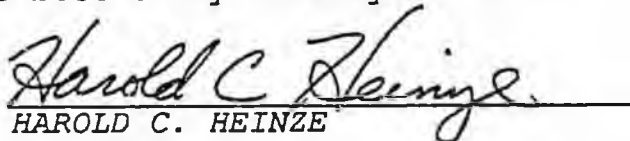


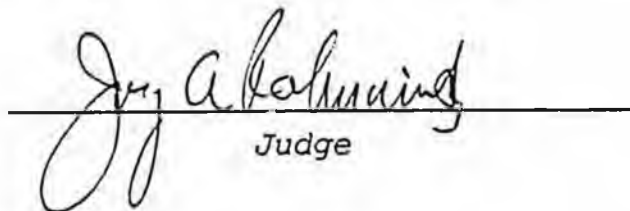
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# OATH OF OFFICE

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

  
HAROLD C. HEINZE

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

  
Judge



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

By RALPH THOMAS

THE JUNEAU EMPIRE

1/24/91  
The new head of the state's land-use management department said today he would not wage war on environmental groups, but admitted the new administration has "very little common ground" with many environmentalists.

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

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

"No," Heinze said loudly.

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

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

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

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

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

tal issues."

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

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

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

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

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

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

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

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

Please turn to DNR, Page 8



MARK KELLEY/JUNEAU EMPIRE

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

## DNR...

Continued from Page 1

fit to the state."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"We as a young state need room to grow," he said. "If you look at what other states have done to their wetlands, it's pathetic."

# Beetles

Continued from page B1

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

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

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

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

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

U.S. Forest Service entomolo-

gist Ed Holsten said the chain saw theory could save valuable forest areas in the Chugach where so many people go to enjoy the aesthetics of wilderness.

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

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

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

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

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

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

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

"One of our major concerns is the beetle will kill trees and create a dry area subject to fire," Van Zee said. "It happened in Yellowknife National Park in the summer of 1980, destroying hundreds of thousands of acres."

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

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

**SPEAKING OF Commonwealth North,** the organization is in the process of picking an executive director to succeed Malcolm Roberts, who resigned to become assistant chief of staff in the Michel Administration. There were 38 applications for the post, reports Judy Brady, Chairman of the search committee — and herself both a former Commonwealth North executive director and a commissioner of Natural Resources in the administration of former Gov. Steve Cowper. Retired Brig. Gen. John Hoyt volunteered to serve as acting executive director, pending the selection of a permanent successor to Roberts. But Hoyt is not a candidate for the job. He says his enjoy a retirement too much — and to prove it, he managed to slip away to Hawaii for a few days of vacation.

Special to The News 1-16-81

## Heinze touts chain saws vs. beetles

By DAVID FUTCH

Times version 1-16-81

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

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

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

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

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

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

Heinze said the state is interested in having a beetle control program built around the public. The U.S. Forest Service backs the idea, Holsten said. State and Forest Service officials have not dis-

cussed it much, although Heinze said the plan is one proposed by the Forest Service in 1985. That effort to cut the diseased trees was stopped after environmental groups objected. Last summer, the Forest Service began to consider the plan again.

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

See Beetles, back page

## DNR plans hires to keep pace with pipeline project

By DAVID FUTCH

TIMES WRITER F-30-91

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

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

Gov. Walter J. Hickel, along with former ARCO Alaska Inc. chief Robert O. Anderson, founded Yukon Pacific in 1983 to tap the North Slope's estimated 35 trillion cubic feet of gas reserves for sale to Pacific Rim nations.

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



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

— Harold Heinze  
DNR commissioner

## Pipeline

Continued from page A1

Alaska's eighth governor.

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

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

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

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

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

Construction of the pipeline

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

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

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

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

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

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

The projected cost of building the pipeline and Valdez facilities

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

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

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

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

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

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

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

"There is no opening for Alaska gas in a number of mar-

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

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

Hickel owned about 13 percent of Yukon Pacific prior to his Nov. 8 election as governor.

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

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

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

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

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

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

JUNEAU EMPIRE  
2/12/91

### Thinking like an owner will benefit Alaska

Dear Editor:

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

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

The use of a "fast track" priority for projects that the State determines offer the State high benefit is not only good "owner" thinking — it's good government! The sale of North Slope gas offers the State a benefit similar to a multi-billion barrel oil field and since a great deal of the infrastructure is already in place, the negative impacts should be minimal and manageable. To allow the bureaucratic process to delay these high benefit type of projects would be too high a cost to the State. That's why the Hickel administration continues to support the joint Federal/State Pipeline Coordinator's Office. This one-stop approach to dealing with common carrier pipelines is so strongly supported by project sponsors that they have agreed to directly fund the State's effort. And, yes, Northwest Alaska (and hopefully others) would receive the same cooperation.

As to State financing of the project, I'm against the State making a

risk investment if the proper decision and management structures are not in place. Accepting a business risk (i.e., market uncertainty) without fully understanding it or without the reaction ability to a changing world will lead to failure. The normal State appropriation process isn't and won't be structured to succeed in the risk investment world; we can stick with the conservative owner approach. But there are some unique State entities which have clearly shown an ability to succeed in the face of risk and great market dynamics; The Alaska Permanent Fund and the Alaska Railroad. A similar Alaska investment organization is possible. But since Yukon Pacific has stated they don't need State investment, it could be a moot point for this project.

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

Sincerely,  
Harold C. Heinze  
Commissioner  
Alaska Department  
of Natural Resources

# Businessmen remain skeptics of regulatory reform promises

By MATT KOHLMAN  
The Associated Press

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

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

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

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

*2/15/91*

*“We should eventually get to the point of sending you a postcard that has a little stamp on it that says ‘yes.’”*

— Paul Rusanowski  
Governmental Coordination

gulation, he said.

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

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

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

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

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

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

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



Harold Heinze

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

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

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

By DAVE PATRICK

TIMES JUNEAU BUREAU

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

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

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

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

seems daunting in purpose and process.

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

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

600,000 acres a month.

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

"I would be absolutely surprised if

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

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

See Lands, page A9

## Lands

Continued from page A1

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Hickel officer develops new owner-state idea

By DAVE PATRICK

TIMES JUNEAU BUREAU

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

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

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

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

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

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

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

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

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

# Coghill, Heinze tout tourist amenities for Denali National Park

By DAVE PATRICK

2/20/91

TIMES JUNEAU BUREAU

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

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

Mount McKinley.

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

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

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

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

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

see it.

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

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

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

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

park's natural setting.

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

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

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

road.

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

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

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

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

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

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

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

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

# Proponents vow minimal impact opening ANWR

By BERT TARRANT

TIMES BUSINESS WRITER 2-22-91

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

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

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

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

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

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

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

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



Times photo by MICHAEL DINNEN

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

conference participants that ANWR would be developed responsibly.

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

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

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

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

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

See ANWR, page C5

2/22/91  
Ice roads, small pads to protect land

## ANWR

Continued from page C1

ly.

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

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

"We need to have the regula-

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

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

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

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

# State should take over Glacier Bay, Heinze says

By DIRK MILLER

TIMES JUNEAU BUREAU

JUNEAU — Alaska may try to wrest authority of Glacier Bay's waters from the National Park Service, which in recent years has moved to evict subsistence and commercial fishermen from the bay.

"I think it's something in our mind," Natural Resources Commissioner Harold Heinze said. "Basically, Glacier Bay has been designated as a park for a very long time. There'd probably be a lot more legal wrestling over that."

Heinze said he considers Glacier Bay an inland body of water, which the state should manage. As manager, Heinze said, the state could make allowances for commercial and subsistence fishermen.

"Clearly, Glacier Bay is an area where the Park Service has

been real assertive," Heinze said. "It really is an issue of who's in charge."

Heinze made the remarks at a meeting of Gov. Walter J. Hickel's subsistence advisory council this week and in a later interview.



**Heinze** Marvin Jensen, the park's superintendent, said Heinze's idea was not new and was even considered during former Gov. Steve Cowper's term. Jensen said the Park Service maintains its claim of jurisdiction over Glacier Bay.

John Quinley, Park Service spokesman, said the 53,270-acre park's longevity is a factor in who manages it. The park was

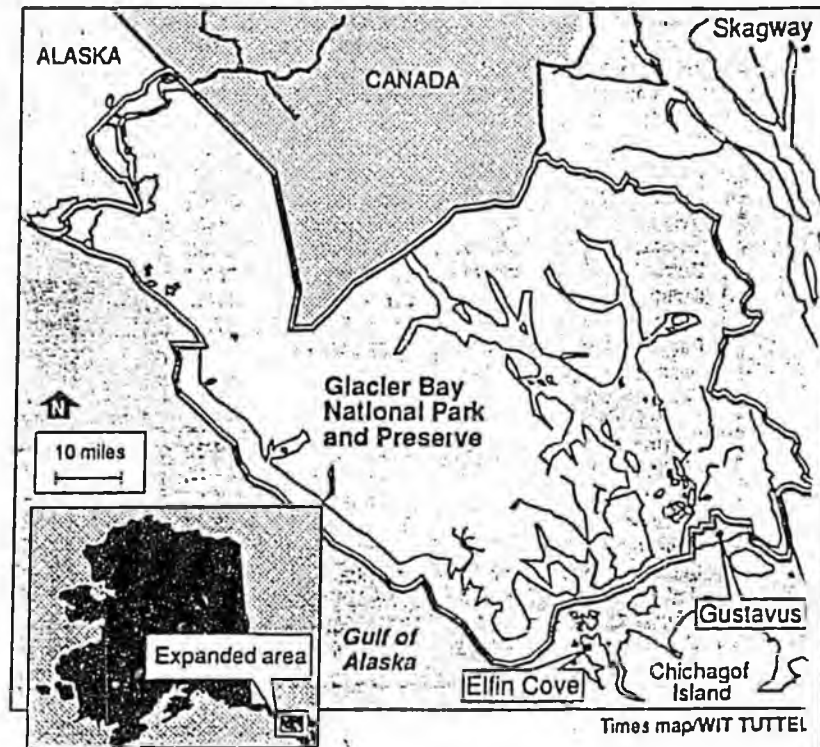
originally created as a national monument by President Calvin Coolidge.

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

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

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

See Glacier, page A9



Times map/WIT TUTTEL

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# Glacier

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Continued from page A1

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said.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Sunday, March 3, 1991, The Anchorage Times

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# State can't get land rights of way—Heinze

By INGRID MARTIN  
Staff Writer

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

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



HEINZE

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

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

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

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

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

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

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

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

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

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

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

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

FAIRBANKS DAILY NEWS-MINER 3/28/91

## Business leaders called upon to help make land selections

By BERT TARRANT

TIMES BUSINESS WRITER

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



Heinze

acres in land selections under the Alaska Statehood Act.

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

and large hard-rock mines.

"Alaska has until Jan. 2, 1994 to select 20 million acres, plus or minus five million, to finish it off," he said. "That will complete our entitlement of 105 million acres, an area about the size of California and a little over one quarter of Alaska's total of 378 million acres."

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

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

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

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

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

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

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

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

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

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

# HEINZE 'DISTURBED' BY MCINTYRE DELAY

4/8/91

By Ray Tyson  
For the Journal of Commerce

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

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

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

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



Heinze

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

Continued on Page 6

Continued from Page 1

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

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

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

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

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

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

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

Continued on Page 26

## Heinze

Continued from Page 6

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

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

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

More so than BP, Arco and Exxon

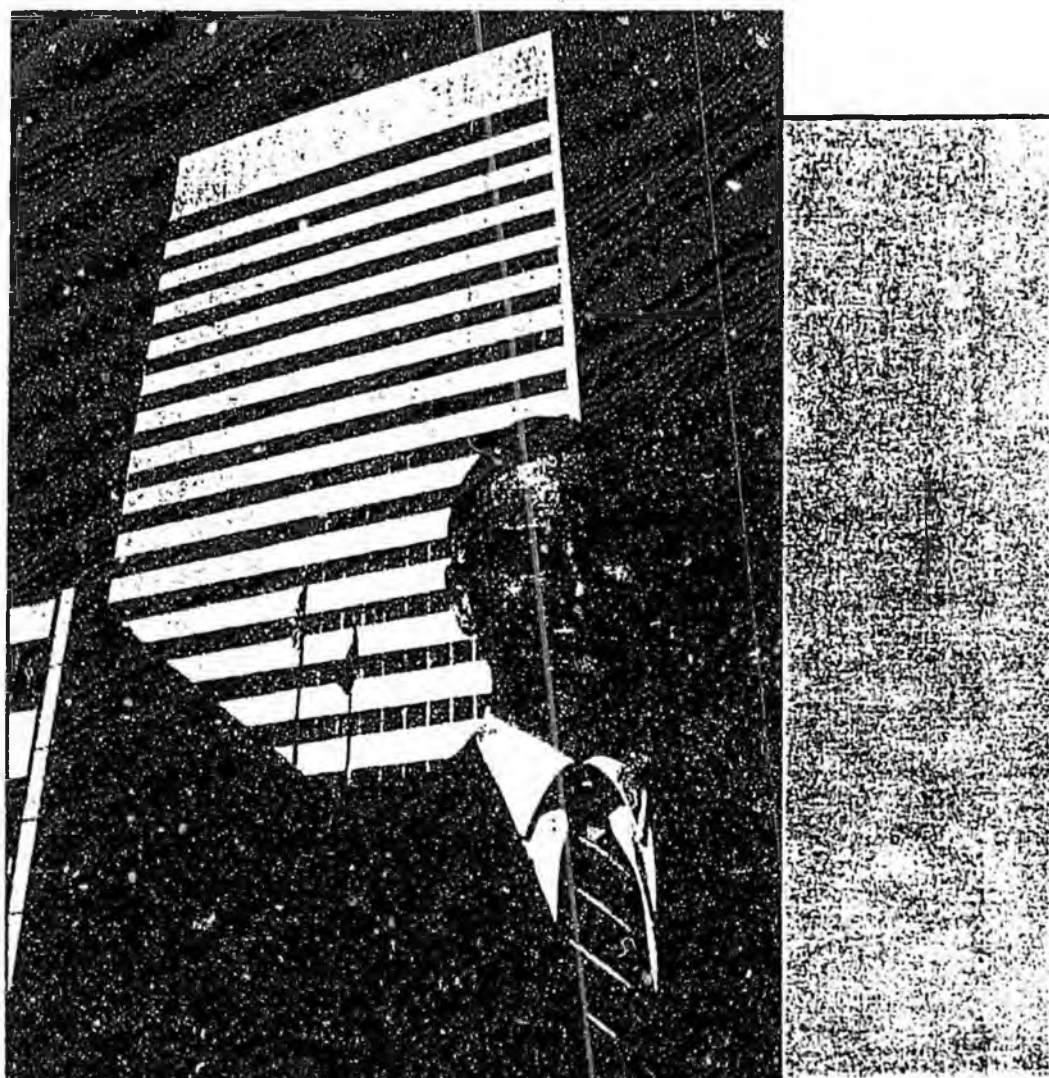
hold a greater interest in seeing the Point McIntyre oil field brought into production as soon as possible. Arco and Exxon hold a 50-50 share of the parcel on which oil was discovered in 1988 and therefore are entitled to a substantial royalty rate reduction.

Last month the state reduced the royalty rate on the Point McIntyre discovery lease from 12.5 percent to 5 percent. Under terms of the agreement, the lower rate is effective until 1998, or 10 years after the field was discovered. That means for every remaining year the field is not brought into production, Arco and Exxon forfeit a year of low royalty payments to the state.

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

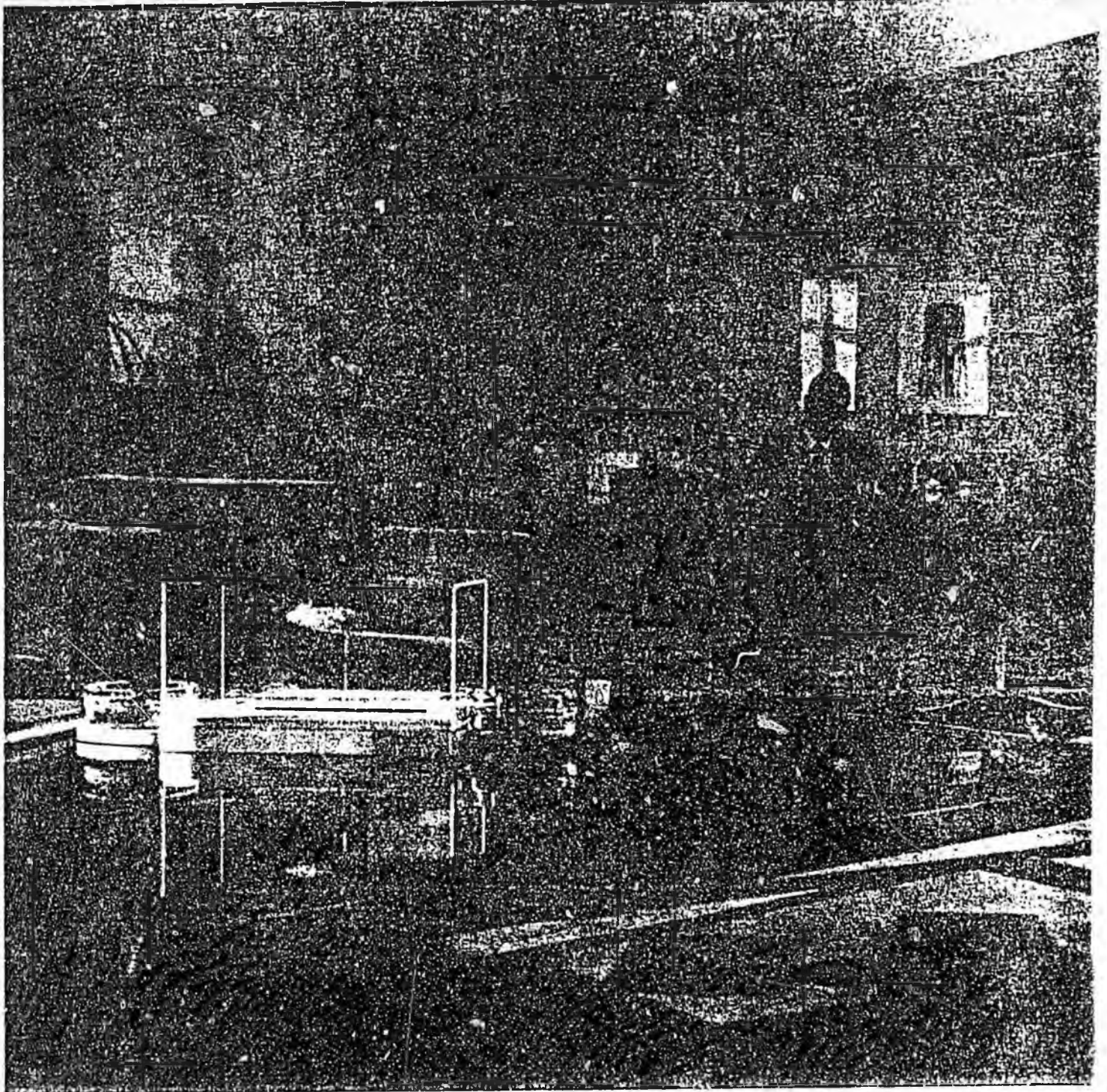
DECEMBER 1985  
THREE DOLLARS

# ALASKA BUSINESS Monthly



## **ARCO's Harold Heinze** **Oil's voice of reason**

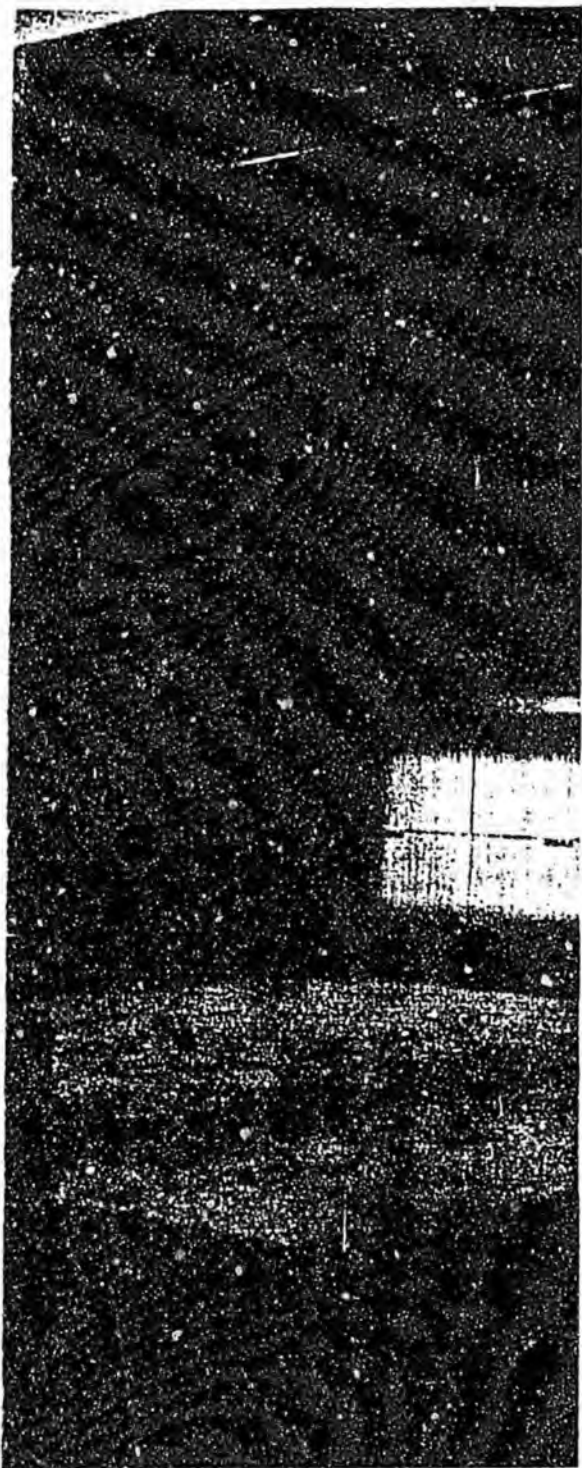
ATU Services vs. private enterprise  
Freight over troubled waters  
Computers and 1985 taxes  
Securities registration and Alaskan law



## ARCO's Harold Heinze

A meteoric ascent  
to the room at the top

BY PAUL LAIRD



Page 1500

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

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

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

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

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

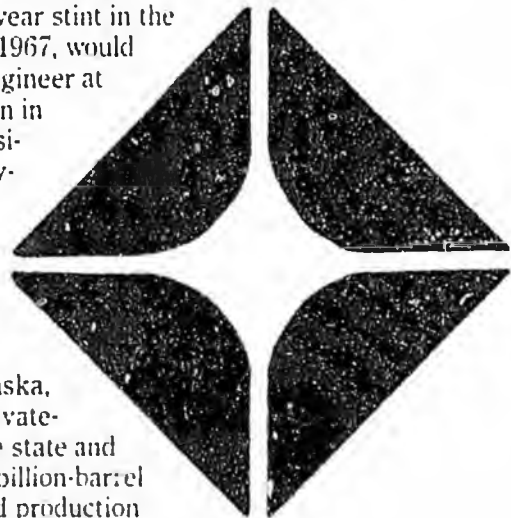
"(Anderson) seemed to have a vision of where he was going, and when I read the things he was saying, they made a lot of sense," Heinze recalls. "Atlantic Refining had always been a stodgy little company before he took over, but he was an idea person who was willing to go out and do things."

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

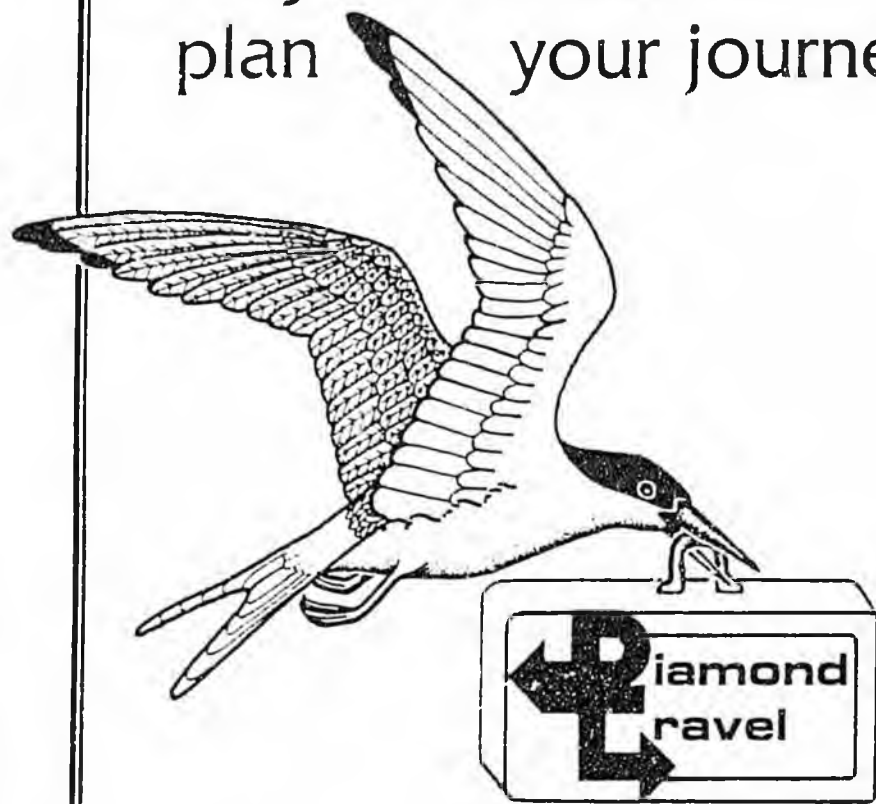
In the 20 years that followed, Anderson would steer Atlantic Refining into a merger with Richfield Oil and mold Atlantic Richfield Co. into a multibillion-dollar, multinational giant. Today he continues to serve as its chairman.

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

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



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each way from Alaska to the Antarctic

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

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

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

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

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

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

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

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

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

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

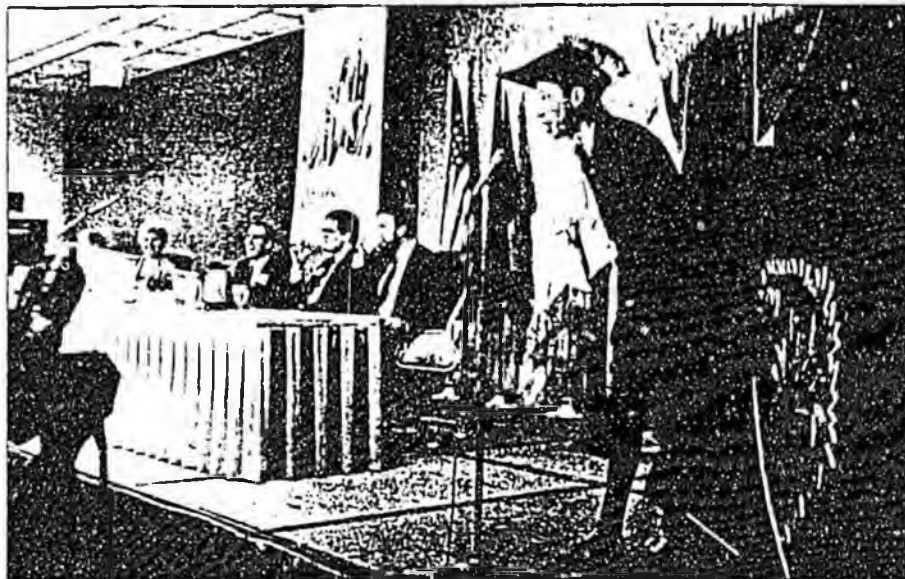
He returned to Alaska in 1976 as engineering manager for ARCO's Northern Alaska District (Prudhoe Bay) but once again was transferred Outside on Thanksgiving Day 1979 to take on other corporate duties in Los Angeles.

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

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

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

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



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

then.

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

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

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

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

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

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

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

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

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



*Heinze and son Hel display prowess with rakes for wife Vicki and Penny, the family dog*

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

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

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

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

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

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

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

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

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

hold your ground instead of charging.

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

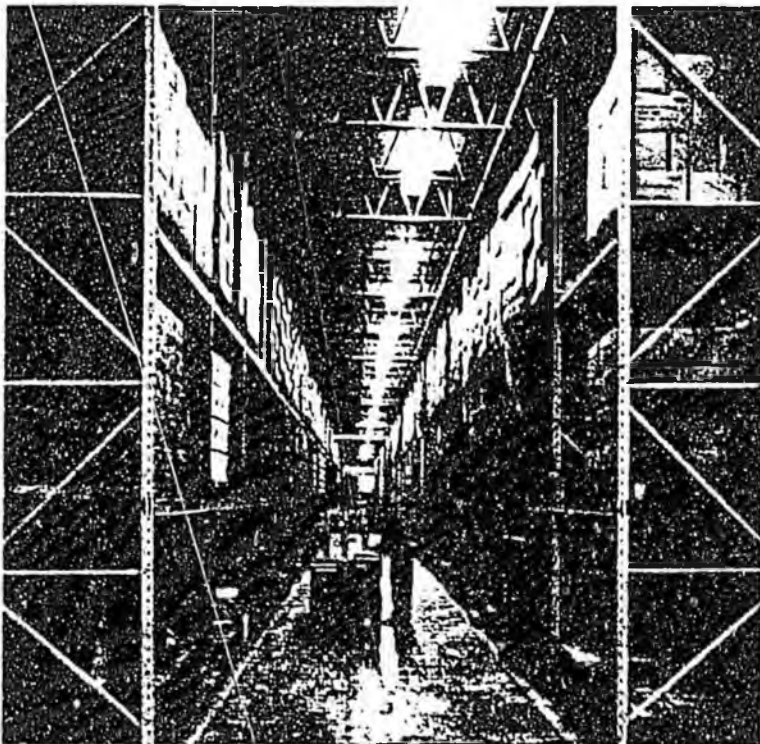
In a state oil and gas lease sale this fall, ARCO Alaska and Amerada Hess jointly bid about \$9.6 million to lead bidding in the sale. "There's so much potential to be explored that we'll be here for decades," Heinze says.

And Heinze? During his more than 16 years in the state, he's developed a similar attachment to Alaska. He and his family just completed the second year of what he calls his "five-year plan" for building a cabin in the woods north of Talkeetna, and Phase 3 scheduled for next summer calls for walls.

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

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

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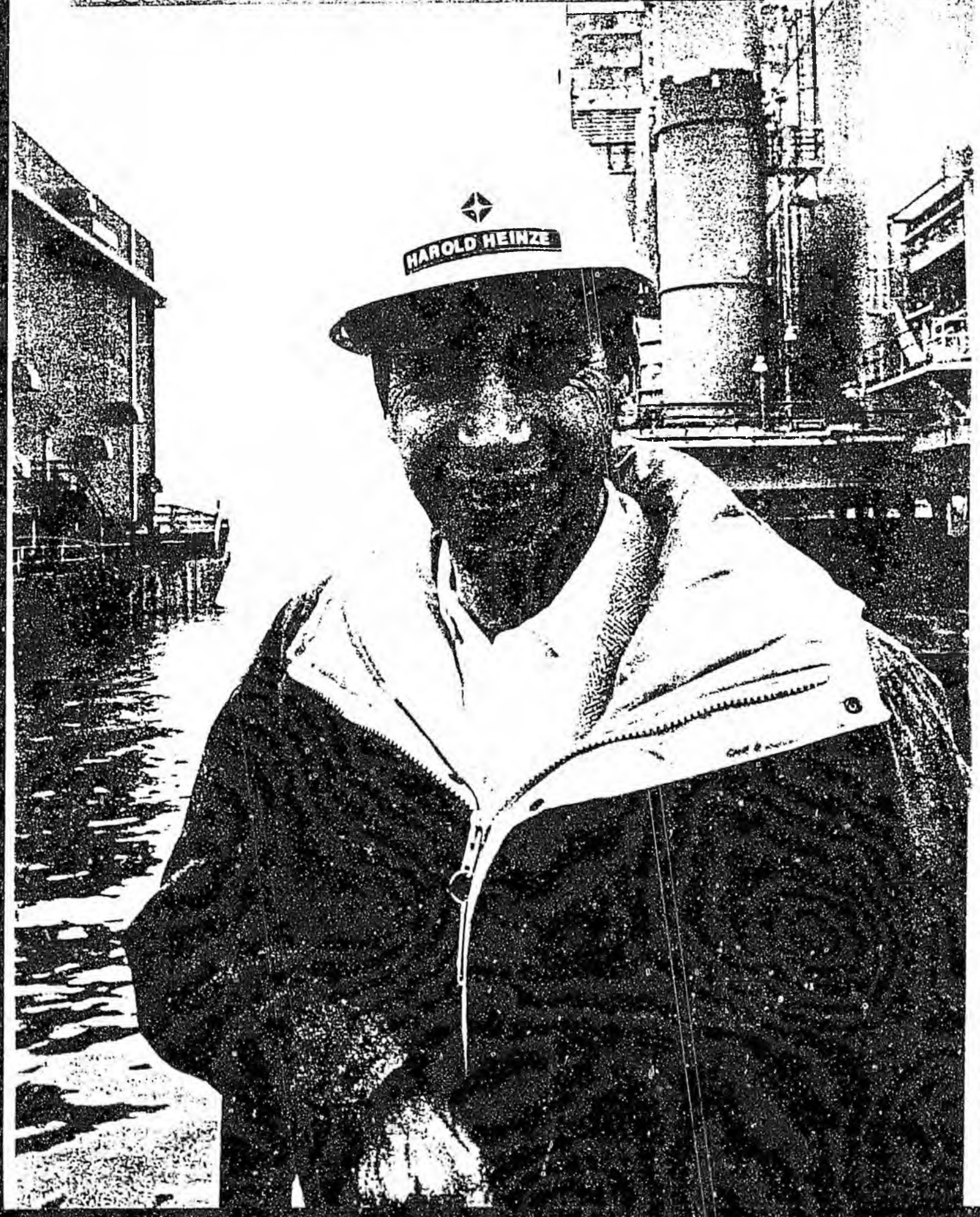
# *The* **SPARK**

ARCO/October 1986



**PARENTING AND WORK: *MAKING IT WORK***

RESOURCES



# OUTSPOKEN MAVERICK

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

by Bill Stephens

**T**he 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 chainsmoker, 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 lull, 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 bookish, 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, a job 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 had 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 appointments 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 visit, he addresses the Civic Action Program (CAP) group in Anchorage. So many employees sign up that the meeting is held in the huge AAI lobby.

"If you add increased taxes to lower prices," he says, "we can't exist. 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 conservative, 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 and he's never felt threatened in a big way.

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.

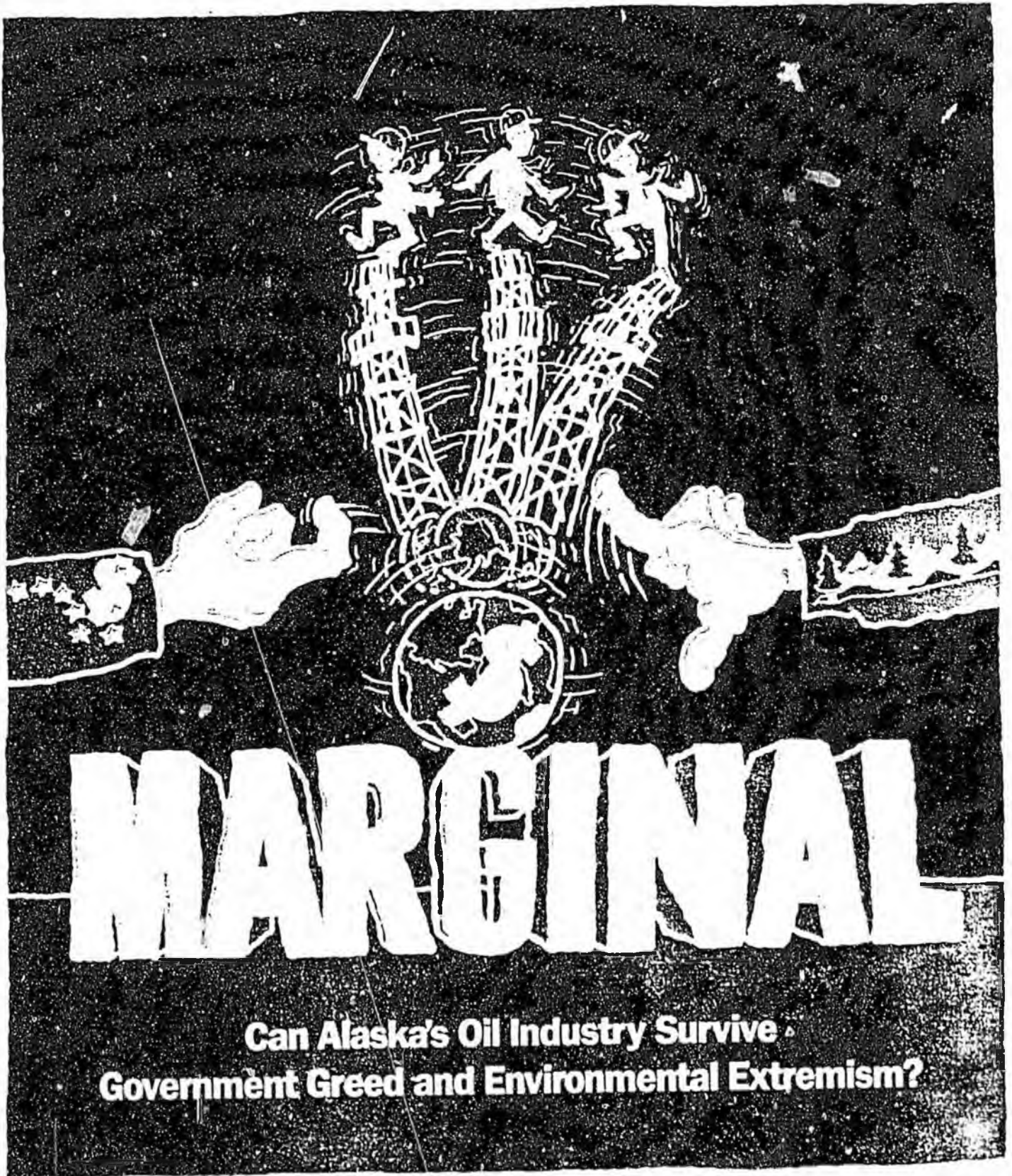
Heinze doesn't feel he's a workaholic, but the next day, Friday, he will visit a remote mine. On Sunday, he will fly to South Alaska to meet author James Michener, who's working on an Alaska book. Saturday, there will probably be time for rest. A chance to re-win the Battle of the Bulge. ☛



**HEINZE VARIETY** — Harold Heinze's world doesn't lack variety. Clockwise from upper left he poses with son Hal, attends a local hospital committee meeting, meets with employees at Prudhoe, and confers with staffers Jim Besoy (seated) and Rich Dyer in his Anchorage office. (Photos by Bill Stephens)

# ALASKA BUSINESS Monthly

MARCH 1986  
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**Can Alaska's Oil Industry Survive  
Government Greed and Environmental Extremism?**

# 1996

By PAUL LAIRD

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

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

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

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

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

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

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

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

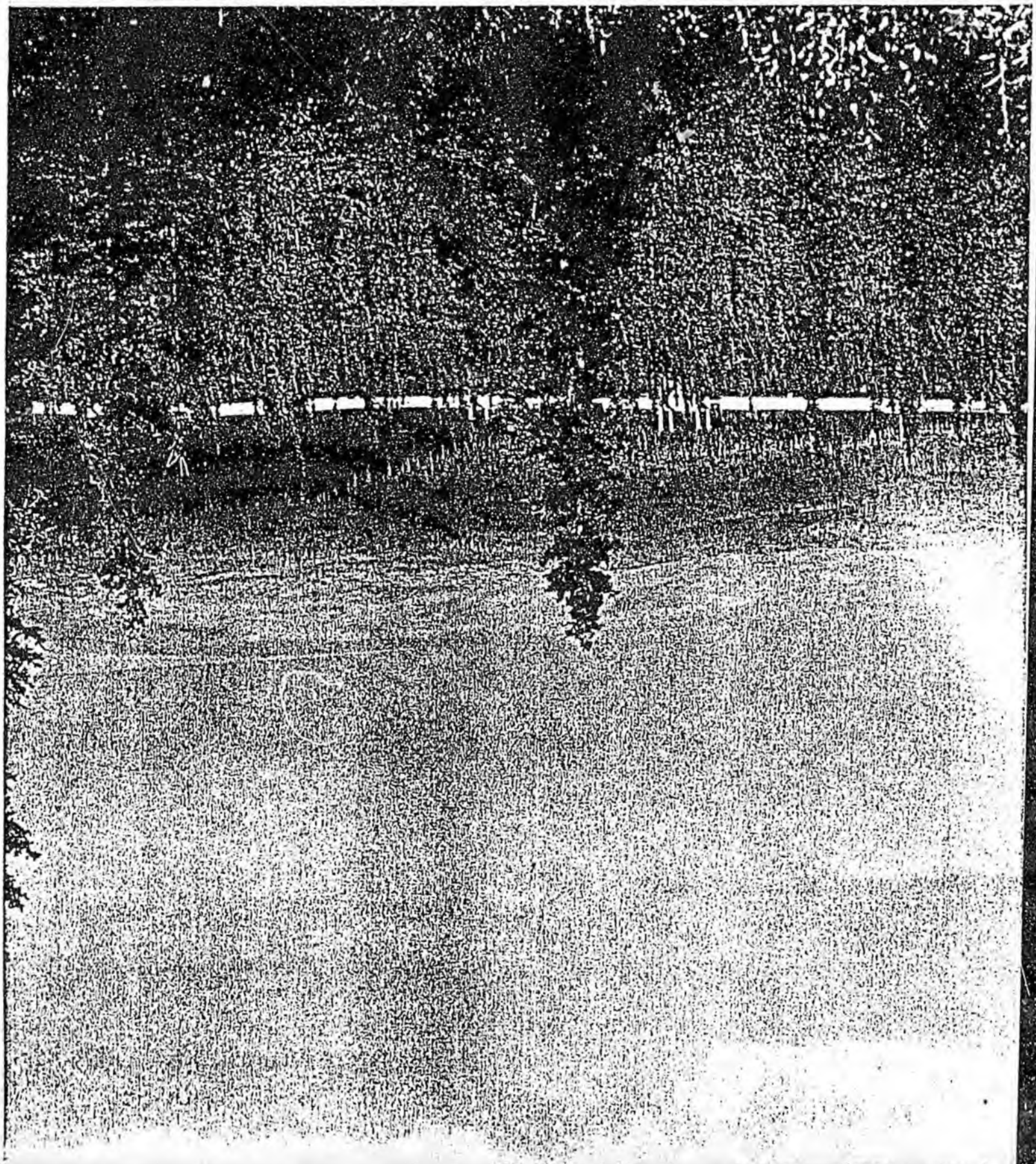


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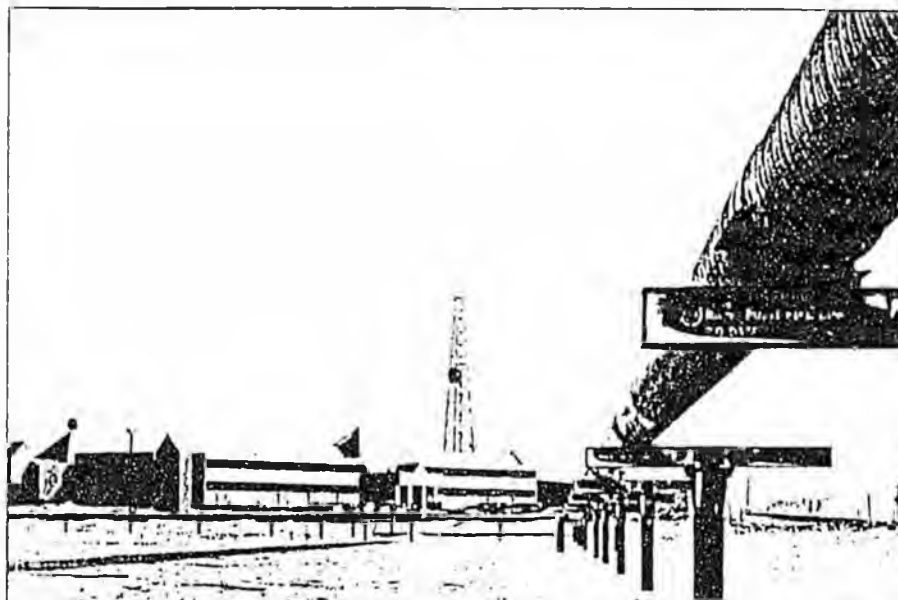
What lies over the

Reinholtow/For the Alaskan Pipeline near Delta Junction

*Reinholtow descends on Trans Alaska Pipeline near Delta Junction*



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



1986 Peter Aron/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.

**D**RILLING 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.

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

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

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

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

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

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

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

quirements in other areas of oilfield operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ble, and that will spur contraction.

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

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

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

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

Several industry experts say Milne Point production and production from

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

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*'Alaska is paranoid about allowing too much exploration'*

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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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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## Alaska Environmental Lobby, Inc.

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### ACTION ALERT!!

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

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

**Harold Heinze, Commissioner  
Dept. of Natural Resources**

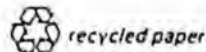
The job of the Commissioner of DNR is to manage the use of Alaska's land, forests and oil and minerals, including the administration of Alaska's State Parks.

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

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

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

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



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LYNN CANAL CONSERVATION • SITKA CONSERVATION SOCIETY • NORTHERN ALASKA ENVIRONMENTAL CENTER  
SOUTHEAST ALASKA CONSERVATION COUNCIL • KNIK CANOE 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

*EDITORS 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.*

**W**hen 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 extravagant-ly 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.

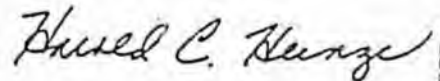
An extraordinary amount of oil may exist in a very small portion of the Arctic National Wildlife Refuge (ANWR) in northeast Alaska. According to the U.S. Geological Survey, it could compare to Kuparuk, the second largest oil field in North America, located west of Prudhoe Bay on Alaska's North Slope. 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  
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 Clockain  
Anchorage

*encl. 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 Vignette of Talkeetna, the Duke of Douglas or the Prince of Juneau, but will instead be a massive rip-off of public resources transferred to private corporate interests of the state. Harold Heinze will do Alaska a great injustice as commissioner of the Department of Natural Resources.

— *Jed Whittaker*

ANCH TIMES 3/11/91

# 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.

# 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 bee-

bles. 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 ecosystems — 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

Anchorage Daily News Wednesday, February 27, 1991 C3

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 any way."

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

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

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

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

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

Harold Heinze, Co-Chairman  
ARCO Alaska, Inc.

Peter McDowell, Co-Chairman  
Coopers & Lybrand

J. Bratton J. Brecht G. Easley D. Gottstein R. Huhndorf D. Langworthy A. Parish W. Scholeff M. Thompson J. Usibelli P. Wen P. Williams

**REPORT TO**  
**ALASKA'S ECONOMIC LEADERS**  
**JUNE 1987**

RECEIVED  
JUL 22 1987  
HAROLD C. HEINZE

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## INTRODUCTION

### The Commissioners

The sixteen Commissioners included:

- Harold Heinz, 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	2,000	900
Permanent Fund Dividend		<u>300</u>
Total Estimated Value		\$6,325

# COMPASS NORTH

## Five Challenges For Alaska

AN ACTION REPORT  
BY  
COMMONWEALTH NORTH

Edited by  
Judith M. Brady  
Executive Director

February, 1985

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## PREFACE

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# 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

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## 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.

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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.

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## **Alaskans must begin to think about revenue as owners:**

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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

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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 government".

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.

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## Alaskans must begin to think about land as owners:

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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

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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.

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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.

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# THE CHALLENGE OF LEADERSHIP



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COMPASS NORTH

THE CHALLENGE OF LEADERSHIP  
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Appellate Court Judge

MEAD TREADWELL  
Yukon Pacific Corporation  
Corporate Secretary

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# THE CHALLENGE OF LEADERSHIP

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

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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

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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.

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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.

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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.

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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.

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

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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.

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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.

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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.

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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.

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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:

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- 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.

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## 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.

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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.

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# 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.

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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

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The rule has been: no questions asked.

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.

If necessary, the hammer of the veto must be used again and again.

Finally, if necessary, each governor must use the Constitutional hammer of the line item veto again and again.

# LEADERSHIP

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## 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.

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## 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.

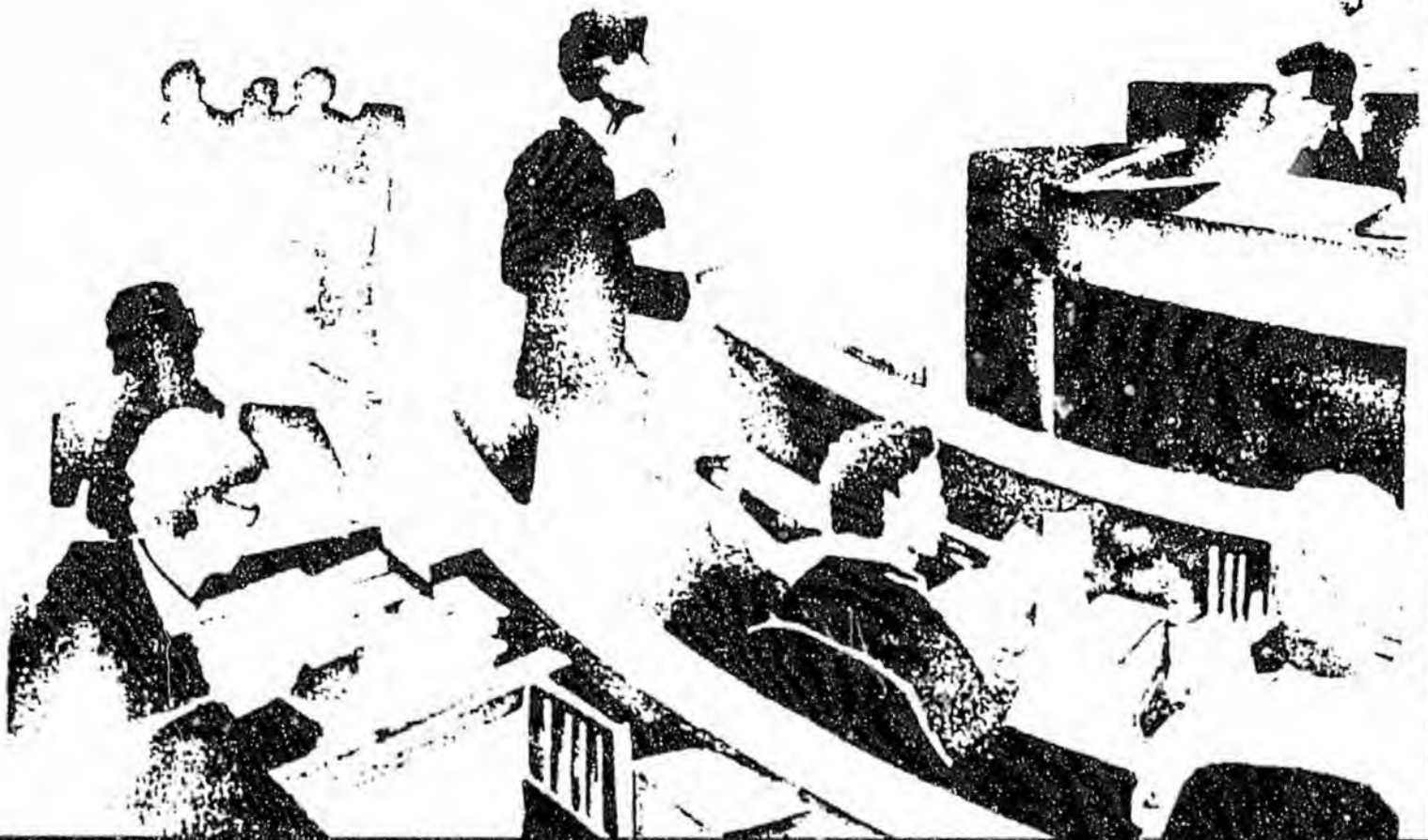
# LEADERSHIP

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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.



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**A Capital Investment Fund is the best way to meet investment needs.**

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 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

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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".

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## 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

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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.

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## 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?"

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## 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.

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The opportunity for coalitions of philosophy will be improved.

ments for the state, the voters could react at the polls in support of that party's candidates. If a Republican majority opens an era of prosperity, that party would get the credit. But how does a voter support a coalition at the polls?

A positive step to help the parties gain strength in Alaska is to reinstitute the preferential primary that was used in this state prior to 1968. This system, unlike a "closed primary", does not exclude "uncommitted voters" from the primaries.

No one has to declare a party affiliation to vote; each voter is handed one secret ballot with all the candidates from each party listed. The difference is that each voter may only vote for candidates from one party. No mixed-party voting is accepted on this ballot. The general election process would be enacted as usual.

In this way, allegiance to the party closest to individual philosophies will be strengthened and the opportunity for coalitions of philosophy improved.



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# Assembly California Legislature

WILLIE LEWIS BROWN, JR.  
SPEAKER OF THE ASSEMBLY

January 24, 1991

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

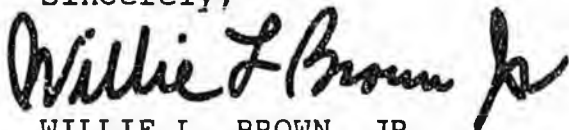
Dear Mr. Heinze:

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

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**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

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## JOINT SELECT TASK FORCE ON THE CHANGING FAMILY

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**Assemblywoman Jackie Speier**

**Senator Diane E. Watson, Co-Chair**  
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**Susana Navarro**  
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**Mai Cong**  
Coordinator, Pacific Asian Unit,  
Mental Health Services, Orange County

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## INTRODUCTION

*"I was born in Vietnam in a police station. When I was born, there was war in Vietnam. [Today] I live with my adoptive father, my nephews and nieces ... I have a hard-working family. We are a team together. My family wants me to be smart and have a safe and prosperous life. I am proud to belong to the Vong family. They love me.*

Menh Vong  
Griffin Elementary School,  
Los Angeles  
"What My Family Means To Me,"  
Essay presented at hearings before the  
Joint Select Task Force on the Changing Family,  
March 5, 1988

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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.<sup>1</sup> Of those families with children, less than a third have a father who works full time and a mother who stays home.<sup>2</sup> 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.<sup>3</sup>
- Demographers predict that half of today's children will live with a single parent at some time in their lives.<sup>4</sup>
- 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.<sup>5</sup>
- 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.<sup>6</sup>
- For the first time, parents cannot assume the next generation will do better than they did.

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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.' Yet nine out of ten people polled in early 1989 said a good family life is one of their highest priorities.<sup>8</sup>



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Families play an essential and unique role in society. They care for dependents economically and emotionally, offer a foundation for the values and ethics of each new generation, motivate children to achieve educationally, and provide a sense of belonging that is essential to human growth and dignity. But outdated policies are undermining family stability today, causing serious problems for many families and crisis conditions for others.

#### **A New Landscape for California's Families**

California's family portrait reflects an array of recent social, economic, and demographic changes.

The economy has shifted away from manufacturing, toward lower paying service and information industries. Real wages have declined and family benefits - like health insurance and private pension plans - have diminished. A middle-income male turning 40 in 1963 saw his real income climb 30 percent by the time he reached 50; his