

Memo

April 13, 2011

To: Donna Pierce, chair, AJ Mine Advisory Committee
Members of the committee

From: Gregg Erickson, committee member

MY CONCERNS

What circumstances?

As members of the AJ Mine Advisory Committee (AJMAC), we have agreed to consider and answer the following question.

“Under what circumstances, if any, should the CBJ promote development of the AJ Mine?”

I believe the City and Borough of Juneau (CBJ) *should* promote redevelopment of the AJ Mine. When I accepted appointment to the committee I was hopeful that committee members could reach unanimous agreement on the circumstances under which we would recommend AJ development. Given past divisions in the community regarding the AJ, it seemed to me that obtaining this unanimity in the committee would be important in terms of winning community support for AJ development and for gaining the trust and confidence of potential investors regarding Juneau’s intentions.

What’s missing

Our first four meetings were focused on gathering information. Although we took no votes, what we heard from invited experts and the public, together with comments from committee members, seemed to suggest a developing consensus. I was increasingly optimistic that we could find a set of general conditions under which all members of the committee could recommend going forward with mine development. Today I am not so optimistic.

At our March 30 meeting the chair asked each of us to prepare written summaries of the conditions we would like to see required before and of AJ development.

At our April 7 meeting the staff, after reviewing, members’ submissions offered 13 specific “Staff Recommended Conditions.” Members discussed each of these conditions and offered suggestions for various changes and refinements. Members seemed to have no substantive disagreement with the 13 conditions, as far as they went.

As I stated at the April 7 meeting, I viewed the conditions as they stood then as inadequate to justifying or winning wide community support for the mine. As I described it in my April 5 summary submitted to the chair and the staff, what is missing is a commitment to “establishing an alternate municipal water source capable of supplying all of CBJ municipal water needs in the event the Last Chance Basin source is rendered permanently unusable.”

A digression

Over the past 30 years Juneau has seen progress in dealing with its unbalanced economy. Over some of this progress, for example the increase in metals prices that stimulated mining, we had little control. But it is equally true that Juneau's own actions and decisions played a key role in enabling this progress. We made ample public investments in docks, the airport, the hospital, roads, water system, and schools. We used our political influence to secure investment at the University of Alaska Southeast, and in federal research facilities. We maintained a clean natural environment and a safe social environment even during the rapid population growth in the 1980s and early 1990s.

Some Alaska communities are dysfunctional. In contrast, our unified local government has become more efficient, more transparent, and more functional. We managed this in the face of deep divisions over the first AJ Mine development effort, and the ongoing dispute over "the road."

The way Juneau earns its way in the world is more diversified now than it has been at any time in its 120+ year history, but the Juneau economy remains dangerously unbalanced. State government accounts for close to 25 percent of all Juneau jobs, and 30 percent of local earnings. About half of the state jobs provide statewide services. For example, the Department of Administration employs 475 people in Juneau, of which I estimate 400 provide statewide services in accounting, computing, telecommunications, and the like.

A sudden loss of central state government positions could set Juneau up for a sustained period of economic decline. In the wake of losing central state government jobs, regional jobs could be centralized in Anchorage in the name of efficiency, a rational with which Juneau is unfortunately familiar. The loss would erode public confidence in Juneau's future. The history of Alaska's economic development suggest this loss of confidence would likely cause public and private investment to dry up, just as it did in Juneau in the years leading up to the 1982 vote on the capital move.

In terms of jobs and CBJ government revenue, the benefits of AJ Mine development would not be large, but the tangible step it would represent toward economic diversification could be crucial in terms of its effect in supporting confidence in Juneau's future. Its influence on the perceptions of public and private investors would be similarly positive, and similarly disproportionate to the mine's direct effect on the economy.

Achieving true water supply security

Discussion among committee members and public testimony demonstrate that security of the public water supply tops all other potential adverse impact from the mine. Several of the staff's 13 recommended conditions attempt to address these concerns. All of the suggested steps to assure security are reasonable and appropriate, but taken together they are, in my opinion, inadequate. More importantly, they are insufficient to win the widespread community support this project needs to move forward.

How the necessary alternative water supply should be developed is not a question the committee is equipped to address. The existing secondary water source at Salmon Creek could be enhanced by treatment and/or storage to provide the needed security. A surface source or well field could be developed in Sheep Creek or in the various drainages on Douglas Island.

The question of financing the alternative water supply should be left to the assembly and financial experts to decide. The current primary CBJ water source, the Last Chance Basin well field, is

sufficiently insecure that that the city should consider developing an alternative regardless. With currently high oil revenues there is a good chance for obtaining state assistance, provided the project is well planned and has wide community support. That the alternative water system is needed to facilitate mining development and economic diversification makes it even more attractive to state officials.

Looking ahead

I remain hopeful that I can join all other committee members in voting to recommend moving ahead with AJ development. I will listen carefully to the suggestions of other committee members and public comments. I intend to keep an open mind regarding the conditions for mine development. As I have made clear, however, I believe the 13 conditions as they stood on April 7 are not adequate to protect Juneau's essential interests or win the required public support for AJ development.

Copies:

Mr. Rorie Watt, PE, borough engineering director
AJMAC April 21 meeting packet
AJMAC public web site