

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672
7129 HOUSE RESOURCES

RESOURCE



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 to work 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.

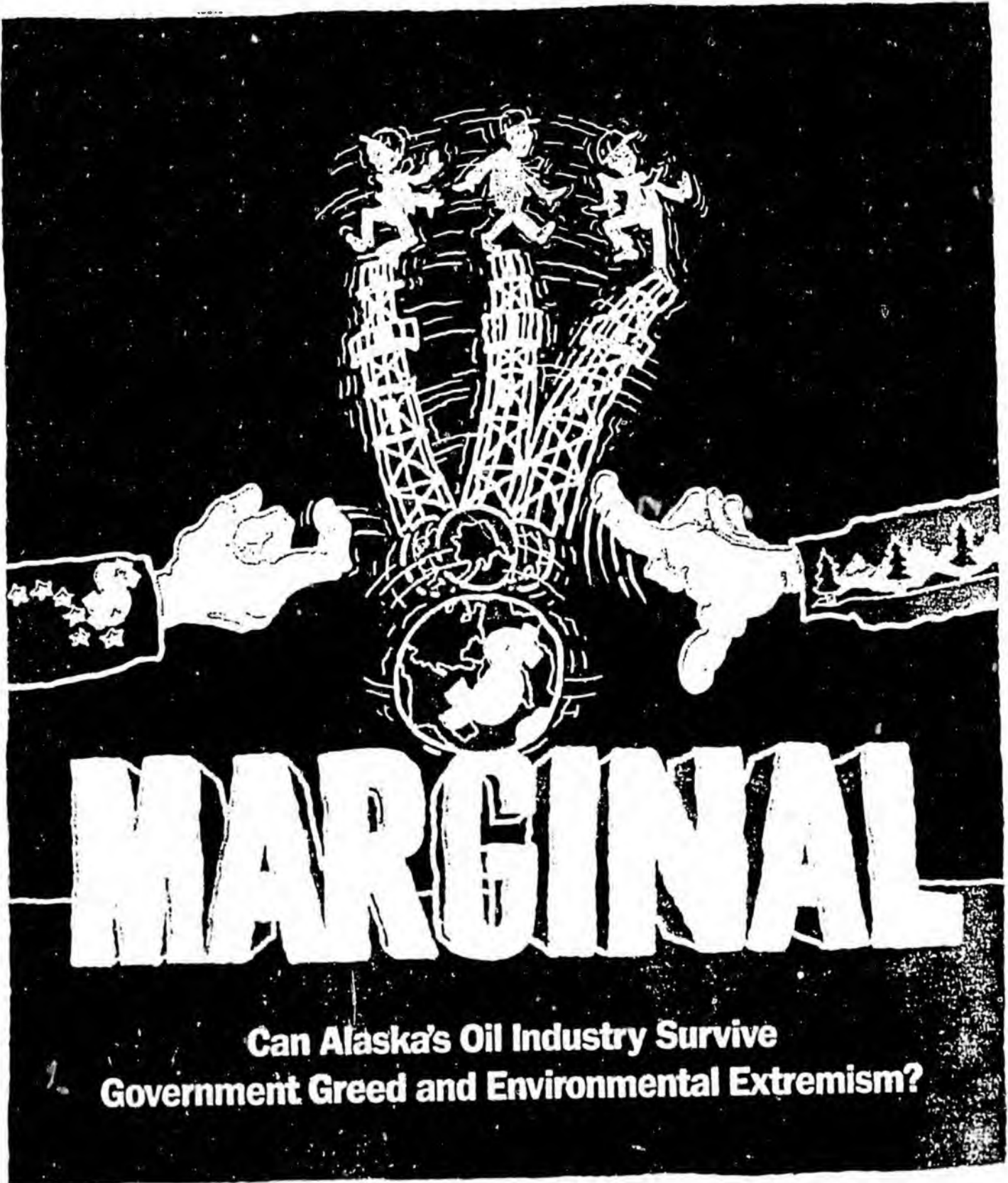
Heinze doesn't feel he's a workaholic, but the next day, Friday, he will visit a remote mine. On Sunday, he will fly to South Alaska to meet author James Michener, who's working on an Alaskan book. Saturday, there will probably be time for rest. A chance to re-win the Battle of the Bulge. ➤



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
\$2.50

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.

1986 Kent & Donna Dammann, Denver



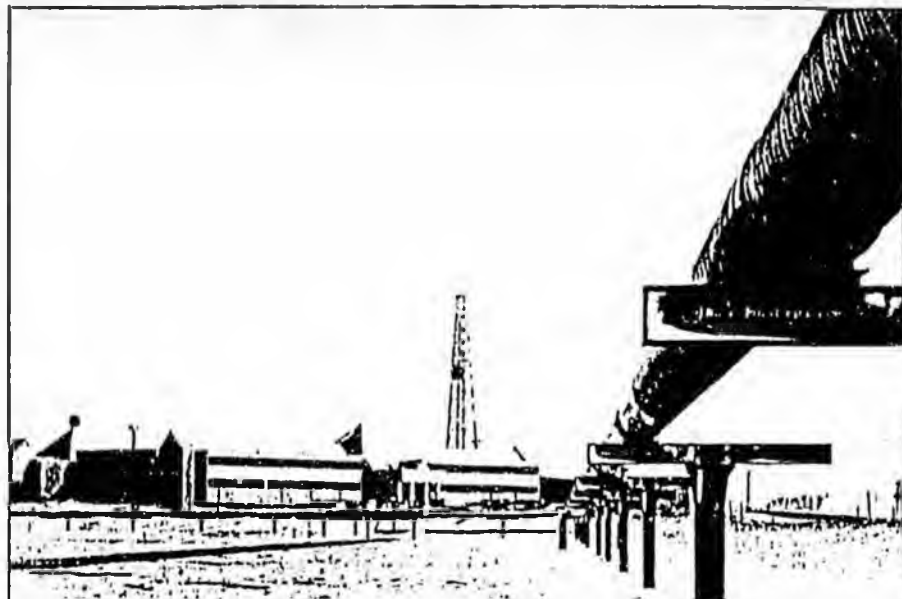
What lies over the



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

What's the Difference?

	Compound Rate of Return
Kemper Total Return Fund	20.2%
Bank IRA	8.9
<u>The Difference</u>	<u>11.3%</u>

For a Kemper Total Return Fund Prospectus,
write or call:

Bill Barnes
Box 140070, Anchorage 99514
(907) 276-8998

The Kemper rate of return is for 10 years ending December 31, 1984 (Source: Johnson Charts). This performance is not necessarily indicative of future performance.
The bank rate is the FIBA rate for January 21, 1986. Principal guaranteed. Interest guaranteed one year.

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

Satellite Communication Systems for Your Business
From Alaska to Alaska, to Hawaii, the "lower 48"
or the rest of the world.

FOR YOUR INFORMATION
OUR NAME IS



HARRIS

For more details on how our communications systems can
help your company cut costs, call (907) 349-7232

Not made in Japan

Not made in Lower 48

Not made in Canada

MADE IN ALASKA

Oaked Out Yet???

Tried Alaskan Birch Yet???

Kiln Dried

Alaskan Birch — Spruce — Cottonwood

Alaska Wood, Cabinets & Millwork

Wallpanelling, Cabinets, Flooring, Moulding, Furniture

349-6588

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.

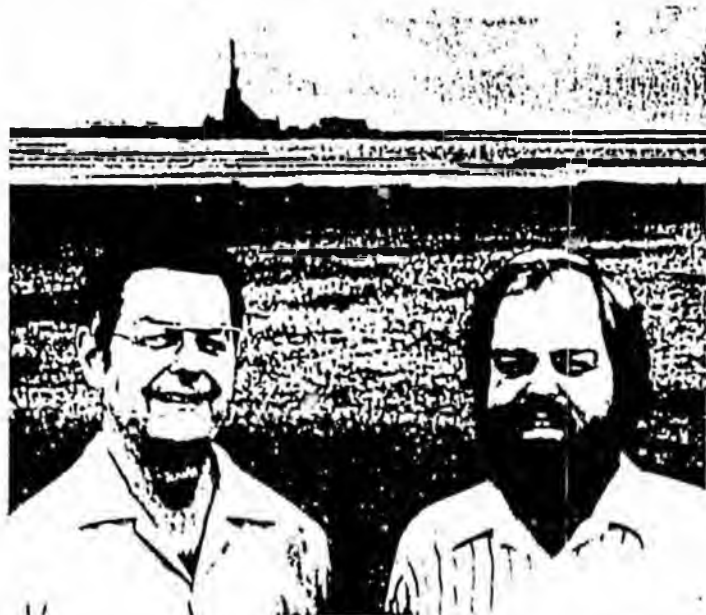
"Other places with Alaska-scale potential are reacting a lot better to lower oil prices," adds Heinze. He predicts every multinational petroleum company will be represented at a conference on investment opportunities scheduled for December in China, "and I bet it won't cost China a lot of money to find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

WE KNOW PETROLEUM



The most complete stock of bearings, mechanical power transmission parts and seals in Alaska.

abco
ALASKA BEARING CORPORATION

We've got it.

276-1406

133 Post Road Anchorage, Alaska 99501

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?" □

Uplifting experience.

Terra, mountain ranges, rivers, streams, and regulatory requirements are all factors that make your project difficult. Alaska Helicopters can provide the solution. We'll bring and transport your equipment and materials to your project sites complete and ready to set in place. Alaska Helicopters when you don't have the time or money to waste.

Alaska

HELICOPTERS, INC.
A Subsidiary of Columbia Helicopters, Inc.
6400 South Airpark Dr. P.O. Box 6283 Airport Annex
Anchorage, Alaska 99503 (907) 243-3404



Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

907-463-3366

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?



CLEAN AIR COALITION • PRINCE WILLIAM SOUND CONSERVATION ALLIANCE • ALASKA CENTER FOR THE ENVIRONMENT
ALASKA CHAPTER SIERRA CLUB • JUNEAU GROUP SIERRA CLUB • KNIK GROUP SIERRA CLUB • DENALI GROUP SIERRA CLUB
ANCHORAGE AUDUBON SOCIETY • ARCTIC AUDUBON SOCIETY • DENALI CITIZENS' COUNCIL • ALASKA FRIENDS OF THE EARTH
JUNEAU AUDUBON SOCIETY • KACHEMAK BAY CONSERVATION SOCIETY • KENAI PENINSULA AUDUBON SOCIETY • KODIAK AUDUBON SOCIETY
LYNN CANAL CONSERVATION • SITKA CONSERVATION SOCIETY • NORTHERN ALASKA ENVIRONMENTAL CENTER
SOUTHEAST ALASKA CONSERVATION COUNCIL • KNIK CANOES AND KAYAKERS

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:

Hon. _____
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

... 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

Alach. 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 Whitaker*

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."

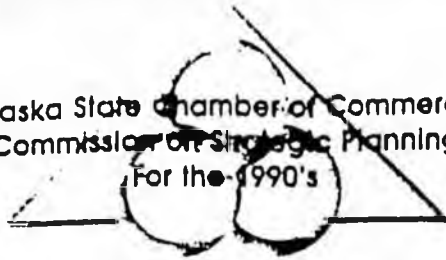
That may have been Alaska's attitude in the past, but the continued spread of spruce beetles — the hot new zone looks like the Kasilof-Clam Gulch area on the Kenai Peninsula — has prompted a more aggressive posture. The recent shift to an "owner-state" philosophy may have changed things, too: In his 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



Peter McDowell, Co-Chairman
Coopers & Lybrand

Harold Heinz, Co-Chairman
ARCO Alaska, Inc.

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

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
The Commissioners.....	1
The Mission.....	2
Purpose of a Strategy.....	3
The Methodology.....	3
THE FRAMEWORK: An Economic Model for the Alaskan Economy..	4
Some Definitions.....	5
Why Exports?.....	6
PRIMARY/BASIC EXPORT SECTORS.....	7
SECONDARY SERVICE/SUPPORT SECTORS.....	10
Transportation and Construction.....	11
World Markets/International Trade.....	11
State and Local Government.....	13
STRATEGIES FOR DEVELOPMENT.....	13
Continued Support for Existing Basic Sectors.....	15
High Technology/Software Development.....	15
Attracting More National Defense Installations.....	19
Expansion of Alaskan Participation in Americanization of Commercial Fisheries.....	23
The Insurance Industry.....	26
The Investment Industry.....	27
ACTION ITEMS/IMPLEMENTATION.....	28
Economic Leadership Checklist.....	29
BIBLIOGRAPHY.....	30

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

INDEX

Preface	
COMPASS NORTH: What Next For Alaska?	iii
Executive Summary	
COMPASS NORTH: Setting A Direction For The Future	v
I. THE CHALLENGE OF OWNERSHIP	1
A new perspective on Alaska's unique role as an "owner" of resources and capital from those resources.	
II. THE CHALLENGE OF LEADERSHIP	27
An examination of the critical decision-making roles of Alaska's executive and legislative branches.	
III. THE CHALLENGE OF LOCAL GOVERNMENT	47
A look at the price Alaska communities are paying for the years of "plenty" in state revenues, and what reforms are necessary to return local decisions to local people.	
IV. THE CHALLENGE OF RESOURCE DEVELOPMENT	65
An assessment of the role of public policy in the development of Alaska's resources.	
V. THE CHALLENGE OF WEALTH MANAGEMENT	87
A review of the policy choices open to Alaska in the face of declining production and revenue from the Permanent Fund.	

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
COMMITTEE

HAROLD HEINZE - CHAIRMAN

ROBERT ATWOOD
The Anchorage Times
President

CARL F. BRADY, JR.
Bayly, Martin & Fay of
Alaska, Inc.
Chairman

HOMER L. BURRELL
Homer L. Burrell, Attorney
Principal

DAVID F. CHATFIELD
Alaska USA Federal Credit Union
Senior Vice President

ADMIRAL JOHN B. HAYES
Avis Rent-a-Car
Vice President & General Manager

HAROLD C. HEINZE
ARCO Alaska, Inc.
President

JOSEPH. R. HENRI - Vice Chairman
Attorney

CHARLES. F. HERBERT
Mineral Resource Consultant

THE HON. RALPH E. MOODY
State of Alaska
Superior Court Judge

JOYCE MANSFIELD RIVERS
Alascom, Inc.
Attorney, Special Projects

MALCOLM ROBERTS
Malcolm Roberts & Associates
Principal

JOHN E. (Pat) RYAN
Mining Engineer

THE HON. JAMES SINGLETON
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.

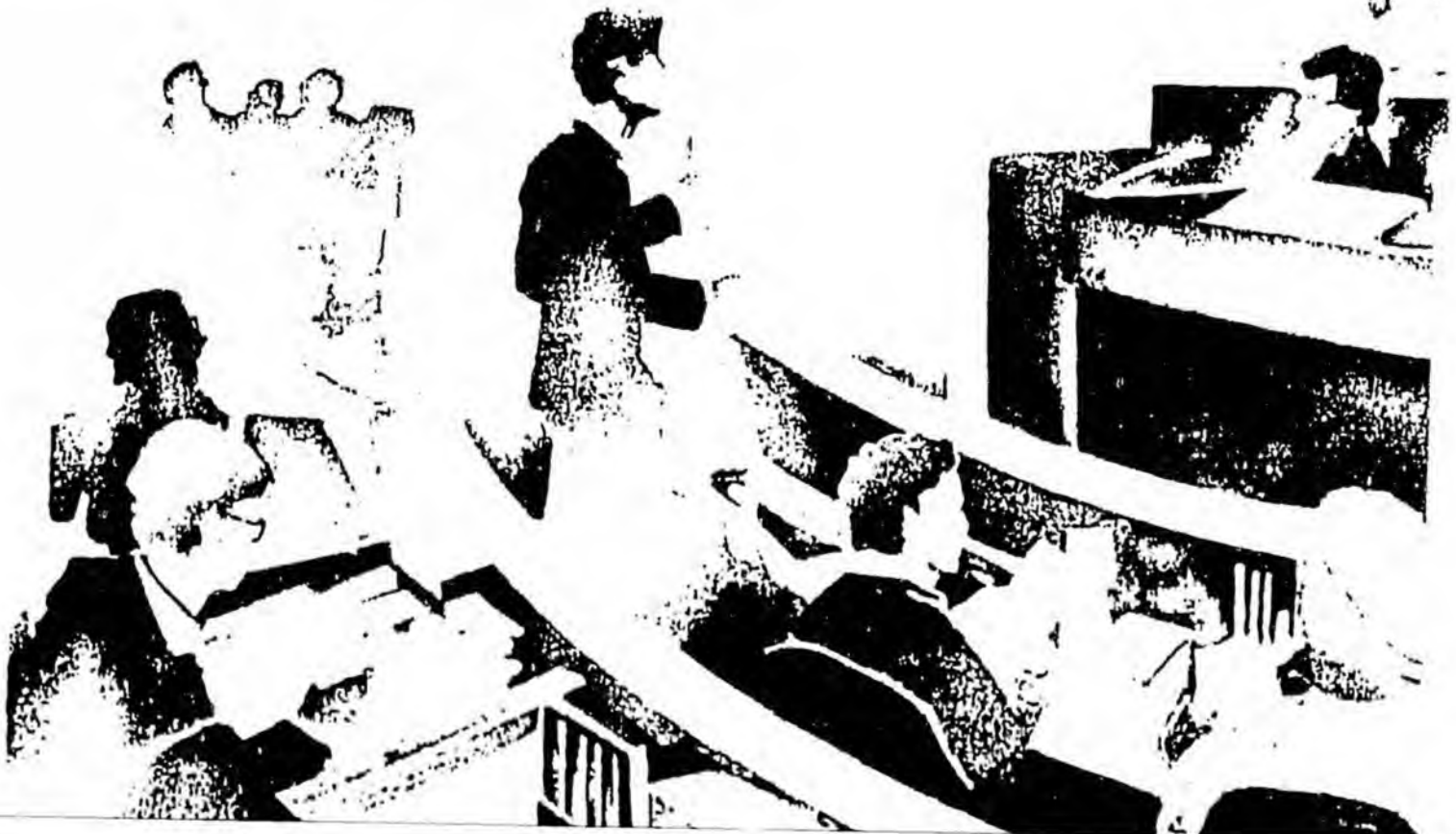
It is not possible for elected leaders to make credible statements about whether or not the budget can or cannot be curtailed when it is general knowledge that specific information is lacking to back up these judgements.

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.



- SACRAMENTO OFFICE
STATE CAPITOL
SACRAMENTO, CALIFORNIA 95814
(916) 445-8077
- DISTRICT OFFICE
1388 SUITER STREET
SUITE 1002
SAN FRANCISCO, CALIFORNIA 94109
(415) 557-0784
- DISTRICT OFFICE
107 SOUTH BROADWAY
SUITE 8009
LOS ANGELES, CALIFORNIA 90012
(213) 620-4356

Assembly California Legislature

WILLIE LEWIS BROWN, JR.
SPEAKER OF THE ASSEMBLY

January 24, 1991

Harold Heinze
Arco Transportation
300 Oceangate, Suite 1557
Long Beach, CA 90802-4341

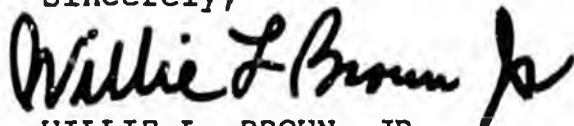
Dear Mr. Heinze:

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

Joan Walsh and Elaine Zimmerman

Photography by Nita Winter

Photos on pages 4, 57, 91, 104, and the cover were originally
taken for the Bay Area Women's Resource Center

This report may be reproduced in part or whole.

JOINT SELECT TASK FORCE ON THE CHANGING FAMILY

MEMBERS

Assemblyman Thomas H. Bates, Co-Chair
Assemblyman Tim Leslie
Assemblywoman Jackie Speler

Shizuko Akasaki
Director of Special Education Programs,
Los Angeles Unified School District,
Los Angeles

Peggy Baxter
Vice President, Medical Services,
Children's Hospital, Oakland

Thomas F. Coleman
Principal Consultant, Los Angeles City Task
Force on Family Diversity; Adjunct Profes-
sor, USC Law Center, Los Angeles

Mai Cong
Coordinator, Pacific Asian Unit,
Mental Health Services, Orange County

Xavier Del Buono
Xavier A. Del Buono and Associates
Educational Consultants, Sacramento

Gary David Goldberg
Executive Producer, Family Ties and Day by
Day, Paramount Pictures Corporation,
Los Angeles

Harold C. Heinze
President, Arco Transportation Corporation,
Long Beach

Cynthia James
Equal Opportunity Program Manager,
County of Alameda; Pastor, Landmark
Ministries, Inc., Interdenominational
Christian Ministry, Oakland

Ron Johnson
Director, High Risk Outreach Services,
T.H.E. Clinic, Los Angeles; Consultant, Cali-
fornia State Department of Education

Marilyn Kizziah
Coordinator, women for: Women and
Family Program Organizer, Los Angeles

Senator Diane E. Watson, Co-Chair
Senator David Roberti, President Pro Tempore

Kevin McCarthy
Director, Institute for Civil Justice, The
RAND Corporation, Santa Monica

Eliseo Medina
President, Service Employees International
Union, Local 102, San Diego

Susana Navarro
Co-Executive Director, The Achievement
Council, Oakland

Susan Pelican
California Association of Family Farmers;
Registered Nurse, Maternal Child Services,
Woodland Memorial Hospital, Woodland

Paul Proett
Manager, Employee Services, Apple
Computer, Inc., Cupertino

Peggy Saika
Executive Director, Asian Law Caucus,
Oakland

Leonard Schneiderman
Dean, UCLA School of Social Welfare;
Director, UCLA Center for Child and
Family Policy Studies, Los Angeles

Ann Shaw
California Community Foundation;
United Way Corporate Board, Los Angeles

Suzanne Smith
Co-Executive Director, New Ways to Work,
San Francisco

Rev. William J. Wood, S.J.
Executive Director, California Catholic
Conference, Sacramento

TABLE OF CONTENTS

Acknowledgments.....	iii
Preface	v
Introduction	1
Work and Family: The Contemporary Balancing Act	13
From the First Generation to the Last: A Family Continuum of Caregiving	31
Part I Caring for Our Children.....	33
Part II When Elders Are No Longer Able: Families and Caregiving	41
Raising the Next Generation: Helping Parents Parent.....	53
Part I Effective Parenting: A Key to the Future.....	56
Part II Teen Parents: A Growing Community Challenge.....	65
Part III Health Care: A Concern for All Family Members	68
Couples: Supporting Fundamental Family Relationships	75
Families in Economic Peril.....	87
Part I When Paid Income Is Not Enough	92
Part II Relying on Other Family Members for Economic Support	97
Part III Income from Government Transfer Programs	102
Part IV The Legacy of Low Wages: Elders at Economic Risk	106
Preparing Today's Children for Tomorrow's Workforce	115
Breaking Generational Barriers	133
A Call to Action.....	145
Appendix	149
Contributors	
Presenters	
National Advisory Committee	
Minority Statement	

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



© 1989 Nita Winter

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.

*Fro
lati
the
het
div*



© 1989 Nita Winter

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.

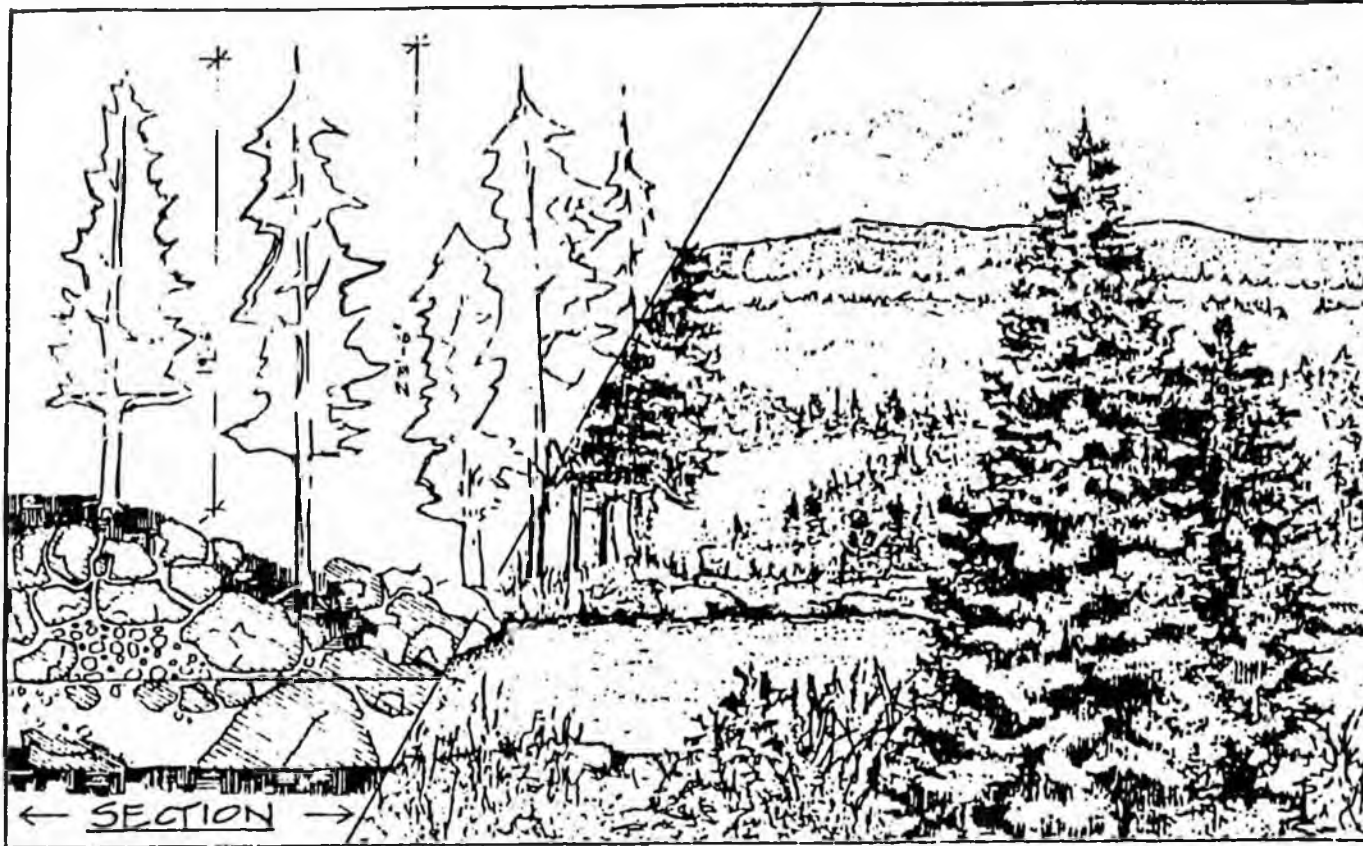
- II. Policies must respond to the changing needs of today's families, while respecting their privacy, integrity, and diversity.
- III. Policies must assure the health and well-being of individual family members, while promoting the stability of the family system as a whole.
- IV. Policies must build 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.

NOTES

1. Estimate by California State Department of Finance, based on 1980 census
2. Michael Wald, John Evans, Marc Ventresca, and Claire Smrekar, "Children's Family Life," Conditions of Children in California, Policy Analysis for California Education, February 1989, chapter 3, p. 3
3. See discussion of drop out rates in Kati Haycock and M. Susana Navarro, Unfinished Business: Fulfilling Our Children's Promise, The Achievement Council, Oakland, 1988, p. 14
4. Michael Wald et al., p. 4
5. Edward Fishbein, The Threatened Dream: The Economic Squeeze on California's Middle Class, Report to the California Commission for Economic Development, Sacramento, October, 1988
6. Michael Wald, John Evans, and Marc Ventresca, "The Economic Status of Children," Conditions of Children in California, Policy Analysis for California Education, February, 1989, chapter 4, p. 5
7. Jerome Idaszak, "Family Life Worries Told," Chicago Sun-Times, October 5, 1988, p.5
8. The Gallup Organization, as reported in San Francisco Chronicle, February 27, 1989
9. "American Families in Tomorrow's Economy," report of hearings before

the U.S. House of Representatives Select Committee on Children, Youth, and Families, July 1, 1987, p. 17

10. Michael Wald et al., "The Economic Status of Children," p. 6
11. "Employment and Earnings Characteristics of Families: Second Quarter, 1987," U.S. Department of Labor News, July 27, 1987
12. California 2000: A People in Transition, California Legislature Assembly Office of Research, June, 1986, p. 2
13. Wald et al., "Children's Family Life," p. 4
14. Figure based on 1980 Census Bureau estimate that unmarried couples reside in 7 percent of households
15. California Supreme Court, Moore Shipbuilding v. Industrial Accident Commission (1921) 185 Cal. 200, 196, p. 257
16. Douglas J. Phillips, "Breakaway Human Resource Planning and the Bottom Line through Family Issue Management," working paper, Herck and Company, Rahway, N.J., November, 1987, p. 9
17. "Parent Involvement Programs in California Public Schools and Other Available Resources," California State Department of Education, 1987, p. 37
18. "America's Schools Still Aren't Making the Grade," Business Week, September 19, 1988, p. 132, and Kati Haycock and M. Susana Navarro, p. 4
19. Roberta Spalter-Roth and Heidi Hartmann, Unnecessary Losses: Costs to Americans of the Lack of Family and Medical Leave, Executive Summary, Institute for Women's Policy Research, Washington D.C., 1988, Table 9, p. 15
20. E. Richard Brown, et al., Californians without Health Insurance: A Report to the California Legislature, California Policy Seminar, September, 1987, p. 16



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

Mary Embleton, M.S.
Sheryl S. Hallin, M.B.A.
Michael Peterson, M.B.A.

We thank the M. J. Murdock Charitable Trust and the Carthage Foundation for their generous support of this project.

CONTENTS

Part 1

Green Perspectives on Economy and Ecology

- | | |
|--|----|
| Introducing the New Environmental Agenda | 7 |
| The New Resource Economics: Tools for Environmental Management | 11 |

Part 2

Economic Incentives For Environmental Quality

- | | |
|---|----|
| Fresh Approaches to Fresh Air: Pollution and Regional Politics | 21 |
| Reforming the Federal Grazing Lands: Benefits to the Environment and Taxpayers | 25 |
| Politics vs. Science in Our National Parks: Looking for a New Management Approach | 29 |
| The Song of the Elk: Environmental Policy at the Mercy of Politics | 33 |
| Conserving Water Resources and Ending Pork-Barrel Projects | 35 |
| "Tough Love" Choices Needed In the Protection and Management of Wild Horses | 39 |
| Forest Resources and Environmental Values | 43 |
| The Political and Economic Implications of Valdez | 53 |

Part 3

Doing Business in a Green America

Doing Business in a Green America	69
Business and the Environment: An MBA and Executive Development Program	71
The Environment and Corporate Profits: Environmentalists as Outside Directors?	75
Save the Environment Without Destroying Your Profits	79

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

INITIATIVES

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.

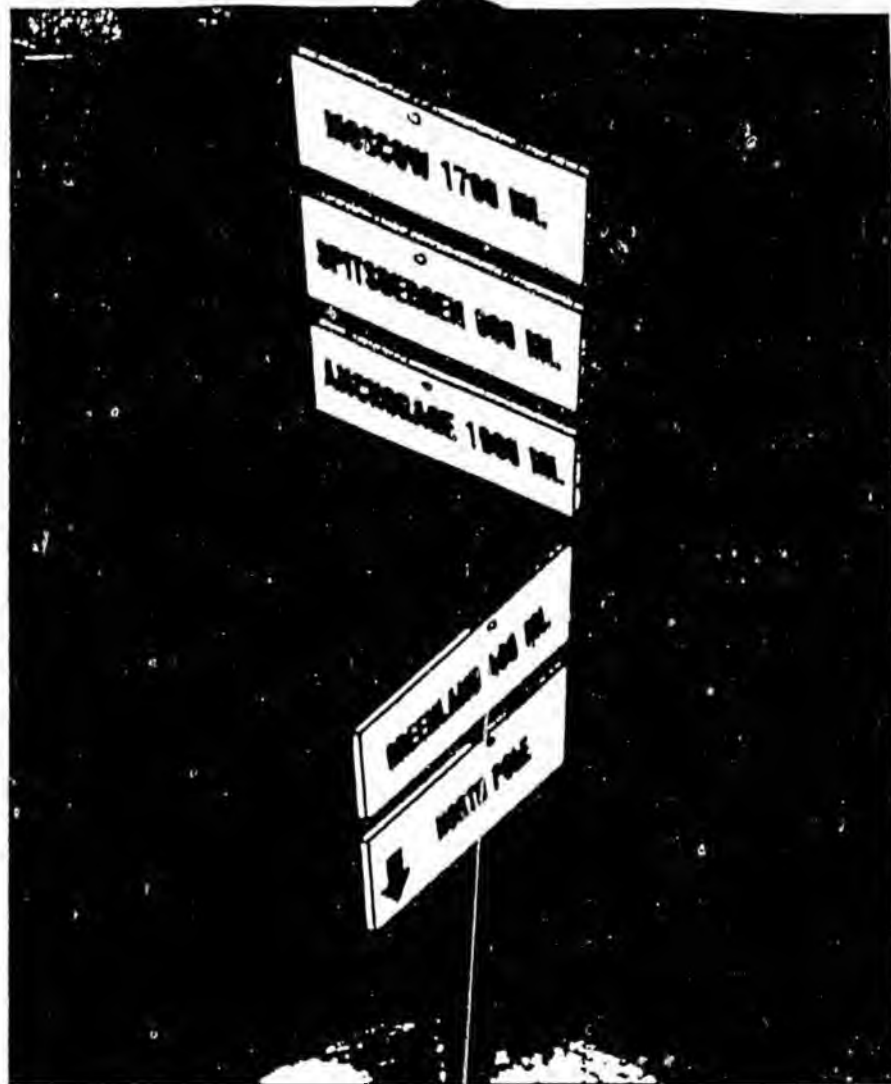
Another dominant feature of the polar ice cap is its constant circulating motion. To understand this, imagine a map with North America at the bottom and the Soviet Union at the top, with the North Pole in the middle. Then imagine the ice rotating clockwise, and you'll have the basic idea of the Arctic 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

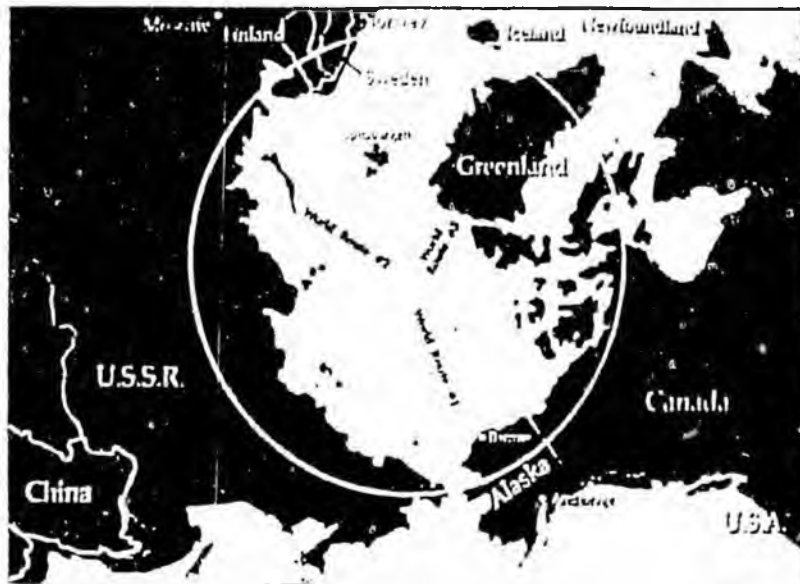
Simply put, Polestar is an idea for a city at the North Pole.

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 yield 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

INITIATIVES

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. □

Harold C. Heimze is a graduate petroleum engineer, president of ARCO Alaska, and senior vice-president of the Atlantic Richfield Company.

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

Alaska in the Twenty-First Century

February 1991

Contents

I.	Introduction	1
II.	The Triumph of the Alaska Lands Act—10 Years Later	3
III.	Our Immediate Challenge—the Arctic National Wildlife Refuge .	4
	A. Oil Dependence and the Environment	5
	B. A New Energy Policy	6
IV.	Our Future Opportunities	9
	A. To protect the diversity of Alaska	9
	1. New National Wildlife Refuges	9
	2. New National Parks	12
	3. Wilderness Review and Designation	12
	a. BLM Wilderness	15
	b. Chugach National Forest Wilderness	18
	4. Wild Rivers	18
	5. Prince William Sound	20
	6. Marine Resources	20
	B. To protect complete ecosystems	21
	1. Native Corporation Inholdings	21
	2. Boundary Additions	23
	3. Land Exchanges	24
	C. To manage the lands properly	25
	1. ANILCA Administration	25
	2. Management of the Conservation Units	26
	a. National Wildlife Refuges	26
	b. Tongass National Forest	27
	c. Archaeology, Historic and Cultural Preservation	28
	3. State/Federal Issues	29
	a. Submerged Lands	29
	b. Transportation Corridors	31
	4. Mining	32
	5. Wildlife Conservation	33
	D. Energy Development and Transportation	36
	1. Prudhoe & TAP	37
	2. Offshore Oil and Gas Development	37

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