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# The Coastal Coalition

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Dear Friends,

July 4, 1990

Enclosed is a "Draft Proposal for a Comprehensive Settlement of Natural Resource Damages from the'Exxon-Valdez' Oil Spill" and an attached discussion paper on the "Acquisition of Timber Harvesting Rights for Restoration".

This document was developed in response to requests from commercial fishermen, Alaska Natives, environmental groups, tour operators, recreationalists, and biologists that we now join together to formulate a constructive resolution to this disaster. It is intended to serve as a catalyst for settling natural resource damages in a fair and expeditious manner. As such, it is being circulated for review to the private and public plaintiffs and the defendants in the case.

It is hoped that a consensus will emerge among the parties involved to proceed in negotiating and finalizing such a settlement this year.

The Coastal Coalition is an informal network of concerned citizens that formed in response to the spill in order to provide a constructive focus for citizen input. Presently, our goal is to help formulate a comprehensive settlement for natural resource damages that is agreeable to all parties. Such a settlement would side-step years of costly litigation, provide for environmental restoration, and allow all of us to get on with life.

Our intent with this inquiry is to plant the seed and get some indication of your interest in having such settlement negotiations proceed. Please let us hear from you as soon as possible concerning any comments you might have on the enclosed document, and whether or not you agree to it in principle. Your thoughts are very important to this process. It is our intent that any final agreement should be molded to accomodate the most broadly based constituency possible.

We will be in touch with you regarding a meeting with other public and private plaintiff's representatives to discuss all of this, probably sometime in early August.

Let's join together to put this thing behind us.

Singerely,

Rick Steiner

Rick Steiner, The Coastal Coalition

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# DRAFT PROPOSAL

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# COMPREHENSIVE SETTLEMENT OF NATURAL RESOURCE DAMAGES FROM THE "EXXON-VALDEZ" OIL SPILL

TO: State/Federal Trustees for Natural Resources Damages

FROM: THE COASTAL COALITION
July 1990

It has become evident that all parties, both plaintiffs and defendants, involved in litigation for natural resource damages arising from the Exxon-Valdez oil spill would be best served by reaching a comprehensive settlement as soon as possible. This realization is predicated upon several considerations.

First, even after years of exhaustive impact assessment research, it would remain difficult to arrive at any consensus concerning how to quantify the extent of damage or how to value the damaged resources (i.e., how much to collect in damages).

Secondly, research should be driven by fundamental scientific interest in the behavior and response of this ecosystem to such a perturbation--not by the need to collect evidence for litigation.

Thirdly, restoration of the impacted environment can and should commence immediately. In addition to direct restoration efforts, there is an immediate opportunity to protect, through acquisition, threatened habitat within the region.

And, finally, expensive, drawn-out litigation would only prolong and exacerbate the degree of psychological, social, and political impact of the spill. A settlement will provide a sense of resolution and relief from an otherwise quite protracted and tense process.

In light of such considerations, it is proposed that the Natural Resource Trustees seek immediate settlement of all natural resource damages. Such settlement should extinguish all criminal liability (i.e., the Federal indictments) and all civil liability for natural resource damages. This settlement should be carefully structured so as not to influence the case for compensatory damages.

We respectfully suggest that a comprehensive disposition of this case should collect $2 billion to endow an Alaska Restoration Fund.

The Alaska Restoration Fund should be managed by a non-profit corporation governed by a court-approved Board of Directors, so that people from the impacted region can be directly involved in the management of the Fund, and thus their own future.

The Fund should support the following principle elements:

1. Direct Restoration

   The Fund should be used to support direct, on-site efforts to restore or replace damaged resources to their pre-spill condition. This would include such things as supplementing injured salmon runs, reinnoculating areas with herring, breeding and release programs for damaged bird populations, reestablishing plants in injured salt marshes, and improving or protecting the habitat of other spill-impacted species.

2. Acquisition of Equivalent Resources

   The Fund should purchase or otherwise protect resources that are similar or related to the injured resource in terms of ecological value, functions, or services provided. Priority should be given to the acquisition of certain development rights (e.g., timber, minerals, oil, etc.) in order to protect threatened habitat. An example of such acquisitions is presented in more detail in the attached discussion paper.

3. Research

   The Fund should support a broad array of scientific research projects that address critical resource issues and fundamental scientific pursuits within the region. A comprehensive program of baseline and monitoring studies should be initiated with which to more precisely understand the effects of future such events on this ecosystem.

4. Education

   A variety of natural resource education initiatives should be supported by the Fund. Particularly, a scholarship Fund should be established to support the education of residents from the region in natural resource science, management, economics, and conservation.

5. Sustainable Economic Development

   The final goal of the Fund should be to design and implement economic development projects within the region that are compatible with the natural and cultural environment, and that are sustainable over the long-term. Inherent in this is a larger economic theme--that Restoration should, in some sense, assist the region in attaining long-term economic stability through sustainability. An important component of this should be the establishment of an Alaska Native Employment Fund.

Valuing the Case

It will always be difficult to establish the value of natural resource damages with precision in cases such as this. We suggest that the amount of $2 billion would represent a fair and equitable disposition of natural resource damages in this case for several reasons.

First, this amount represents a workable approximation of what damages would come to if calculated as the average of damages derived by three principle economic valuation methodologies—Contingent Valuation, value of charismatic species, and public use value.

Secondly, $2 billion is approximately the amount of money that will be needed to accomplish the various objectives of the Fund. It is envisioned that of the total amount collected, a portion would be expended immediately for acquisitions. The remaining balance would be maintained as a permanent endowment whose inflation-proofed interest income would support the other elements of the Fund. Such an endowment, providing substantial annual interest dividends, would provide stable support in perpetuity for these other restoration, research, education, and sustainable economic development initiatives.

Thirdly, the severity of impact adds considerable support for a settlement of this magnitude. For instance, it is theoretically possible that this ecosystem will never return to its pre-spill condition. Even small perturbations in natural systems are known to produce large, unpredictable and long-lasting consequences. It is possible that the impacted system will stabilize at an entirely different equilibrium than that existing before the spill. Additionally, it is probable that the population structure of certain long-lived, less fecund species will take several decades to return to pre-spill conditions.

And lastly, this amount of money is entirely proportionate to the value that could be assigned to the permanent loss of the pristine quality of this ecosystem. That the area is an aesthetic resource of global significance is attested to by the extraordinary amount of public attention paid to this spill throughout the world. In the same way that a rape victim can not be "un-raped," the lost pristine character of this region is, unfortunately, irreplaceable.

Thus, this settlement will afford the impacted environment a sufficient amount of care and protection; it will give science a better understanding of ecosystem dynamics; and it will provide the impacted communities more economic and educational opportunity as well as a sense of certainty in looking toward the future. It is, quite simply, the right thing to do.

# ACQUISITION OF TIMBER HARVESTING RIGHTS FOR RESTORATION

- A Prerequisite for Recovery -

I. Introduction

II. Biological Characteristics of the Forest within the Region

III. Justifications for Acquisition

A. Biological
B. Economic
C. Psychological
D. Socio-Political

IV. Timber Ownership

A. Prince William Sound
B. Lower Kenai Peninsula

V. Additional Considerations

by
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## I. INTRODUCTION

As the clean-up of the Exxon-Valdez oil spill progresses toward completion, we must now decide what more can be done to aid the recovery of the impacted environment.

In the context of the Clean Water Act and the more extensive damage provisions of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), commonly know as the Superfund, Federal law clearly directs that funds be collected from responsible parties to be used "to restore, replace, or acquire equivalent resources."

In the case of the Exxon-Valdez, in addition to what can be done in the way of direct restoration and replacement of damaged resources, the most practicable mechanism to compensate for natural resource damages is to offset this loss with a substantial "acquisition of equivalent resources." This entails purchasing or otherwise protecting resources that are similar or related to the injured resource in terms of ecological value, functions, or services provided.

The several hundred thousand acres of old growth forest along the coastline of the spill-impacted region, having been scheduled before the spill for logging, now represent an ideal opportunity to exercise this Restoration option. The following is an overview of the concept of acquisition and retirement of timber harvesting rights to protect the impacted ecosystem from any further deterioration. This discussion is meant to provide a basis for further development of the idea, and to serve as an example of how other such acquisitions might work.

Conceptually, before trying to treat anything that has been injured, we must first protect it from any further injury. In the spill-impacted zone, marine, freshwater, and terrestrial systems are tightly connected through biogeochemical cycles into a functionally interlocking ecosystem. Perturbations (i.e. injuries) in one component usually produce significant secondary effects in the others. What's more, compound injuries often operate synergistically--that is, their combined effect is much more than the sum of the two injuries occurring independently. And regardless of how carefully it is carried out, the planned removal of old-growth forests from several hundred thousand acres of the region's coastline cannot help but to have a profound effect on the ecosystem as a whole. The clearcutting proposed for the region would represent an ecological alteration unmatched since the glacial retreat at the end of the Pleistocene. It is widely felt that the scars from logging will be even more persistent than those of the oil spill. This sort of massive perturbation, superimposed upon the deleterious effects of the spill, is likely to produce significant biological, economic, psychological, and socio-political effects far beyond what either one might have caused alone. A consensus is now emerging among many fishermen, biologists, tour operators and other local residents that, while this ecosystem might have been able to recover from either one of these rather large impacts in isolation, their combination could so seriously weaken the health and integrity of the system that its ability to recover would be severely compromised.

CLEARLY, THE FIRST STEP TOWARD FULL RESTORATION AND RECOVERY IS TO PROTECT THE ENTIRE SYSTEM AS COMPLETELY AS POSSIBLE FROM ANY FURTHER SIGNIFICANT HUMAN-INDUCED DISTURBANCE. And, aside from the

threat of additional oil spills in the area, the most immediate threat to the integrity of this ecosystem appears to be the planned removal of over one billion board feet of old-growth timber throughout the coming decade. The acquisition of timber to protect undamaged but threatened wildlife habitat in the impacted region is considered by many to be the single highest priority for Restoration.

Biologically, timber acquisition would protect the terrestrial, freshwater, intertidal, and nearshore habitat of many populations impacted by the spill (e.g., sea otters, diving birds, salmon, herring, eagles, bear, deer, etc.). It would also prevent the diminution of the hydrocarbon metabolizing marine bacterial flora that depends upon natural hydrocarbons washing into nearshore waters from coastal forests. Economically, timber acquisition would maximize profits and minimize risk for timber owners, protect existing commercial and subsistence economies, protect the future of tourism and recreation in the region, and preserve other in-absentia values of the region. The acquisitions would also go a long way toward relieving an overwhelming sense of despair in the region's residents, and would clearly help mitigate other socio-political impacts of the spill.

It should be emphasized that before the spill, timber development represented a legitimate economic opportunity for the region. However, we must now reassess all prior development plans in terms of what is in the best interest of the impacted ecosystem.

Restoration without full protection would be as futile as applying band-aids on a victim with one hand while continuing to inflict serious wounds with the other. And, in a larger sense, Prince William Sound has come to symbolize a violated relationship between humanity and nature. The only way to regain this relationship is to protect the area as completely as possible. This is the least, and perhaps the most that we can now do. Without such protection, full recovery--biological, economic, psychological, and socio-political--will be impossible.

## II. Biological Characteristics of the Forests Within the Region

These old-growth forests are stable biological communities that have developed over several centuries essentially free from catastrophic (including human) disturbance. They support a rich diversity of highly specialized and adapted organisms such as cavity nesting birds, canopy-dwelling animals, understory saprophytic plants, and epiphytic lichens. These undisturbed forests support two or three generations of dominant tree species, forming a highly partitioned, broken, multi-layered canopy. They are highly retentive of nutrients, both in living and dead organic matter, giving rise to significant detritus-based food webs. For example, small to medium sized streams depend almost entirely upon decaying forest litter as an energy base.

In addition to live spruce and hemlock, these forests are characterized by standing dead snags, and fallen logs on land and in streams. As such, they form a rather unique habitat for a large number of bird, mammal, fish and invertebrate species. With so much production high in their canopy, they provide ideal habitat for flying and climbing consumers, such as foliage-consuming insects, and insectivorous birds. Large snags are valuable as habitat for a variety of vertebrates (e.g. bald eagles) and invertebrates. Logs and bark slabs on the forest floor are important for small mammals that disperse seeds and fungi, for nitrogen-fixing bacteria, and as seed beds for trees and shrubs.

Fallen logs are also critical to the maintenance of the physical and biological stability of headwater streams. Debris dams, for instance, create stepped stream profiles that effectively dissipate energy that would otherwise go into transporting sediment, downcutting of stream channels and washouts. The associated pools and gravel beds provide a range of habitat requirements--temperature, shade, cover, current velocity, and oxygen - for a wide array of aquatic organisms.

The forests in the spill-impacted region are generally confined by steep mountain slopes to a relatively narrow band along shorelines. Three primary forest plant associations are found in the region:

1. The Sitka spruce series--occupies beachfront terraces and alluvial bottomlands. Common understory plants are blueberry, devil's club, skunk cabbage, lady fern, oak fern, and shield fern. Alder are dominant along streams.

2. The mountain hemlock series--found on lowland rolling hills, raised knolls in muskeg, and steep side slopes. Principal understory species on lowland hills are blueberry and devil's club; on raised knolls are copperbush, crowberry, bog blueberry, and deer cabbage; and on steep sideslopes are marten's cassiope, luetkea, shield fern, lady fern.

3. The western hemlock series--occupies some beachfront terraces and lowland rolling hills. It's understory consists of blueberry, rusty menziesii, devil's club, bunchberry, five-leaf bramble, and twisted stalk.

It is important to remember that the coastal forests of south central Alaska are rich, complex systems that produce more than just wood. They are important habitat for about one hundred species of birds, over 30 species of mammals, and several hundred species of invertebrates and plants.

## III. JUSTIFICATIONS FOR ACQUISITION

### A. Biological

There are seven principle biological arguments for using Restoration funds to retire timber harvesting rights in the region:

1. Protection of forest habitat for several spill-impacted species

   Several of the bird and mammal species that depend to some extent on the old-growth forests in the region are known to have been impacted by the oil spill; (e.g. eagles, loons, murrelets, deer, bear, etc.). Removal of large tracts of this habitat through logging will only make it more difficult for these species to recover. (See #3 below)

2. Hydrological characteristics of watersheds

   Regardless of how well buffer requirements are adhered to, the clearcutting planned for many steep sideslopes in the area would seriously alter the erosion, runoff, and sedimentation characteristics of entire watersheds. Watersheds disturbed by logging have dramatically altered hydrological characteristics. The removal of such large amounts of plant biomass, and

compaction of soils causes a dramatic reduction in the water-holding capacity of the area. This can affect the size and even timing of peak flows in nearby streams. This is evident where recent logging in Two Moon Bay has increased the frequency and magnitude of flooding, mudslides, soil erosion, and sediment loading in nearshore waters. Again, regardless of adherence to buffer requirements, percolation can still increase storm flow in streams, and the loss of forest shading will accelerate both the magnitude and timing of spring meltwater runoff. High storm flow can have devastating effects on salmon eggs and fry in streambed gravel.

Increased sedimentation of the intertidal and nearshore environments can be expected if upland forests are clearcut. These nearshore areas are critical habitat for outmigrant salmon smolts, herring spawning, clam and mussel production, and sea otter and bird feeding--all of which were impacted by the spill. Increased sedimentation of this environment could seriously reduce its biological productivity and habitability. Herring eggs and larvae, for instance, are very susceptible to reduced oxygen availability caused by increased sedimentation. Likewise, salmon fry migration and feeding can be affected by increased turbidity of nearshore waters. Also, any reduction in clam, mussel, or other invertebrate populations due to increased sedimentation from logging could have significant negative consequences for the recovery of sea otters, especially weanlings, and diving birds from oil spill impacts.

3. Habitat fragmentation

Logging causes a significant reduction in the most accessible, highest density timber stands, and as such, increases the fragmentation of old-growth habitat. Such habitat fragmentation is known to be a significant cause of reduced genetic variability within individual species. The theory of island biogeography substantiates the concern for reduced biodiversity caused by such habitat fragmentation. Because of their isolation from each other and resultant interruption in gene flow, habitat islands have been found to decline both in number of species present and genetic diversity. A reduction in genetic variability within certain populations of mammals, bird, and plant species would reduce the stability of that particular population, and the ecosystem as a whole. This means that the system would be much less capable of recovering from other perturbations such as insect pests, disease, earthquakes, etc.

It's important to realize that habitat fragmentation is a much more significant threat to the ecological stability of old-growth forests in this particular region because here, these forests constitute a smaller, patchier component of the entire ecosystem than do the forests in the Tongass, British Columbia, and the Pacific Northwest. Additionally, the high noise levels generated by logging operations expand the edge of habitat impacts far beyond the boundaries of the clearcut. Many mammals and birds will attempt to avoid such acoustic disturbance, and in so doing, be pushed further away from their preferred ranges and confined to progressively smaller refugia. Several forest species, such as deer, find it difficult to cross clearcuts, particularly during periods of heavy snow.

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4. Regeneration

Because these forests are at the northernmost edge of their range, regeneration of critical habitat structure, composition, and functions in second growth forests is extremely slow. Such slow regeneration rates are due to short growing seasons, low solar irradiance, and soils with low fertility and poor structure due to comparatively recent glaciation. Soil fertility is further reduced by leaching of nutrients after logging. And, although there are a few isolated examples of clearcuts in the Sound that have regrown relatively densely within 50 years or so, these dense second-growth stands have been found to provide unsuitable habitat for many of the original bird, mammal, and plant species that inhabited the area before logging. With no snags, fallen logs, large live trees, or canopy heterogeneity for habitat, these second-growth areas are generally poor in species diversity.

5. Global significance

The forests in this region are unique globally in that they constitute the highest latitude temperate rain forests anywhere in the world. Temperate rain forests worldwide are rare and severely threatened ecosystems. In their original extent, they were distributed in 10 regions in the world covering an area of approximately 70 million acres; only 2-3% of the area of tropical rain forests. Four of the original areas in which they existed historically--western Scotland, Ireland, a small area in the French Alps, and the southwest coast of Norway have been eliminated entirely.

In addition to the forest system extending from Kodiak to central Oregon, the only other significant stands left are found along the coasts of southern Chile, southern Australia, Tasmania, New Zealand, and Japan. It has been estimated that 60-80% of temperate rainforests worldwide have been logged in recent history.

For this reason alone, the forest in the spill zone should be conserved as a precious representative of disappearing temperate rainforest ecosystems worldwide.

6. The forest/marine bacteria/oil-spill connection

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Oceanographers now believe that the large populations of hydrocarbon metabolizing bacteria that have been so important in degrading oil from man-made sources in the region (e.g., the Exxon-Valdez spill and the effluent from the ballast water treatment facility at the Alyeska Terminal) flourish precisely because of the continuous input of biogenic hydrocarbons from the coastal forest. Measurements of the hydrocarbon terpene dissolved in the canopy drip from spruce trees and in nearshore waters suggests that this is the primary energy source for naturally occurring hydrocarbon-oxidizing marine bacteria in the region. In this sense, the coniferous forest actually "immunizes" or prepares this marine system for oil spills. Removal of large tracts of these forests would, theoretically, reduce terpene input and thus the bacterial populations depending upon this



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input, causing the waters in the region to become less capable of self-cleansing or bioremediation.

7. Cumulative impact

And finally, all these biological effects need to be understood in the broader long-term ecosystem context. Many local residents and biologists have observed a gradual but continuous reduction of certain wildlife populations associated with increased human use of the region over the past 30 years. Superimposed upon this gradual deterioration in the environment of PWS, the Exxon-Valdez oil spill in 1989 threw the system into a profound state of disequilibrium. Shocking the system with yet one more massive human-induced perturbation--the destruction of vast areas of old-growth forest habitat--would likely produce such a destabilizing effect that the resiliency of the entire ecosystem will be depressed for many decades. Also, it must be remembered that despite how well we think we might understand a particular biological system, even small perturbations can have large and unpredictable consequences (i.e. Chaos Theory). Beyond any doubt, the health and vitality of this coastal ecosystem would be best served by preserving its existing flora and fauna intact, in full interaction.

B. Economic

The economic advantages of the acquisition of timber for Restoration purposes are quite straightforward:

1. Profit Maximization

how about job loss?

The timber owners would simply make more money by selling their trees for Restoration purposes than by harvesting them. By having money from such a sale up front, the corporations and shareholders could enjoy perhaps 50% more profit over 10 years from reinvestment income. To begin realizing significant dividends from logging, they would probably have to wait several years. Such a windfall of profits would open up many other personal and corporate economic development options. Also, the owners would not incur the expense and risk of operation, and Native Corporations would not have to begin paying taxes on these tracts as developed lands.

2. Market risk minimization

Timber markets are extremely volatile. Though they are now relatively strong, they are subject to at least the same magnitude of reduction that they experienced in the mid 1980s. Purchasing this timber now will allow timber owners to avoid the substantial risk of softening markets in the future.

3. Protection of existing economy

Any potentially negative effect that logging might have on either commercial fisheries or on local subsistence economies would be avoided.

4. Recreation and tourism development

It is widely agreed that the development of recreational and tourism economic opportunities in this region would be seriously impeded by timber harvesting. The scenic/aesthetic value of the area would be reduced in proportion to the number of vistas containing at least one noticeable clearcut. And, because areas planned for logging are relatively steep, virtually all can be seen from afar. It is widely felt that, in addition to commercial fishing, the recreation and tourism industry offers the PWS/Kenai Peninsula area its best opportunity for sustainable economic development that is compatible with the local environment. What is already a multi-million dollar industry probably has, in the absence of timber development, the potential to triple in size over the next decade. Recreation and tourism would also provide more local jobs on a sustainable basis than would a short-lived timber industry.

5. Timber price support

Because this acquisition would take a substantial amount of timber off the market, it is reasonable to expect timber prices elsewhere in the State to be enhanced somewhat.

6. Noncommercial economic value

And lastly, in the context of current economic theory (i.e., "Contingent Valuation") the actual economic value of a resource like the old-growth forests in this region is much more extensive than just its immediate commercial value. In addition to the commercial value of on-site recreation and timber harvesting, these forests offer many off-site, or "in-absentia" user values, including option, existence, and bequest value. Option value is essentially what people would pay to insure the availability of the forest system for future recreational opportunities. Existence value is the benefit derived from simply knowing that the forest exists. And bequest value is the willingness to pay for the economic benefits of saving forest resources for future generations. Timber harvesting could conflict with all nontimber values of these forests --subsistence, sport fishing and hunting, commercial fisheries, recreation, tourism, option, bequest, and existence value. And because the Restoration process should satisfy timber owners financially, it is clear that from a strict economic standpoint, it is in the highest public interest to preserve these forests. This acquisition would ensure a maximum flow of benefits to the greatest number of people.

C. Psychological

The psychological impact of the oil spill, has been, and will continue to be enormous. The pristine natural environment of the region comprises a powerful aspect of local residents' sense of identity, place, and purpose. Most of the people who make the region their home live here just because of its natural bounty, beauty, and wilderness quality. Native culture evolved within the fabric of forest and marine biological systems in the region. The area is, for many people, a sacred place.

citation?

The oil spill caused this sense of identity in local residents to rapidly disintegrate. Initial studies have clearly documented widespread perceptions of uncertainty about the future, deteriorating family relations, and Post Traumatic Stress Disorders in impacted communities. Even now, residents still feel a great deal of anger, remorse, and loss for what the spill did to their home. We must now allow these wounds to heal.

The most we can probably do to restore the psychological sense of well-being among local residents is to afford the impacted area as much protection as possible from further human insult. The psychological impact of clearcutting, superimposed upon that of the oil spill, would be devastating.

Prince William Sound has, in a very real sense, come to epitomize the plight of the Global environment. The phenomenal worldwide media attention given the area during the spill attests to the high degree of sympathetic identification felt by people throughout the world for such a spectacular pristine natural area essentially "lost" through corporate and governmental ineptitude. Many people, locally and elsewhere, express a sense of disbelief, indignation and even outrage that now, after perhaps the single greatest environmental disaster in our nation's history, humanity seems poised to inflict yet more environmental damage to the very same area through timber extraction, almost as if nothing had ever happened.

It is important to acknowledge that these are very real emotions and as such they must be addressed by the Restoration process. It should be a priority of the Restoration program to minimize any activity that might detract from an already damaged sense of psychological well-being throughout the region and the world. Another compelling reason, then, to retire timber harvesting rights in the region is to help restore the sense of solace and well-being that is so essential to the quality of life.

This acquisition would allow people to look forward with certainty to the full recovery of the natural environment, rather than despair over its continued degradation. This acquisition is absolutely essential for psychological recovery--without it, full recovery will be impossible.

D. Socio-Political

The oil spill has caused an overwhelming loss of faith in the institutions that manage our society.

The socio-political fallout from the spill has been characterized by bitterness and divisiveness within and between communities, anger toward the oil industry in Alaska and elsewhere, lack of confidence in government, and skepticism regarding economic development in general.

The social challenge for Restoration then, is to restore the cohesiveness within and between communities. Peoples within the impacted region now need a sense of solidarity, of being on the same side of an issue and of belonging to a joint enterprise together. It is now imperative to protect residents in the region from other highly divisive issues, such as logging.

The political impacts of this spill will undoubtedly reverberate through the halls of Juneau and Washington D.C., oil company board rooms, and the minds of voters for quite some time. If something powerful and persuasive isn't done to make amends for this environmental disaster, its dark shadow will continue to loom over such major public policy issues as ANWR, offshore oil leasing, and other important development proposals.

The public wants a clear sign that industry and government will make every effort to "right-their-wrongs." A positive outcome with the acquisitions set forth in this proposal would send a loud and clear message to people everywhere that corporate and political institutions can and do act responsibly--that they do indeed care about the natural environment. The public relations value of such an initiative would benefit the timber industry, Native corporations, government, and the oil industry.

? evidence

It is increasingly evident that these acquisitions would be enormously popular throughout the nation, and would renew public confidence in our governmental and corporate institutions. Underlying such sentiment is the growing body of public opinion that old-growth rainforests worldwide are a precious, highly-threatened resource that deserve protection, and a greater sensitivity toward the environment in general, (e.g., "Earth Day, 1990").

In a very real sense then, this acquisition for Restoration has, for many, become the "canary in the mine shaft" concerning mankind's commitment to the environment. It's really quite simple--either we do care, or we don't. This will be the legacy we leave for future generations and should be pursued accordingly.

## IV. TIMBER OWNERSHIP

The primary land owners in the region are the Federal government, Alaska Native Corporations, and, to a lesser extent, the State of Alaska. All own valuable tracts of old-growth forest. A decision to not allow timber harvesting on these public lands can be obtained simply through an administrative decision on the part of the U.S. Forest Service and the State of Alaska Department of Natural Resources. At this time, the Forest Service has no plans to sell or harvest any of the timber within the Chugach National Forest. The ADNR is considering classifying several of its isolated land parcels within the region for timber harvesting. The Trustees should seek a Memorandum of Understanding or other legally binding agreement from these two agencies that, in the interest of Restoration, they will not permit any timber harvest on their lands in and around the spill zone.

The more important challenge for Restoration will be to retire the timber harvesting rights on the several hundred thousand acres of lands owned by Alaska Native Corporations in the region. Timber on these private lands is considered to be a valuable financial asset and thus timber owners will have to be sufficiently compensated in exchange for an agreement to extinguish any and all harvesting rights. The approach here should be to make it financially advantageous for the timber owners/land owners to enter into such an agreement, by providing them as much money as they would have earned in profits by harvesting their timber. The two principle areas of concern for acquisition purposes are Prince William Sound and the lower Kenai Peninsula.

Prince William Sound

The Native Corporations with land holdings in Prince William Sound itself are as follows:

| | |
|---|---|
| Eyak Corporation<br>PO Box 340<br>Cordova AK 99574<br>Phone: 424-7161 | 64,000 acres (Note: acreages here are approximate) |
| Tatitlek Corporation<br>PO Box 650<br>Cordova AK 99574<br>Phone: 424-3777 | 65,000 acres |
| Chenega Corporation<br>General Delivery<br>Cordova AK 99574<br>Phone: 573-5118 | 76,000 acres |
| Chugach Alaska Corporation<br>3000 A Street, Suite 400<br>Anchorage AK 99503<br>Phone: 563-8866 | 57,000<br>acres in S.W. PWS |

170,300,000 x 1.5 = 255,450,000

Approximate total area proposed for timber acquisition in Prince William Sound = 262,000 acres

Most of the timber on these lands has been sold, in connection with Net Operating Loss Sale provisions of federal tax laws, and is now owned by the following companies:

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|---|---|
| Sherstone, Inc.<br>PO Box 828<br>Cordova AK 99574<br>Phone: (907) 424-5524 | Owns timber on Eyak lands |
| Citifor, Inc.<br>7171 Columbia Center<br>701 Fifth Ave.<br>Seattle WA 98104-7090<br>Phone: (206) 622-3770 | Owns some of the timber on Tatitlek lands between Fidalgo & Gravina |
| Koncor Forest Products, Inc.<br>3501 Denali<br>Anchorage AK 99503<br>Phone: (907) 562-3335 | (Timber Trading Company) owns timber on Chugach Corp. lands on Montague & Knight Islands and on Chenega lands |

Chugach subsidiary

Tatitlek Corporation still retains title to some of their timber, and Chugach Alaska Corporation has purchased timber on Tatitlek lands at Fish Bay in Pt. Fidalgo.

Lower Kenai Peninsula

Beyond PWS itself, three village corporations on the Kenai Peninsula have considerable land holdings with timber that should be considered for acquisition:

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|---|---|
| English Bay Corp.<br>PO Box 8058<br>English Bay via Homer<br>Homer AK 99603<br>Phone: (907) 281-2220 | 45,000 acres at southern tip of Kenai Peninsula and 22,000 acres within the Kenai Fjords National Park |
| Port Graham Corp.<br>PO Box PGM<br>Pt. Graham AK 99603<br>Phone: (907) 284-2227 | 66,000 acres at southern tip of the Kenai and 55,000 acres also within the Kenai Fjords National Park |
| Seldovia Native Ass'n.<br>PO Box 185<br>Seldovia AK 99663<br>Phone: (907) 234-7625 | 23,000 acres within Kachemak Bay State Park across from Homer and 423 acres on Island Peninsula |

Approximate total area proposed for timber acquisition on Lower Kenai Peninsula = 221,000 acres

These corporations have sold much of their timber, as in Prince William Sound, to the following companies.

| | |
|---|---|
| Koncor Forest Products, Inc.<br>3501 Denali<br>Anchorage AK 99503<br>Phone: (907) 562-3335 | (Timber Trading Company) owns the timber on Seldovia Native Ass'n. land holdings within Kachemak Bay State Park |
| Chugach Alaska Corporation<br>3000 A Street, Ste. 400<br>Anchorage AK 99503<br>Phone: (907) 563-8866 | owns the timber at Windy Bay, on Pt. Graham lands |
| Kolon California, Inc.<br>c/o Ceretech International<br>515-16th Ave., Ste. 155<br>Bellevue WA 98004<br>Phone: (206) 455-4850 | owns the timber on English Bay lands |

This would also be the appropriate forum to consider purchasing timber and possibly certain other development rights from Native Corporations with lands along the coastline of the Kenai Fjords National Park. Together, the Port Graham and English Bay Village Corporations have selected approximately 77,000 acres of waterfront land surrounded by the Park. The Chugach Alaska Corporation will receive the subsurface rights. These selections are yet to be conveyed, pending negotiations with the U.S. Bureau of Land Management. The development of timber and minerals on these lands would seriously conflict with the quality of the area as a National Park. Thus, it should be a high priority for Restoration purposes to acquire at least the timber, and perhaps the mineral rights on these lands.

## V. ADDITIONAL CONSIDERATIONS

1. Cost of Acquisitions

   While it is difficult to estimate, the timber acquisitions outlined above would probably cost on the order of $200-$300 million. An independent timber appraisal should be conducted to determine fair market value of timber assets in the region.

2. Urgency

   Timber harvesting has already begun on three parcels within the region: one near Cordova, at Two Moon Bay near Tatitlek, and at Windy Bay on the lower Kenai. Several more areas are scheduled to begin cutting within a year.

   Additionally, foreign timber buyers, who might be less sympathetic to selling timber assets for Restoration purposes, are reportedly very interested in purchases within the region.

   If the Trustees decide to pursue timber acquisition, it should be done soon.

3. Short Term Contracts

   The timber owners generally have rights to the timber only over short-term (10-15 year) contracts. After these contracts expire, the timber rights revert to the land owners. Thus, in negotiating to retire timber harvesting rights in perpetuity, the land owners will also have to enter into any agreement between current timber owners and the Trustees.

4. Lands selected but not conveyed

   An additional aspect that has to be considered is Native Corporation lands in Prince William Sound that have been selected but not yet conveyed. Some of these contain timber that should be purchased in the context of Restoration.

5 Individual Allotments

   Funds should also be made available to Native shareholders with individual land allotments who might wish to sell their timber assets for Restoration purposes.

6. Displaced jobs

A very legitimate concern exists over the jobs, particularly of Native shareholders, that would be displaced by this acquisition for Restoration. This concern is addressed by the Sustainable Economic Development section of the proposed comprehensive settlement. An "Alaska Native Employment Fund" should be established to provide on the order of $5 million annually to be used to employ shareholders in jobs that, as determined by themselves, are sustainable and compatible with their cultural heritage and local environment.

7. Seward Sawmill

Withdrawing these forests from timber production will reduce the flow of raw logs to the newly constructed Chugach sawmill in Seward. Clearly, the Chugach Corporation deserves compensation for this loss. Either a genuine offer should be made for an outright purchase of the mill, or some other subsidy/settlement must be offered.

8. Protection of Native Sovereignty

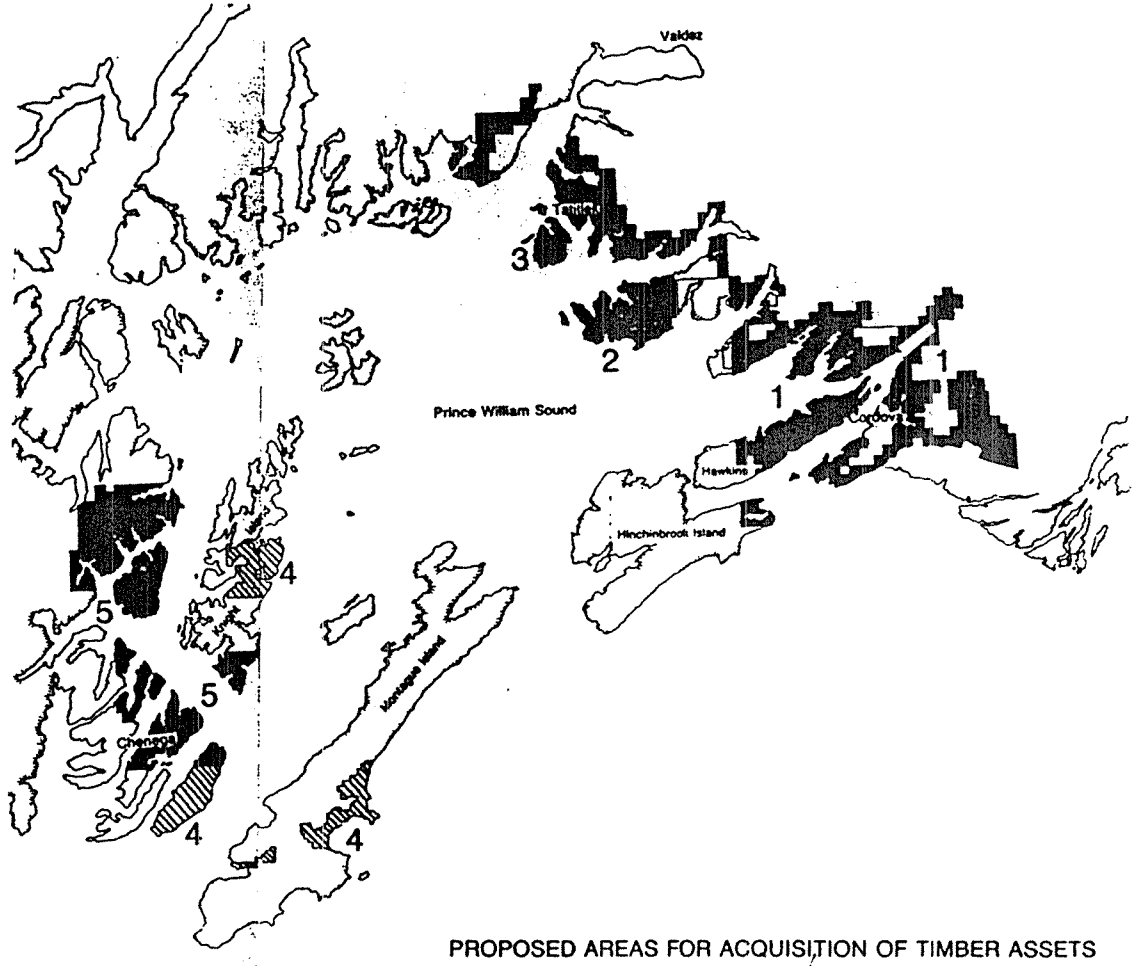
One of the most important considerations for this initiative is to protect the right to self-determination of local Native people. As the principle private land owners in the region, they have the most at stake relative to this issue. It is essential that all the shareholders of each Native corporation in the region be fully informed concerning their options here, and that they come to some agreement among themselves as to what is in their own long-term interest. Presently, some shareholders support timber acquisition for Restoration, others oppose it.

what does this mean?

It is incumbent upon the Restoration planning process to provide the corporations and their shareholders with an objective assessment of the implications of supporting or opposing such acquisitions.

IT IS ESSENTIAL THAT THE TRUSTEES REMAIN SENSITIVE TO THE DESIRES OF NATIVE SHAREHOLDERS ON THIS ISSUE, AND PURSUE ACQUISITIONS ONLY WITH THOSE CORPORATIONS THAT SUPPORT THE CONCEPT.

It should be recognized that, before the spill, timber development plans represented sincere and genuine commitment on the part of corporation managers to provide economic opportunity for their shareholders. Acquisitions for Restoration should be presented as a unique opportunity to redirect such development plans in light of the spill.




A

PROPOSED AREAS FOR ACQUISITION OF TIMBER ASSETS

1. EYAK/SHERSTONE
2. CITIFOR
3. TATITLEK
4. CHUGACH/KONCOR
5. CHENEGA/KONCOR
6. PORT GRAHAM/ENGLISH BAY SELECTIONS
7. ENGLISH BAY/KOLON CALIFORNIA
8. PORT GRAHAM/CHUGACH
9. SELDOVIA NATIVE ASSOCIATION/KONCOR

APPROXIMATE TOTAL AREA PROPOSED — 483,000 ACRES.

CORDOVA DISTRICT FISHERMEN UNITED

P.O. Box 939

Cordova, Alaska 99574

(907) 424-3447

July 23, 1990

Don Collinsworth, Commissioner
Department of Fish and Game
P.O. Box 20792
Juneau, AK 99802

Dear Commissioner Collinsworth:

CDFU is an organization with a membership of 500, which consists of Commercial Fishermen, tendermen, crewmen and supporting businesses.

Prince William Sound has gone through a great deal of devastation after the Exxon Valdez Oil Spill and Exxon is still cleaning beaches to this day. After all this human disturbance, we are finally done with everything that man can do. At this point in time PWS needs a much earned rest to regain its natural beauty and bountiful environment.

We strongly urge you to negotiate an immediate settlement of natural resources damages from the Exxon Valdez Oil Spill, as suggested by the Coastal Coalition proposal. CDFU believes that it is essential to settle this sooner rather than later.

For now, the exact amount of dollars to resolve these damages should be left aside, and all parties should agree initially to sit down and begin formulating a settlement.

It is, of course, very important that this Natural Resource settlement not influence the compensatory claims of our fishermen for loss of income, etc. This should be very easy to structure into the settlement.

We also believe strongly that the highest priority use of restoration funds is to protect this ecosystem as completely as possible from any further damage.

Money should be made available immediately to acquire timber harvesting rights in and around the entire spill impacted zone. This is essential to protect PWS for not only its resource users, the commercial fishermen, but for all people that have not yet seen or experienced PWS's beauty and wonders.

Sincerely,

Gerald M. Cune
mbl

Gerald McCune, Board President

CC: The Coastal Coalition
Box 2424
Cordova, AK 99574

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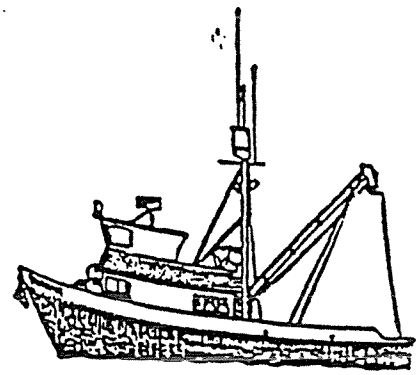
# Prince William Sound Seiners Association

P.O. Box 458
Cordova, Alaska 99574
(907)424-5777

Floyd Hutchens, President

FAX (907)424-5837



June 12, 1990

Don Collinsworth, Commissioner
Alaska Department on Fish & Game
P.O. Box 3-2000
Juneau, AK 99802-2000

Dear Commissioner,

The PWSSA represents over 100 commercial fishermen in PWS. As such, we have a vital interest in the restoration of PWS in the wake of the Exxon Valdez. We are writing to you today with regard to your position on the Trustees' Council. We fully support the Coastal Coalition position that there can be no higher use of restoration funds for PWS than to purchase back timber rights to private land in PWS and prevent the wholesale clearcutting of our shorelines.

Most of our members have spent the last year helping in the cleanup of the oil spill, in one way or another, and know first-hand the devastation PWS has suffered. We also know, from experience, the futility of attempting to set right this great wrong. The best we can do is to make sure that nature be allowed to heal the wound without further interference. Large scale logging operations will further weaken the already overstressed ecosystems of PWS. Clearly, the best means we have to restore PWS is to halt any further destruction of this fragile environment.

We urge you to give the Coastal Coalition your active support in attempting to halt the massive clearcutting of PWS.

Sincerely,

Floyd J. Hutchens Jr.

Floyd J. Hutchens Jr., Pres.

cc: Oil Spill Restoration Planning Office

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# SELDOVIA NATIVE ASSOCIATION, INC.

P.O. DRAWER L
SELDOVIA, ALASKA 99663
(907) 234-7625 • 234-7890


July 6, 1990

Rick Steiner
The Coastal Coalition
Box 2424
Cordova, Ak 99574

Dear Rick:

Thank you for your fax this date .It was good to talk to you on the phone personally.

The Seldovia Native Association is one of the Alaska villages affected by the Exxon Oil Spill. As is such we are always interested in ideas, that will help alieviate these damages. I believe the concept of the industry, acquiring timber and land for public purposes may be one of the better plans that I have heard of. We do agree that if this happens, the costs of such a plan should be deducted from any litigation between the Corporation and Exxon.

I will be gone for the next few weeks and plan to be in this office the first week of August.

Sincerely,

Fred

Fred H. Elvsaas, President
SELDOVIA NATIVE ASSOCIATION, INC.

FHE/db

# Timber Trading Company

July 20, 1990

Mr. Rick Steiner
The Coastal Coalition
Box 2424
Cordova, Alaska 99574

Dear Mr. Steiner:

Timber Trading Company has purchased the private timber on Montague and Knight Islands. We have secured the needed permits and are in the process of starting up our harvesting operations. The actual harvesting is scheduled to begin next year.

Timber Trading Company would be interested in entertaining a bid to purchase this timber at fair market value. We are currently involved in negotiations to sell or trade other timber holdings that are considered by the government to be environmentally sensitive. These efforts have been very lengthy and frustrating. The timber has great value now since markets are the best they have ever been. This has given the timber a high price tag which they have been reluctant to accept. With the high frustration level we are currently experiencing with these trades we are less than enthusiastic about becoming involved in yet another.

I would suggest that when you have a firm offer in hand we set up a meeting to discuss. Securing an offer would involve the contracting of a forestry consultant to both cruise and appraise the timber. We would assist you with the base information the consultant would need, such as the timber sale boundaries and harvesting conditions.

I wish you the best in your efforts.

Sincerely,

John L. Sturgeon
President
Timber Trading Company

JLS/jes

Main Office: 3501 Denali, Suite 202
Anchorage, Alaska 99503
(907) 562-3335 FAX (907) 562-0599

Marketing Div.: Transpacific Trade Center, Suite 410
3700 Pacific Highway East
Tacoma, Washington 98424
(206) 922-5510 FAX (206) 922-8044

STAN STEPHENS
CHARTERS & CRUISES

P.O Box 1297
Valdez, AK 99686
(907) 835-4731
1-800-478-1297 (in Alaska only)
FAX: (907) 835-3765

Marketing Office:
1100 W. Barnette St
Suite 206
Fairbanks, AK 99701
(907) 456-3459
FAX:(907) 452-3156

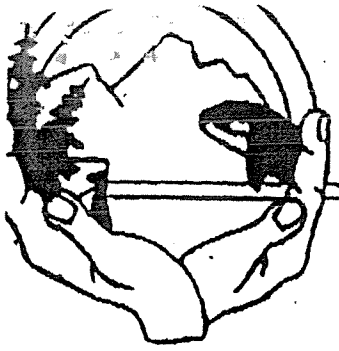
Dear Rich;

Just a quick note:

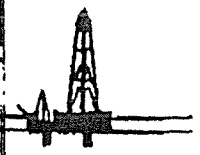
Your Proposal did an excellent job of putting together a solution that could save a lot of time and money and still allow us to protect the Sound.

I support your position, I think it could quickly settle and relieve us of fighting for years. We need to get on with reclamation, get rid of the Coast Guard and Exxon and take charge of our own destiny in the Sound. Exxon can never pay us for the damage done but this Proposal is a solution that will help us to get on with the job. Thanks for being there and continue the good work.

Stan



# Oil Reform Alliance



To: State/Federal Trustees for Natural Resources Damages

From: Riki Ott, President
Oil Reform Alliance

Date: July 27, 1990

Re: Coastal Coalition Proposal for Comprehensive Settlement of Natural Resource Damages from the Exxon Valdez Oil Spill

The Oil Reform Alliance (ORA) formed after the Exxon Valdez spill as a grassroots coalition of citizens and member groups (commercial fishing organizations, environmental organizations, and recreational user groups - membership attached) who are working towards reforming oil industry practices and state and federal policies on oil. This includes policies and precedents for mitigation of spills.

The ORA strongly supports the proposal drafted by Rick Steiner of the Coastal Coalition for a comprehensive settlement of natural resource damages from the Exxon Valdez spill.

We wish to emphasize the following three salient points of the proposal.

First, we need a settlement as soon as possible. The settlement would circumvent protracted litigation over hard-to-quantify damage of natural resources and allow restoration and protection of resources in spill-impacted areas to proceed immediately.

Second, the highest priority for any restoration funds is to protect the ecosystem from further damage. As Mr. Steiner eloquently pointed out, proposed timber harvests in the spill-impacted area could well be more devastating to the ecosystem than the oil spill while the synergistic effects of these two insults may result in irreparable damage to the natural resources and the communities that depend on them for subsistence and commercial interests. We need adequate funds for acquiring conservations easements and timber rights and accomplishing the other proposal objectives.

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519 W. 8th, #201, Anchorage, Alaska 99501 • (907) 274-3621

Third, we need local input and control over disbursement of restoration funds. This is an absolute MUST and the input/control must include citizens. Use of the fund to expand local, state, and federal bureaucracy must be minimized. Citizens have the most drive to protect their own backyard - and lowest overhead to accomplish the objectives! Including citizens in this process would enhance awareness at the local levels and, hopefully, rebuild citizen's trust in corporate and political institutions' ability and sincerity to protect natural resources.

In summary, the ORA strongly supports the establishment of a two billion dollar Alaska Restoration Fund to accomplish the five principle elements of the Coastal Coalition proposal.