages able and principled people from running for office.



LEADERSHIP


It is entirely appropriate to prohibit certain personal conduct and business relationships on the part of public officials. It is not appropriate to require candidates to file detailed lists of personal or family clients, customers, business associates, and property information, as if this public exposure will insure the person's honesty.

The solution is to change the focus. Now intrusive disclosure is required with a "rap on the knuckles" when there is a violation. The procedure should be reversed, with emphasis on basic up-front disclosure and extremely tough penalties when an official fails to "self-disclose" and votes or rules on issues that could result in personal financial gain.

- Consecutive terms should be limited in the legislature so the focus is on the public good rather than on individual reelection.

The Constitution should be amended limiting state senators to two consecutive four year terms and House members to four consecutive two year terms.

A break in consecutive terms gives policy-makers an opportunity to be a "citizen" again and breaks the "tyranny of power" that can stifle creative approaches to governing.



Shorter terms break the "tyranny of power" that can stifle government.

FORGING NEW LINKS WITH THE PEOPLE

Most governments have a very direct link with the people - personal income taxes. This link does not exist in Alaska.

Alaska needs to forge new links between the people and their government.

One method to help provide that linkage and to assist the Alaskan people to evaluate their elected leaders would be an Alaska Annual Report prepared by the governor's office.

This report should be an accounting from the leadership to the public. It should answer the public's questions: What have you done with these public assets? What have you done for us? The report should be modeled after the informational style of the annual reports of the Regional Corporations.

In addition to presenting the traditional "corporate bottom line" that has resulted from the state's actions, the Alaska Annual Report should illustrate how the operations budget was spent for education, health and social services, the judicial system, and so on, and relate the funds appropriated to program goals and achievements.

If issues are related to numbers, the Alaska Annual Report will enable citizens to take a more informed interest in the management of their assets and provide a means to monitor and measure the performance of state government.

"What have you done
with our public
assets?"

TOWARD A NEW POLITICAL PHILOSOPHY

One of the many contradictions of Alaska is that it is a state where many came to get away from government, yet bureaucracy is a major occupation.

The mix of independence of thought and interdependence on government shows up in the small percentage of the state's voters who indicate a political party preference. Nearly 60% register as unaffiliated.

While independent voter registration makes it easier for individuals from both the private sector and the public sector to work with various administrations, there has been a price.

In the legislature, it has made it easier for free floating coalitions to take control.

These coalitions are controlled by regional interests. Instead of a "marriage of philosophy" these coalitions are marriages strictly of convenience. The only issues are who is going to have the positions of power and biggest piece of the revenue pie.

The other weakness is that the public knows neither whom to praise nor whom to blame. If a Democratic majority achieves major accomplish-

The public doesn't
know whom to praise
or whom to blame.

The opportunity for
coalitions of
philosophy will be
improved.

ments for the state, the voters could react at the polls in support of that party's candidates. If a Republican majority opens an era of prosperity, that party would get the credit. But how does a voter support a coalition at the polls?

A positive step to help the parties gain strength in Alaska is to reinstitute the preferential primary that was used in this state prior to 1968. This system, unlike a "closed primary", does not exclude "uncommitted voters" from the primaries.

No one has to declare a party affiliation to vote; each voter is handed one secret ballot with all the candidates from each party listed. The difference is that each voter may only vote for candidates from one party. No mixed-party voting is accepted on this ballot. The general election process would be enacted as usual.

In this way, allegiance to the party closest to individual philosophies will be strengthened and the opportunity for coalitions of philosophy improved.



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Assembly California Legislature

WILLIE LEWIS BROWN, JR.
SPEAKER OF THE ASSEMBLY

January 24, 1991

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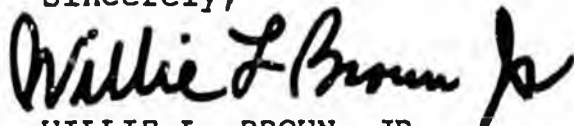
Dear Mr. Heinze:

At this time I would like to thank you for serving as my appointee to the Joint Select Committee on the Changing Family.

You and the other Task Force members have performed admirably.

Please accept my appreciation for the time and effort spent serving the state and the citizens of California.

Sincerely,



WILLIE L. BROWN, JR.
Speaker of the Assembly

WLB:mr

DEPARTMENT OF
NATURAL RESOURCES

APR 04 1991

COMMISSIONER'S OFFICE
JUNEAU

**PLANNING A FAMILY POLICY FOR CALIFORNIA
FIRST YEAR REPORT OF THE
JOINT SELECT TASK FORCE
ON THE CHANGING FAMILY**

CO-CHAIRS:

TOM BATES, MEMBER OF THE ASSEMBLY

DIANE E. WATSON, MEMBER OF THE SENATE

April, 1989

State Capitol

Sacramento, California

Prepared by Sherry Novick

with

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Photography by Nita Winter

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INTRODUCTION

"I was born in Vietnam in a police station. When I was born, there was war in Vietnam. [Today] I live with my adoptive father, my nephews and nieces ... I have a hard-working family. We are a team together. My family wants me to be smart and have a safe and prosperous life. I am proud to belong to the Vong family. They love me.

Menh Vong
Griffin Elementary School,
Los Angeles
"What My Family Means To Me,"
Essay presented at hearings before the
Joint Select Task Force on the Changing Family,
March 5, 1988

The profile of California's families has changed dramatically in the last three decades. Fewer than one in ten families presently fits the "traditional family" model - breadwinner father, homemaker mother, and two or more children.¹ Of those families with children, less than a third have a father who works full time and a mother who stays home.² The majority of families today have both parents in the workforce, and increasing numbers are headed by single parents who have sole responsibility for their children.

With few exceptions, the policies of government, schools, the workplace, and the community have not caught up with the social and economic forces shaping contemporary families:

- The majority of today's parents find themselves stretched between caring for their children and earning a living. Often their responsibilities conflict, forcing them to choose between the well-being of their family and the security of their jobs.
- The population is aging. The fastest growing portion of elders is the oldest, those most likely to require care or assistance. Yet, traditional full time caregivers - wives and adult daughters - are entering the paid workforce in increasing numbers.
- Thirty percent of California's youth drop out of high school each year. Business leaders warn that today's children will not be adequately prepared to meet the demands of tomorrow's job.³
- Demographers predict that half of today's children will live with a single parent at some time in their lives.⁴
- A second salary has become a necessity in most California households. But even with two incomes, the cost of housing, child care, and other daily expenses threatens the economic stability of many middle class families.⁵
- The ranks of the poor are growing. Today more than 23 percent of California's children live in poverty, a rate that has almost doubled since 1969.⁶
- For the first time, parents cannot assume the next generation will do better than they did.

It is no wonder that recent public opinion surveys show increasing concern for the health of today's families. A 1988 Gallup poll found that two out of three parents believe family life has gotten worse in the last 10 years. Only 23 percent feel society values parents, and only 14 percent believe society bestows value on nurturing and caring for others.⁷ Yet nine out of ten people polled in early 1989 said a good family life is one of their highest priorities.⁸



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Families play an essential and unique role in society. They care for dependents economically and emotionally, offer a foundation for the values and ethics of each new generation, motivate children to achieve educationally, and provide a sense of belonging that is essential to human growth and dignity. But outdated policies are undermining family stability today, causing serious problems for many families and crisis conditions for others.

A New Landscape for California's Families

California's family portrait reflects an array of recent social, economic, and demographic changes.

The economy has shifted away from manufacturing, toward lower paying service and information industries. Real wages have declined and family benefits - like health insurance and private pension plans - have diminished. A middle-income male turning 40 in 1963 saw his real income climb 30 percent by the time he reached 50; his

counterpart ten years later saw his fall by 14 percent.⁹ Instead of one wage supporting the whole family, most families today must rely on two incomes to keep from slipping backward on the economic ladder. Families with only one breadwinner face a high likelihood of economic deprivation; nearly half the state's single parent households live below the poverty line.¹⁰

The changing economy has brought unprecedented numbers of women into the workforce. Sixty-three percent of mothers in two-parent families work, as do 61 percent of single mothers. Mothers with preschool children make up the fastest growing segment of the labor market, and more than half of them return to work before their baby's first birthday.¹¹

The age structure of families is changing. The birthrate is at a 15-year high. By the turn of the century, the population under 18 will increase by 25 percent. At the same time, greater longevity has led to an unprecedented growth in the elder population. By the year 2000, one in eight Californians will be over the age of 65, and the number over 85 will increase by 81 percent.¹²

Hispanic, Asian, and black families will soon comprise the majority of the state's population. But many of our institutions - from schools to the workplace - have yet to catch up with the needs of their new "customers." Children of color are still those most likely to attend over-crowded inner city schools which often leave their students under-educated and ill-prepared to provide for the families of tomorrow. Black, Hispanic, and Southeast Asian refugee families remain the poorest in the state.

These social forces combine to present challenges that will extend well into the next century.

Who will care for the young and the old if family caregivers are increasingly in the workforce?

Will the state's new families be adequately prepared to support future generations?

How can the multi-cultural skills and resources of new immigrant families help to meet the competitive demands of the global economy?

Will generational barriers isolate elders from the mainstream of community life, or can we find ways to ensure that families and communities benefit from the experience and expertise

of the growing retired population?

How must the state's fiscal and human resources be organized to ensure a strong economy, while enabling families to provide care and nurturance to all their members?

I believe California has the opportunity to provide leadership, and perhaps a legislative blueprint, on what must be one of the most complex, controversial, and vexing areas of public policy - a supportive family policy. It is increasingly clear that to assume family policy is a private matter is bad public policy. Individual private decisions may have enormous public consequences and, in many cases, require support and resources which are beyond the individual or private association to command.

*Alice Ilchman, Co-Chair
Family Policy Panel
United Nations Association*

Every year the Legislature considers hundreds of bills designed to assist the family. Parental leave, child care, family life education, and maternal and child health are among many family issues debated each legislative session. But to date the Legislature's actions have been fragmented; we have yet to develop a comprehensive approach to a statewide family policy.

The United States is conspicuous among the developed countries of the world for its lack of a coherent family policy. California, with one-tenth of the nation's population and an economy that ranks sixth in the world, is in a position to provide exemplary leadership by enacting the nation's first family policy. The members of the Joint Select Task Force on the Changing Family hope this report will provide a step toward that goal.

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A New Approach to Defining "Family"

No single description of California's families adequately captures their breadth and complexity. To say that the family no longer fits

the "Ozzie and Harriet" model is to understate the extent of change families have undergone in the last 30 years. Today, one of the fastest growing family forms is the single parent family, the result of an increasing number of births to unmarried mothers and a consistently high divorce rate. But the remarriage rate is also high; 10 to 14 percent of all children now live in "blended" families.¹³

While two-generation families - parents and their children - are still the most prevalent, four-generation families are not uncommon. And an increasing number of families consist of only one generation - couples living alone. These families include a growing portion of "empty nest" families as well as younger couples who postpone child-rearing or choose not to have children at all. Today almost as many married couples do not have minor children as do. Nearly 1.4 million California adults live in unmarried couple households.¹⁴

From California's present population makeup we can see that the future is one of even greater heterogeneity and even more diversity.

*Leo Estrada
School of Urban and
Regional Planning, UCLA*

Given the diversity of families, the term itself conjures up any number of images - a mother and child, grandparents with grandchildren, a couple, a blended family. Scholars, policy-makers, and family advocates differ widely in their determinations of what comprises a family. The Census Bureau defines family as "a group of two or more persons related by birth, marriage, or adoption who reside in the same household." Others prefer to drop the last portion of that definition so as to include absent fathers, grandparents, and others who might not live under the same roof. Tax law, inheritance law, and laws governing social welfare programs each incorporate definitions of "the family" that fit a single purpose.

As long ago as 1921, the California Supreme Court wrote, "Family may mean different things under different circumstances. The family, for instance, may be a group of people related by blood or marriage, or not related at all, who are living together in the intimate and mutual interdependence of a single home or household."¹⁵

But the Task Force saw that what is common to all notions of the family is its role - the functions that society relies upon families to perform, no matter what their size, shape, or composition. The Task Force identified the family's five basic functions:

- 1) Maintaining the physical health and safety of family members by providing for their shelter, food, clothing, health care, and economic sustenance.
- 2) Providing conditions for emotional growth, motivation, and self-esteem within a context of love and security.

-
- 3) Helping to shape a belief system from which goals and values are derived, and encouraging shared responsibility for family and community.
 - 4) Teaching social skills and critical thinking, promoting life-long education, and providing guidance in responding to culture and society.
 - 5) Creating a place for recreation and recuperation from external stresses.

When the majority of these family functions are not fulfilled, family instability can result, creating physical and emotional costs to family members and social and fiscal costs to society.

Family Instability: A Costly Phenomenon

The activities of the family revolve around its two fundamental roles: the "private" role - caring for, nurturing, and guiding family members, and the "public" role - working to support the family economically. Unfortunately, in today's society, inadequate policies and unresponsive institutions often cause those roles to conflict, jeopardizing the care of family members and undermining their economic and physical security. When that happens, families and society pay.

- Families without a full time caregiver at home - the majority of California's families - experience constant tension as they try to balance their competing responsibilities at work and at home. Analysts at Merck Pharmaceuticals estimate that tardiness, early departures from work, and stress-related health problems associated with the work-family conflict cost American industry close to \$300 billion in 1984.¹⁶
- Inadequate child care - especially the lack of supervision for children after school - has been correlated with increased rates of child injury, property damage, and decreased school achievement. Breakdowns in child care arrangements can cause parents to miss work and lose family income; the dearth of appropriate child care options prevents some parents from working at all. Families, communities, the state, and - most disturbingly - children bear these costs.
- Lack of family time takes a serious toll on a family's ability to nurture and care for its members. Family time is crucial to children's educational motivation and the development of their self-esteem. A family's activities at home are twice as

important as its social or economic status in predicting a child's academic achievement.¹⁷

- Children who are not motivated to achieve academically can be handicapped for life. California's high school drop-outs make less than two-thirds the earnings of high school graduates, and less than half the income of someone with college credit. They are more than three times as likely to be unemployed and more than four times as likely to have had trouble with the law.¹⁸
- Taxpayers also bear the cost of inadequate family policies. In 1986, employed women who gave birth without any maternity or parental leave cost American taxpayers over \$108 million in public assistance, compared to new mothers who had maternity or parental leave.¹⁹
- The 5.2 million California families who lack health insurance - 80 percent of whom are working families - are less likely than those with insurance to see a physician even when they are experiencing serious symptoms. Their children are less likely to be immunized, and uninsured pregnant women are less likely to begin prenatal care early in pregnancy. In each case, late intervention when problems occur is many times more costly than early attention would have been.²⁰
- Families in poverty bear costs that transcend dollars and cents, for injury to the human spirit cannot be quantified. The stress on a parent who cannot feed her children when they are hungry; the loss of hope that defines the future of an unemployed youth; the cynicism that grows out of want and undermines the possibility for constructive change - these injuries violate the values on which this country is founded.

We always say that our children are our future and our people are our most important asset, but if you look at the way we treat our children and our families, it's pretty hard to believe that we understand that. And I think it is extremely important to bring our policies and our institutions into conformity with the requirements of healthy families.

*Ray Marshall
Former U.S. Secretary
of Labor*

A Public Policy Response

The goal of the Task Force on the Changing Family is to develop a set of coordinated public and private policies that support families in fulfilling their basic functions. Policies that are responsive to the needs of today's families will promote family health and stability, while those that are inappropriate and outdated will impede families' efforts to thrive.

The Task Force concluded that policies intended to support families must recognize the family's inherent strengths and enhance, rather than replace, family resources. Policies must recognize that the

family is part of a community, and that strengthening the community can strengthen families. Most importantly, statewide family policies must broaden the options available to families, enabling them to make choices that are responsive to their diverse situations and their own special needs.

As we approach the 21st century, families will face continuing social and economic change. Families are our most fundamental social unit, integrally connected to the well-being of every Californian. How families fare deeply affects how the state fares. Policy-makers in the public sector and the private sector, on both state and local levels, have a stake in working together to support today's families and to ensure the strength of tomorrow's.

TOWARD A COMPREHENSIVE FAMILY POLICY

The Task Force on the Changing Family recommends that policy-makers in the public and private sectors utilize the following principles to guide them in developing policies to support and strengthen families:

- I. **The family is our primary social and economic unit. It serves as an intermediary between the individual and society, and provides its members with a sense of continuity and belonging. A healthy family functions with an efficiency and success rate that no other institution can match. The functions of the family include:**

Maintaining the physical health and safety of family members by providing for their shelter, food, clothing, health care, and economic sustenance.

Providing conditions for emotional growth, motivation, and self esteem within a context of love and security.

Helping to shape a belief system from which goals and values are derived, and encouraging shared responsibility for family and community.

Teaching social skills and critical thinking, promoting life-long education, and providing guidance in responding to culture and society.

Creating a place for recreation and recuperation from external stresses.

Policies in all sectors of society, including government, schools, the workplace, and the community, must support families in carrying out these critical functions.

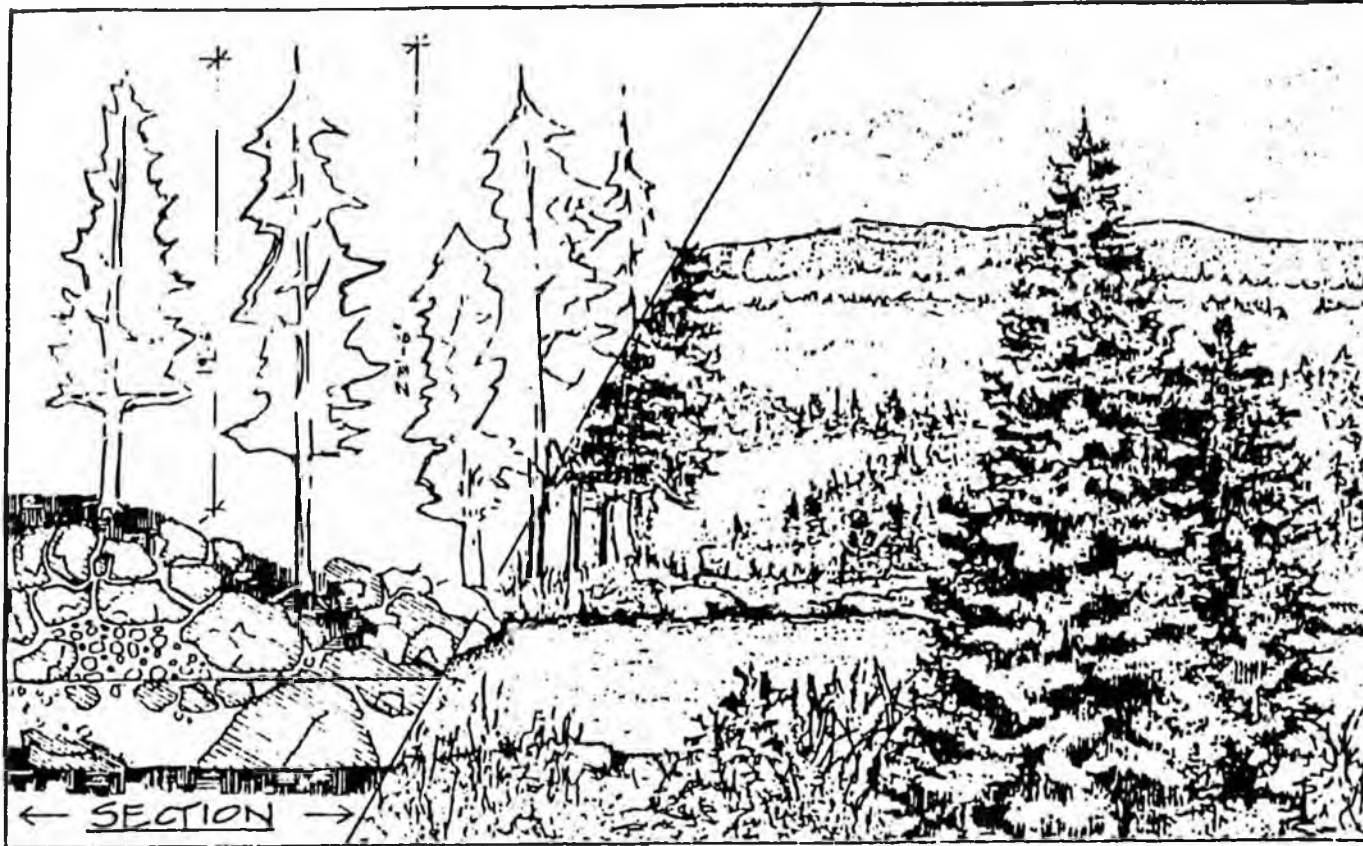
- II. Policies must respond to the changing needs of today's families, while respecting their privacy, integrity, and diversity.
- III. Policies must assure the health and well-being of individual family members, while promoting the stability of the family system as a whole.
- IV. Policies must build upon family strengths and promote the right of all families to participate fully in the institutions that affect their lives.
- V. Policies must address the continuum of family concerns, from birth to death.

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John A. Baden, Ph.D

Foundation for Research on Economics and the Environment

A GREEN BLUEPRINT FOR AMERICA

A Green Blueprint for America: Harmonizing Liberty, Ecology and Enterprise

By
John A. Baden, Ph.D.

With the Research Assistance of

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We thank the M. J. Murdock Charitable Trust and the Carthage Foundation for their generous support of this project.

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Introducing The New Environmental Agenda

On the First Earth Day the term "free market environmentalist" would have been an oxymoron or described a null set. Today environmental activists understand that such people exist and share with other environmentalists a passion for nature.

The market oriented or classical liberal environmentalists have moved up the learning curve. They understand the failure of profit oriented organizations to consider environmental values. Unless they face incentives, firms discount environmentally prudent behavior. Likewise, U.S. Forest Service officials place their budget above ecological considerations. In both cases the managers make decisions on the basis of information they have and the incentives they face.

These new environmentalists understand why past remedies have failed and agree on the logic underlying the new methods that should be tried. The market oriented environmentalists want to harness the power of environmental concern. They stress the positive potential of private property rights, the power of voluntary action when organized by organizations such as The Nature Conservancy and the Environmental Defense Fund, and usefulness of markets and voluntary cooperation for ecological integrity.

This New Resource Economics, or free market environmentalism, is the only approach to environmentalism consistent with American traditions of liberty and individual responsibility. Before exploring this model, I review the conventional approach.

Economics and Ecology

The root of both ecology and economics is derived from the Greek word, *oikos*, meaning "house." In a sense, this Green Blueprint is a repair manual for that house and the institutions that govern it. What

The New Environmentalists

Environmentalists agree that while we have made progress in certain special areas such as water pollution, the regulations associated with the first Earth Day movement have failed to protect nature from general deterioration. The movement advocated two types of changes: greater sensitivity toward our environment and greater governmental command and control regulation over it. On the 20th anniversary of Earth Day, alternatives to statist environmentalism are increasingly advocated by the environmentally sensitive. There is increasing recognition that an environmentalism based upon property rights, incentives, market mechanisms and voluntary associations have great potential for environmental management. Concurrently, there is greater understanding of the potential for mischief inherent to political control. As war is too important to leave to the generals, ecology is too important to trust to politicians and bureaucrats.

we learn here can be applied throughout the environmental policy arena.

It is important to understand that environmental problems are normally not caused by bad, malicious, or incompetent people: Given the institutions within which they work, most people do as well as can be expected. While increased environmental concern and widespread understanding is important, it is policies and institutional arrangements that most need reform. This blueprint proposes a series of reforms guided by the New Resource Economics, a mode of understanding that incorporates science, culture and economics. Specific focus is on the creation of information and incentives in the institutional environment in which environmental decisions are made.

People make decisions on the basis of information and incentives. These incentives have moral, cultural and financial components. The serious problems that have become so obvious are caused by institutions that generate misleading or inaccurate information and by incentives which encourage or tolerate environmentally costly behavior. Federal agencies with management responsibility over lands and waters claim that the problems can be cured with larger budgets, more personnel, and grants of ever greater power. The best solution, however, requires something more complex than expanded budgets and increased power. Successful environmental management requires institutional changes. This Green Blueprint outlines several.

The prospect of institutional reform threatens the special interests, including the federal bureaucracies, that control our environment. These institutions are enmeshed in political systems which produce decisions based upon contending cultural and economic interests. Reform is resisted by those most intimately connected to the institutions most in need of reform.

There is one important reason why it is difficult to implement reform: various special interests have stakes in the existing arrangements. Those who expect to lose from change will resist reform. In contrast, many of those who would benefit from reform are unorganized and unaware. The taxpayers whose monies currently subsidize destructive practices are those most likely to be unaware of the likely benefits. I hope this Green Blueprint provides useful understanding that will foster reform.

America's First Environmental Movement: The Progressive Era

Yellowstone National Park was created in 1872, and the National Forests nineteen years later with the Withdrawal Act of 1891. They stand as the finest monuments to the good intentions of the Progressive Era. The Progressives had faith in "scientific management," and they believed that federal bureaucrats could be insulated from political pressures. This sincere belief underlies the creation of the agencies that manage the vast majority of America's federal lands, approximately 700,000,000 acres, one third of the nation.

The Progressives assumed that scientific managers would act on the basis of "higher" values. They apparently believed that an environmentally sensitive Platonic despot would emerge as the bureaucratic norm. This creature was to combine the knowledge of Aldo Leopold, America's revered pioneer wildlife ecologist, with the spirit of St. Francis, the patron saint of the environmental movement. But the results of a century's management reveal this idealized bureaucrat was an impossible dream.

The Progressives' faith in "scientific management" resulted in environmental costs, inequities, and economic inefficiencies. This is

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pack is a thin veneer of ice floating on a very deep ocean. The ice does not, on the surface, appear very homogeneous, in fact, it's pretty cracked up. But from a larger perspective it is indeed very homogeneous, with roughly three meters of thickness throughout the entire ocean. Also, because there is little precipitation in the area, this thickness remains fairly constant.

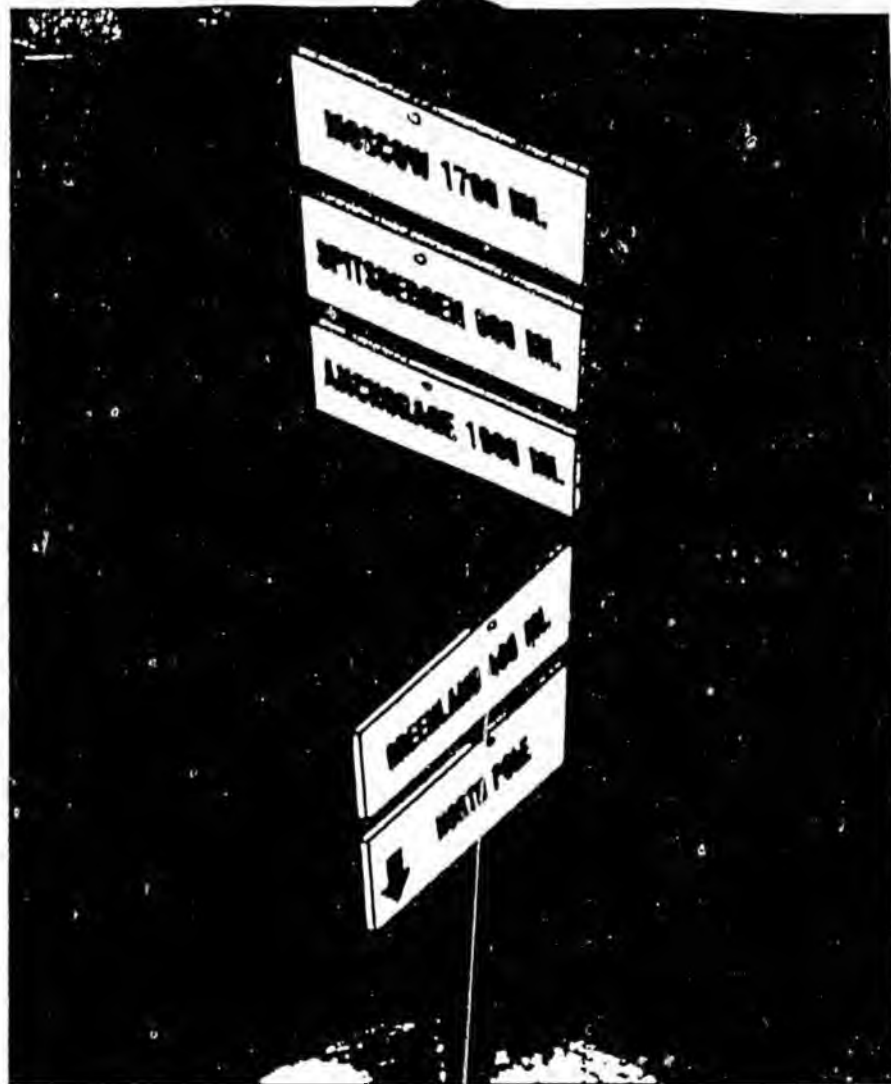
Another dominant feature of the polar ice cap is its constant circulating motion. To understand this, imagine a map with North America at the bottom and the Soviet Union at the top, with the North Pole in the middle. Then imagine the ice rotating clockwise, and you'll have the basic idea of the Arctic ice flow. Also, the ice mass moves in and out from the various shorelines.

The final thing to keep in mind about this mass of ice is its size. In the deep of winter it can extend quite far south, into the region of Iceland, all along the coast of the Soviet Union, across the Bering Strait, well down the Greenland Sea, and into Baffin Bay in Canada. The area of this Arctic ice pack is roughly equal to the area of the continental United States.

To build this superhighway one would need only a few simple machines, one of which is a relatively recent invention. The actual process for constructing the road is so simple that I wonder why it took so long to think of it. The way to build this road is to build it out of ice.

In the oil industry we've recently found that if you take cold water and shoot it out of a fire-hose nozzle up into the air when the temperature is below zero degrees Fahrenheit, you make a very strong granular ice. For example, at an Exxon drilling platform in the Beaufort Sea, workers built what was in essence a huge berm, a large pile of ice around the structure, which lay in about 40 feet of water, that protects it. They made the pile of ice so high that it sank, just like an iceberg. And, as 90 percent of an iceberg is below water, the manufactured iceberg continued to sink until it grounded on the bottom. Then they built up the berm pile. By this method you can build ice at the rate of two feet per hour. All it takes is cold water and cold air, both of which are in abundance in the Arctic.

There's a second technological tool



that can be used to build this ice road; it's called a geophysical surveying crew. This is nothing more than a track vehicle pulling some modules behind it. You can use both machines simultaneously to create the road. First, a large reservoir could be pumped out of the ice, and then a series of aqueducts could be built out of ice by having a geophysical surveying crew move along the ice, pulling behind it a long mandrel on which ice has been sprayed. As the vehicle moved along, it would create in its wake its own water pipeline out of the ice. I estimate the ice thickness in this case would be about 100 feet, with a width of several hundred feet.

Based on my knowledge of the costs of geophysical work, and also on the simplicity of the materials—the natural cold air and water already available—I figure the cost of a 2,000-mile road might be a few hundred million dollars. For a project of this scale, the price tag is astonishingly low.

But how will this road bear up as the ice moves? I can answer this question by asking you to think of the ice as a piece of tissue paper. If you crumple the piece of paper and then smooth it out you have something that looks very much like the thin Arctic ice pack with all its strengths and weaknesses. If you then put stress on that paper, really push it, you find that in certain places the stress concentrates and you get cracks and pressure ridges.

If, on the ice, you introduce a strong linear feature, such as a road, and push again, what you find is that those cracks and pressure ridges, as they come up against the road, will create rubble and will in time even strengthen the structure.

Engineers may someday figure out a way to build ice roads more in the shape of a truss or in other configurations, as refinements of the basic idea. There has not yet been much detailed engineering work done in connection with ice roads, but the basic notion is

HIGHWAY ACROSS THE ARCTIC

ALL YOU NEED IS LOTS OF ICE
AND A FEW HUNDRED MILLION DOLLARS.

BY HAROLD C. HEINZE

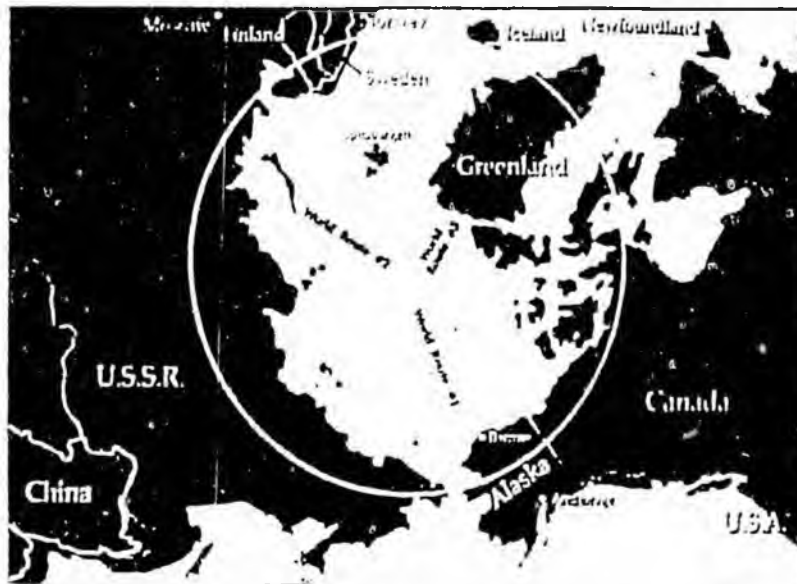
Simply put, Polestar is an idea for a city at the North Pole.

At the moment it is only a vision, a concept that is being developed. But it is a vision that holds great promise; if it can someday become a reality, its global impact—economically, environmentally, socially, and politically—will certainly be immense and positive.

But first, in order to build this city at the top of the world, there is

one specific project that would have to be completed. This project is known as World Route One—a permanent ice road across the North Pole, linking the United States to a number of countries, including Greenland, Norway, and the Soviet Union, that have boundaries on the Arctic Circle. A road like this would be a means to commerce as well as a peaceful, symbolic link between the world's two superpowers; it would open a great frontier for the world's pioneers, and at the same time enable us to use the resources of an area that has remained closed only in our imaginations.

This idea may well seem far-fetched. But if you had stood on the North Slope of Alaska for 20 years and listened to someone tell you that, in the barren scene before you, a giant industrial complex would arise, you probably would have scoffed. And yet that is precisely what has happened in the North Slope. I've learned never to underestimate what can be done in this



part of the world.

The natural resources of the Arctic are both plentiful and largely untapped. From this standpoint, one of the most interesting things about the North Pole is, of course, that it is at the north end of the magnetosphere.

The Arctic ice pack is a thin veneer of ice floating on a very deep ocean.

the earth's huge generator and the source of that magnificent spectacle known as the northern lights, or aurora borealis. While it is not yet known how we can tap the power of the magnetosphere, solving this problem is not beyond the realm of possibility. And if

there is one place in the world where this power could be tapped, it's in the Arctic. Bear in mind that the incident solar energy created in the magnetosphere each day is the equivalent of the electrical generating capacity of the United States.

But energy is not the only bountiful resource in the region. Because the Arctic Ocean is a deep ocean, it offers great potential in its marine life. We know, for instance, that right

on the edges of the ice shelf in Antarctica, at the other geographic pole, there is a shrimplike creature called the krill that is so plentiful that even to harvest a small percentage of its population would be to alleviate the protein needs of the world. As all oceans beyond a depth of 200 meters are essentially the same in terms of marine life, it's not unreasonable to think that the Arctic Ocean would give us an equally rich field of food. Moreover, we know next to nothing about the marine life that exists at the edge and under the Arctic ice.

There is also reason to believe, from looking at a bathometric map of the ocean floor, that there is a high degree of mineralization at the bottom.

So, assuming that we decide to take advantage of the resources there, and to begin by building an Arctic superhighway, how can a road on the ice be made to work? I can begin to answer this question by explaining something about the polar region. The Arctic ice

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certainly sound enough to merit research into its feasibility.

The purpose of this new road would be, first and foremost, commerce. Semitrailers could haul goods between the northwestern part of North America and new markets on the other side of the pole. In particular, one road could go across the top of the world to Svalbard, the Norwegian archipelago, and another road could proceed to the Soviet Union and down into Europe. Another highway could go to Greenland. Svalbard is a logical point for a hub because the Arctic ice pack stays fairly close to the land there throughout the year.

The distances involved would not constitute a problem. The mileage between Point Barrow, Alaska, and the Soviet coast, for example, is about 2,000 miles. If the road is a straight one and most of it is without a speed limit, the travel time would be reasonably short.

Of course, when you start building roads, the first thing that happens is that people want land nearby. And in the Arctic the way to make more land would be to spray more ice; soon you'd have a place for people to settle.

This raises an interesting question about what the jurisdiction of any settlements along the ice highways might be. Outside the 200-mile territorial limit, I would presume the law of the sea prevails, because it is not land in the normal territorial sense we are talking about, but ocean.

One of the aspects of the Polestar vision that appeals to me most is imagining settlements along World Route One—somebody driving along the road and saying: "I like the looks of this place, I think I'll stop here." And just as they would in, say, the Brazilian jungle, they would carve out a clearing. Just as people did when the American West was opening, they'd come to settle.

Somehow that coming together of pioneers, the idea of opening up territory to people who want to start a new life there, may be what makes this vision come true. □

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Alaska in the Twenty-First Century

February 1991

Alaska Center for the Environment
Alaska Coalition
American Rivers
Defenders of Wildlife
Environmental Defense Fund
Friends of the Earth
Izaak Walton League
National Audubon Society
National Parks and Conservation Association
National Wildlife Federation
Natural Resources Defense Council
Northern Alaska Environmental Center
Sierra Club
Southeast Alaska Conservation Council
The Garden Club of America
The Wilderness Society
Trustees for Alaska

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Introduction

In the ten years since President Jimmy Carter signed into law the Alaska National Interest Lands Conservation Act, Americans have become more appreciative of its importance and its magnitude. With more than 100 million acres of lands designated as national parks, refuges and other conservation units—an area the size of California—ANILCA stands as the most comprehensive and far reaching land conservation law ever enacted by any country.

But the Alaska Lands Act was not just a victory for land, waters, and wildlife, it was a triumph for the cooperative efforts of the environmental community, under the leadership of the Alaska Coalition, its friends and allies throughout the nation. We celebrate Wild Alaska as a milestone in conservation history, a spirit and organization to be revitalized and directed into our future efforts.

As in any product of legislative struggle and compromise, however, ANILCA contains weakness, loopholes, and unanticipated problems.

One major shortcoming, ANILCA's legislative direction to overdevelop the Tongass National Forest, was reversed after ten years of effort by environmentalists. Congress passed the Tongass Timber Reform Act protecting new wilderness and watershed areas and ending automatic funding for logging. President George Bush signed the new law on November 28, 1990.

But a major battle remains: the controversy over protection of the coastal plain of the Arctic National Wildlife Refuge. Against the backdrop of crisis in the oil-rich sands of the Middle East, Congress again debates destruction of the coastal plain as a result of failed energy policies. To protect this wild treasure, environmental activists must lead the way toward alternatives to increased oil reliance, such as improved energy efficiency and a move to renewable energy resources.

Ironically, while the drums of war in the Persian Gulf threaten the wildlife and wilderness of the Arctic Refuge, the dawning of peace between East and West in 1990 underscores the importance of Alaska's natural treasures within the circumpolar environment and the opportunities for better understanding and international cooperation in protecting our common heritage.

Viewing Alaska's place in the global environment of the 1990's with its heightened environmental awareness, better understanding of the transcontinental consequences of pollution on nature and humanity, and new opportunities for international cooperation, we must ask anew the three basic questions that governed the structure of the original Alaska conservation proposals:

Have we protected all of the diverse ecosystems of Alaska? Are there important lands, rivers and marine environments which

should be protected as new conservation system units? What are the needs and opportunities for new wilderness areas?

Have we protected complete ecosystems? Is the biodiversity of each ecosystem conservation units protected? How can we protect conservation system units from incompatible activities taking place on inholdings?

Are the conservation system units being managed properly? How have our existing laws been implemented? What conflicts exist with extractive uses of our natural resources, with wildlife management, and between state and federal goals?

And to this list, we must consider Alaskan energy development and transportation as a separate major issue, one that affects management of every conservation system unit, lands and waters outside the conservation systems, even international conservation efforts. Energy development policies dominate Alaskan politics, the Alaskan economy and Alaskan natural resources. What are the threats from oil and gas extraction, maritime oil transport, a new gas pipeline?

This conference and this document gathers our best information and expertise from the environmental community and from the resource agencies, scientists, economic interests, the Native community, and the efforts of neighbors such as Canada and the Soviet Union. To this we add the interests, experience and skills of environmental leaders throughout the nation to examine Alaska in the 1990's, not only our immediate challenge to protect the Arctic Refuge, as important as that is, but our common opportunity to protect America's wildest areas, to work within an environmentally sustainable economy, to identify those values of international importance, and to cooperate with our neighbors in better understanding and management of our shared heritage.

The Triumph of the Alaska Lands Act— 10 Years Later

The Alaska Lands Act—formally the Alaska National Interest Lands Conservation Act of 1980, or ANILCA—was hailed by conservationists as “the Land and Wildlife Conservation Vote of the Century.” No other measure has ever protected so much wild land or wildlife, no environmental initiative had ever involved such a massive outpouring of support from throughout the nation, nor had there ever been such an expensive, complex legislative battle undertaken by the united environmental community.

ANILCA protected 104 million acres of new national parks, monuments, refuges, forests, rivers and conservation areas—an area the size of California, overlain with 55 million acres of wilderness—a total so vast that it tripled the protected lands in the National Wilderness Protection System.

In addition, Congress provided the security of statutory designation to 27.6 million acres of refuges and monuments created by executive order prior to the Act. Included in this category the former Katmai and Glacier Bay national monuments (now parks), and the former Arctic National Wildlife Range (now refuge).

But while Alaska’s wilderness is magnificent, the Alaska Lands Act is but a starting point.

The imperfections in the Alaska Lands Act, its subsequent implementation, and even outside events like the current crisis in the Middle East, have again brought the protection or exploitation of Alaska’s unique wild lands to the forefront of America’s attention. For the past four years America has debated the same issue that dominated debate ten years ago: the fate of the coastal plain of the Arctic National Wildlife Refuge.

Our Immediate Challenge—the Arctic National Wildlife Refuge

Located in the northeastern corner of Alaska, the Arctic Refuge is the only extensive arctic and subarctic ecosystem in the world that remains protected today. Its core first protected in 1960 by President Eisenhower, it is joined today by the contiguous Northern Yukon National Park in Canada. International conservation bodies recognize it as the world's greatest wild arctic ecosystem. The Refuge provides important habitat for a wide array of wildlife, including polar bears and caribou. The coastal plain is the heart of wildlife activity, the most productive habitat in the ecosystem, and the birthplace for an internationally significant caribou herd still hunted for subsistence by the Gwich'in and Inuit people of Alaska, the Yukon and Canada's Northwest Territories.

Twice, in 1978 and 1979, during a period of energy shortages and international turmoil, the House of Representatives passed an Alaska Lands bill which afforded wilderness protection for the incomparable coastal plain of the Arctic National Wildlife Refuge. The Senate did not agree. Instead, the 1980 law directed the Fish and Wildlife Service to study the 1.5-million-acre coastal plain of the Refuge for its oil and gas potential and its wilderness values.

The provisions of ANILCA protect the refuge from development unless Congress passes new legislation authorizing oil and gas leasing. However, in 1987, the Reagan administration completed a report recommending that Congress enact full scale oil and gas leasing of the entire coastal plain. The report overlooked major impacts of oil development, overstated the area's potential oil and gas reserves and virtually ignored the region's wilderness values. Although the report has been challenged in court, its findings have been endorsed and repeated by the Bush Administration.

Controversial as the Bush Administration's development proposal is, the oil industry made gains by lobbying committees favorable to their interests which reported development legislation in 1988 and 1989. None of the bills came to the floor of either chamber because of strong opposition from other committees and the wave of public reaction to the devastation caused by the *Exxon Valdez* disaster in the spring of 1989. Nevertheless, by the fall of 1990, the controversy was once again being debated against the backdrop of crisis in the Middle East and a threatened oil supply. The oil industry has already begun a new lobbying initiative where Alaska oil development is equated with loyalty to American troops in the Persian Gulf.

Although access to the coastal plain has long been coveted by the oil and gas industry, the actual impact of the Alaska Lands Act and other public land laws was to make available for development over 90% of Alaska's suspected oil reserves. In fact, the Arctic Refuge coastal plain represents the only 125 miles out of Alaska's 1100 mile long Arctic Ocean coastline—on shore and off shore—which is not open to development. Even the waters directly offshore from the refuge have been leased by the State of Alaska.

If the Arctic Refuge coastal plain is made available to development as well, the Fish and Wildlife Service, using overly optimistic assumptions, estimates only a one-in-five chance that oil could be found in commercial quantities, and only a one in one hundred probability of a giant field on the scale of Prudhoe Bay. Such odds may be appealing to the highly competitive multinational oil firms which fight to gain access to any remaining frontier areas, but they would not assure domestic energy security for the United States even if the Refuge had no competing natural values of any kind.

But the refuge has great environmental value. Leasing legislation would turn the very heart of the refuge to private oil interests to explore and develop. Exploration means the immediate destruction of the wilderness core. The network of roads, pipelines, airfields, drilling pads, housing and other infrastructure which would accompany oil extraction would turn the area into an industrial zone.

Oil Dependence and the Environment

Just as the Mideast crisis underscores U.S. dependence on oil, the tragic oil spill in Prince William Sound demonstrated that oil and pristine environment do not mix. The *Exxon Valdez* dumped 11 million gallons of crude oil into the Sound, washing up on more than 700 miles of coastline. More than 11,000 dead birds were recovered, more than 600 otters. The massive destruction of wildlife affected national parks, forests and wildlife refuges and once again debunked the industry-perpetuated myth that beautiful natural environments can be "developed in an environmentally sound manner."

The *Valdez* was only one of 10,000 spills that dumped 20 million gallons of oil onto our nation's land, water and wildlife in 1989. That devastation continues each year, whether from pipelines, tankers, operator error or any of the other countless "accidents" that occur. And these spills are in addition to the irreversible damage that occurs to an environment by the construction and maintenance of the gigantic industrial infrastructure necessary for the exploration, extraction, and transportation of oil.

Despite the reality of U.S. oil dependency, and the destruction inherent in oil extraction, the oil industry continues to argue that the U.S. somehow can be more independent and nationally "secure" if we drill our beautiful wild areas. But the facts prove the contrary:

1. The geological formations which underlay American lands and waters contain only 4% of the world's oil reserves. The U.S. could not achieve "independence" from foreign oil by developing all of it. The nation will *always* be dependent on foreign oil unless alternative energy policies are researched, developed and receive the full backing of our nation's political leadership.
2. Oil prices will never be influenced by the tiny percentage of oil that may be found in the Arctic National Wildlife Refuge or other pristine places. Even accelerated production of reserves in Prudhoe Bay, the nation's largest, did not dampen domestic prices in the fall of 1990. The price of oil, like any other world commodity, will be dictated by world market pressures, including on the demand for oil by the U.S. and other industrialized nation's, and particularly by those circumstances that affect the major reserve holders.
3. If every drop of oil which the most optimistic oil company forecast from the Refuge were today in the pipeline, the price of oil would still rise on fears of Persian Gulf instability, and the American driver would still pay pump prices that reflect the world market cost of oil plus a profit for the industry. That oil could be used up and American lives will again be risked to protect those foreign sources on which we now depend.
4. The only way to achieve independence from world oil market price swings is to reduce U.S. dependence on all oil, whether domestically produced or imported. And the only way the independence can be achieved is through a national commitment to a new energy policy that charts a steady progression away from an oil dependent economy perpetuated by oil industry political efforts.

A New Energy Policy

The environmental community points to the savings of energy possible through increased conservation, energy efficiency, and the development of alternative fuels, solutions to an energy crisis which are both more substantial and more

certain than additional drilling. Such measures could lead to more energy security and spare the wilderness from panic or an outmoded energy policy.

We believe that a strong credible energy strategy must achieve clean American energy by the year 2010. Energy use must be far more efficient than today's, with energy supplies based to a much greater degree on renewable, non-polluting, home-grown sources, and with significantly less reliance on carbon-based fuels.

In order to achieve this goal, the strategy must include critical new commitments and objectives such as:

1. Clear goals for making our energy economy more lean and mean by increasing our energy efficiency at an annual rate of at least 3% and for doubling the portion of our energy use that is derived from renewable sources of energy by the turn of the century. If we achieve these goals, we will also significantly reduce our emissions of carbon dioxide, the chief cause of global warming.
2. A national commitment to double the fuel economy of our light vehicle fleet by the turn of the century. This single step would significantly reduce our vulnerability to oil price and supply disruptions, and also contribute greatly to reducing CO₂ emissions and urban pollution.
3. A commitment to stabilize national electricity demand within five years. This will require aggressive Federal leadership in encouraging Least Cost Utility Planning, and should include the adoption of the least cost principle in the Federal energy strategy itself.
4. A new commitment to Federal investment in research and development of energy efficiency and renewable resources. The fraction of Federal R&D devoted to these portions of the energy budget should be doubled within three years.
5. A commitment to cut energy use in buildings by at least 25% per unit of floor area by the year 2000. Any comprehensive energy strategy must focus on increasing the competitiveness of America's industrial sectors—particularly the steel and automobile industries—by vastly improving efficiency. Further, the Administration must lead the nation to increase, as other industrial nations are, the "supply-side". Alternative and/or

more efficient generating technologies can and should be combined with practices such as co-generation, district heating and cooling.

These objectives and commitments will help make a "National Energy Strategy" more than another paper exercise. But there are also paths that must be avoided—failed policies of the past, based on parochial industrial interests, and myths concerning our real energy situation. An energy strategy that is built on the wish lists of various energy industries, on subsidies for the production of fossil fuels, on the despoliation of environmentally fragile lands, or on the resuscitation of the dying U.S. nuclear industry will not work.

During the last decade, the U.S. enjoyed the benefits of low energy prices and plentiful supplies, and national energy policy planning was put on the back burner. Even though earlier federal leadership in energy efficiency was in part responsible for OPEC's disarray, we allowed our efficiency efforts to lapse, and, in the second half of the eighties, we even lost ground.

By putting in place a far-sighted energy strategy now, the U.S. could reclaim this lost ground, and lead the world in the direction of a truly sustainable energy economy—one that is more secure, cleaner, and less environmentally damaging. This opportunity will be lost if President Bush and the Congress choose to champion an *oil industry economic security policy*, rather than a *national energy security policy*, or if our leaders ignore the clear need to begin moving the nation from the era of fossil fuels to the age of efficient, renewable energy.

Our Future Opportunities

The fate of the Arctic Refuge is our most immediate challenge and is the single highest priority for the protection of Alaska's globally significant lands and waters. But its importance should not eclipse the other opportunities that await the international environmental community. By protecting the lands, waters, fish and wildlife of Alaska and working with peoples of other nations to provide for international cooperation in research, management and protection of the circumpolar biosphere we must examine anew the issues of Alaska, in the circumpolar hemisphere, in the twenty-first century.

To protect the diversity of Alaska

1. New National Wildlife Refuges

During the four years of Congressional consideration of ANILCA, several noteworthy wildlife habitats were proposed as refuges but were not included in the final product. Nonetheless, they contain nationally significant fish, wildlife, and habitat values that qualify for units of the National Wildlife Refuge System. The following annotated list provides a glimpse at the areas and their values:

Utokok: This 6.4 million acre area encompasses the primary calving grounds of the 232,000+ head Western Arctic Caribou Herd, and one of the greatest wildlife concentrations in the arctic. The area includes the Lisburne Hills, and the upper reaches of the Kukpuk River. Lying north of the Noatak National Preserve, it includes many migration corridors of the caribou as well as the calving grounds, and is home to abundant grizzly bear, wolverine, hare, wolves, and offers excellent potential muskox habitat amid a spectacular geological landscape. Much of this extraordinary wildlife area is owned by native corporations, but may be acquired through easement or purchase. The Utokok River, significant for floating, hiking and wildlife viewing, scenic quality, and its archaeological and cultural resources, as well as research opportunities, has been proposed for addition to the Wild and Scenic River System.

Teshkepuk Lake: This 1.4 million acre area may be the most biologically diverse and productive ecosystem in all of Alaska still lacking meaningful protection. The area is home to the Calving grounds and year round range of the Teshekpuk Lake Caribou Herd and provides critical habitat for globally signifi-

cant concentrations of waterfowl. DOI states that the area "supports the most productive, diverse, and sensitive wetland ecosystems in Arctic Alaska." BLM "Special Area" status has not proven adequate to protect these resources from development. In 1982, the Department of Interior authorized exchange of 5000 critical acres to petroleum development interests.

Colville River: Encompassing the river bottoms and adjacent cliffs from Nuka river to Ocean Point, contains prime nesting habitat and vital local food gathering zones for endangered peregrine falcon and other raptors and important moose habitat. In addition to important archaeological resources, the area offers excellent primitive recreation opportunities. The 2.75 million acre area should be include wilderness and wild river designations.

Icy Cape-Kasegeluk Lagoon: The part of the Chukchi sea coast between Wainwright and Icy Cape contains a portion of one of the arctic's best barrier islands/lagoon environments. The lagoons are an extraordinary concentration point along the migratory corridor for many arctic nesting birds as well as summer visitors. Numerous waterfowl, including eiders and scoters, geese and several species important to the North American Waterfowl Management Plan utilize this area. Adjacent wetlands and uplands provide some of the best nesting territory on the North Slope. Lagoons are also visited by marine mammals, including the endangered bowhead whale. Barrier islands protect these lagoons and provide habitat for other species. Barrier islands, lagoons, and associated uplands should be placed in a refuge of about 5.5 million acres.

Afognak Island: Kodiak bears, bald eagles, murrelets, elk and numerous other wildland species along with several salmon species and other anadromous fish find these island habitats vital to their existence. Presently owned by a joint venture of native corporations, these iands could be available for purchase under the Land and Water Conservation Fund as willing seller purchases. Approximately 200,000 acres on this one-half million acre island in refuge status would assure continuation of nationally significant populations of wildlife and fish species.

Copper River Delta: Among the most significant migratory bird habitats on the North American continent, this area has experienced spring and fall flights totalling over 14 million shorebirds in the past. Trumpeter swans, dusky Canada geese, grizzlies, sandpipers and numerous others are dependant on the health of this wilderness river delta. A total of about 1.2 million acres should be placed under refuge status. Although currently administered as part of the Chugach National Forest, this vital migratory bird and other fish and wildlife habitat should be managed as part of our national wildlife refuge system to assure that wildlife receive top management priority.

Seabird Islands of Southeast Alaska: Although included as part of the sweeping Tongass National Forest withdrawal early in the century, there are about eighty five small, mostly treeless (or without commercial timber value) islands and islets that serve as nesting areas and nursery habitats for seabirds. To provide the priority as well as consistency of management for these significant wildlife values, these islands should be placed into the Alaska Maritime National Wildlife Refuge where most of the offshore wildlife habitats of significance were placed in the original ANILCA. The acreage would be small, probably not exceeding 100,000 acres.

Niamna Lake: Enmeshed in controversy during the ANILCA debates, this outstanding fisheries resource area was left to be designated as a state wildlife management area. That designation has not occurred and the resources of such great importance—the fish and wildlife of the area—do not receive the priority consideration they deserve and require. The refuge could encompass up to four million acres.

Your Creek Additions to the Arctic National Wildlife Refuge: Removed at the insistence of the Alaska congressional delegation during the ANILCA debate, this area represents the only remaining public land habitat for the Porcupine caribou herd that is not in the refuge. An area of about 500,000 acres, this land on the south side of the Brooks Range serves as wintering habitat on a periodic but recurring basis for 10,000 caribou.

2. New National Parks

National parks and monuments should be expanded from existing national preserves, refuges, and forests where appropriate. This is especially true in the case of national preserves, many of which adjoin parks. (Preserves are managed in the same manner as national parks except that sport hunting and trapping are permitted preserves.)

In several of the existing park/preserve complexes, the boundaries separating the park and preserve components differ from the original proposals by the Alaska Coalition. Gates of the Arctic National Park and Preserve includes two preserve components, both originally proposed—and accepted by the House—as park areas. Another example is Wrangell-St. Elias National Park and Preserve, where most of the important fish and wildlife habitat is in preserve status.

[Opponents of preservation did not consider the present park/preserve lines as permanent, as shown by the unsuccessful 1983 Stevens-Murkowski bill to convert half of the new parks—and fully two-thirds of the best wildlife habitat—to national preserves.]

3. Wilderness Review and Designation

Under ANILCA, Congress designated 56 million acres of wilderness in the new and pre-existing units, mostly in the parks and refuges (32 million acres), including millions of acres of marginal habitat in ice fields, glaciers and alpine areas.

As more refuge and park acreage remained non-wilderness than was designated wilderness, Congress directed the Interior Department to study these remaining areas for suitability as wilderness, and asked the President to submit his recommendations no later than December 1987. Congress has yet to receive the White House's proposals. Indeed, the President has yet to even receive recommendations from the Secretary of Interior.

But procrastination is far less a problem than the departmental policies under which these reviews and recommendations have been conducted. In 1981, Secretary Watt issued a memorandum to stop wilderness reviews on BLM lands in Alaska. Three years later the assistant Interior secretary for parks and refuges ordered restricting the size of wilderness recommendations to be made by the National Park Service. In 1985, the director of the Fish and Wildlife Service issued a directive limiting the acreage to be considered for wilderness. In 1988, Representative George Miller, chairman of the House subcommittee responsible for Alaska lands, held oversight hearings on these actions and requested an audit of the Departments recommendations by the General

Accounting Office. The GAO responded with a report that showed that the Fish and Wildlife Service repeatedly undercut local FWS planners and managers in its wilderness recommendations.

In all, 77 million acres of wild new parks and refuges were studied as potential wilderness, but only 8 million acres were recommended in internal Interior Department documents. And even those recommendations have still not been formally submitted by the President to Congress.

The opportunity remains to investigate the process, revise the recommendations, and for Congress to consider recommendations from conservation groups for potential wilderness in Alaska.

All told, there is an enormous opportunity to designate at least an additional 100 million acres of wilderness in Alaska. Leaving aside the recent Tongass National Forest legislation, the remaining federal lands yield a potential as follows:

Federal Agency	Alaska Acres	Existing "W"	Reviewed for "W"	Qualifies for "W"	Admin "W" Recommenc
NPS	54.7	33.0	19.0	16.0	4.7
USFWS	77.1	18.7	58.0	51.8	3.4
Chugach NF	6.0	-0-	N/A	2.2 Est	-0-
BLM	80.0	-0-	N/A	50.0 Est	-0-
Totals	217.8	51.7	77.0	120.0	8.1

It is imperative to protect the quality of these lands that qualify for Wilderness until such time as their designation can be accomplished—a political challenge of great significance. The vision is contained in ANILCA; all that is required is the right moment in time and political opportunity to realize this potential.

**State of Alaska
National Parks Wilderness Proposals
February 1991**

National Park	Total Acreage	Existing Designated Wilderness	NPS Qualifies As Wilderness	USDI Proposed Wilderness
Aniakchak	602,779	0	451,916	283,736
Bering Land Bridge	2,784,960	0	2,354,690	299,520
Cape Krusenstern	659,807	0	467,200	0
Denali	6,028,091	2,124,783	3,560,538	1,421,295
Gates of the Arctic	8,472,517	7,167,192	948,629	0
Glacier Bay	3,283,168	2,664,840	27,170*	-9,720*
Katmai	4,124,075	3,384,358	554,539	163,840
Kenai Fjords	669,541	0	652,465	466,445
Kobuk Valley	1,750,421	174,545	1,553,603	400,000
Lake Clark	4,045,300	2,619,550	827,350	0
Noatak	6,574,481	5,765,427	757,175	467,175
Wrangell-St. Elias	13,188,024	9,078,675	1,559,080	107,040
Yukon-Charley	2,523,509	0	2,220,576	1,087,000
TOTALS	54,706,673	32,979,370	16,007,394	4,686,331
Per Cent	100%	60.3%	29.3%	8.6%

* Includes some wilderness deletions and additions

**Status of Alaska National Wildlife Refuge
Wilderness Proposals
February 1991**

National Wildlife Refuge	Total Acres	Existing Designated Wilderness	USFWS Qualifies As Wilderness	USDI Proposed Wilderness
Refuges with Wilderness Proposals				
Kodiak	1,865,000	0	1,589,000	1,170,000
Togiak	4,105,000	2,270,000	1,445,000	334,000
Yukon Flats	8,630,000	0	8,480,000	650,000
AK Maritime	3,557,030	2,576,320	324,000	109,648
Kenai	1,970,000	1,350,000	380,000	172,320
AK Peninsula	3,500,000	0	3,360,000	640,000
Becharof	1,200,000	400,000	606,000	347,000
Refuges without Wilderness Proposals				
Izembek	320,893	300,000	0	0
Innoko	3,850,000	1,240,000	2,610,000	0
Kanuti	1,430,000	0	1,280,000	0
Koyukuk	3,550,000	400,000	3,150,000	0
Nowitna	1,560,000	0	1,560,000	0
Selawik	2,150,000	240,000	1,910,000	0
Tetlin	700,000	0	699,000	0
Yukon Delta	19,624,458	1,900,000	14,716,000	0
Arctic	19,049,236	8,000,000	9,691,000	0
TOTALS	77,061,617	18,676,320	51,800,000	3,422,968
Per Cent	100%	24.2%	67.2%	4.4%

BLM Wilderness

The U.S. Bureau of Land Management still manages vast tracts of public land in Alaska. These lands are in danger of being frittered away, through miscellaneous disposals, before their wilderness potential has been adequately assessed and areas of outstanding resource values placed in conservation system unit status.

The threat of land disposals to the integrity of certain large blocks of Alaska's BLM public lands requires action by Congress to mandate permanent retention in federal ownership. Since the passage of ANILCA, land disposals to the State of Alaska and Native corporations, coupled with increasing recreational use and competition for scarce resources, underscore the need for protective designations.

The Central Arctic Management Area (CAMA) is a good example of the fate which might befall other areas. When ANILCA was passed in 1980, CAMA consisted of a 12 million acre block of federally managed land. The ensuing ten years of disposal have left CAMA a mere 3.6 million fragmented acres scattered across the original area.

Using the model of the Steese National Conservation Area and the White Mountains National Recreational Area, BLM must evolve from an agency which warehouses lands for disposal to one that manages conservation system units to protect resource values, including wilderness values.

In the wake of the infamous "no more wilderness" directive by Interior Secretary James Watt in 1981, no BLM lands save those mandated by Sec. 1001 of ANILCA have been studied for inclusion in the National Wilderness Preservation System.

The following outstanding areas should be considered for designation as conservation system units (CSUs) and studied for addition to the National Wilderness Preservation System.

- *The Clearwater Block:* This five million acre block to the east of Denali National Park and Preserve is accessible from all sides by the Alaska road system and contains some of the state's most accessible wild and scenic rivers, rugged mountains and glaciers, and hiking opportunities. The area has seen a dramatic increase in recreational usage and deserves the codification of its existing boundaries and protections. It contains both potential wild and scenic river and wilderness designations.

- *Steese National Conservation Area and White Mountains National Recreational Area:* Congress should mandate wilderness studies for these two existing BLM CSU areas that were blocked by Department of Interior policy.

- *Central Arctic Management Area (CAMA) Lands:* Protective designation is needed for at least a Nigu-Etivluk Wilderness/Wild and Scenic River, an Oolamnavik-Killik Wilderness/Wild and Scenic River, the Glacier Block, and the Your Creek Block.

• *TAPS Utility Corridor*: The 6,080,000 acre Utility Corridor was withdrawn by Public Land Order in 1971 to protect the route of the Trans-Alaska Pipeline (TAPS). This is a particularly sensitive area, where three national wildlife refuges and one wilderness national park flank the narrow haul road and pipeline corridor. Changes in ownership may bring about new developments or management conflicts. In the management plan for the Corridor and adjoining Central Arctic Management Area lands released in 1990, and despite overwhelming public opposition, BLM proposes to give almost 0.7 million acres to the state.

The state's goal is to take over the entire corridor north of the Yukon River. State ownership or BLM "multiple use" management risks development incompatible with park and refuge management goals for contiguous conservation system units. Environmentalists must defend against management changes which would result in land disposal, strip development, excessive off-road vehicle use, squatting, mining, and other uses that are incompatible with wildlife and wilderness values.

BLM must not develop or dispose any area studied for wilderness under Sec. 1001. Moreover, Congress should amend ANILCA to reserve corridor lands in federal management for the transportation of North Slope energy resources, and so corridor land management can be coordinated with that of the adjacent national interest lands.

• *NPRA*: The National Petroleum Reserve in Alaska is the size of Indiana (about 37,000 square miles) and is the largest single BLM managed tract in the nation.

While the area has proven to contain less oil than expected when Congress placed it under BLM control in 1976, it has become clear that it is home to globally significant wildlife resources. In addition, the reserve has unique value for scientific study and has played an important role in arctic research. Four important areas—Utokok Hills, Colville River, Teshekpuk Lake, and Icy Cape-Kasegeluk Lagoon are proposed in this document for national wildlife refuge status. But that does not exhaust the wilderness treasures of the NPRA.

At a minimum, legislation to retain existing protections and protect the following special areas from oil and gas, mineral entry, and certain kinds of access, is needed:

De Long mountains/Arctic Foothills: This two million acre area along the southern edge of NPRA offers outstanding primitive recreational opportunities and has the greatest scenic variety of any part of NPRA. The area is habitat for caribou, wolf, and

grizzly and includes important migration routes. The area adjoins Noatak National Preserve.

Ikakpuk River Corridor: This 3.34 million acre area contains significant archaeological and paleontological sites and other opportunities for scientific research. Topographic and ecological features typical of the northern arctic foothills and coastal plain make this area a unique candidate for preservation as well as a link between the mountains and coastal ecosystems.

In addition these areas, the entire NPRA should be studied for other potential inclusions to the National Wilderness Preservation System.

Chugach National Forest Wilderness

ANILCA created no new conservation system units in the Chugach National Forest, at 5.9 million acres the nation's second largest national forest. In lieu of wilderness, the Act established a Nellie Juan-College Fjord Wilderness Study Area (WSA) covering the western portion of Prince William Sound, and directed the Forest Service to submit a recommendation on potential new wilderness by the end of 1983. In 1984, the Forest Service's Alaska region submitted a recommendation to Washington headquarters, but none was forwarded to Congress.

Conservationists recommend a larger wilderness area that includes more forested coastal lowlands and islands such as Knight and Monatague, two of the most scenic in Prince William Sound. In addition, there are many other areas within the Chugach deserving protection, many of which are discussed in the section concerning Prince William Sound, below.

4. Wild Rivers

The Alaska Lands Act designated 25 wild and scenic rivers and authorized studies of 12 rivers for potential addition to the national rivers system. Fourteen of the designated rivers are safely within national parks or national wildlife refuge wilderness areas. Only eleven rivers were afforded protection from development threats on BLM lands or nonwilderness refuge lands. No rivers were designated on national forest lands.

Agency planners determined that nine of the study rivers (including one within national wildlife refuge wilderness) were eligible for inclusion in the national rivers system. However, the Reagan administration did not recommend any

of the study rivers for addition to the national system. Remarkably, two of the river studies have never been completed, despite the requirement to complete them by 1984.

An unprecedented federal planning process is now setting the stage for the future of river conservation in Alaska. Federal agencies are required by the Wild and Scenic Rivers Act to consider potential wild and scenic rivers in the land and resource management plans.

The Forest Service has recently identified 112 eligible wild and scenic rivers in its draft revision of the Tongass Forest Plan and the Regional Forester has tentatively recommended designation of 17 rivers. Conservationists are concerned, however, that agency recommendations for designation fairly represent the breadth of potential additions to the national rivers system, and not be limited to rivers within wilderness and park areas. For example, of the 17 rivers recommended for designation on the Tongass National Forest, five are within existing wilderness areas and four are within areas recently protected from commercial logging by the Tongass Timber Reform Act.

The Forest Service has not yet evaluated rivers on the Chugach National Forest, but there are numerous obvious candidates, including the Copper River, one of Alaska's largest, and the Sixmile River, a nationally recognized whitewater stream.

BLM ignored its responsibility to evaluate wild and scenic rivers when it completed its Utility Corridor Resource Management Plan in 1989. The Director of BLM agreed with a conservationist protest that the failure to evaluate rivers violated the law and, in June, 1990, required that this deficiency be corrected. BLM planners developed extensive guidance on the evaluation of rivers in Alaska and determined in early 1990 that twelve rivers which flow through its South Central Resource Area are eligible for wild and scenic status.

Conservationists were stunned, therefore, by BLM's extraordinary reversal in December, 1990 to refuse to conduct further river studies. BLM relies upon a thoroughly flawed interpretation of ANILCA for its decision; political influence by interests opposed to wild and scenic river protection appears to be the actual motivating factor. But wild river advocates will continue to work to see that the agency complies with the Wild and Scenic Rivers Act.

As the Forest Service completes its plans, and as the Park Service and Fish and Wildlife Service identify additional rivers on their lands, hundreds of additional rivers will be studied for inclusion in the national rivers system. Conservationists seek a valid and complete inventory of the resource and the

designation of deserving rivers, particularly those located outside existing parks and refuges which are subject to more development pressures.

5. Prince William Sound

On March 24, 1989 we learned to our dismay that even the most pristine lands and waters cannot be protected against the tragic consequences of a massive oil spill. Ironically, however, the *Exxon Valdez* disaster in Prince William Sound became the vehicle for making the entire world aware, for virtually the first time, of the area's priceless fish and wildlife, scenic and wilderness resources. It also served as a grim reminder to conservationists of how pitifully little protection from logging, mining, and other incompatible development activities the Sound had received in the Alaska Lands Act.

While spectacular marine lands and waters of Southeast Alaska were deservedly protected in Glacier Bay National Park, the Admiralty Island and Misty Fjords national monuments, and over 5 million acres of wilderness, comparable areas in Prince William Sound were left to the uncertainties of multiple use management by the Forest Service (the sole exceptions being an inadequate Nellie Juan-College Fjord Wilderness Study Area and vague directions concerning the protection of fish and wildlife habitat in the Copper River area).

Prince William Sound deserves the careful attention it failed to receive in 1980. Protection of the Sound's resources and existing compatible uses could take a number of forms, including an expanded wilderness proposal that takes in Knight Island and Montague Island; national wildlife refuge status for the Copper River delta; wild and scenic river designation for the Copper River; and national recreation area status for other parts of the Chugach National Forest.

6. Marine Resources

Alaska is surrounded on three sides by two oceans and three seas, comprising 57% of the nation's total coastline. These coastal and offshore waters support some of the most spectacular seascapes and assemblages of fish, marine birds and mammals in the world and the most biologically productive ecosystems in the region.

Over-exploitation of commercial fish stocks; entanglement of seabirds and mammals in high seas gill nets; the largest off-shore oil and gas leasing programs in the nation; catastrophic oil spills; ocean bottom dredging for minerals; development in coastal wetlands by the oil and gas industry; littering

of beaches with ocean debris; exploitation of walrus for their ivory tusks; clearcutting of coastal rainforests; and population declines in certain marine bird and mammal populations constitute the most serious threats to Alaska's coastal and marine resources.

New and innovative protection strategies are badly needed to protect national and international interests in these resources. This should include future designations of national marine sanctuaries, national estuarine areas, international marine biosphere reserves (or regional seas), and seaward boundaries for established coastal parks and wildlife refuges. This in turn will require development of strengthened alliances between environmentalists, Alaska Natives and fishermen, and improved working relationships with resource management agencies.

To protect complete ecosystems

Most conservation system units designated in 1980 and before are magnificent wild ecosystems fulfilling the dreams of their advocates and taking their place among the world's foremost natural prizes. But even with their great size and relative freedom from outside conflict, they share some management difficulties with conservation units in other states and other nations. Issues of boundaries, inholdings, and other outside conflicts prevent the security in ecosystem management which is necessary for their comprehensive protection.

1. Native Corporation Inholdings

The original legal provision upon which the Alaska Lands Act campaign was based was the directive to study new parks and refuges contained in section 17(d)(2) of the Alaska Native Claims Settlement Act (ANCSA). Beyond the purposes for which it was passed, ANCSA was also important to congressional consideration of other land legislation, such as the right-of-way for the Trans-Alaska Pipeline, selection of state lands subsequent to Alaska statehood, and for designation of our national interest parks and refuges. Nevertheless, the ongoing land selection processes complicated one another.

Native corporations, established by the unique requirements of the Alaska Native Claims Settlement Act, are charged with making profit and providing a return to their shareholders. Sometimes, however, that function is at cross purposes with protecting the land where their shareholders hunt and fish for their subsistence. Commercial development for profit of the natural resources on the land owned by Native corporations harms the very land needed for continued subsistence use by, and cultural survival of, Alaska's Native peoples.

Some of the Native people, like the Gwich'in fighting the development of the Arctic Refuge, have rejected the corporate structure entirely. They fight to retain their traditional way of life. Other villages and regions try to walk a tightrope: corporate competitiveness in a 20th century economy, retention of traditional values in their village.

By the time Congress took up the Alaska Lands bill in the late 1970's, it had already granted 105 million acres of land and 50 to 60 million acres of tidelands to the State of Alaska under the Alaska Statehood Act (1959) and 46 million to Alaska Native corporations as well as individual Native allotments under the settlement of Native land claims (1971).

Most Native land selections were in place by the late '70's, including extensive village land selections within the existing national wildlife refuges and national forests. Many key areas of wildlife habitat were selected. When in ANILCA Congress expanded the refuges, and created entirely new refuges, parks, wild rivers, and national forest wilderness, Native lands were encompassed as "inholdings," as they are called.

Often Native corporations are developing their holdings where economic resources are present, while leaving other acreage, much of it prime fish and wildlife habitat, to sustain the traditional subsistence economies.

One of the most immediate problems for conservation units is the logging of inholdings within the Chugach National Forest. These beautiful, low elevation coastal forests will be logged in the next few years unless a method is found to buy or exchange this land. The Chugach National Forest is a prime recreation and wildlife resource, surrounding Prince William Sound and close to Alaska's most populous area, Anchorage.

When conflicts have arisen between the preservation of subsistence habitat and economic development, some Native corporations owning land within the CSUs have sought to sell their lands or development rights for addition to the units, or to trade their holdings for other economically valuable federal lands and interests. Angoon, the most subsistence-oriented Tlingit village in Southeast Alaska, exchanged its commercially valuable forest selections in the heart of Admiralty Island National Wilderness Monument for equally valuable timber lands in a less sensitive area of the Tongass.

Once acquired for addition to a conservation system unit, former Native lands are managed to provide continued opportunities for subsistence fishing, hunting and gathering, as required under ANILCA.

In attempting to confront the issues presented by the inholdings in the units, the Park Service and the Fish and Wildlife Service have been stymied by the refusal of the Bureau of Land Management, backed by the appointed officials of the Interior Department, to offer BLM land as part of exchanges intended to benefit the parks and refuges. Rather, the administration tried to use the land exchange authority of ANILCA to carve valuable lands, including wilderness, out of the conservation system units for development. (See Exchanges, below.)

Lastly, the Reagan Administration opposed use of the Land and Water Conservation Fund to buy inholdings. Today, the LWCF suffers from the tight federal budget. Extensive Alaskan inholdings compete with deserving acquisitions from every state for scarce LWCF appropriations.

2. Boundary Additions

Alaska's parks and refuges are intended to be models of ecosystem protection. Their original proposed boundaries followed watershed and other natural features rather than the rectangular federal survey system with its biological shortcomings.

However, there were many features of the Alaska situation such as the Native land selections, state selections, deficiencies of information on fish and wildlife populations, and last minute political compromises that prevented protection of important areas within reasonable boundaries.

It was commonly expected by the advocates for the Alaska Lands Act that the necessary boundary improvements would be documented during the implementation and planning phases following enactment. As described elsewhere in this report, failures in planning and implementation have been legion.

One of the features of any new planning effort must be a requirement that the managing agency specifically document any and all needed boundary adjustments that should be undertaken to provide the strongest inherent integrity to each conservation system unit. In some cases, the Native land selections may have encompassed nationally significant resources that properly should be in the CSU and those Native corporation owners may be willing to sell the lands to the government. Such an improvement is possible in the Kodiak Archipelago and should be pursued.

However, such improvements cannot be made without the basic identification of resource values, the documentation to show the interrelatedness of the lands and resources to the CSU, and the strong support of an informed public.

These factors will require attention by the agencies and the Congress and should be part of the refinements to the Act passed in the 102nd Congress.

3. Land Exchanges

ANILCA gave the Secretaries of Interior and Agriculture extensive land exchange authority as an essential tool in perfecting the new and expanded conservation system units. During the preparation of land plans during the last decade, Native and state lands have been identified as potential acquisitions for completing coverage of key habitats, for boundary adjustments, and for making management more efficient.

However, the Reagan administration did not use the authority to acquire inholdings and improve the CSUs as Congress intended. Instead it attempted to delete lands from conservation system units for resource development. Some of these attempts were blocked, as, for example, when the courts prevented the Interior Department from trading a tract on Saint Matthew Island, a national wildlife refuge wilderness, to create a port for the oil industry.

In the most serious misuse of the exchange authority, the Interior Department successfully traded acreage in the Arctic National Wildlife Refuge coastal plain to a Native regional corporation (obtaining some corporation lands within a national park), in order to allow private exploratory oil drilling despite ANILCA's prohibition on development on the coastal plain.

Subsequently, the Department proposed a more ambitious exchange that offered several Native corporations (working with oil industry partners) the opportunity to select subsurface rights throughout the Arctic Refuge coastal plain in exchange for corporation holding in several other national wildlife refuges. Initially, the Department claimed it did not even have to complete an environmental impact statement for the proposal under the National Environmental Policy Act (NEPA).

This "Megatrade," as it was called, outraged congressional leaders. Following hearings, Congress amended ANILCA in 1988 to require congressional approval of any land exchange involving lands within the Arctic Refuge.

In order to deter potential similar abuses, ANILCA's land exchange provision should be amended to (1) require the approval of Congress for land exchanges involving any conservation system units; and (2) delete the loophole that circumvents the equal-value requirement by a secretarial finding that an unequal value exchange is "in the public interest."

In addition, as shown by the foiled "Megatrade" and other Interior Department trades involving Native lands. Congress should clarify its intent in Sec. 910 of ANILCA that federal- Native exchanges are not exempt from NEPA requirements. Section 910 exempts the original Native selections and conveyances from the purview of NEPA, but not subsequent land exchanges involving conveyed lands.

To manage the lands properly

1. ANILCA Administration

The administration of the Alaska Lands Act has suffered from severe heavy handed political administration, strained legal interpretation, and poor funding for conservation related activities.

Since the Alaska Lands Act was one of the last actions of the Carter Administration, implementation of the Act was carried out by the Reagan Administration, first under the direction of Interior Secretary James Watt. Not only did the Reagan Administration have a different political viewpoint from its predecessor, it staffed high ranking positions affecting Alaska with individuals who had not supported passage or had been actively opposed to the Act. Probably the most critical of these appointments was William Horn, formerly a staff assistant to Alaska's Representative Don Young, who was appointed as Deputy Assistant Secretary for Alaska and then, in the second Reagan term, promoted to Assistant Secretary of Interior for Fish, Wildlife and Parks.

GAO studies and congressional oversight have documented some of the problems with ANILCA implementation. But conservationists can paint an even grimmer picture. For example: The Interior Department:

- Seized on a unintentional error by Congress in defining "conservation system unit," to open pre-Act Katmai, Mt. McKinley (now Denali), Glacier Bay and the pre-Act refuges to much more motorboat use, airplane landings, and snowmachine use than allowed prior to the Act;
- Opened many of the new national parks to sport hunting by creating a number of dubious "subsistence resident zones" in which any resident—qualified subsistence user or not—can "subsistence" hunt in the parks;
- Ignored the intent of the House that the parks be zoned for areas traditionally used prior to 1980, in which subsistence would continue, and for areas not so used, in which subsistence would not be permitted;

- Blatantly misinterpreted an access-to-inholdings provision to favor private landowners' ingress at the expense of the public's use of conservation system units;
- Rather than abiding by the transportation and utility corridor process of the Act, lobbied for deletion of Cape Krusenstern National Monument acreage for a mining road and railroad route. [Congress subsequently passed legislation authorizing a right-of-way across the monument instead of an alternative route outside the monument.]

2. Management of the Conservation Units

The deficiencies in the administration of ANILCA have been felt most acutely in the management decisions for individual parks, refuges and other CSUs. But those broad decisions do not tell the entire story.

Where the managing agencies needed money or personnel to protect resources or develop a conservation oriented program, those resource requests were often deleted from Administration budget proposals. The influence of the Alaskan congressional delegation, all of whom opposed the Act and who were responsive to some of the Act's most radical opponents, was strongly felt within the federal agencies responsible for managing ANILCA lands which make up 20% of the nation's public lands.

With a few brave exceptions, the regional agency heads have sought low profile compliance with political directions. The overall result is a general lack of a strong resource protection commitment in the Alaskan CSUs.

That more damage has not ensued is due more to the relatively low population and the remoteness of the areas than the traditional reliance on the capability of an adequate, highly motivated and reasonably funded agency staff striving to carry out an innovative and well planned conservation program.

Strong congressional oversight and implementation of the many recommendations contained in this document along with greater appropriations for the agencies will be required to correct these deficiencies.

National Wildlife Refuges

Among many disappointments experienced by the advocates who worked to "do it right the first time" in the Alaska Lands Act, the planning processes for the refuges rank near the top of the list.

For instance, included in all sixteen refuge conservation plans is a statement that the Fish and Wildlife Service (FWS) lacks sufficient biological and ecological information to properly manage the refuge and its resources. Yet, in spite of this admission, the FWS fails to set forth a list of research, inventory and monitoring needs or a schedule for gathering such information. Lack of information is the most frequent justification provided by FWS for the absence of any ecosystem management proposals as envisioned in the Lands Act. Yet, the same plans propose to foster oil and gas exploration, and other "intensive management" developments, including several proposals for habitat modifying game management practices.

The serious deficiencies of these plans regarding the required wilderness studies and recommendations is discussed separately in this report.

Finally, the FWS did not propose a commitment or schedule for revision of the plans. Because the Administration has failed to complete the departmental and White House reviews of the plans and wilderness recommendations, not a single plan has been forwarded to the Congress as required in the Act.

Given these insurmountable deficiencies, we believe that the recommendations of the agency are thoroughly discredited. Congress should enact wilderness proposals submitted by the environmental community. Pending completion of new satisfactory conservation plans, the agency should be barred from committing to any major habitat modifying developments in the refuges.

Tongass National Forest

The Tongass National Forest, in Alaska's southeastern panhandle, probably received the most devastating "compromise" in the passage of the Alaska Lands Act. Part of backroom wrangling to bring the bill to the Senate floor, Section 705(a) directed the Forest Service to spend a minimum of \$40 million annually—not subject to the appropriations process—so as to offer pulp companies a mandated 4.5 billion board feet of timber sales each decade.

With local support from southeastern Alaska communities, tourism, and commercial fishing interests, the Southeast Alaska Conservation Council and national environmental groups worked over the decade to repeal this destructive provision and to permanently protect an additional one million acres of critical fish and wildlife habitat. In 1990, Tongass Reform finally passed both Houses of Congress and after a House-Senate conference committee delivered the Tongass Timber Reform Act to President Bush and it was signed on November 28th.

Management of the forest will continue to occupy conservation efforts. The Forest Service, which was in the process of preparing a forest plan when the new legislation passed, must drastically revise its draft and reverse some of the assumptions which have guided its policies for decades. Conservationists in southeast Alaska will now focus their attention on the painstaking task of implementing the new law and the specific forest management decisions which will come.

Archaeology, Historic and Cultural Preservation

For thousands of years, Alaska has been witness to continuous human occupation. As one of the great migration routes to North America, Native people followed herds across the exposed Bering Land Bridge, Beringia. Alaska contains millions of important prehistoric and historic sites which ANILCA placed under federal protection as national parks, refuges, forests and conservation areas. These sites can unveil meaningful and significant secrets about the past. The unique prehistoric campsites, burials and subsistence places, historic Native Alaskan sites, Russian churches and settlements, settlers' and trappers' cabins, gold rush mines, and whaling industry sites offer glimpses to the past and show a remarkable continuation of history.

Tragically and increasingly, Alaskan sites—like their counterparts throughout the nation—are being ravaged and destroyed by development, natural and man-made disasters, and looting and vandalism. The vast expanse of the state and limited federal personnel complicate the race to save history. Many sites are looted before they are even located by archaeologists, their information lost forever. Examples include the devastation at Gambell on St. Lawrence Island to the illicit demand for ivory artifacts; unprecedented efforts to protect a newly discovered ancient Aleut burial site from thieves; and the ruin of countless coastal sites by the Exxon Valdez spill, even looting by clean up crews.

ANILCA set the stage to save these treasures from the past, but this is not enough to protect the fragile resource. A positive, strong, unified program among federal and state agencies, universities and Native Alaskans to identify, research, interpret, and protect archaeological sites is necessary to ensure the future of the past. Native Alaskans must have access to the data in order to use it to sustain their heritage and develop cultural preservation centers.

The Eskimos, Aleuts and Alaskan Indians have unique adaptations to the arctic and subarctic. Their social interaction, subsistence patterns and physical adaptations have allowed them to thrive in the region. For decades, though.

the native people have faced the slow demoralization of their traditional ways as white culture became more dominant. Critical social issues, including urbanization, confront Native Alaskans as their ways come in conflict with non-native cultures. The traditional lifeways are being lost. Eskimos, Aleuts and Alaskan Indians are working to preserve the ancestral ways.

Programs to help Native Alaskan preserve their heritage will help maintain their cultural identity and unity; encourage youth involvement in traditional practices; provide a broader context for how non-native Alaskans relate to these people; and explain why and how these traditional ways have enabled Native Alaskans to survive in the environs of Alaska. ANILCA provides a framework to assist in developing oral history programs, Native cultural centers, education and training to reintroduce traditions to the young.

3. State/Federal Issues

Submerged Lands

A major amendment of Alaska land law took place in 1988 when Congress amended ANILCA's "submerged lands" provision which governs how lands beneath rivers which have been selected by the state and Native corporations are counted against their respective land selection laws.

Interior officials in the Reagan Administration lobbied for submerged lands legislation promoted by the State of Alaska and Alaska Native regional corporations that resulted in the disposal of an estimated 1.8 million acres of federal land, including the creation of nearly 700,000 acres of new private inholdings in national wildlife refuges.

In addition, in the *Gulkana River* case brought by the State of Alaska and recently upheld by the U.S. Supreme Court, a federal district court determined that rivers and streams are navigable—and hence the lands beneath them are owned by the State pursuant to federal law of title navigability—if they can be floated by a canoe, two-person kayak, or inflatable raft. The previous standard had defined navigability by motorized riverboats in existence at the time of statehood. Thus far fewer rivers had been found navigable and subject to provisions that granted the riverbeds to the state.

This standard for navigability, while important for keeping streams and rivers in public ownership and under public protection, means that the state now owns lands beneath the rivers and streams in the new conservation system units (even wild and scenic rivers), except for the most shallow headwater segments.

In general, rivers serve as the principal travel corridors in most conservation system units. Gates of the Arctic National Park's wilderness rivers, for example, host 90% of the park's use according to the Park Service. The *Gulkana* decision means the state now owns the beds under these rivers. These "submerged lands" are some of the most important public use areas in the conservation system units.

Patchwork ownership has potential for creating inconsistent and conflicting management directives that will have adverse impacts on the resources for which the CSUs were established to protect. Already, state allowed uses of "shorelands" along the navigable rivers or connected navigable lakes may conflict with federal purposes for CSUs regarding boat use, helicopters, sport hunting and trapping, and even mining and gravel extraction.

While the state and federal governments have demonstrated their ability to manage some important resource areas cooperatively—notably in the Kenai River Special Management Area and in the Bristol Bay area, where the state closed all navigable rivers to mineral entry—the outlook for continued cooperative management under the new state administration is uncertain.

The new Hickel Administration, already openly declaring itself to be "anti-fed", is expected to push for major development of the state's river corridors for mining and transportation activities.

In addition, the Department of Interior appears reluctant to exercise its authority to regulate use of state-owned submerged lands to protect upland conservation system lands, an authority clearly established under the federal property clause and in federal case law, including various Supreme Court rulings.

In particular, the federal government has made a formal decision *not* to regulate non-federal lands within national park system units under proprietary jurisdiction. Thus, inholdings in all major park units in Alaska other than Denali are unregulated.

Furthermore, the Bush Administration has refused to regulate subsistence hunting and fishing on navigable waters within federal lands. Since subsistence taking of wildlife involves fisheries, this decision could impair wildlife management.

Reluctance to assert federal jurisdiction over activities on navigable rivers within federal conservation systems, including designated wild and scenic rivers, threatens the future of these public lands and resources.

Transportation Corridors

The creation of transportation and utility corridors in the national parks and other conservation system units in Alaska is strictly regulated in Title XI of ANILCA. That title was enacted to protect the conservation purposes for which the national parks, preserves and monuments were created.

A key element of Title XI is an orderly, comprehensive procedure for locating only necessary access routes on conservation system lands, while thoroughly assessing adverse impacts and feasible alternatives, and adopting appropriate mitigation measures for the protection of the lands and wildlife values. Access to private inholdings (like mining claims) within or effectively surrounded by conservation system lands is also provided for in Title XI.

This carefully crafted statutory scheme ANILCA is threatened by the State of Alaska's insistence that an older, completely unregulated, method for securing access within national parks—"R.S. 2477"—displaces Title XI's requirements.

Revised Statute (R.S.) 2477 is an old federal law that was in effect from 1886 until 1976, when it was repealed upon enactment of the Federal Land Policy and Management Act (FLPMA). R.S. 2477 was one sentence long, simply stating that rights-of-way "for the construction of highways over public lands not reserved for public uses are hereby granted." While R.S. 2477 has been repealed by the more modern concepts of federal land management in FLPMA, valid rights-of-way established before the time of its repeal in 1976 are expressly reserved by FLPMA.

Hitching itself to this reservation of establishing rights-of-way, the State of Alaska, pressed by mining interests, has asserted that the historical existence of even a foot tract or dog sled trail across a national park or monument in historical times guarantees the unregulated expansion of such a trail to a highway of modern proportions, and the transportation of all kinds of vehicles, including heavy machinery and equipment for use in modern mining operations. Finally, the state and the miners claim R.S. 2477 transportation corridors can be established regardless of the resulting damage to or incompatibility with park values.

Neither the state nor the miners have been successful yet in imposing an R.S. 2477 highway on a national park or monument in Alaska, but the new Governor of Alaska, Walter J. Hickel, has let it be known that he intends to pursue the creation of an R.S. 2477 highway specifically to provide access for mining corporations within the flagship of Alaska's parks: Denali National Park. R.S. 2477 thus may become the focus of a major battle in the second decade of ANILCA's existence.

4. Mining

High prices and discoveries of large deposits have spurred a resurgence in Alaska's mining industry, posing a present and growing threat to the wilderness qualities and management of Alaska's conservation system units.

Problems are threefold:

1) *Resource degradation.* Mining operations have serious environmental consequences: massive habitat destruction, frequently in riparian corridors, and serious water quality degradation. Environmental advocates have waged a long battle to force state and federal agencies to play a more active role in regulating the industry. Major improvements have been achieved, but more is still necessary, particularly in the areas of reclamation and restoration of unreclaimed sites.

2) *Access.* Access to mining claims is guaranteed, which frequently means road building. The Gates of the Arctic and Noatak National Parks, the Fortymile Wild and Scenic River, and several areas in the Tongass National Forest are threatened by access roads.

3) *Inholdings.* Patented mining claims are private inholdings which can be used for any purpose. They are prime candidates for incompatible development such as hotels and tourist resorts, as happened in Denali National Park in 1990. In this instance, guaranteed access to the inholding poses additional problems. The National Park Service interpreted ANILCA to mean the public would have to be excluded from the park road if safety problems arose as a result of increased traffic to reach the new resort.

The agencies must to monitor the industry more vigorously to minimize environmental impacts and assure complete reclamation. They need additional regulatory authorities to cope with inholding problems. The Park Service has condemnation authority, but has been prevented from exercising it. Larger Land and Water Conservation Fund appropriations are needed to acquire inholdings.

In addition to mining threats inland, a new threat is emerging on the coast: offshore dredge mining for gold, already begun in Norton Sound off the coast of Nome. These operations dredge the ocean floor in shallow offshore areas, process the dredged sediments with cyanide to leach gold, and dump the tailings into the ocean. The release of mercury and other heavy metals to the water column allows toxins to enter the food chain and accumulate in the tissues of the fish and wildlife of the region, including those species taken by local residents.

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Business

BOSTON GLOBE • MONDAY, MAY 6, 1991

Exxon, Arco tax ruling raises conflict question

By William P. Coughlin
GLOBE STAFF

For three years, Alaska's powerful Department of Natural Resources' oil and gas division delayed a decision on what size tax break to give Exxon Corp. and Arco-Alaska Inc. for their "discovery" of a rich oil deposit in 1988 on Alaska's North Slope.

State officials claim the delay involved technical assessment and "unanswered questions" about when the discovery well actually was drilled, and by whom.

But on March 6, the department, which regulates Alaska's vast oil and gas reserves and its fragile wilderness, quietly ruled that Arco-Exxon should get an oil well tax bonanza estimated to be worth between \$75 million and \$100 million for the company.

Such tax breaks, called "royalty tax rate reductions," are considered incentives for companies to explore for oil. In this case, the break cuts the tax to the company from 12.5 percent to 8 percent per barrel. The break covers any oil taken for 10 years from all wells drilled on the jointly-owned 2,500-acre lease — not just from their single "discovery" well, as usually is the case.

The tax break, considered generous, came only one week before Exxon, the US government and the state agreed to settle for \$1.1 billion all civil and criminal suits stemming from the 1989 Exxon Valdez spill.

Both a federal judge and Alaska's legislature later rejected parts of the settlement, and on Friday, Exxon Corp. and the State of Alaska formally withdrew from the deal, killing what would have been the largest settlement of an environmental-damage case in US history. That set the stage for a criminal trial. But Alaska Gov. Walter J. Hickel said he was unsure if the state, Exxon and federal government would try to negotiate a new civil settlement.

The timing of the tax decision has raised questions about negotiations between the state and Exxon-Arco be-

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Alaska's Exxon-Arco tax ruling raises interest-conflict question

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hind the scenes. Environmentalists question the roles played in the tax break decision by Alaska's attorney general, Charles Cole, and the state's commissioner of Natural Resources, Harold O. Heinze. Both have come under fire from environmentalists and others who claim there may be conflict of interest charges Heinze and Cole adamantly deny.

In particular, activists single out Heinze, who is a former president of Arco-Alaska Inc.

He was named to his state post in December by his friend and former business partner, Gov. Hickel.

Cole, meanwhile, acknowledged in a recent interview that until recently he owned what he described as "miniscule" financial interests in oil leases with both Arco and Exxon on Alaska's North Slope and elsewhere in the state.

Both men acknowledge their former industry ties, but denied that their regulatory decisions might have been influenced by them. The tax decision for Arco-Exxon was issued through Heinze's Natural Resources Department, after being approved by Cole's law division.

Environmentalists and others are angered at the tax break decision and the officials who made it.

Anne Rothe, head of Alaska's Regional National Wildlife Federation at Anchorage - which opposed the oil-spill settlement as "wholly inadequate" - criticized both it and the timing of the March 6 Arco-Exxon tax break.

"It takes a great leap in faith to accept the idea this (tax reduction) is sheer coincidence..." she said when

informed of the tax break. Rothe said that at public hearings held across Alaska on the Exxon settlement, "Citizens everywhere testified they are opposed to it... The only people in favor are Charles Cole and Harold Heinze. And Cole, presenting it to our Legislature, has done it in an arrogant manner. He says in effect: 'take it or leave it.'"

Another critic of both the tax break and Valdez settlement is Prof. Rick Steiner of the University of Alaska, who has studied the Alaska spill's impact, and who has been close to principals during the settlement talks.

"When anyone with financial interest in something is given a financial break in taxes... through that person's public office, it could be... conflict of interest," he said.

A House committee source close to the now-collapsed Exxon settlement and to federal investigations of oil industry affairs, said Heinze had a "clear conflict" because of his role with Arco and as Alaska's resources commissioner, with authority to make spill damage restoration decisions.

Both Cole, who was a major architect of the Exxon settlement, and Heinze, say they have had no conflict of interest as state officials. Heinze said "there is no connection" between Alaska's tax break for Arco-Exxon and the former \$1.1 billion Exxon settlement.

A key Cole assistant, Mark Worcester, who helped check the legality of the tax reduction decision, also insisted there was "no connection" between the settlement and tax break.

Cole said he and Worcester saw "no appearance of impropriety" in the tax deal or its timing, and Cole said he saw no impropriety in having shared a small North Slope lease with both Arco and Exxon.

Heinze said that while he was aware the tax break decision was being made, he did not get involved in it, and left it to his subordinate, James Eason, a former Arco geologist who heads Heinze's oil and gas division at the natural resources de-

partment. It was Eason who signed the tax break decision.

Heinze said that as commissioner he "absolutely did not influence" Eason's decision to grant the royalty reduction.

"I would not have entered that decision, so as to avoid any conflict of interest," Heinze said. "When I was appointed in December, I acknowledged I had stock options with Atlantic Richfield (Arco), and I openly said I cannot be involved in decisions relative to Arco."

Heinze also said that since being appointed, he converted his Arco stock options and sold his portfolio, which was reported by an Alaska paper to be 28,000-plus shares worth \$2.9 million.

Asked if it might appear to be a conflict of interest that as the state's natural resources commissioner and as former president of Arco-Alaska, he now controls the state oil and gas office that issued a huge royalty tax reduction for Arco and Exxon,

EXXON

Heinze said, "No, certainly not. I'm not worried about it a bit..."

Meanwhile, Cole admits to having shared small percentages of Alaska oil leases with Arco and Exxon. "They were miniscule shares." They produced neither oil nor profits, he said. While Arco and Exxon date their discovery claim at their McIntyre No. 8 well to March, 1963, they recently said production will be delayed until 1965. This is because of equity ownership disputes between themselves and a third McIntyre lease owner, British Petroleum, said Arco spokesperson, Susan Andrews.

The Arco-Exxon well was drilled into the giant, little-known deposit called McIntyre Field, next to Prudhoe Bay. It is the largest oil deposit found in America in 10 years, and is the nation's third biggest. Specialists say 800 million to 850 million barrels

of crude are recoverable from its 800 million barrel deposit. Others say 400 million barrels may be recoverable.