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Recording begins with applause. A man's voice thanks Jeff for commenting. He says there's a belief that the industry won't protect the environment on its own but it would take a government to assure that. He's going to read a couple of messages and list a few names, available at the registration desk. Steve Reed, Dr. Kopuk [sp?], who still isn't present and doesn't like messages, Don Friedman, Art Jones, Rosemary Neuman, Colonel [E. R.] Hardin, Kenneth Richards, Mr. Boardman, Dr. [Joseph H.] Fitzgerald, Tom Woodruff.

The man says he's going to recess for 5 minutes to get coffee and welcomes people to bring their coffees with them. Next speaker will be Gene Gess.

[Break in the recording.]

1:34 A man's voice introduces Gene [Eugene] Gess who is a long time legislator. He's a chairman of the legislative council and he has been listening to all the things that have been said. He's going to comment on some of the statements that have been made and look upon issues they have been talking about from the standpoint of legislature, trying to give voice to 60 rather divergent views.

Gene addresses Chairman Vic [Fisher] and the people in attending, and he says that he thought he would forgo talking about the oil and gas industry and rather address the University budget for the next decade. [Laughter.] He says he can't speak for the legislature but hopes he's able to present some viewpoints of the majority of his colleagues. The primary issue that is facing them is the question of what they want to make of Alaska over the next decade.

3:10 He thinks they can learn [what?] and they have to learn before the next session. However, there is also a reserve of knowledge in the legislature itself and

they know of Alaska's history. That is the primary thing they have to consider in dealing with policy. They know of the workings of the mining and fishing industry and of the other exploitations that have taken place in Alaska.

In city of Cordova, they know there's a hole in the mountain where copper was taken out without severance tax. They have representatives in Dillingham who know that 2 billion dollars have been taken out of Bristol Bay after the turn of the century, but there's still school room shortage in Dillingham.

They know the history of Alaska from that aspect and they are also aware that a number of them came from other states that face ecological problems.

4:34 He wants to comment for a moment about Mr. [Frank] Ikard's statement concerning investing money. They have heard it quite often and as Professor Engel [Engler?] pointed out in his book, the same argument is made in the Mid-Western legislature, arguing for additional depletion allowance in the Williston Basin.

The legislators know that the oil industry has invested a great deal in Alaska and they also know that the investment is supposed to bring a profit. They are also aware of other things that make Alaska attractive to oil and gas industry, like closeness to the West Coast, the fact that Alaskan oil isn't subject to import restrictions, oil deficit on the west coast, and other reasons.

Gene says he wants to outline the workings of legislative council in preparing for next session [?]. They have taken the impact from the oil industry as one of the subjects of discussion and they are hopeful about coming up with a legislative program for the next session.

They have split it in two sections. The first section will deal with a program for expenditures of any excess revenues. They will talk about how to deal with the funds they are going to receive. They will be holding a series of four conferences that will involve legislators, leading citizens, experts in conservation, oil and gas industry, economists, etc. They will form basic policy decisions of various issues facing the State of Alaska today. That will be developed into a legislative program that will be presented for the legislature in January.

7:03 The second phase of their study is what they consider the relationship between oil and gas industry to the state of Alaska. That will include issues like

taxing, leasing, bills such as mandatory checker boarding, and so on. In that phase they will use consultants, but they haven't yet decided whom. That will be settled in their September meeting. As legislators, they have to represent public interest which includes being fair to the oil industry. They have to become more sophisticated and educated and start using the knowledge they and the outside consultants have.

Professor Engler's approach to the industry reminds the speaker about a situation that he was once in. He went to the village of [Unclear] to take a deposition. He went to the trading post and the trading post keeper thought that the deposition was all bad. The speaker doesn't appreciate that kind of an approach and thinks they can learn from the past to prevent abuses in the future. One can't take an approach that something is all bad or all good.

It is their function to take alternative approaches and come up with a policy which is of the best benefit of the state and to the industry. Gene thanks the audience.
[Applause.]

9:41 The moderator thanks Gene and says that legislative council programs that Gene Gess was talking about are very impressive in their breadth and formulation. He thinks that they will be important for achieving the kind of policies that will be significant toward promoting public interest in Alaska.

So far they have had every speaker comment on the first speaker and the moderator wants Robert Engler to be able to comment back now.

10:26 Engler says that one of the hazards of being the first is that one may not pay attention afterwards. He thanks the speakers for mentioning his name often and thus keeping him alert. He thinks that the conference was supposed to be scholarly conference and that if one has a disagreement, it should offer a fact or a case study. Engler says he's guilty of compressing his 8 years of study that he has testified in front of state committees and written about extensively into 15 minutes.

Rather than simply call "this" as a picture of a mafia, Engler encourages people to ask him about it. Engler has spoken and written about the facts about the National Petroleum Council and wishes that anybody who wants to challenge him would do so on record instead of by name calling.

The picture of man as evil that Engler portrays is only partially true, because man isn't only for oil and petroleum but for many other things as well. To suggest that there are other people who have a stake on the resources of the society than oil men shouldn't make Engler subversive. To say that all oil is bad is against what Engler has written. He spent a great deal of his time describing how oil is a frontier technological and management organization. He thought that if one was interested in learning about modern industry, there was a great deal to learn from the planning mechanism, which is not to say that Engler celebrates corporate management.

13:03 Saying that Engler is against self-interest and in favor of monolithic planning is a bit unfair. He's for the concept of the individual and his deepest roots are conservative. His liberalism is rooted into an image of a farmer with a bible and a rifle, ready to defend his family. That kind of self-interest was understandable in a society of small farmers and entrepreneurs. When one is talking about first world government, which is what the oil industry has been in certain important respects, one can't just say that self-interest ought to rule and not examine the resources at the disposal of the oil industry as opposed to the ordinary people.

Engler isn't against self-interest or in favor of monolithic planning. They have been sobered up by examples abroad in 1930s to 1950s by what appeared to be easy monolithic planning. Thinking that capitalism represents the last word in human wisdom is a tragedy of people who have lost the ability to think, reason or feel.

Engler says he is asking people to think through some alternative ways of appraising the range of interest and concern. It is possible to define a public interest without talking about talking about dictators whether public or private.

15:03 Engler was talking about system and not about oil although the audience responded to the questions about oil. He does want to raise questions about the nature of the social system and his concern is with the people who accept the notion of self-interest by oil industry.

The question of whom people would expect to run the oil industry from public point of view if not somebody who was trained in oil was raised. That's a big

philosophic question that isn't answered simply by saying that one has to have a lawyer when they have a legal problem. Many people have learned to keep away from lawyers when they have legal problems. [Laughter.]

Engler would like to point out that Santa Barbara [oil spill] wasn't an accident. The federal government was greedy and ignorant. They took in lots of money in leases and now they admit that they haven't made a study in last 15 years about [unclear] safeguarding waters "in such drilling." They rushed in for the money and said not to worry.

Now all the local officials in Santa Barbara say that they never got the chance to raise the resource questions and that they were told not to worry.

After Santa Barbara, just a few days ago, the oil industry's public hearings on off-shore oil said that they are concerned that public hearings will prolong the process due to allowing people and organizations without substantial interest to delay leasing of the outer continental shelf. They were worried that that the delay would be detrimental for development of the mineral resources, discouraging development companies from participating. They want to prevent input from private interest by saying that only those with substantial interest in oil development are qualified to comment.

Industry also opposes stringent air quality measures on basis that it is discriminatory and will harm itself in the long run. That isn't just idle talk but the industries consider the air quality standards in a community when they are planning on building a new plant or expanding an existing one.

19:28 Wherever Engler has studied operations, the threat is clear. If a state plays rough with taxes or imposes too strict standards, the climate isn't considered healthy for the industry and they will leave. Engler has watched a large oil company in a state to make a speech after speech about that while at the same time they were building solid corporate headquarters there. They weren't going to leave, but just wanted to make a point.

One can't assume that because there's a general consensus against air pollution, the oil industry or any other segment of the society would be an adequate guardian to larger domain.

The last point is unfair and Engler is going to pick up on Mr. Eckhard's point. Engler asks if they have ever wondered where the money comes from. If one traces the origins of oil price from local to highest levels, one gets answers, like taxes are high. Engler says that when one pays for gasoline, one isn't paying for the cost of producing it but rather a replacement cost. They are paying so that the industry will build pipelines, earmark resources, and keep oil production going.

21:41 Engler explains that that means that consumer is the investor, only one without rights. That is not risk capital. 'the bulk of oil investment thus far in post-World War period is created internally, which means that the great bulk of corporate investment comes from its own resources that it has put aside from the cost of gasoline that it sets.

Engler wants to note that people should ask who pays for the astronomical figures [of profit?], and says that the risk is minimum and if one adds to that the study of tax structure and import tax, it is paid by subsidies. [Morgan] Friedman estimates that "we" [US government] subsidizes the industry with some 4 billion dollars per year.

Engler concludes that if one looks at all the advantages the oil industry gets, they will realize that there's more to be said about the cost of oil than that people should be grateful. [Applause.]

23:46 The moderator thanks Bob and asks questions from the audience. He asks people to introduce themselves and be as specific as possible.

A man introduces himself as Gregg Erickson and says that he'd like to direct a question to Mr. [probably Alaska Commissioner of Natural Resources, Thomas] Kelly who stated that one of his responsibilities was to maximize revenue for the state of Alaska. He asks what Kelly means in terms of "revenue today and revenue tomorrow." He says that revenue today is considered more valuable than revenue tomorrow and the values are adjudicated with interest rate. He wonders what kinds of interest rate Mr. Kelly uses when evaluating the state's income today against income tomorrow.

24:50 A man's [Mr. Kelly] voice says that insofar as looking at interest rates and derivation of future royalties, the state enters upon a projection as far as its

revenues, whether they be from oil or gas or minerals, on 5-year basis. The dollar today is more valuable to any economist than one discounted over many years.

What one must do in projecting and indicating revenues being derived at maximum is to consider all the various factors involved, like economics, trade relationships, and world situations.

26:20 The announcer thanks Mr. Kelly. Joe [Joseph Paul] Josephson from Alaska State Senate introduces himself and says that he has a question for Professor Engler. He asks if Engler could amplify his statement that it would be in the interest of the state of Alaska if the congress, and their delegation in the congress, would change in the oil depletion allowance and relax provisions in regards to oil imports. He's interested in long-range wellbeing of Alaska.

Engler [?] says that in case of import control, it provides an umbrella of certain producers in United States. There are small producers who are inefficient. Engler points out that there are other values besides economic ones. "Most of the wells in United States don't produce oil, they trickle it." There's very little oil in the wells. The operations are high cost but they are subsidized by the import policy which also subsidizes a whole host of refineries because every barrel of oil that is admitted into United States is worth at least a dollar per quarter. The tickets are traded back and forth by the industry and taxpayers are paying for paper tickets, which ends up costing a fortune for the industry.

28:18 The consumer and the citizen pay twice on import control. They pay a heavy subsidy to prop up domestic industry and national security. If oil industry really believed in national security on that level, why are they fought [?] to oppose a pipeline through Canada and have secret negotiations with them which, in effect, limit import of oil from Canada.

On the one hand, citizens of United States are paying a heavy subsidy for the privilege of paying a high price for oil. One can argue that there are social benefits for highly priced oil, that is, if the oil companies truly believed in conservation, they might agitate for good mass transportation.

In terms of the specifics of Alaska, there's lot more homework to be done on import control but it's clear that one wouldn't benefit from present import control

because they have a very different productive system “here” [in Alaska]. They aren’t defending a handful of wells which have been depleted, but they are talking about fields that conceivably are rich in resources.

30:06 The moderator says he’d like to keep things moving as fast as possible and says that Joe could pursue the question later. Joe says that his question wasn’t answered at all. Paul Bradley from the University of British Columbia introduces himself and asks for a clarification from Mr. Ikard. He said that it costs \$20,000 dollars to drill a well at Prudhoe Bay, which is a remarkable figure. He asks Paul to comment on that. Secondly, his question relates to the matter of depletion allowance. The major point in Ikard’s paper was that exploration activity will fall off if the depletion allowance is reduced, and that seems likely.

On the other hand, considerable enthusiasm was expressed over developing the North Slope in order to import to Europe and elsewhere. They can say with confidence that if overall exploration falls off, they still have enough stripper wells in Texas and they shouldn’t be worried about the depletion allowance.

31:31 Ickard says that he had attempted to make a comparison of costs between the North and the South and the figure that he used, \$20,000 dollars a day, was a round figure from North Slope in contrast to much lesser figure from the South. He wasn’t really trying to be exact in figures but just to give a comparison between the conditions in that area, as against milder climate areas.

As to whether or not it would affect exploratory drilling, he doesn’t understand what Bradley meant by stripper wells. Most stripper wells are not effective by [unclear] so they are running on full blast now. He doesn’t see where any falling off in drilling would increase their production.

Another man’s voice suggests that the question was about Alaska’s point of view, and if Alaska’s tax laws and regulations would be changed, would the effect be to slow down exploration and development in the other states but not necessarily in Alaska. The chances are that money would still float to Alaska.

33:37 Another man’s voice says that the commitment has been made to Alaska. He says that, contrary to what Professor Engler said, oil industry doesn’t generate all

of its capita from within. Looking at data from last several years show that that's no longer the case.

Engler says that he didn't mean all capita, but most of it. The previous speaker continues by saying that there have been substantial capital requirements that haven't been made internally. If there is a substantial change in tax treatment by the federal government, it will certainly have a marked effect on exploratory drilling. Perhaps it wouldn't have as much effect in Prudhoe Bay area as it might have in East Texas but that's a matter of degree and the effect is still there. The speaker says that development wouldn't occur as rapidly as it could occur under the present tax treatment.

35:22 The moderator thanks the previous speaker and asks for more questions. Jack Rodrick presents a question for Dr. [A. R.] Thompson or Jeff [Unclear] because one is a Canadian and another one is British. They heard that Alaskans should be looking at some goals and the purpose of the conference is towards that purpose. Jack wonders if they should not be too anxious about finding more oil in Alaska with the amount of oil they think is at North Slope right now. Jack wonders if they are under a great pressure to discover more oil despite of the amount of oil that is at North Slope.

A man's voice says he wants to comment first. He says that in Alaska, all the initiatives that might be needed to result in high paced exploration are right there in the discoveries that have been made and it shouldn't be a concern for the legislature to look for ways to offer incentive to exploration. Their problem is how to use the revenues wisely.

The moderator [?] says that a part of the question was whether they have enough [oil?] and if they need more here [in Alaska?] if the population increases. A man's voice says that he doesn't see the question in that light because they have a situation with its own momentum "here" and what the moderator is really asking is if it [oil exploration] should slow down somehow.

37:42 The man continues that they should be a little slow in putting acreage on the market, and the state should be a bit cautious. A billion dollars is an awful lot to digest in terms of how to use it and there's no great rush to realize on all that acreage.

Jeff says that he finds it difficult to answer the question unless someone defines enough. What is enough? They have a collection of exploration operators who have gone into a basin and despite of what anyone says about oil industry, the exploration teams have scientific curiosity and that in itself is passed upward through the management structure of the industry.

It is usually a matter of corporate planning that one area may have to give way to another, but in speaker's experience, once one has found oil and established basic precepts that govern the accumulation of that oil, they will continue to look for it until they have exhausted the possibilities. There are numerous examples of this. That is a continuing quest and despite of the critic, in addition to monetary concern, all of the people who are being oppressed [?] are shareholders to the oil companies. It doesn't exist in a vacuum but is owned by the public. The concept of giving up looking for oil is completely alien to the oil industry because it's in the business of finding oil.

40:08 They are thinking in terms of consumable fuels. If one considers the future, and that no oil company can satisfy the demand of petrochemical divisions for raw feed stocks [?] because fuel is going for jet fuel, and so on, they are the industries that are going to develop and to which there is going to be an increasing demand. The speaker thinks that in atmosphere like Alaska that has the frontier of new development with possibility for great returns to the community, nobody is going to give up [the search for oil.]

Moderator's voice says that Jack agrees that it's a philosophical problem that should be pursued over a couple of drinks. He gives the floor to one more question.

Robb Burlage from the Institute for Policy Studies in Washington asks Commissioner Kelly if he could comment on more detail about the suggestions that Professor [Wallace F.] Lovejoy made "this morning" and Professor Thompson "this afternoon" that the State was proceeding in too risky and uninformed way and perhaps in too large a scale, and in many ways being not prepared "for the current round of leasing." He wonders if the State is revising its leasing policies and if not, then why.

41:56 A man's voice says that that poses a number of questions. Lovejoy said in his comments regarding state's selection of certain acreage to put for sale that the

reasons they utilize their best judgment “at doing this” own to the situation of “this particular sale.” The speaker doesn’t think they have put out too much acreage and they still have 800,000 acres in the same area as Prudhoe Bay. They also have some large blocks uplands and the bulk of the offshore lands to be offered in future. The application of the Canadian policies as indicated by Professor Thompson might have been adaptable prior to 1964 Prudhoe Bay sale. The lands offered “in this particular sale” are somewhat scattered in nature and disjointed. It would be rather difficult to formulate a pattern that would match Canadian reservation system.

The moderator asks for more questions.

43:51 Charles [Unclear] from Alaska Methodist University says that the panel shouldn’t conclude without giving the opportunity for Mr. Kelly, Larmeny [sp?] and Thompson to respond to Professor Engler’s question of facts and not names.

John Borger from University of Alberta, Canada, Edmonton, says that one of the attacks was on Gulf. He says that they have a representative from Gulf, Canada and he wants to say in their defense that they have poured many million dollars to their university which attracts graduate students throughout North America because it pays the highest rate to the graduate students.

There’s tremendous pressure on the government for more funds for the universities to support research projects. Expensive equipment is being purchased and the speaker can see that all the pressures that are born on the government are going to put a tremendous pressure on the government to get the funds. They are going to get them from the industry and from taxes.

They can be caught in “this kind of a circle” and run the oil industry off the North Slope and chase them into Canadian territories. They have to be careful not to attack oil companies as individuals. They are made up of people and “as long as we go on fighting against them we can be sure that they come to tables and always do something good for both sides. Therefore, we are creatures of extremes and liable to condemn the oil industries too rapidly and quickly.” [?]

He doesn't think that Dr. Engler was castigating any one company but simply quoting what a representative of the Gulf had said. If he started responding, he'd talk about oil industry captivating universities by grants to universities.

He gives the floor to Dr. Bradley.

46:49 Dr. Bradley says his comment is directed to his colleague at the University of British Columbia. He says that there's been discussion on attitudes and that's why he doesn't want to comment on the characterization of Canadian attitudes. He found it astonishing in view of Canadians he has met. He trusts that Western Canadians are more like Alaskans.

Instead, he wants to ask a more policy oriented question and says that it was useful to hear the statement that public policy should be the maximization of state revenue, which is not the only possible goal. It's not the same in Canadian context as maximizing income of all Canadians.

His question has to do with pro-rationing. They heard about the plight of Canadian oil industry that has been backed out of West Coast and it can't compete in Eastern Canada. Dr. Bradley thinks that it's curious that his colleague's faith in learning from others has weathered watching the Alberta industry adapt Texas pro-rationing because direct line of reasoning would suggest that difficulties of Alberta industry are related to its adaption of Texas style pro-rationing.

48:15 Another man's voice says there are many aspects to the question and he has tried to deal with a couple. He wants to say something about Commissioner Kelly's decisions respecting management of Alaska's oil, and says that it's easy in hindsight to talk about policies that should have been ready.

The thing that the speaker has admired in U.S. leasing laws that he has studied for a number of years was that they stuck a competitive lease offering on North Slope. Instead of that acreage going off through a draw system in basis of a 5-dollar filing fee to anyone who happens to qualify as an applicant, they have the September sale coming up and that's great.

As to his statement about maximizing revenues as a goal, he was talking in terms of interest of Alaskans and he premised it with a remark of federal nature of the country. A lot is explained by regional interests. Alberta's pro-rationing system is a

part of the regional goals and interests. The people of Alberta, as producers and not consumers, have benefited greatly from the fact that oil industry has the high price support system, and by the fact that they are taking large cash royalties and bonuses from disposition of oil leases. In that light, one can understand the oil policy, especially since it's the state and provincial legislature that sets up the rationing system.

50:07 That's starting to put them into trouble with inefficient industry supporting marginal wells because Alberta wants to keep ahead of the United States because they have further to go to attract capital up there. About 1964, they sent out to correct the measures by changing the system, which contributed to better pro-rationing system.

In many respects, the situations Dr. Engler talks about are true in the sense that they can be backed up by research. That can be said about much of the industry "and maybe it relates to the venal streak in all of us." The speaker thinks they should be prepared to take less benefit and to pay the cost that is involved in pollution control. The industry will rightly answer that if pollution cost is wanted, it's going to cost money that someone has to pay and the costs will be passed onto consumers.

If the oil industry is getting too much, which might be the case, then its up to people like Robert Engler to be ready to modify the system so that they don't get too much. He sees the problem in that light rather than attacking broadly against the system.

52:06 The moderator says that they have sat through a fascinating session and they didn't have full confrontation. All of it was informational and educational and the speakers did an excellent job. He calls the meeting to a close. [Tells about upcoming sessions.]

[Applause. End of the recording.]