Oil looms large on state’s horizon

Statehood could be either a major contributing cause of Alaska’s future economic growth or of its bankruptcy. The choice rests with us, the citizens of the new state, and the knowledge and wisdom we are able and willing to bring to our government—George Rogers

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JUNEAU—When economist George Rogers penned that conclusion to his 1962 book, “The Future of Alaska: Economic Consequences of Statehood,” the state of Alaska was barely three years old.

The Good Friday earthquake was two years away and the Alaska Native Claims Settlement Act was still the dream of a handful of Alaska Native leaders.

The event which was to have the greatest impact on the new state occurred six years later on Alaska’s North Slope. There were hints and rumors throughout the winter of 1968, but nothing definite until Atlantic Richfield and Humble Oil and Refining announced in July that they’d found “one of the largest petroleum accumulations known to the world today.”

The Prudhoe Bay oil discovery did not reverse Alaska’s fortunes overnight, but by the late 1970s, the state was grappling with riches that had been undreamed of when it entered the union.

At 25 the state of Alaska is financially healthy—at least until Prudhoe Bay declines later in this decade—and the state is also blessed with some of the most beautiful wilderness in the world.

Yet all is not well in this state of 450,000.

The May unemployment rate was 10.7 percent, a full point above the national average, meaning nearly 24,000 Alaskans were out of work. In some Alaska communities nearly 20 percent of the residents are jobless.

Outside of communities such as Anchorage and Juneau, Alaskans still pay among the highest rates in the country to heat their homes; they pay more for food than virtually anywhere in the other 49 states and more for a telephone call from Fairbanks to their own state capital than to New York City.

After 25 years, it is clear that being one of the 50 states has not cured all of Alaska’s problems.

Alaska was granted 103 million acres of land in the statehood act, but the state is still about 31 million acres short and many Alaskans can’t afford land of their own. Under an extension included in the 1980 Alaska lands legislation, the federal government has until 1993 to complete the land transfer.

In 1971, a national consumer group rated the Alaska Legislature 12th best in the nation, based on factors ranging from how well-informed its members were to how streamlined was its operation.

The performances of the last three legislatures would likely not get similar ratings from many current residents. A small minority of Alaskans are so discouraged with the turn of events since statehood that they advocate the state’s peaceful separation from the rest of the nation.

Oil spending increases

The biggest year yet is forecast for the oil industry on the North Slope, with the major oil companies planning to spend more than $3 billion to continue developing the Prudhoe Bay field and others this year.

The bulk of the investment—more than $2 billion—is for Prudhoe Bay where a waterflood project is being built, to be placed into operation by the middle of 1984.

Of the 783 wells planned for Prudhoe Bay, 545 have been drilled. The Prudhoe Bay field is expected to begin declining in the second half of the 1980s, reaching 750,000 barrels a day by 1992. Current production is 1.5 million barrels a day.

Counting contractors, subcontractors and employees of Sohio and Arco, the two companies which operate the oil field, more than 3,000 people work at Prudhoe Bay.

Fairbanksan Joe Vogler’s Alaska Independence Party has posted gubernatorial candidates in three elections, but never polled more than 4 percent of the vote.

A much larger percentage of the population, and many veterans of the statehood battle, say the state has a lot of work ahead of it.

“Most people are glad we’re running our own affairs even if we have the opportunity to mishandle them,” says Judge Stewart.

Grumbles former territorial and state Sen. John Butrovich of Fairbanks: “We’ve been gifted with too much money.”

Although Alaska’s growth continues, it’s chiefly tied to the world oil market. Some 90 percent of the $3.2 billion the state is expected to take in this year comes from property, severance and production taxes on North Slope and Cook Inlet oil wells.

Fishing, tourism and timber also contribute to the state’s economy, but other industries pale in comparison to petroleum. For example, agriculture generated only about $6 million worth of income for Alaskans in 1980.

Recent Sheffield administration actions may further stunt the industry’s growth and the “mothballing” of the Seward grain export facility has scuttled any immediate plans for farm product exports.

Despite lip service from state officials about the expansion of other industries, little progress is being made.

“Diversification is a nice catchword but I don’t see it happening too much,” says Juneau economist Rogers.

With Alaska approaching its safe debt limit, Prudhoe Bay production soon to decline and legislators raiding the state’s savings account—the permanent fund—to satisfy an insatiable spending appetite, Rogers and others aren’t overly optimistic.

Alaska’s future, they say, lies with its citizens.

“Presumably the corrections are in our own hands.”