

"I may not agree with a word you say but I will defend unto death your right to say it." — Voltaire

Tundra Times



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Other Voices—

Viewpoint

By TED MALA

ANCHORAGE—April 10, 1976. I am at present, doing an externship here at the Alaska Native Medical Center in Anchorage. The past several weeks have been most exciting, especially when one begins to relate to the constant state of change within the Native community and its leadership.

Just in the few short months when I was last here in Alaska, I have already begun to see great changes from all sides. From the area of health, I am beginning to see for the first time, a closer cooperation between Native and Public Health authorities. On both sides, people with good initiative and experience are realizing that "united we stand and divided we fall". It is most exciting to observe that learning is not a process confined to ethnic boundary but rather to men of experience and dedication, regardless of their color of their skin.

In the world of education, Elaine Ramos, Vice President of the University of Alaska in Rural Education Affairs, is without a doubt, one of the most promising rays of hope for the future of our young in higher education. Surrounded by clouds of controversy, Elaine has managed to place her personal interests aside and enter the arena of education, unfortunately so saturated with politics and name-calling, and has risen above it all as a true fighter, dedicated to what she firmly believes, based on her love and devotion to all the Natives of Alaska. She deserves to be admired and supported for being a pioneer in a most difficult and complicated task, which for many days of the year, requires her to be away from her family and loved ones, traveling and working to better the quality of education for us and for our children here in Alaska.

Credit also should be given to Don Bantz, who with Gordon Jackson and Nancy Brelsford and many others, have given many young native people a chance to succeed in health careers through their program with the Alaska Federation of Natives.

We are so lucky here in Alaska to have so many dedicated and fine leaders. I personally am very proud of my region, NANA, for the great job that they are doing, and how our non-profit program called Mauneluk, has become a model for many other regions of solid programs and high caliber leadership.

One of the main points of my address to the AFN Youth Conference yesterday was that we must be all prepared to take on new roles of leadership within our communities. That we have always been a strong people, living with elements that defy survival. Our new instruments of survival for the future no longer will be our guns and whale boats and traps, but rather a new weapon for survival....education.

Education, both formal in the classroom and informal in our homes and villages, will go to form us to be strong and to be able to plan for our futures. Our fathers have spent their lives caring for us and now it is our turn to do likewise for them. We must love and respect our elders and draw from their wisdom. We must love and respect our elders and draw from their wisdom. We must plan for their futures in such a way that they will have the quality of life they have always wanted to provide us with.

Last week, I had occasion to meet with the BIA people and to speak with Roy Peratovich (an Indian and the head of BIA), also with Bob Portlock (whom every student in Alaska should know if he is funded for education through BIA), Miles Brandon (Tribal Affairs)

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Letters from Here and There

Oil taxation hearings; testimony by McCutcheon

Jerry McCutcheon
Box 2340
Anchorage, Alaska 99510

March 24, 1976

Sen. Bill Ray, Chairman
Senate Finance Committee
Juneau, Alaska

Dear Mr. Chairman:

Would you please insert the following in the record of the Oil Taxation Hearings:

SUBJECT: Oil Taxation.
WRITTEN TESTIMONY OF
JERRY MCCUTCHEON.

By this time most of you are aware of:

1. The President of the United States under the new energy act is going to set the price of Alaska's oil.

2. The price will not be set arbitrarily but determined by accounting standards of the Securities and Exchange Commission.

3. Alaska's oil cannot justify the price of more than \$7 or \$8 because of the extreme profitability of North Slope oil.

4. In short, Alaska's Prudhoe Bay oil is cost plus profit — that is, the more it costs, the more the oil companies earn.

5. The Tanzer Report and the Huber tax bills are now obsolete. The point of taxation now is to bring the price of oil up to the maximum level allowed by law — \$13, \$11.28 today.

The price of oil under the current tax structure will be set somewhere around \$7 or \$8 but the upper limit of the oil price is \$11.28 today and will be about \$13 by the time the oil comes off the North Slope; thus, the difference of about \$5 or \$6 will be lost.

One would think that the oil companies would welcome the taxes for they can include it in the price of doing business. The government will probably restrict their profit to 10% DCF, Discount Cash Flow. The DOI (Department of Interior) Economic Analysis of the proposed gas line systems used only 10% DCF which they considered to be an industry standard. Certainly it would be better to obtain 10% on top of the taxes rather than lose it all.

But the oil companies have chosen to fight the taxes using the Natives to do battle for them.

Now Representative Cowper's tax proposal does not include private lands and applies only to state and federal lands. One would, therefore, think the Natives would accept that proposal. Some of the Natives seem to be fighting the Cowper proposal harder than the others claiming that not including private lands only lasts a little while and that it is illegal anyway.

It is well-established that the state can apply taxes only to state lands if it wishes — there is nothing questionable about it. One would think the Na-

tives would want the price of North Slope oil set as high as possible since the tax only applies to state lands and the difference would accrue to the Native corporations.

It is also recognized whatever monies the state does not collect today and place in a permanent fund, will have to be made up by taxes in the future, undoubtedly land taxes. This means the Native corporations will be hit harder than anyone else. With these facts in mind it is hard to understand why the oil companies and the Natives who are fronting for the oil companies at the oil companies' request are fighting the taxes so hard.

There is an exception on the part of the Natives — Eben Hopson, mayor of the North Slope Borough and Rep. Brenda Itta from Barrow have recognized the above facts.

Other Natives such as Sam Kito when confronted with the above facts side-stepped the issue, almost as if they didn't want to consider them or have them researched.

Representative Andersen has gone so far as to blame the oil taxes as the reason for the inability to finance the proposed gas line. The oil taxes and the gas line are not inter-related. Second, none of the proposed gas lines are economically feasible. That does not mean they are not politically possible and maybe Representative Andersen's statement is the first step in hoodwinking Alaskans into putting up money for a gas line.

It is strange that all the Natives who have complained about state taxes also failed to suggest to the state that the state not lease any more oil lands in competition with the Natives. Only Eben Hopson has made this suggestion.

Again, it is difficult to understand why the oil companies would wish to fight additional taxation so hard knowing the oil companies would lose the profit on the additional taxes. One reason offered for this strange behavior is that the oil companies hope to sell oil to Japan; thus obtaining the world price for some of their oil. This is true. However, selling oil to a foreign country will be closely looked at by Congress and, therefore, risky but well worth a try.

If one looks at how oil is handled in the U.S. one can see that basically the U.S. has \$5.25 oil and \$11.28 oil except for the North Slope oil which is exempt under the regulations. Those who have access to more than their "fair" share of \$5.25 oil have to buy entitlements at about \$7 a barrel; thus, there is no advantage to having cheap oil except Alaskan North Slope oil. Up to two million barrels of North Slope oil per day is exempt and the oil companies will not have to buy entitlements on North Slope oil. Then the difference between the \$7 or \$8 and the \$13 goes to benefit the oil companies.

One would naturally consider that this \$5 to \$6 extra profit would have to be passed on at the refinery and retail level and, therefore, the oil companies would have little to gain. The FEA is considering deregulation at the refinery and

retail levels; thus, the profit would fully inure to the oil companies.

One may question whether or not there will be deregulation at the refinery or retail level. Deregulation is not important for the retail price is already by and large below the allowable level. Therefore, de facto deregulation has already occurred and is one reason the FEA is willing to deregulate at those levels. The oil companies have enormous credits built up and can take the total profit of Alaska's oil without having to pass on the profit.

In summary, what Alaska does not take in taxes will be used to fund the oil companies lack of profits overseas and other areas of the United States.

Oil company profits took a drop in 1975. The drop was due to: 1. Changes in accounting practice; 2. Decrease demand; 3. Some competition, and, 4. Most importantly, increased foreign taxes. It should be noted when oil company 1975 profits are compared to 1972, 1975 profits are substantially higher.

The Middle East countries restrict oil company profit to 20 cents to 50 cents per barrel. Saudi Arabia and Iran use 22 cents. Iran has cut that level further to 18 cents.

The benefits do not end there. Returning to Alaska, the oil companies expect to produce 1.5 million barrels a day from the current fields. Thus it is necessary to obtain more oil to fill the line to the two million barrels a day capacity. It should be noted here that it is not necessary that the oil companies fill the oil line — they make the same profit full or not with respect to the line. Remember that \$4 of our \$7 or \$8 allowable price is transportation charge — so the real price of oil on the Slope is only \$3 or \$4 including profit and current taxes. The oil companies have contracts with the Natives for oil exploration and development. If the Native oil costs more to obtain, these costs can be justified through increased prices. But there is little real interest on the part of the oil companies to obtain higher oil prices for they would only have to split with the Natives. With lower prices the benefits inure solely to the oil companies.

Now see how this applies to the Beaufort Sea sale that Governor Hammond wants to conduct. If you remember the governor wanted to sell the Beaufort Sea leases in order that the state would have money until the North Slope oil begins to flow. The last session of the legislature provided money for the state to operate without the sale of the Beaufort Sea leases. The permanent fund was vetoed primarily due to the dedication of the bonus monies to the permanent fund which would have negated any illusion that the Beaufort Sea lease sale was for the purpose of gaining funds for the state operating expenses; thus, exposing the fact that the governor was committed to sell the Beaufort Sea come hell

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