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The Alaska Business Community's View of the Development of Alaska

by

Wm. H. Scott, President
State of Alaska, Chamber of Commerce

America has discovered Alaska!! Or maybe that's just the way it seems to us Alaskans. Even though Secretary of State Seward bought the Great Land (that's what Alaska means in native tongue) more than a hundred years ago, very little of its nature has drifted down to the "Lower 48". That is until the great oil reserves were discovered on the now-famous North Slope. Only then was the fact of Alaska's mineral wealth translated into something other than very general admissions that Alaska was the natural resource storehouse of the United States. Now one would naturally conclude that the Prudhoe Bay miracle, followed closely by the \$900 million oil lease sale conducted by the State of Alaska in September 1969, has transformed an economic desert into a businessman's bonanza. Well, that *could* have happened. Why hasn't it? Simply because the same outside influences that have kept Alaska locked up for all these years have once again come into play to block or hinder the development of our state by Alaskans and for Alaskans.

It wouldn't surprise me if your reaction to that statement is more than a little defensive. Perhaps it should be; maybe I can get your attention that way. It would be fair for you to ask just what these influences are and how they are so bothersome. Let's start with the failure of the U. S. Congress to resolve the Alaska Native Land Claims. How many years has this problem been with us? *Only since 1867*. How would you like to have the physical assets of your business or personal life involved in a 100-year quiet title suit? It is clear, both legally and historically, that it is the Federal Government's responsibility to provide for the compensation of our country's aborigines for lands taken from them in the course of our forefathers' intrusion into these now United States. That is it was until the *Alaska* native claims came along. Now Congress infers that because Alaska is so wealthy the State should assist with the money settlement by reserving to the native population alone a significant portion of natural resource revenues granted to the State under terms of the Statehood Act.

When we point out that no other state has so shared, and that our Governor is required to protect the interests of *all* Alaskans, Congress argues that the Statehood Act gave Alaska a much better percentage of revenues from Federal lands than other states enjoy, and then conveniently

ignores the offsetting disadvantage that Alaska is not included in reclamation projects that other states obtain in recognition of their lower royalty-sharing percentages. Don Simasko this morning told you of the effect on the oil industry of the freeze imposed by then Secretary of the Interior Udall, and which the Senate Interior Committee bludgeoned Secretary Hickel into continuing virtually as a condition to consenting to his appointment. Termination of the freeze on December 31, 1970, certainly is not the answer to our problem - we can look forward to another and yet another from some quarter until Congress passes a bill to resolve the entire issue.

The Alaska business community has not been idle in this area. Last year the Alaska State Chamber of Commerce adopted a position on the Native Land Claims issue which we feel not only recognizes the moral obligation of the United States to the natives but also would do much to continue the mutual respect and cooperation of both the native and non-native elements of our society. We have urged equitable monetary compensation by the Federal Government as final settlement for any lands taken with the natives to have a strong voice in the management of such funds. Thereafter the Senate passed a bill this year providing for \$500 million (an amount equal to that sanctioned by the Bureau of the Budget last year) payable over a twelve-year period, plus up to another \$500 million from a 2% override on Federal land revenues from Alaska. This money would go into two special corporate entities, one for providing utilities, services and other infrastructure to native settlements, and the other to act as an income-producing investment fund.

The intent is to use the settlement proceeds to make the natives self-sufficient over a twenty-five year period so that cessation of present BIA welfare will not create personal disaster for the native population. In addition, there would be granted about 12 million acres for village sites in fee title with all mineral rights. Other provisions have to do with protection of traditional hunting and fishing rights, and effectively amending provisions of the Minerals Leasing Act to require about the same rules on mineral leasing as are presently observed by the State of Alaska in leasing state lands.

The State Chamber's position is at odds with the Senate bill in two important areas: first, as to

the overriding royalty for a special segment of Alaska's population; and second, in the granting of mineral rights in areas which will never be suitable or utilized for actual townsites or residential purposes. Conveyance of title to all lands in present use and occupancy together with such additional contiguous lands for village expansion as may be reasonable is, however, equitable in our view.

Let me emphasize our feeling that non-natives are Alaskans too, and indeed that whatever economic development that has occurred in Alaska has been a direct result of great efforts by the non-native people. Please do not hastily conclude, however, that the State of Alaska and its people have no regard for the rights of the natives. We do see nevertheless a potentially divisive effect by the segregation that can result from this Federal legislation. In any event, the outcome of the Native Land Claims issue will have a profound effect on the development of Alaska. Meanwhile, one can only guess what action, if any, the House will take in its forthcoming lame-duck session - most people believe the effort will die and we will have to start all over again.

Even so, Alaskans are moving forward with the same sort of constructive optimism that brought them to Alaska in the first place. There is no question that the \$900 million lease sale has already done much for us. It might interest you to know that well before the sale took place Alaskans recognized the potential problems as well as the advantages of affluence.

In early summer of 1969 the Alaska State Chamber of Commerce called special meetings of responsible and knowledgeable citizens and they formulated proposed policies in connection with the forthcoming sale. First, we recommended that the money be invested posthaste in income-producing assets. The State Government was ready on the sale day with a chartered jet to get the money to market, and with the help of wise counsel has established the best rate of return on its investments of any state in the nation. Second, we felt that a great deal of planning should be done before rushing out to spend this money in spite of the century of inadequate attention that Alaska's development has experienced. Third, we urged that priority be given to the improvement of our educational and transportation facilities, both considered to be expenditures of a non-inflationary nature. Fourth, we pointed out that money spent to maintain our renewable resources such as fish and timber would be of more lasting benefit than to merely provide social welfare programs. It is pleasant to be able to tell you more than a year later that, although it was sometimes a tough fight, the Legislature did not pass a runaway

spending program this spring, and that the Governor has shown his dedication to careful planning and a sound investment policy.

But government can only spend the money that is derived from the labors of its people, and in Alaska that money is going to have to come principally from the extraction of its natural resources, both renewable and non-renewable. The renewable ones, fish and wood products, are already well-established and have provided the great bulk of Alaska's total income until recent advent of the oil industry. Tourism promises to gain substantially also, but it is not my purpose to review that important source of revenue here.

You have heard in these sessions of the mineral potential, both petroleum and hard-rock, and of the physical problems to be encountered in their extraction. But although the oil industry's course is clear, what about other minerals? Who will develop *them*? Alaska's businessmen, a new breed and newly arrived in Alaska after World War II, searched and believe they have found the logical answer. Japan. What more natural market than Japan, which is closer to Alaska than the United States in many ways, and whose full-speed economic growth has left her hungry for raw materials.

Ironically, on March 27, 1964, when the Alaska earthquake struck, now-Secretary of the Interior Walter J. Hickel was in Tokyo leading a U. S. Department of Commerce-sanctioned trade mission of the Alaska State Chamber of Commerce. Although that mission was aborted while Alaska tried to put itself back together, Hickel, now Governor, led another trade mission to Japan in September of 1967. During many meetings with top companies the Governor assured the Japanese that Alaska welcomed their investment in Alaska and that we especially wanted them to look to our as-yet-undeveloped mineral resources. Again in November of last year, Governor Keith Miller on another A.S.C.C. trade mission invited the big Japanese trading companies to open offices in Alaska. As a result, there are now branches in Anchorage of Mitsui, Mitsubishi, Nissho Iwai, Marubeni-Iida, and C. Itoh, and all are commencing the search for opportunities to invest in Alaska's mineral wealth. This should come as no shock to Americans; very little has been done by U. S. companies to explore Alaska, probably because there was no shortage of the raw materials to spark such activity.

Today, one of our two pulp mills is Japanese-owned; Alaskco USA, Ltd. is exploring for oil; Taiyo Fisheries is joint-venturing in the Kodiak area; Iwakura-Gumi is logging previously unused timber on the Kenai Peninsula; and Japanese mining people have helped re-open the mercury

mine at Red Deveil in the Kuskokwim area. We predict this is only the beginning, and frankly Alaska's businessmen are happy about the whole thing, perhaps in large measure because we operate primarily service and transportation industries, and the fluctuations of unpredictable government and defense spending may soon be a less traumatic factor in our everyday business lives.

This does not mean that we don't welcome U. S. companies to come get in on the ground floor. No one likes the idea of one force becoming so powerful in any situation that it can't be controlled. And there are hopeful signs: Alaska Barite Co. has developed a deposit on Castle Island near Petersburg in southeastern Alaska, and has shipped about 150,000 tons of high-grade ore in the past sixteen months. Both El Paso Natural Gas and American Smelting and Refining have had exploration crews in the field this year. One of the most exciting aspects has been the offshore prospecting by Inlet Oil Corporation in concert with Apco Oil. Inlet is using highly sophisticated electronic gear on a specially converted ship to map the offshore bottoms with a view toward finding sedimentary deposits in the mouths of rivers and streams. And although Kennecott had to suspend operations because of underground water, they have spent upwards of \$10 million on the Kobuk copper prospect. All in all, there are exciting days ahead for Alaska in its mineral development.

Now what do you suppose we view as our most serious problem? Not severe climatic conditions or rugged, inaccessible terrain. Not seasonal unemployment or substandard housing or a limited road system. Those we can fight and lick - we understand those problems. The great obstacle is that growing and vocal movement in the lower 48 that would lock up Alaska; that believes because they spoiled their own areas that Alaskans will do no better. They file injunctions and make impassioned speeches that prove they not only have never been there, but that they have not met Alaska's people, much less their business and political leaders. While they speak as conservationists, they act as *preservationists*, and Alaska cannot exist if it remains in an economic deep-freeze.

Secretary Hickel expressed the view of Alaskans when he said simply that the keynote of development must be "wise use without abuse". Governor Keith Miller said recently in a statement of economic and ecological purpose: ". . . we must build Alaska's economy to assure its citizens that they can enjoy the same standard of living that other Americans enjoy. We believe this can be done

without ruining Alaska's priceless natural heritage. How? We have learned from mistakes made both in Alaska and in other areas of the nation. We will continue to learn and make intelligent use of today's technology for a better world tomorrow. In the past, we might have simply drilled, mined and cut, letting the devil take the hindmost. This is no longer acceptable and we are determined that Alaska will never see that kind of economic plunder."

Good examples of this attitude are readily found on the North Slope where the oil companies are doing a model job of development and taking great pains to protect the environment, incidentally, a big change from the mess made by the U.S. Government in its explorations in Naval Petroleum Reserve Four. U. S. Plywood-Champion Paper hired five leading scientists from five different universities to study its proposed pulp mill near Juneau and devise a plan to protect the area involved. Many people don't realize that modern foresters are as necessary to conservation of our timber resources as a scientific farmer is to harvesting good crops of grain. You know, there is no such thing as a virgin forest; they are all old maids which just get older, not better. I wish you could fly over some of our forests and see the old trees dying and falling, killing new growth, and creating nightmares of tangled underbrush, not the beautiful forests premeval about which the poets write.

My heartfelt plea to you is to give us the benefit of the doubt in our efforts to build a great Alaska. A Seattle man, Lewis H. Johnson, President of the PAC Barge Companies, recently said it much better than I have ever heard it expressed:

"To deny these pioneers the right to improve their lot because of our newly-found fastidiousness about our planet Earth appears to shift to them our guilt for what we have done in the Lower 48. Who cannot sympathize with their bewilderment over what seems to be uninvited interference with their efforts to control their destiny. The time has come to give Alaskans an expectation that they will profit from our misdeeds in the Lower 48 and shame us for our want of faith in their collective wisdom and intent."

That sort of attitude would be consistent with one of the basic rules of good management: to give us the authority to develop, properly matched with the responsibility to protect our Great Land, Alaska.

The Future of Anchorage

Claire O. Banks
Executive Vice President
Greater Anchorage Chamber of Commerce
Anchorage, Alaska

The future of Anchorage, as a part of this symposium, is somewhat foreign to our general theme and title; however, as a typical chamber of commerce executive, anxious to discuss the assets of my home town, I would submit here that this city is a vital key to the top of the world.

Anchorage is the largest trade-center in the northernmost part of North America – equal in latitude to Oslo, Norway, and Leningrad, Russia. And, while its geographic location plays an important role, climate qualifies equally. Warmed by the continual flow of the Japanese Current, temperatures are identical to the Northern states of Michigan, the Dakotas and Wisconsin (Figure 1). Our coldest climate averages 13 degrees above zero ... often times, much warmer than the weather in Chicago, New York, and Great Falls, Montana. Our relatively moderate winter climate is ideal for outdoor recreation, and it affords our people a wide selection of outdoor winter sports.

Our most outstanding local area celebration is staged during winter – in February. To Alaskans it is comparable to the Mardi Gras in New Orleans. It is titled, “The Fur Rendezvous” and features world championship dogsled racing, Eskimo blanket toss, fur auctions, and a myriad of outdoor contests, all wrapped-up in a “Klondike - 1898” atmosphere.

To discuss the future of Anchorage, it is necessary to know a bit about Alaska. For instance, it is important to know that nowhere under the American flag is there a region so vast and so sparsely populated. The State of Alaska is one/fifth the size of the United States. It is twice the size of the State of Texas. It is four times larger than the State of California. Alaska has four major time zones – five separate climatic regions – a coastline longer than that of the United States. The entire population of this huge area is only *two hundred and ninety-four thousand persons!* The

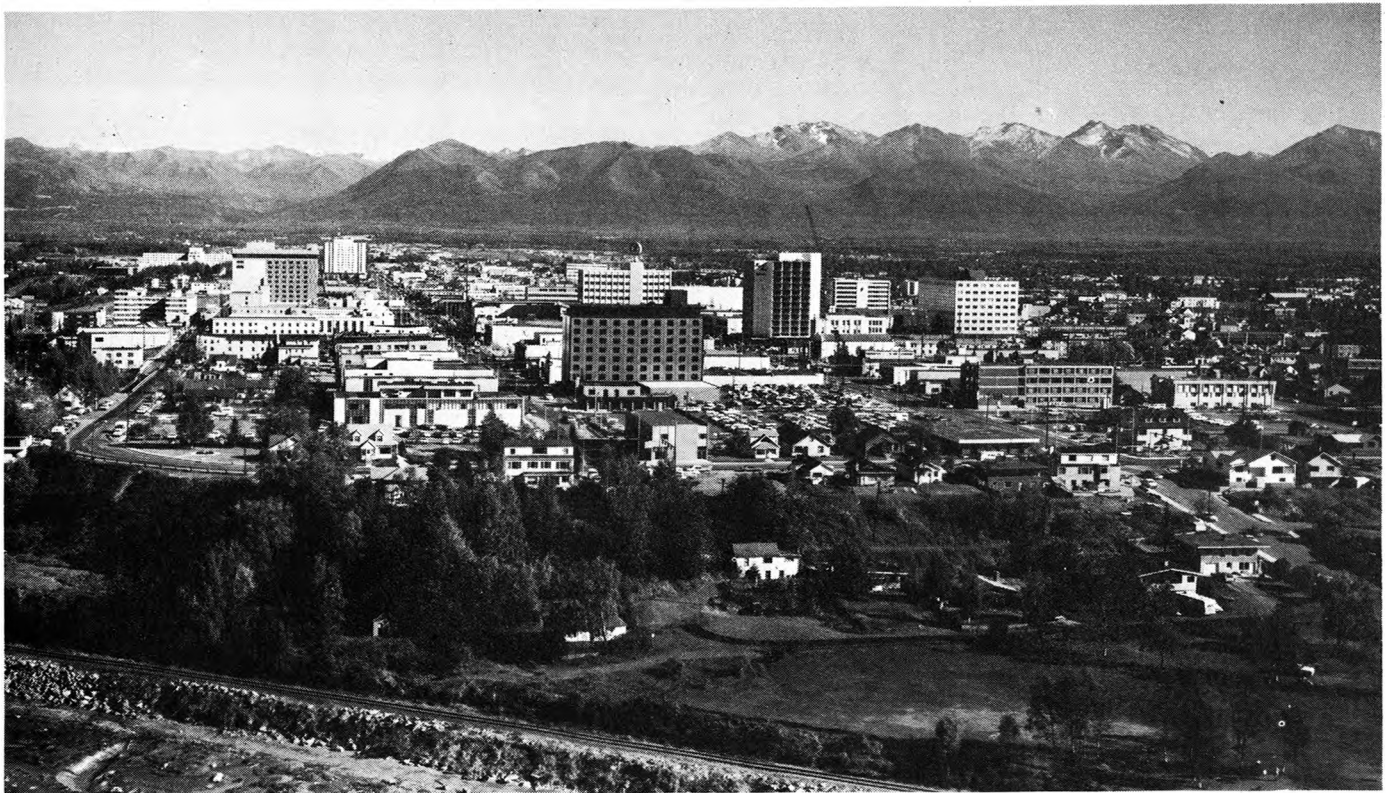


Figure 1. Aerial Photograph of the City of Anchorage

point I want to emphasize here is the fact that Anchorage, which is Alaska's largest city, has a metropolitan population figure of *one hundred and twenty-four thousand inhabitants*, or, more than forty per cent of the State's total census figures. It is Alaska's social, financial, trade and distribution center. Anchorage is where the action is! This is the city that national magazine writers have termed "*The city that can't wait for tomorrow*" — "*The Chicago of the North*" — or our favorite adopted title, "*The air crossroads of the world.*"

If asked to classify four major elements that qualify this city to have a brilliant future. I would list them as follows:

- 1) A highly developed transportation complex;
- 2) A wide range of trades & services;
- 3) A solid basic economic core of government agencies & government related activities; and,
- 4) The attitude of the people.

All four elements relate to some degree to our strategic location in the northernmost part of the North American continent. Anchorage enjoys an unusual "hub" position with respect to our region; and in international trade and commerce. The services and facilities available here are not offered within thousands of miles. We have, in a sense, a captive market. It may consist of more moose than people, but never-the-less, business volumes are incredible. Anchorage is alive with competition and is definitely no place for the meek and mild operator.

Aviation is one of our prime economic factors in transportation. Over one thousand intercontinental jets land at our airports each week. We have direct airline service to not only the largest, but to the major cities of the world. Ten foreign air-carriers, plus several American international airlines utilize our airport as a re-fueling terminal, a stop-over or passenger terminal in their certificated routes over the north pole from Europe to Asia — from the Eastern seaboard to the Orient — from South America to the Orient, and from the West coast to Tokyo, such as Los Angeles and San Francisco into Japan. We have direct service into Hawaii, New York, London, Paris, Amsterdam — even into Siberia and Russia during our summer charter-flight season. Anchorage is the center for the bush and business type aircraft that fan out into the far reaches of the interior. In fact, we are termed "*The Flyingest City in the Flyingest State*" by the Federal Aviation Administration. Every thirtieth person has a private pilot's license — every ninety-sixth person owns his own aircraft.

Another important transportation facility in our city is the federally owned Alaska Railroad.

With its 470 miles of track, a major service is performed in supplying freight to over half of the residents of Alaska. Headquartered in Anchorage, the Alaska Railroad connects the city of Fairbanks with the salt-water ports of Anchorage, Seward and Whittier. Joint marine/rail/barge operations account for considerable tonnage readily warehoused and distributed from the Anchorage market-place. The Alaska Railroad also handles passenger traffic.

Of equal importance is our twenty-five million dollar port facility. With a highly developed coast-wise traffic, it also serves as a port of call for ships from the South '48 Japan. Its modern equipment and highly skilled workmen provide the rail-belt and air cargo terminals with year 'round tonnage and a competitive rate-structure with that of the railroad/marine operations mentioned earlier (Figure 2).

Over twenty major trucking firms (nationally known) are based in Anchorage. While we do not have sufficient highways to serve the various communities in Alaska, we are linked with Fairbanks, the Kenai Peninsula and the famed Alaska Highway. The highways in Alaska are surfaced with black-top or asphalt, and are well maintained and open in all seasons.

Until recently, our economy was one of government spending. With almost every conceivable federal agency, state agency and the headquarters for our borough and city government employees, government payroll and government jobs were in major part our economy. Although government still is a sizeable part, the economy is shifting into a healthier private enterprise sector. Today, with the advent of petroleum, a growing tourism and convention industry, we estimate our private enterprise ratio to over-balance the half-way mark. To illustrate the magnitude of government spending in one agency, solely, the military procurement and payroll figure, annually, amounts to more than 100 million dollars. We have over 30 thousand military and dependents in our community. Two of America's largest military bases are stationed adjacent to Anchorage — the U. S. Army Post, Fort Richardson — and the U. S. Air Force Base, Elmendorf. Headquartered within this framework is the Alaskan Command and the subordinate Air, Army and Naval Sea/Frontier Commands.

Owing to time, it is impossible to cover the entire market, however, I'll highlight a few that must be mentioned:

Communications represent a sizeable industry. The Dew Line and White Alice Alerting Systems, as well as the long-lines and radio short-wave links with the rest of the world are located here. Over 100 million dollars in communications, alone, is to

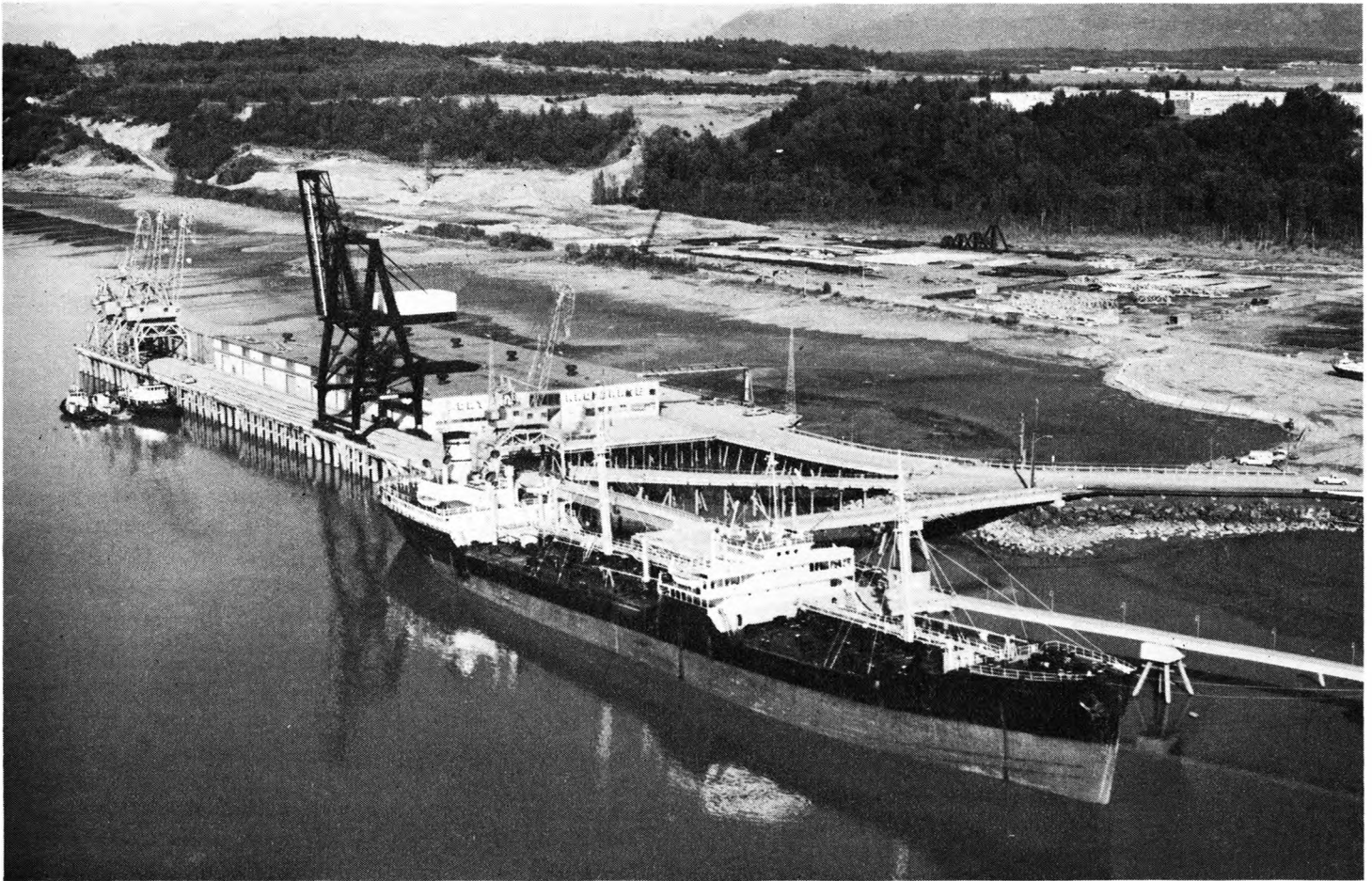


Figure 2. Port of Anchorage

be invested in Anchorage under the private sector take-over from military-maintained telephone links.

Agriculture: While a majority of our items are imported, the rich and fertile Matanuska Valley provides Anchorage with an unusual array of fresh mammoth sized food stuffs fresh produce.

Petroleum: The first discovery of oil and gas was made near Anchorage in 1957, on the Kenai Peninsula. That area, alone, is now producing 220 thousand barrels of oil per day. Over twenty major oil companies are headquartered in our city. Several new high rise office buildings now decorate our skyline ... owned by companies who are here to stay.

Tourism and Conventions: Did you know, Alaska has been voted in several national travel polls, among the top ten as an ideal vacation area? Also conventioning is ideal here owing to excellent hotels and restaurants. Three new hotels are presently readying for the coming year. The Royal Inns of America – The Grand Plaza tower adjacent to our large Anchorage-Westward Hotel Complex

– and, Holiday Inn in constructing 250 units, with an additional 100 rooms to be added the following year. This month, five conventions are being held in our community, bringing in an estimated \$800 thousand dollars. This figure exludes transportation costs, incidentally.

Medical Facilities: Five hospitals grace our area, affording us the most modern equipment and technicians. A Cobalt Center, a complete medical library and a roster of every medical specialty practiced by highly skilled physicians – our hospitals now boast of complete coronary-care units throughout.

Financial Headquarters: Anchorage is the Wall Street of Alaska. Five separate commercial banking institutions, with a myriad of branch-banks throughout the area and Alaska, are now flanked with two savings banks. Stock brokerage firms with constant communications into the national exchange broadcast the open and close pricings, daily.

Educational Facilities: Rated as fourth in the nation, the Anchorage school system now has an

assessed valuation exceeding one billion dollars in elementary and secondary schools, alone. Add to this our Alaska Methodist University and our brand new Community Junior College, a branch of the University of Alaska, and we find ourselves with another sizable industry.

Fishing: While sport fishing and hunting are exciting features of Alaska and over 22 million dollars of revenue is derived therefrom, it is important that we mention commercial fishing. Our neighboring communities located on the sea enjoy catches of the very finest king crab, large shrimp, halibut and salmon. Our fishermen work the second largest coastal shelf in the world. Bottom fish are abundant in these waters.

Like all modern American cities, we have parking meters, color television, daily newspapers, swimming pools, and beaches, theaters, tennis courts, numerous parks and gardens — we have over 300 clubs and organizations — a Community Chorus and Orchestra — we even have daylight saving time in our land of the midnight sun!

Now — I want to show exactly what our city fathers and planning experts have projected for us in the way of growth in the next ten and twenty years:

POPULATION: Up 228%
 HOUSING: Up 248% from 3,000 to almost 5,000 units per year for nineteen years!
 SCHOOLS: Up 275%; over 2,010 classrooms must be built to accommodate 43,000 pupils in the first through twelfth grades!
 TELEPHONES: Up 495%
 EMPLOYMENT: Up 195% or an increase of 40,000 new jobs to be created by 1989 - just about doubling our present labor force!
 AIR CARGO: Up 1160% and Air Passengers Up 654%

Frankly, we believe our projections to be ultraconservative... they were made prior to the petroleum industry's interest evidenced in the September '69 oil lease sale. You'll recall, the interest was substantial — it amounted to over *nine hundred million dollars* in profit to the State of Alaska! And, of extreme importance in our projections in the future will be the potential of, at

least, eight additional oil provinces that have been virtually unexplored and untapped.

At this moment, on the North Slope, alone, the petroleum industry is concerned about the packaging and production of an estimated twenty trillion cubic feet of gas which is already in demand by the U. S. consumer. Cook Inlet gas, from nearby wells, has already found its way to Anchorage consumers.

On the concept of strategic location — plus — this vast mineral wealth that now looms in our Arctic treasure chest — our relatively new city which is only fifty years young, November, 1970, have begun to burst forth as a dynamic city of tomorrow.

In the past four months, we have inaugurated a new 14 million dollar airport — a 4 million dollar department store — the completion of Alaska's largest shopping mall complex. We've seen the completion of two high rise petroleum head-quarter buildings — the three new hotels already mentioned — the announcement of one hundred million dollars being invested in the RCA-Communications take-over of the long-lines communication system — the announcement of a brand new 28 story building in downtown Anchorage ... and ... finally, the announcement to build the world's first total environmentally controlled city to be built adjacent to the Anchorage area by the Tandy Corporation of Oklahoma. It is titled "Seward's Success" and will accommodate 50 thousand people in the next twenty years. It will be completely void of motor vehicles. Its people will move on electric shuttle carts and conveyor belts. It will be a prototype, twenty-first century city ... and a part of Anchorage's fringe area.

So, in conclusion ... our Air Crossroads of the World contemplates its future, from a similar position as that of the ancient Greeks, or later the city of Rome... and much later ... England — the trade center of its time, between East and West — North and South. In any event, we are in the enviable position of being able to determine our future. Aside from the tremendous growth and build-up factors, we are unique because of our urbanity ... nowhere else are the advantages of modern day living offered to the extent they exist here, while at the same time offering the distinct closeness to the great outdoors, for which we are noted. With all these assets, Anchorage is indeed on the threshold of the greatest period of development in its history.

Claire O. Banks

Mr. Banks is the Executive Vice-President of the Greater Anchorage Chamber of Commerce. He has lived in Alaska for the past seventeen years and during this time been very involved in community affairs. He has served as President of

the Greater Chamber of Commerce, 1956-57; President of the Anchorage Rotary Club, 1958-59; Vice-President of North American Highway Association, 1962-67; Vice President of the Council of Western Retail Association, 1968-70, and as a member of the Governor's Commission, Alaska State Centennial, 1965-67.

Mr. Banks attended Lower Columbia Junior College, 1937-38, was then in the U.S. Navy in radio communications, 1942-43, then he attended the NBC Institute at Stanford and finally the Institutes for Organizational Management in Santa Clara, 1958-65.

He was born in Reubens, Idaho and lived various places before settling in Anchorage, Alaska. He is married and has three children all attending college. The family hobbies and interests center around outdoor recreation, boating, skiing, camping and sport fishing which are all especially popular in the Anchorage area.