

HB

878

"An Act relating to the Alaska Mining License Tax; and providing for an effective date."

# COMMITTEE REPORT

3/19/76

HOUSE

FINANCE

Mr. Speaker:

Date 4-12-76

The Committee on RESOURCES has had HB 878

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR \_\_\_\_\_ AND THAT

CS FOR \_\_\_\_\_ DO PASS

"and" recommends it BE REFERRED TO THE \_\_\_\_\_

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

Nels C. Anderson \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Members NOT concurring in the Majority report:

WINE HERSHBERGER recommends: ~~Do Not Pass~~ No Recommendation

\_\_\_\_\_ recommends: None

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

Nels C. Anderson Chairman

837 S. Nelson St.  
Lakewood, Colo. 80226  
April 14, 1976

wood  
4/19

Mr. Nels Anderson, Jr., Chairman  
House Resource Committee  
Pouch V  
Juneau, Alaska 99801

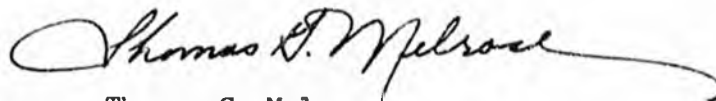
Dear Chairman Anderson:

I understand your committee held hearings on HB 878, which would impose a severance tax on income derived from mining. It is almost unbelievable that such a tax would be considered when mining is largely a potential industry which already faces a tough tax structure on top of staggering development and operating costs.

During the past several years, we have considered various mineral ventures in Alaska and, in some instances, conducted preliminary feasibility studies. The ventures have been turned down on the basis of unfavorable financial analyses before the tax factors were considered! We have apparently erroneously assumed that due to the lack of a strong economic base, the State of Alaska would probably grant tax concessions as an incentive for a major mineral development. As is the case with many companies, we look at Alaska's excellent potential for mineral deposits from the technical standpoint and then define the targets in economic terms. This results in limiting ourselves to mineral deposits with such high unit value that the probability of finding one is too low to justify the high exploration cost.

Until the State government and the labor unions recognize that sound economic development requires a favorable tax structure plus competitive labor costs per work unit, I see little chance of significant growth in Alaska's mineral industry.

Very truly yours,



Thomas G. Melrose

TGM:cj

# TELEGRAM

BCA ALASKA COMMUNICATIONS, INC.

PHONE: 586-6440

JUNEAU, ALASKA 99801

#

1976 APR 17 PM 1 53

IPMAFUB AHG

2-010738C108 24/17/76

TLX RAA FBK

01 FAIRBANKS ALASKA 4-17-76

PMS NELS A ANDERSON, CHAIRMAN

HOUSE RESOURCE COMMITTEE  
2962

POUCH V

JUNEAU ALASKA

HB 878

DEAR CHAIRMAN ANDERSON:

REGARDING HB 878 MINING TAX, I RESPECTFULLY URGE YOU TO HOLD THIS LEGISLATION IN COMMITTEE, NOT LETTING IT SEE THE LIGHT OF DAY.

IT IS COUNTER PRODUCTIVE FOR ALL ALASKANS IN TERMS OF REVENUE GENERATION, BECAUSE IT WILL RESULT IN LESS MINING EXPLORATION, LESS MINING TAX REVENUE, AND WILL ROB ALASKANS OF JOBS. IT STRIKES PARTICULARLY HARD AT SHARE HOLDERS OF ANCSA REGIONAL CORPORATIONS BECAUSE IT TAKES 7 PERCENT OF THEIR MINERAL REVENUE STRAIGHT FROM THE POCKETS OF THE SHARE HOLDERS. IT ALSO OFFERS A SERIOUS IMPEDIMENT TO MINERAL DEVELOPMENT ON NATIVE LANDS.

CORPORATIONS BECAUSE IT TAKES 7 PERCENT OF THEIR MINERAL REVENUE  
STRAIGHT FROM THE POCKETS OF THE SHAREHOLDERS. IT ALSO OFFERS A  
SERIOUS IMPEDIMENT TO MINERAL DEVELOPMENT ON NATIVE LANDS AND TO  
MINERAL DEVELOPMENT THAT MIGHT CONTRIBUTE TO THE ALASKA NATIVE FUND.

IF HB 878 PASSES, IT WILL SET IN CONCRETE THE CONCEPT OF SPECIAL  
TAXES ON MINING, WHICH IS A CONCEPT THAT RUNS AGAINST THE PUBLIC  
INTEREST, ESPECIALLY IN TIMES OF HIGH INFLATION AND UNEMPLOYMENT.

THANK YOU FOR YOUR CONSIDERATION.

RESPECTFULLY,

JEFF KNAEBEL

TLX 090354 02

1643 EST

IPMAFUB AHG



# Bear Creek Mining Company

Spokane  
Office

April 13, 1976

*file 878*  
*rec'd H/18*

The Honorable Nels Anderson, Chairman  
Resource Committee  
Alaska State House of Representatives  
Pouch "V", State Capitol Building  
Juneau, Alaska 99811

Dear Representative Anderson:

Bear Creek Mining Company wishes to thank you for the opportunity to appear before your committee on April 8, 1976. We feel strongly about the need for real incentives in order to establish a viable mining industry in Alaska, and look forward to working with your committee and the State of Alaska to investigate such matters as infrastructure support and federal government tax policy. We would certainly like to reduce our state tax burden, and feel that although this may not be achieved in this legislature, the revisions we requested would relieve this burden in startup years and resulting from lows in the business cycle. We do feel that stability is worth something, and appreciate this aspect of the current House Bill 878.

A viable, rural mineral industry in Alaska would be an asset worthy of State support -- it would be about the only industry which could be developed to furnish jobs for rural Alaskans, and a diverse economic base for the State. Are you and your committee in favor of working toward its development? We would like to think so, and are ready to work with you -- please call on us.

Sincerely,

R. C. Babcock, Jr.  
Exploration District Manager

RCB/bb

cc: H. L. Bauer, Jr.

HB 878  
rec'd  
4/23

April 17, 1976  
David L. Butherus  
4.1 mile Chena Ridge Rd.  
Fairbanks, Alaska 99701

Mr. Nels A. Anderson Jr., Chairman  
HOuse Resource Committee  
Pouch V  
Juneau, Alaska

Dear Mr. Anderson:

I am writing to you in regard to the proposed new tax bill (HB 878) on mining. This new tax proposal, if passed, would be even more detrimental to the mining industry than the existing Mining License Tax.

Mineral exploration and development in Alaska face great difficulties and extremely high costs already, and I feel that the additional burden of an excessive tax would virtually bring a halt to the mining industry in this state. This would result in a monetary loss to the state and a loss of jobs for the people presently employed by the mining industry.

Alaska ranks among the highest, if not the highest in taxation. The infant mining industry in this state cannot hope to bear a heavy tax burden such as those borne by the mature mining industry in states such as Arizona, Montana, Minnesota, and Idaho.

High taxes would stop the flow of exploration money coming into the state. Without exploration money, efforts to evaluate lands in Alaska will be greatly hampered, and the necessary facts to make wise land use decisions will be sadly lacking.

I would like to go on record as opposing this bill (HB 878) and urge you to hold it in committee so that this extremely important matter may be given the careful consideration it demands.

Thank you for your consideration of this important matter.

Sincerely,

*David L. Butherus*

David L. Butherus

DLB:seb

878

FINANCIAL DEPARTMENT

 **U.S. BORAX**  
A MEMBER OF THE RTZ GROUP

April 12, 1976

Mr. Nels A. Anderson, Jr.  
Box 234  
Dillingham, Alaska 99576

Dear Mr. Anderson:

This letter is to thank you for permitting me to testify on behalf of United States Borax & Chemical Corporation before your Resources Committee Hearing on House Bill No. 878 on April 8, 1976.

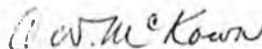
As I stated, United States Borax & Chemical Corporation is very interested in the possibility of mining in Alaska. (See copy of attached News Release). Testimony that was given seems to support either a total repeal of Section 43.65.010 Mining license or modification to recognize and permit (1) deduction of exploration costs in determination of base for tax (2) the deduction of prior losses by permitting carry forward of prior losses until exhausted (3) the allowance of related expenditures incurred outside the State of Alaska and (4) application of 3-1/2 year tax free holiday to each new mine placed in production.

Also, the proposal to establish one rate of 3 per cent or 5 per cent in lieu of present escalating rates could provide some encouragement to future mine operators.

In line with the spirit of 1776, it is believed all taxes should be critically examined to determine if they deter the future developments of Alaska. Your committee has the important role to foster and encourage mineral development that in turn will increase employment and the prosperity of the State.

Happily, United States Borax & Chemical Corporation will be able to bring into operation the property now being defined. A favorable tax consideration for the mining industry by your committee would help our future planning as well as others now considering Alaskan operations.

Yours truly,

  
C. W. McKown  
Tax Manager

CWM:jf  
Attachment

# news release

issued by the public relations department  
3075 Wilshire Boulevard, Los Angeles, California 90010 · 381-5311

**U.S. BORAX**  
A MEMBER OF THE RTZ GROUP

FOR RELEASE MARCH 17, AT 3 P.M., EST,  
12 NOON, PST.

United States Borax & Chemical Corporation has discovered a major molybdenum deposit in the Ketchikan area of southeastern Alaska.

The Los Angeles based company revealed today the results of its preliminary evaluation of the deposit, which was initially discovered in the fall of 1974 during an extensive exploration program conducted in southeastern Alaska over the past five years.

The mineralized area, which covers almost a square mile, is located 45 miles east of Ketchikan in the southern Alaska panhandle, and lies at an elevation of 2,000 feet and five miles inland from tidewater.

Drilling to date indicates a potential ore body in excess of 100 million tons grading 0.20 percent to 0.35 percent molybdenum disulfide with the mineralization at or near the surface, permitting mining by open pit methods. The potential for increasing the tonnages both laterally and at depth is considered excellent. Two hundred and thirty-five claims have been filed in the area.

Prospects for future mining of the ore body appear to be promising. However, because of the extent of the mineralized area, considerable further exploration drilling and evaluation will be necessary before a decision can be reached to bring the property into production. The potential ore reserves could support a substantial mining operation.

The company plans further extensive exploration work and environmental studies on the property during 1976 to define the extent of the near-surface mineralization by shallow drilling, to test by deep drilling for the continuity of mineralization at depth and to continue geological mapping and sampling.

The cost of constructing an open pit mine, a concentrating plant to process 30,000 tons of ore per day, and dock and other support facilities is currently estimated at around \$250 million. The project, if brought into production, would employ 700-1,000 people during the construction phase, and about 500 workers on a full-time basis thereafter. The city of Ketchikan would be the major supply base during the construction and operations.

The exploration program, which has cost in excess of one million dollars to date, consisted of extensive geological, geophysical and geochemical surveys in the western Coast Range conducted by an eight-man geologic team, followed by surface sampling and core drilling. Technical

(continued .....

assistance to the program was given by the company's research facility in Anaheim, California.

During the summer of 1975, forty diamond drill holes averaging about 200 feet in depth were completed in the mineralized area.

Molybdenum is an important alloying agent used to impart hardness, strength, and corrosion resistance to steel, cast iron and nonferrous metals. There are essentially no competitive substitutes for molybdenum in these critical applications. Research is continuing in the use of molybdenum in catalysts for automobile emission controls and coal gasification and as a super alloy for aircraft and industrial gas turbine engines. Free world consumption of the metal in 1975 was approximately 200 million pounds.

U.S.BORAX is a member of the RTZ Group of mining and mineral processing companies. It has a 100-year history of borax mining in southwestern United States and today it operates a borax mine and refinery at Boron, California, producing about 60 percent of free world borates. It manufactures and distributes a wide range of borate products and chemicals domestically and internationally. It also has a 40 percent interest in Allan Potash Mines at Allan, Saskatchewan.

March 17, 1976

*file  
#13 478  
copy  
H/23*

The Honorable H. M. Hershberger  
Alaska State House of Representatives  
Pouch "V" State Capitol Building  
Juneau, AK 99811

April 19, 1976

Dear Congressman Hershberger:

I am writing to comment on two questions you raised at the hearings on the Mining License Tax on April 8 which were not adequately answered at the time.

Your point is well taken that there was much talk about how gold mining would increase when the price of gold rose and there have been few developments since the increase. What has happened, however, well illustrates the reality of mining, the lag time from discovery to production and the risk inherent in the volatility of world metal prices.

Gold mining, particularly placer gold mining, is relatively simple but even in those instances where reserves were known and major capital investments of the past, as in the case of gold dredges, could be capitalized on, it took two years before production could be revived. The complexity of other forms of mining would take more planning and much greater investment.

Revival of small scale placer mining, as you are aware, has been hindered by environmental prohibitions which have not only delayed but in instances required closing of some placer operations.

With the price of gold up, nevertheless, exploration for gold has intensified. The Golden Zone deposit has been drilled during the past two seasons and the Willow Creek mining district is under exploration by a major company, which are two examples of the efforts being made by the mining industry to locate minable deposits.

The Chandalar mining district, with which I am particularly familiar, has been under active exploration during the past two field seasons by established mining companies which have been unsuccessful in preliminary efforts to delimit potential major gold reserves. The Little Squaw Gold Mining Company, owner of the claims in the area, now plans to mine the small tonnage of high grade ore which has been known for years, but is doing so only after having made the effort to evaluate the district for larger scale mining developments.

Significantly, during the period of the past two years, the price of gold has declined to less than one-half its historic high and there are predictions of a collapse in the price, a necessary consideration in any investment planning for a gold mining undertaking.

On another question, you made the valid point that you could only relate to what you know and illustrated that 7% of \$500,000 is \$35,000 an amount equal to what a pipeline worker makes in a half-year and asked why U. S. Borax couldn't pay that amount. The comparison would have been apt were the \$500,000 to have been a relevant figure but unfortunately was off by an order of magnitude which made the inference misleading. In order to explain, let me ask the question, "If you invested \$250, would you be looking to earn 50¢ per year before taxes?" That is the equivalent of \$500,000 earned on the \$250 million investment U. S. Borax projects for the molybdenum development. In proper perspective, therefore, U. S. Borax would have to plan on taxable income of at least 25 times that amount and at a rate of taxation that would be not 7%, but 7% plus 9.4%. Thus the figure to relate to is \$2 million not \$35,000. I should add that it goes without saying that there would be the further tax revenues from property taxes and a considerable swell in personal income tax and sales tax revenues as the effects of the development permeated the southeast Alaskan economy.

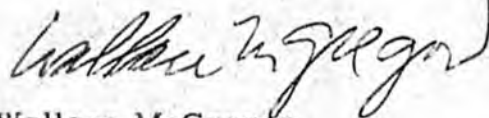
I don't think that there is an awareness that the State's tax policy has had a severe depressing influence on the mining industry nor that any change will have more than a minimal influence on near term tax revenues. Were a mineral industry to be attracted to Alaska, the tax revenue benefits could not be expected to be realized to any substantial degree before the mid 1980's. Thereafter, however, the direct as well as indirect benefits of a broad based mining industry would be substantial and long term.

Page 3/The Honorable H. M. Hershberger/April 19, 1976

I strongly believe that legislative action on the Revised Mining License Tax Bill would be ill-advised at the present time. Without action, nothing is to be lost to the State in revenues to be derived from the present Mining License Tax. What would be lost would be the impetus to thoroughly study the influence of taxation on the mineral industry of Alaska and the ability to meet the tax revenue objectives for the State in the long term.

In closing, let me say that those of us who testified greatly appreciated the interest you expressed in the questions you raised during the hearing.

Sincerely,

A handwritten signature in cursive script, appearing to read "Wallace McGregor".

Wallace McGregor

W Mc G:pn

cc: The Honorable Nels Anderson



RESOURCE ASSOCIATES OF ALASKA, INC.

3230 AIRPORT WAY, FAIRBANKS, ALASKA 99701  
TELEPHONE: (907) 479-6231 / 6097  
TELEX: 090 35402

April 23, 1976

Mr. Nels Anderson  
House of Representatives  
Pouch V  
State Capitol  
Juneau, AK 99811

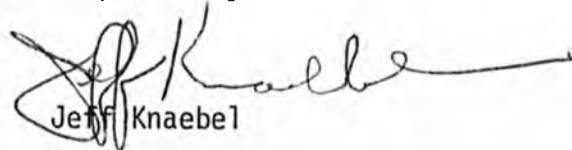
Re: HB 878, Mining License Tax

Dear Representative Anderson:

The enclosed letters, from potential clients (sources of exploration funds) hopefully will help show why the mining license tax has the effect of robbing jobs from Alaskans, with the noteworthy secondary effect that total tax revenue to the state is less than it would be if the severance tax did not exist and the resulting flow of exploration capital provided jobs.

Anybody who has an understanding of these economic factors and a concern for unemployment would seem to be in favor of repealing the existing mining license tax.

Respectfully,

  
Jeff Knaebel

JK/dc  
Encl: Letters

RECEIVED APR 19 1976



# TECK CORPORATION LIMITED

1199 WEST HASTINGS STREET  
VANCOUVER, B. C. V6E 2K5

TEL: (604) 681-1392  
TELEX: 04-507709

April 14, 1976

Representative Nels Anderson, Jr.,  
Chairman,  
House Resource Committee,  
Pouch V,  
Juneau, Alaska

Dear Mr. Anderson:

Re: House Bill 878 (Mining License Tax)

As a Canadian company prepared to invest in Alaska mining ventures provided a reasonable rate of return is possible, we wish you to understand that implementation of the above bill will discourage us further from participation in your State which is already one of the highest cost areas available to us.

Yours truly,

TECK CORPORATION LIMITED

J. M. Carr,  
Chief Geologist

JMC:mjb

c.c. J. Knaebel,  
Resource Associates of Alaska, Inc.

This outfit is a potential client that turned us down. Our company depends on outside capital to provide 20 to 30 permanent jobs for Alaskans and 3 to 6 helicopter contracts per year.

 Resource Associates.  
4-22-76

837 S. Nelson St.  
Lakewood, Colo. 80226  
April 14, 1976

Mr. Nels Anderson, Jr., Chairman  
House Resource Committee  
Pouch V  
Juneau, Alaska 99801

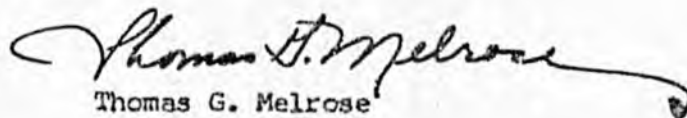
Dear Chairman Anderson:

I understand your committee held hearings on HB 878, which would impose a severance tax on income derived from mining. It is almost unbelievable that such a tax would be considered when mining is largely a potential industry which already faces a tough tax structure on top of staggering development and operating costs.

During the past several years, we have considered various mineral ventures in Alaska and, in some instances, conducted preliminary feasibility studies. The ventures have been turned down on the basis of unfavorable financial analyses before the tax factors were considered! We have apparently erroneously assumed that due to the lack of a strong economic base, the State of Alaska would probably grant tax concessions as an incentive for a major mineral development. As is the case with many companies, we look at Alaska's excellent potential for mineral deposits from the technical standpoint and then define the targets in economic terms. This results in limiting ourselves to mineral deposits with such high unit value that the probability of finding one is too low to justify the high exploration cost.

Until the State government and the labor unions recognize that sound economic development requires a favorable tax structure plus competitive labor costs per work unit, I see little chance of significant growth in Alaska's mineral industry.

Very truly yours,

  
Thomas G. Melrose

TGM:cj

cc: J. Knaebel ✓

My company depends  
on sources of outside capital  
like this to provide jobs for Alaskans.  
When you raise special taxes on mining,  
you take jobs away from Alaskans.  
Jeff Knaebel Resource Associates 4-22-76

4713  
878

April 17, 1976  
3230 Airport Way  
Fairbanks, Alaska

Nels A. Anderson, Jr., Chairman  
House Resource Committee  
Pouch V  
Juneau, Alaska

Dear Mr. Anderson:

In reference to the resource committee studying Alaskan taxes on the mining industry, I would very much appreciate making the following points. These are my own thoughts, but everyone I talk to feels the same way about excessive taxation that destroys our ability to work and provide jobs for others, as well as, takes away needed monies for basic studies.

- 1.) The proposed new tax bill (HB878) on mining which would replace the Alaska Mining License tax should be held in committee and not be presented to the legislature. This new tax proposal is even more detrimental than the Mining License Tax.
- 2.) The Mining License Tax is excessive taxation and very detrimental to any eventual mining industry that can provide needed revenue to the people of Alaska. This added tax hinders any mine from going into production, and also stops exploration money from coming into Alaska.

Without exploration money, Alaska will never be given the chance for regional evaluation of lands that are open to mineral exploration. When considering the questions of which lands should be set aside for parks or reserves, and not open to mineral production or any other production, we do not acquire any factual parameters to make these judgments.

- 3.) Perhaps I can illustrate my concern by envisioning this scenario:

The Bristol Bay fisheries resources is reported to be nearly in the same category as other endangered species. By baseline studies (requiring State and Federal funding) definite factual parameters need to be ascertained in order to not allow these species to become extinct.

A panic situation invades the people and the state legislature -

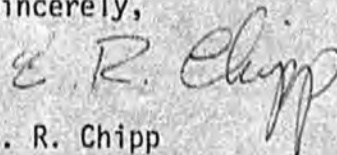
we must come up with these costly research programs! Everyone agrees we must spend this money. The people say, tax the mining and oil industry more! The commission of revenue reports happily - the mining and oil industry left ten years ago. The people say - what about the Alaska Oil and Minerals producing company we recently funded with 3 billion dollars. The commissioner says - although we will "eventually" show a profit we are like the U. S. Postal Service, we need an extra 3 billion this year. A visiting geologist in his normal maverick style says, maybe if you lowered taxes the oil and mining people may return. He is tarred and feathered and sent back to the lower 48 - what nerve these outsiders have trying to run our business! In the mean time, the last red salmon ala Bristol Bay is being fried in someones cabin near Naknek.

The commissioner says - our problem is the people, they won't work because they say they don't have enough enery without a balanced diet. A commission is formed to study the problem of eliminating these undersirables. Before the commission is through receiving testimony, the problem is eliminated by these people dying of starvation.

Fifty years later Bristol Bay has developed a new ecosystem - red and green algae flourish and take all available oxygen in the waters; only anaerobic bacteria survives in this stagnant mass of black water and mud. Fifty million years later these black muds form oil and gas deposits for future generations of Martians. A bright young Martian geologist studying the ancient fossils makes a major breakthrough - there used to be a prolific and marvelous fish called the Bristol Bay red salmon! This species is very important for oil explorers, because once the drill encounters the red salmon fossil beds, no oil is to be found in these formerly oxygen-rich waters.

Thanks very much for your consideration on this very important matter.

Sincerely,



E. R. Chipp

HB878

April 19, 1976  
Rodney A. Blakestad  
PO Box 80747  
College, Alaska 99701

Nels A. Anderson Jr., Chairman  
House Resource Committee  
Pouch V  
Juneau, Alaska

Dear Mr. Anderson:

May I point out to you and your Resource Committee the results of a recently (December, 1975) conducted poll by our Senator Stevens concerning use of the Federally withheld lands under the Native Land Claims Settlement Act. The question read: "Do you favor the multiple-use of D-2 lands to allow for hunting, recreation, fishing, logging, mining and oil and gas exploration activities, rather than single use of such lands for recreation and preservation of natural resources only?" A full 79% of the responding Alaskans were in favor of this, 15% were against, and 6% undecided.

On the same questionnaire was the following: "Do you favor the permanent prohibition of mining in the Mt. McKinley and Glacier Bay areas?" Of the responding Alaskan people 67% said "no".

This attitude, I believe, is very significant with respect to how the people of Alaska feel about development of our state's natural resources. All those in the State Legislature should take note of this stand and be cognizance of it when considering legislation that bears on the question of development.

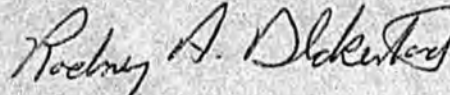
Now the reason I am writing is to urge you and your fellow committeemen to work over the proposed new tax bill (HB878) in such a manor that it will not hinder further the infantile mining industry of Alaska.

As a minerals exploration geologist, resident in Alaska for seven years, I have an accute understanding of the economics for large scale minerals development. Alaska is on the threshold of becoming a major supplier of greatly needed raw metals to our American industry. We in the industry have worked hard and spent hundreds of millions of dollars trying to locate minerals in quantity and grades sufficient to overcome the extremely high cost of extraction already realized in Alaska.

There is no question that taxation of the industry will add a great deal to the coffers of our state over an extremely long period of time when, but only when, the industry is established and working. This high risk industry can develop only if our tax system is equitable and stable (please review the adverse affect inequitable taxation had in the province of British Columbia in recent years).

HB878 should be overhauled to conform with the attitudes of the majority of Alaskans as expressed in the above mentioned poll. It would be best if HB878 remained in committee and a new bill proposed that would set forth a firm taxation foundation upon which the mining industry of Alaska can develop.

Respectfully submitted,



Rodney A. Blakestad



# TECK CORPORATION LIMITED

1199 WEST HASTINGS STREET  
VANCOUVER, B. C. V6E 2K5

TEL: (604) 681-1392  
TELEX: 04-507709

April 14, 1976

*HB 878*

Representative Nels Anderson, Jr.,  
Chairman,  
House Resource Committee,  
Pouch V,  
Juneau, Alaska

Dear Mr. Anderson:

Re: House Bill 878 (Mining License Tax)

As a Canadian company prepared to invest in Alaska mining ventures provided a reasonable rate of return is possible, we wish you to understand that implementation of the above bill will discourage us further from participation in your State which is already one of the highest cost areas available to us.

Yours truly,

TECK CORPORATION LIMITED

J. M. Carr,  
Chief Geologist

JMC:mjb

c.c. J. Knaebel,  
Resource Associates of Alaska, Inc.

**AJV CORPORATION**

HB 878

The Honorable Nels Anderson  
Alaska State House of Representatives  
Pouch "V" State Capitol Building  
Juneau, Alaska 99811

April 14, 1976

Dear Congressman Anderson:

I participated in the Resource Committee hearings on April 8 concerning House Bill 878, the revised Mining License Tax Bill. I spoke on behalf of the Northwest Mining Association and presented facts relating Alaska State taxation to other state taxations and the relationship of taxation on mining income relative to other incomes within the State. I did not express my personal strongly held views concerning the inadvisability of passing HB-878 and am writing to do so for the record.

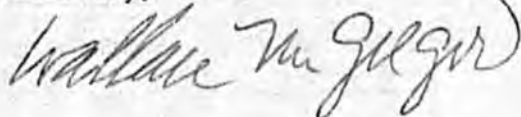
If the Bill is intended to produce tax revenues, it is self evident that its objective will not be met based upon the experience with the tax during the past 25 years. I can attest to the fact that major corporations with whom I have been involved in joint venture undertakings in Alaskan exploration have been discouraged from proceeding with Alaskan investments based upon the findings of feasibility analyses which show the effect of total taxation to be grossly discouraging to development investments.

It has been my experience that the geologic potential for the discovery of mineral deposits has been the attraction for mineral exploration in Alaska with the initial investigations being carried out with little regard for the over-all economic aspects of profitably developing a discovery. The disenchantment sets in when the specifics of cost, including the cost of taxation, are analyzed.

Only private investment will create the tax base from which tax revenues will be derived. The deterrent to investment that the present State tax policy presents can only perpetuate the non-job creating non-tax producing

situation that exists in Alaska mining today. It is my strong belief that passage of HB-878 would be counter-productive to the creation of tax revenues and I urge you to hold the Bill in Committee for the remainder of the current legislative session. In so doing, the long standing Mining License Tax Statute will remain in effect but time would be provided for an in-depth look at a tax plan that could attract rather than discourage development of resource created tax revenues for the long term.

Sincerely,

A handwritten signature in cursive script that reads "Wallace McGregor". The signature is written in dark ink and is positioned above the typed name.

Wallace McGregor  
President  
AJV Corporation

WMcG:pn



AURORA AIR SERVICE, INC.

P. O. Box 1640, Fairbanks, Alaska 99707

Ph. (907) 452-5422  
(907) 456-5212

*File  
HB 878*

April 14, 1976

Representative Nels Anderson, Jr., Chairman  
House Resource Committee  
Pouch V  
Juneau, Alaska 99801

Dear Chairman Anderson:

I am writing to express my concern about the apparent trend demonstrated by the State of Alaska to place special taxes on mineral resource development, and especially to voice my opposition to HB 878.

Nels, I realize that every industry and every business in Alaska must contribute to the tax base of the State. Because of the obvious and inherent disadvantages to conventional industry in Alaska as compared to other States, we must develop rather unconventional industries, and depend on those industries for our economy, and therefore our tax base. Timber, fishing, guiding, petroleum and mineral exploration and development, tourism, and transportation are all industries which are rather unique to Alaska, and should be encouraged in every reasonable way in order for us to develop a self sufficient year-round economy capable of supporting Alaskans, and Alaskan needs.

As a small business owner in Alaska, I am rather sensitive to any proposed regulation, control, or tax placed on business which may discourage investment in Alaska. We have all heard the term "fragile" used in reference to our Alaskan ecology, and I believe that applies as well to our economy. I can well assure you that there are relatively few incentives to business as compared to the ever present problems, and with most small Alaskan businesses, the year-round expenses tend to decrease the net gains made in the short summer months to a concernable level. For those of us who do remain in business despite the obstacles, there is the hope that better times are ahead and that a year-round economy will eventually evolve from the seasonal highs and lows which we now experience. For this evolution to occur, a favorable business climate must be established, for without the investment of "outside" capital, Alaskan industry development will not keep pace with the rising cost of living and job demands.

As you know, a few years ago my company was a small bush flying service which contributed little to the local or State economic base. We flew when and where we could, motivated more by the spirit of adventure than any real concern for providing jobs for others or becoming an integral part of the Alaskan business community. But business is more complicated now. We operate several airplanes, employ several pilots, and have committed ourselves to long term obligations which in turn have caused others to look toward us for support and security. In order for us to provide this security our year-round business volume must remain at a high level.

Since 1971, Aurora Air Service has developed a specialized flight service which is designed to support mineral exploration and development activities in Alaska. Because

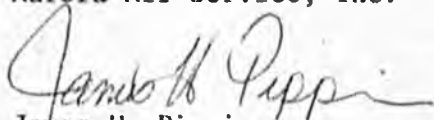
April 14, 1976

we are specialized, the majority of our business is conducted for companies such as Kennecott Copper, Anaconda, Resource Associates of Alaska, Placid Oil Company, and other mineral related companies. In dealing with these companies, it has become obvious that mineral development and petroleum development differ in one major respect: the budgets of mineral companies are considerably smaller than those of petroleum companies. We have attempted to keep our service prices to a minimum level in the hope that our specialized services and reasonable charter and contract rates will act as an incentive for these companies to plan more extensive operations in Alaska each year. Eventually, we hope that year-round mining operations will develop, and our business will be able to maintain a volume level which is necessary for our continued growth.

While I do not claim to be an expert in such matters as State economics, I do believe that the State will benefit from mineral development, if not directly from severance taxes then certainly from the increased jobs and business provided by service companies such as mine. As I said previously, I realize that every industry must contribute a fair share towards our tax base. My concern, however, is that through unreasonable greed, we may kill the goose before it lays the golden egg and those of us who live and work here will die with it.

Your job of establishing a fair mineral tax is a difficult one, and I have no profound suggestions for a tax which will make all parties happy. I would suggest, however, that all the economic implications of mineral development and mineral taxes be considered before a decision is reached, and special incentives be offered which will increase, rather than decrease Alaskan mineral development.

Sincerely;  
Aurora Air Service, Inc.

  
James H. Pippin  
President

sc

# TELEGRAM

NCA ALASKA COMMUNICATIONS, INC.

PHONE: 586-6440

## JUNEAU, ALASKA 99801

12 062 NL FAIRBANKS ALASKA 50 04-12 935A AST

PMS NELS ANDERSON CHAIRMAN

HOUSE RESOURCES COMMITTEE 2145

JUN

RE BILL 878 REQUEST YOU RECONSIDER CONSEQUENCES

OF PROPOSED SPECIAL MINING TAXES RESULTANT INFLATION CAUSED

IN GRAVEL COST PROHIBITANT HARDSHIPS INFLICTED ON SMALL

MINING VENTURES COULD CRIPPLE AN INDUSTRY IMPORTANT

TO STATE ECONOMY

GEORGE R HORNER PRES H AND H CONTRACTORS INC

*rec'd 4/13  
848 file*

1976 APR 12 PM 6 08

10000 4113  
E. 5603 Third Avenue  
Spokane, Washington 99206

**U.S. BORAX**  
A MEMBER OF THE RTZ GROUP

(509) 534-9321

April 9, 1976

Mr. Nels Anderson  
c/o Natural Resources  
Pouch M  
Juneau, Alaska 99801

Dear Nels:

Thank you very much for allowing me to attend your resource committee meeting on April 8, 1976 (Thursday). As you probably know, U.S. Borax has been quite actively exploring for minerals in Alaska, and has recently made a formal news release in the Ketchikan area of a new molybdenum prospect discovery. Because of our exploration efforts and success, the political and tax environments of Alaska are extremely important.

I feel that one of the main thoughts that should have been left with the committee was that no significant mining presently exists in Alaska at the present, and why? Consider the following facts:

1. Alaska is large and mineral rich.
2. Cost of doing anything in Alaska is high.
3. Taxes on the mining industry are higher than in any other state.

In review, the high taxes for mining in Alaska are as follows:

- a. 48% United States corporate tax
- b. 9.4% Alaska corporate tax
- c. 7% Alaska mining license tax

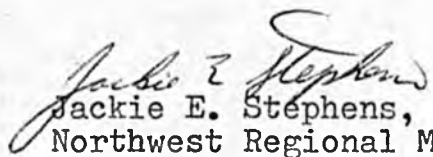
This is the highest rate of taxation for any state in the United States. It will certainly be a miracle if any company can bring into production a major mine considering the above tax handicaps.

For the record, U.S. Borax does not subscribe to the continuation of the mining license tax (Bill 878) as did

several at your hearing. This mining license tax alone may not thwart the start up of any major producer, but added to a presently existing unfavorable economic situation, may continue to kill the goose that could lay Alaskan corporate taxation dollars, and lose badly needed jobs in rural areas.

Thanks for your time.

Yours truly,

  
Jackie E. Stephens,  
Northwest Regional Manager

JES/cl

JOHN A. MISCOVICH  
HYDRAULIC MINING CONSULTANT  
EQUIPMENT DESIGN

PHOSPHATE



GOLD\*\*\*\*\*

Alaska Address:  
June-September  
Otter Dredging Co.  
Flat, Alaska 99584  
Air Mail Only

*File  
HB 878*

*rec'd  
4/19/76*

COPPER

California Address:  
October-May  
1093 No. Greengrove St.  
Orange, California 92667  
714 - 532-3943

April 6, 1976

Mr. Nels Anderson, Chairman  
House Resources Committee  
Alaska State Capital  
Juneau, Alaska

Dear Nels:

I have not had the pleasure of meeting you but I learned recently a hearing will be held in Juneau on April 8 regarding a tax on the mining industry.

The politicians representing the people of Alaska must start thinking in terms of developing the mining industry of Alaska and not killing it entirely by the burden of taxes on ore yet to be proven profitably and produced.

With the present problems of meeting the demands of the EPA, Fish and Game, Osha, Mesa, inflation, inefficiency of man hour production, high labor costs, short mining season and others I wont mention, it is time that the politicians realize what is happening to Alaska and its future.

We have had a windfall because of the oil strikes in the Prudhoe Bay area and the gigantic pipeline construction program. As a mining consultant traveling over many parts of the world in mining, I have seen the boom and then the lull. Alaska needs continuous development and lots of new capital to develop with. The fear of higher taxes on minerals before they are produced or developed only turns new capital away from Alaska.

I have lived at Flat, Alaska all my life and have worked and traveled in many other parts of Alaska over the past 50 years in gold mining. I have been trying to get an ore deposit at Flat investigated and hopefully into production on a fairly large scale. My work started in 1964 toward this goal and now I find the actions of our politicians has developed a stalemate situation and the company involved is waiting it out and only doing assessment work. This is not good for Alaska or Alaskans. I have found the same to be true with many other companies who once had eyes on Alaska but now have turned away.

I urge you to try and influence your committee to consider legislation that will once again open the doors in Alaska for new and large amounts of capital. Exploration is what we need which means employment. Exploration and evaluation will not commence if that dollar for exploration is going to be sliced into taxes before work begins or otherwise burdened by penalties.

I am opposed to any form of new taxes on the mining industry at this time and urge you to concentrate efforts toward a more active exploration and mining program.

With kind regards to you,

Sincerely yours,  
*John A. Miscovich*  
John A. Miscovich

MGMHGB AHG  
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001 FT COLLINS, CO APRIL 7

**RCA Mailgram**®



NELS ANDERSON  
CHAIRMAN OF HOUSE RESOURCES COMMITTEE  
POUCH V  
JUNEAU, ALASKA 99811

*file 878*

*rec'd 4/9/76*

SPECIAL MINING TAXES AS PROPOSED IN THE REVISED MINING LICENSE TAX BILL BEING INTRODUCED AT THE REQUEST OF GOVERNOR HAMMOND MUST BE DEFEATED.

ALASKA HAS THE POTENTIAL FOR VIABLE MINING INDUSTRY BUT IF THIS OR SIMILAR BILLS ARE PASSED BY THE LEGISLATURE NO MINING INDUSTRY CAN EXIST. EXPLORATION AND DEVELOPMENT COSTS ARE ALREADY EXCESSIVE IN ALASKA AND MORE TAXATION WILL KILL A BUDDING MINING INDUSTRY.

SINCERELY,

HAROLD L. READE  
REGIONAL GEOLOGIST  
RESOURCE ASSOCIATES OF ALASKA  
FT COLLING, CO 80521

1752 EST

MGMHGB AHG

# TELEGRAM

BCA ALASKA COMMUNICATIONS, INC.

PHONE: 586-6440

JUNEAU, ALASKA 99801

*File  
878*

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18005 NOME ALASKA 119 04-08 125P BST

PMS REP NELS ANDERSON JR, CHAIRMAN HOUSE RESOURCE COMMITTEE

POUCH V

**1817**

JUNEAU

DEAR CHAIRMAN ANDERSON:

HB 878 REVISING THE MINING LICENSE TAX IS OF GREAT CONCERN TO US. THE CONSEQUENCES OF THE BILL MAY HAVE A NEGATIVE EFFECT ON THE DEVELOPMENT OF THE MINING INDUSTRY SO VITALLY NEEDED HERE IN ALASKA. I ENCOURAGE YOU TO SET UP, NEXT YEAR, A JOINT STUDY COMMITTEE WITH THE ALASKA MINERS ASSOCIATION TO EVALUATE POSITIVE APPROACHES TO MINING ACTIVITY IN ALASKA. ITEMS OF STUDY SHOULD INCLUDE REDUCTION OF TAX RATE, PERMIT CARRY FORWARD OF NET OPERATING LOSSES AND PERMIT DEDUCTION OF FEDERAL TAXES BEFORE COMPUTING ALASKA TAX BASE.

A TAX INCENTIVE TO THE MINING INDUSTRY CAN GENERATE A LARGE TAX BASE IN A COMMUNITY SUCH AS NOME WITH THE MULTITUDE OF TAXES NOW ON THE BOOKS. THIS RIPPLE EFFECT WILL PROVIDE JOBS AND REDUCE OUR DEPENDENCE ON FEDERAL AND STATE HANDOUTS.

RESPECTFULLY SUBMITTED, E.T. HUNTER, MANAGER ALASKA GOLD COMPANY

NOME, ALASKA

# TELEGRAM

RCA ALASKA COMMUNICATIONS, INC.

PHONE: 586-6440

JUNEAU, ALASKA 99801

1PMAFUB AHG

2-0344 14C098 04/07/76

TLX RAA FBK

01 FAIRBANKS ALASKA 4-7-76

PMS NELS ANDERSON, CHAIRMAN

HOUSE RESOURCE COMMITTEE

**1620**

POUCH V

JUNEAU, ALASKA

HB 878 IS AN IMPROVEMENT OVER THE PRESENT MINING TAX ON THE SMALL MINER HAVING NET PROCEEDS OF LESS THAN 150,000. HOWEVER, HB 878 IS VERY OBJECTIONABLE IN THAT IS PROVIDES FOR A SPECIAL TAX OF 7 PERCENT ON MINING OVER AND ABOVE OTHER TAXES ANY LARGE MINING COMPANY MUST PAY.

WHY SHOULD THE MINING INDUSTRY BE SINGLED OUT FOR AN ADDITIONAL TAX? WE HAVE NO CONTROL ON THE CURRENT PRICE OF MINERALS. ALL MINERAL PRICES ARE EITHER UNCHANGED OR ARE FALLING EXCEPT FOR URANIUM.

ONE OF OUR CLIENTS SPENT OVER 1750,000 LAST YEAR DOING EXPLORATION WORK ON A GOLD PROPERTY. THEY WILL NOT BE IN ALASKA THIS YEAR BECAUSE OF THE DROP IN THE PRICE OF GOLD. MOST OF THIS 1750,000 EXPENDITURE STAYED IN ALASKA, WHICH RESULTED IN THOUSANDS OF TAX DOLLARS GOING TO STATE AND FEDERAL GOVERNMENTS. EVEN IF THE GOLD PRICE HAD NOT DROPPED, THE ADDITIONAL SPECIAL TAY OF 7 PERCENT WOULD HAVE HAD AO EFFECT ON THEIR DECISION AS TO WHETHER OR NOT THE PROPERTY WAS ECONOMIC AT THIS TIME.

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GOLD PRICE HAD NOT DROPPED, THE ADDITIONAL SPECIAL TAY OF 7 PER-  
CENT WOULD HAVE HAD AO EFFECT ON THEIR DECISION AS TO WHETHER OR  
NOT THE PROPERTY WAS ECONOMIC AT THIS TIME.

IN VIEW OF THE ESCALATING COSTS OF DOING BUSINESS AND THE ALMOST  
CERTAIN PENDING MINERAL CRUNCH, IT IS UNCONCEIVABLE HOW A SPECIAL  
TAX ON MINING CAN BE BENEFICIAL TO THE STATE AND ITS RESIDENTS.

SHOULD THE TIME EVER COME THAT MINING DOES IN FACT, CONTRIBUTE SUB-  
STANTIALLY TO ALASKAS ECONOMY, CONSIDERATION CAN THEN BE GIVEN  
TO  
ADDITIONAL TAXES. UNTIL THEN, SPECIAL MINING TAXES CAN ONLY RESULT  
IN FEWER REVENUE DOLLARS TO THE STATE.

DOUGLAS B COLP, 1101 GILLAM WAY, FAIRBANKS ALASKA 99701

TLX 09035402

2014 EST

IPMA FUB AHG

# TELEGRAM

ALASKA COMMUNICATIONS, INC.

PHONE: 583-6440  
JUNEAU, ALASKA 99801

1976 APR 7 PM 12 14

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2-0422 14E 098 04/07/76

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8015825632 TDRN SALT LAKE UT 87 04-07 0307P EST

PMS NELS ANDERSON CHAIRMAN HOUSE RESOURCES COMMITTEE STATE OF  
ALASKA, DLR **1510**

JUNEAU AK

MOST URGENTLY BEG THAT YOURSELF AND ASSOCIATES NOT IMPOSE THE  
PROPOSED SPECIAL TAX UPON THE MINING INDUSTRY OF AN ADDITIONAL 7  
PERCENT UPON INCOME. THE MINING INDUSTRY OF ALASKA IS NOW BURDENED  
WITH A FULL MEASURE OF TAXATION AND HIGH COST DUE IN PART TO  
ALASKA'S DISTANCE FROM MARKET AND SUPPLIES. IT IS DIFFICULT TO  
UNDERSTAND WHY THE GOVERNMENT OF ALASKA DOES NOT ADOPT A POLICY  
OF  
WELCOMING AND OFFERING INDUCEMENTS FOR CAPITAL INVESTED IN MINING  
VENTURES IN ALASKA

R N HUNT 992 OAK HILL WAY SALT LAKE CITY UT

1509 EST

IPMAFUB AHG

# TELEGRAM

RCA ALASKA COMMUNICATIONS, INC.

PHONE: 586-6440

JUNEAU, ALASKA 99801

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4/13*

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02 026 ANCHORAGE AK 88 04-12 1025A AST

PMS REP NELS ANDERSON

JUN **2095**

CONTRARY TO STATEMENTS BEING MADE IN TELEGRAMS OR IN THE PRESS  
THE ALASKA MINERS ASSOCIATION IS IN GENERAL SUPPORT OF HB 878  
WE DID REQUEST MINOR AMENDMENTS WHICH CLARIFIED INTENT OF  
LEGISLATION, AND POINTED OUT THAT CARRY OVER OF NET OPERATING  
LOSES SHOULD BE ADDED TO ADDRESS THE PROBLEM OF OPERATIONS  
IN A PERIOD OF LOW METAL PRICE. HOWEVER WITH THESE MINOR POINTS,  
WE HONOR OUR OBLIGATION TO THE STATE AND DEPARTMENT OF REVENUE  
MADE IN OUR JOINT MEETINGS ON THIS TAX

1976 APR 12 PM 4 10

C C HAWLEY CHAIRMAN ANCHORAGE BRANCH AMM

SRA BOX 780 ANCHORAGE AK 99507

## C. R. LEWIS CO.

INCORPORATED

1500 POST ROAD • TELEPHONE 272-4541  
ANCHORAGE, ALASKA 99501*Rec'd  
4/9/76*

April 7, 1976

The Honorable Nels Anderson, Chairman  
House Resources Committee  
State Capitol  
Juneau, Alaska

Subject: House Bill 878

Dear Nels:

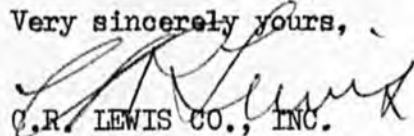
You have this Bill in Committee, as I understand it, and will be holding hearings shortly. I do not know if I can get to Juneau for the hearings, but wish to express my strong opposition to House Bill 878. This appears to work out as basically an income tax of seven percent added to other taxes that the mining industry pays. It is a special burden against one industry, mining, whose costs are already exorbitant and more than the industry will bear.

There appears to be a strong anti-business bias on the part of many in the Administration, and we as citizens and tax payers must look to the Legislature to represent us, which is the way it should be anyway.

In any event, Nels, let me ask you to oppose this Bill as strongly as possible, and assure you that my request reflects the wishes of practically the entire Alaskan business community, whether mining or otherwise, and also, a predominant majority of the working people.

I will appreciate being informed on the status of the Bill and the action which you and your Committee take.

Very sincerely yours,

  
C.R. LEWIS CO., INC.

Clyde R. Lewis

CRL:jf

# TELEGRAM

HGA ALASKA COMMUNICATIONS, INC.

PHONE 586-6440

JUN 24 1976

02065 NL ANCHORAGE AK 9249104-06 237P AST

PMS REP NELS ANDERSON

1387

JUN

1976 APR 6 PM 5 50

GENTLEMEN:

I URGE YOU TO RESIST THE CURRENT EFFORTS TO FIND ALL SORTS OF NEW METHODS TO TAX THE MINING INDUSTRY IN ALASKA WITHOUT FIRST DETERMINING WHAT OTHER AREAS OF THE ECONOMY ARE SIGNIFICANTLY HURT BY THE IMPOSITION OF SUCH NEW TAXES.

A CASE IN POINT WOULD BE THE AIR TRANSPORTATION BUSINESS IN ALASKA AND SPECIFICALLY MY COMPANY.

WE HAVE HISTORICALLY CONTRACTED OUR SMALL THREE PLACE RECIPRO-CATING POWERD HELICOPTERS TO USERS THAT ARE TYPIFIED BY THE SMALL PROSPECTOR OR CONSULTING GEOLOGY FIRMS OF ALASKA.

THESE FIRMS OR INDIVIDUALS NORMALLY HAVE VERY LEAN BUDGETS AND INCREASES IN THEIR COST ARE QUITE OFTEN MADE VISIBLE BY EITHER CURTAILING OR CANCELLING EXPLORATION PROGRAMS.

THESE FIRMS OR INDIVIDUALS NORMALLY HAVE VERY LEAN BUDGETS AND INCREASES IN THEIR COST ARE QUITE OFTEN MADE VISIBLE BY EITHER CURTAILING OR CANCELLING EXPLORATION PROGRAMS.

LAST YEAR THIS COMPANY HAD TWO THREE-MONTH PROGRAMS CANCELLED BY EXPLORATION GEOLOGISTS BECAUSE OF THE UNCERTAINTY OF THE CONTINUED VIABILITY OF THE PROGRAMS THEY WERE WORKING ON DUE TO NEW TAXATION METHODS.

MY POINT IS THAT THE STATE LOST TWICE. IT NOT ONLY LOST BY NOT BEING ABLE TO FAIRLY TAX A MINING PROGRAM THAT MIGHT HAVE BEEN THE RESULT OF THE SURFACE GEOLOGICAL EXPLORATIONS THAT WERE NEVER CARRIED OUT, IT LOST BECAUSE WE DID NOT PAY AN INCREASED AMOUNT OF GROSS RECEIPTS TAX, CORPORATE INCOME TAX, ETC., ETC. BECAUSE WE DIDN'T HAVE A JOB.

PLEASE RECOGNIZE THAT DIRECT TAXATION OF ANY ONE SEGMENT OF THE CONTRIBUTORS TO THE ECONOMY OF OUR STATE DOES IN FACT IMPACT OTHER SEGMENTS OF THE ECONOMY, AND DOES SO RAPIDLY.

YOURS VERY TRULY

C. R. GALLAGHER - PRESIDENT

EVERGREEN HELICOPTERS OF ALASKA, INC.

P. O. BOX 578

ANCHORAGE, AK. 99510

4-8-76

Since 1953 there have been no changes in the amount of tax.

Chuck Holly - AK Miners Assoc.

① Support General -

(2) State should recognize responsibility to miners

Why has mining slowed down.

Bill benefited from input.

Escalating tax -

Royalty rates are higher for smaller operations  
+ lower for larger

Suggestion Fixed tax rate at a medium level -

Deduction - net operating loss -

3 1/2 yr exemption for the start of the operation

Capital costs to get started from 100 million -  
300 million

metal prices are low now -

Special tax

Need transportation

+ smaller - state should help the industry in  
providing services. one example could be the

haul-road open for mining traffic - ~~not~~ Also  
the rail road extension.

Russ at Babcock -

exploration geologist Bear Creek - Kennebec

called for incentives - transportation - Tax on  
the same basis as other industries - Bill

will promote a feeling of stability - welcome  
miners lower tax.

Harshbarger: Does the existing tax discourage development? only in that exploration  
costs are higher. Tax would show stability

DALE TUBBS Deputy Director Div. of Lands

Mining - under the bill, includes Sand + Gravel - one of

the biggest mining prospects in the state

pg 9 line 26 In definitions Sand + Gravel are included - Not in conf  
with Title 38. Should ~~include~~ surface materi

Include Materials in Tax in definition

# TELEGRAM

ALASKA TELECOMMUNICATIONS, INC.

1976 APR 5 12 10 35

PHC 2: 5554-40

JUNEAU, ALASKA 99901

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1-01114 1C096 04/05/76

TLX RAA FBK

01 FAIRBANKS ALASKA 4-5-76 -

PMS NELS ANDERSON, JR CHAIRMAN

HOUSE RESOURCE COMMITTEE \* 1031

POUCH V

JUNEAU ALASKA

REPRESENTATIVE NELS ANDERSON, JR , CHAIRMAN

HOUSE RESOURCE COMMITTEE

POUCH V

JUNEAU ALASKA

DEAR CHAIRMAN ANDERSON:

IN RESPONSE TO YOUR NOTICE REGARDING HEARINGS ON HB 878 TO BE  
HELD IN JUNEAU ON APRIL 8 I HEREWITH SUBMIT THE FOLLOWING  
TESTIMONY IN LIEU OF PERSONAL APPEARANCE BECAUSE OF PREVIOUSLY  
SCHEDULED DENTAL SURGERY. YOUR COMMITTEES CONSIDERATION OF THIS  
TESTIMONY IS GREATLY APPRECIATED.

HB 878 FUNCTIONS AS A SEVERANCE TAX AT THE RATE OF ABOUT SEVEN PERCENT OF INCOME FROM MINING OPERATIONS. IT IS IMPOSED ON TOP OF FEDERAL AND STATE INCOME TAXES, PROPERTY TAXES, SALES TAXES, ETC. IN COMBINATION WITH EXISTING STATE INCOME TAXES IT RESULTS IN WHAT MAY BE THE HIGHEST RATE OF STATE TAXATION ON MINING IN THE U.S.M.

MY TESTIMONY IS BASED UPON THE FOLLOWING ASSUMPTIONS. TO THE EXTENT THAT THESE ASSUMPTIONS MIGHT NOT BE CORRECT, THIS TESTIMONY WOULD NOT HAVE APPLICATION.

1. THAT ALASKANS DESIRE TO BE A FREE PEOPLE.

2. THAT ALASKANS DESIRE TO BE AS NEARLY SELF SUFFICIENT AS THEIR RESOURCES WILL ALLOW.

3. THAT ALASKANS PREFER NOT TO CALL FOR FEDERAL HANDOUTS WITH THEIR ATTENDANT BUREAUCRATIC CONTROLS OR OUTRIGHT COERCION.

4. THAT KNOWLEDGEABLE ALASKANS RECOGNIZE THAT IN MOST OF THE STATE, PARTICULARLY NORTH OF THE ALASKA RANGE, THERE IS VERY LITTLE BASIS FOR SIGNIFICANT ECONOMIC DEVELOPMENT OTHER THAN THE EXTRACTION OF MINERALS OR MINERAL FUELS.

5. THAT ALASKANS UNDERSTAND THAT BECAUSE OF SAVAGELY HIGH COSTS, LACK OF TRANSPORTATION AND LACK OF INFRASTRUCTURE, HARD ROCK MINERAL DEPOSITS IN MOST AREAS OF ALASKA MUST BE TWO OR THREE TIMES MORE VALUABLE THAN IN CONTINENTAL U.S. IN ORDER TO BE COMMERCIAL, AND THAT THESE EXCEPTIONAL DEPOSITS ARE VERY DIFFICULT AND VERY EXPENSIVE TO FIND.

6. THAT KNOWLEDGEABLE ALASKANS REALIZE THAT SINCE THE LAST SIGNIFICANT MINING OPERATION IN ALASKA CLOSED IN 1938, MORE THAN 125 MILLION DOLLARS HAS BEEN EXPENDED IN HARD ROCK EXPLORATION WITHOUT MAKING A DISCOVERY PROVEN TO BE COMMERCIAL UNDER CURRENT CONDITIONS. THIS EXPENDITURE DOES NOT COUNT GOVERNMENT GEOLOGICAL SURVEYS.

②

7. THAT THE MINING INDUSTRY WILL BEAR THE COSTS OF DEVELOPMENT OF TRANSPORTATION AND INFRASTRUCTURE TO THE EXTENT THESE MAY NOT EXIST AT THE TIME OF ANY FUTURE DECISION TO PRODUCE.

8. THAT KNOWLEDGEABLE ALASKANS RECOGNIZE THE SEVERE PROBLEMS OF CAPITAL SHORTAGE AND CAPITAL FORMATION FACED BY THE U.S., AND THAT UNLESS TAXES ARE REVISED TO ALLOW FASTER GENERATION OF PRIVATE CAPITAL, THE CAPITAL NEEDS OF U.S. INDUSTRY WILL EXCEED THE SUPPLY BY INCREASING MARGINS, WITH SERIOUS CONSEQUENCES UPON THE ABILITY OF U.S. INDUSTRY TO PRODUCE THE NEEDS OF ITS CITIZENS. REFERENCE IS MADE TO THE CURRENT PLIGHT OF THE STEEL, RAILROAD, AND MINING INDUSTRIES AMONG OTHERS.

9. THAT ALASKANS ARE CONCERNED ABOUT THE BURGEONING BUREAUCRACY AND MIND BOGGLING WASTE THEY SEE IN THE EXPENDITURE OF THEIR TAX DOLLARS.

10. THAT ALASKANS UNDERSTAND THAT METAL PRICES ARE SET BY THE WORLD MARKET, AND THAT BECAUSE OF THIS, MINE OPERATORS CANNOT PASS ON THE COST OF TAXES.

11. THAT ALASKA COMPETES WITH THE REST OF THE WORLD AS A PLACE TO SPEND EXPLORATION DOLLARS, AND THAT POLITICAL STABILITY AND INVESTMENT CLIMATE ARE CRITICAL FACTORS IN MANAGEMENT DECISIONS ABOUT WHERE TO SPEND EXPLORATION DOLLARS. CURRENT PROBLEMS OF LAND STATUS, TAX LEGISLATION, AND GOVERNMENT REGULATION ARE CASTING A CLOUD OVER ALASKA'S EXPLORATION POTENTIAL.

12. THAT ALASKANS WANT JOBS FOR THEMSELVES AND FOR THEIR CHILDREN.

13. THAT ALASKANS UNDERSTAND THAT JOBS COME FROM INDUSTRY, INDUSTRY RESULTS FROM INVESTMENT, AND INVESTMENT REQUIRES A RETURN COMMENSURATE WITH ITS RISK.

BASED UPON THE FOREGOING ASSUMPTIONS, THE ISSUES EVOKED BY HB 878, AS BY ANY SPECIAL TAX ON MINING, INCLUDING THE EXISTING ONE TO BE REPLACED BY HB 878, ARE MORE THAN SIMPLE TAX ISSUES.

5

THE ISSUES ARE JOBS FOR OURSELVES AND OUR CHILDREN, THE SURVIVAL OF A FREE ENTERPRISE ECONOMY, AND THE PRESERVATION OF INDIVIDUAL LIBERTY.

THE SEVERANCE TAX PROPOSED BY HB 878, AS ALSO THE PRESENT MINING LICENSE TAX, TENDS TO PREVENT THE CREATION OF JOBS, THE DEVELOPMENT OF ENTERPRISE, THE PRIDE OF SELF SUFFICIENCY, AND THE PRESERVATION OF INDIVIDUAL LIBERTY. IT IMPEDES THESE THINGS BECAUSE IT DISCOURAGES EXPLORATION, WHICH MUST PRECEDE THE DEVELOPMENT OF A MINING INDUSTRY. WITHOUT INDUSTRY THERE ARE NO JOBS, AND WITHOUT JOBS ALASKANS ARE REDUCED TO A KIND OF PARASITIC SERVITUDE AT THE MERCY OF THE FEDERAL PORK BARREL.

THE QUESTION POSED BY HB 878 AND BY THE CONTINUED EXISTANCE OF THE PRESENT MINING LICENSE TAX WHICH IS ALSO A SEVERANCE TAX IN CONCEPT, IS:

DO ALASKANS WANT A MINING INDUSTRY?

WE HAVE NOT HAD A HARD ROCK MINE, MUCH LESS AN INDUSTRY, FOR ALMOST FORTY YEARS. PERHAPS IT MIGHT OCCUR TO THE PUBLIC AND THE LEGISLATURE THAT A COMBINED RATE OF CORPORATE INCOME TAX AND SPECIAL MINING TAX OF PROBABLY THE HIGHEST IN THE NATION IS A MAJOR CONTRIBUTING FACTOR TO AL MISSING MINING INDUSTRY.

(4)

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ONE MUST HAVE INCOME BEFORE THERE IS ANYTHING TO TAX. IF THE PEOPLE OF ALASKA WANT INCOME FROM MINING, THEN IT WILL PROVE USEFUL TO HAVE A MINE.

IF ALASKANS WANT JOBS THEY WILL NEED MINING. IF ALASKANS WANT A MINE, THEY SHOULD ASK YOU LEGISLATORS TO REMOVE THE SPECIAL TAXES ON MINING. IT IS UP TO ALASKANS TO MAKE THEIR WISHES KNOWN.

MINING TAXES PROPOSED IN 1975 AND 1976 HAVE LOST FIFTEEN POTENTIAL JOBS FOR ALASKANS IN MY COMPANY AND ITS SUB CONTRACTORS. I BELIEVE MOST ALASKANS PREFER WORK TO WELFARE. I BELIEVE MOST ALASKANS WOULD LIKE TO BUILD SOMETHING OF VALUE AND WOULD LIKE TO BE A FREE AND SELF SUPPORTING PEOPLE, NOT LIVING OFF THE TAXES PAID BY THEIR FELLOW AMERICANS.

5

ONE STEP TOWARD SELF SUFFIENCY IS TO REMOVE THE SPECIAL  
TAXES ON MINING AND THUS TO ENCOURAGE THE DEVELOPMENT OF AN  
INDUSTRY THAT CREATES REAL JOBS.

RESPECTIVELY SUBMITTED ,

JEFF KNAEBEL , 3230 AIRPORT WAY, FAIRBANKS AK

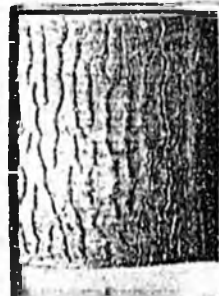
JEFF KNAEBEL

TLX 090354 02

1252 EST

IPMA FUB A HG

(6)



Anchorage Helicopter Service, Inc.  
1812 East 5th Avenue  
Anchorage, Alaska 99501  
(907) 277-1437

Rec'd H/7



Anchorage Helicopter  
a Cordon International  
Company

4-5-76

DEAR REP. ANDERSON,

I'M A TWELVE YEAR ALASKA RESIDENT, AND I'M  
FLYING HELICOPTERS FOR A LIVING. I'D LIKE TO  
CONVEY TO YOU MY PERSONAL DISLIKE OF SPECIAL  
TAXES ON THE MINING INDUSTRY. WE QUITE OFTEN  
WORK FOR MINERAL EXPLORATION FIRMS, AND I KNOW  
FIRST HAND THE ARDUOUS, FINANCIALLY RISKY, NATURE  
OF THEIR WORK. TO ADD FURTHER BURDENS OF SPECIAL  
TAXES, OR RESTRICTIVE REGULATIONS, WOULD BE  
UNFORTUNATE FOR OUR STATE. ONE OF OUR MOST  
PRODUCTIVE INDUSTRIES WOULD BE ~~CUT BACK~~ AT  
THE TIME WE SHOULD BE ADVANCING TO BECOME  
THE STORE HOUSE FOR VITAL SUPPLYS TO OUR  
NATION. PLEASE DO WHAT YOU CAN TO HELP.  
THANK-YOU FOR YOUR TIME.

SINCERELY

F. M. HEFFERNAN

# TELEGRAM

RCA ALASKA COMMUNICATIONS, INC.  
PHONE: 586-6440  
JUNEAU, ALASKA 99801

1976 MAR 25 PM 1 20

*HB 878*

#  
IPMAFUB AHG

1-0239150085 03/25/76

TLX RAA FBK

01 FAIRBANKS ALASKA 3-25-76

**7053**

PMS NELS ANDERSON, CHAIRMAN

*70 53*  
HOUSE RESOURCES COMMITTEE

POUCH V

JUNEAU, ALASKA

I WILL APPRECIATE BEING NOTIFIED OF THE HEARING SCHEDULE FOR THE  
MINING LICENSE TAX LEGISLATION WITH THE HOPE THAT I MIGHT BE ABLE  
TO TESTIFY.

JEFF KNAEBEL, RESOURCE ASSOCIATES OF ALASKA

3230 AIRPORT WAY

FAIRBANKS, ALASKA

PH 479 6231

*3/29*

JEFF KNAEBEL

TLX 09035402

*Notified*

1551 EST

IPMAFUB AHG

# TELEGRAM

NCA ALASKA COMMUNICATIONS, INC.

1976 APR 5 AM 10 35

PHONE: 586-6440

JUNEAU, ALASKA 99801

#  
VIPMAFUB AHG

1-01114 1C096 04/05/76

TLX RAA FBK

01 FAIRBANKS ALASKA 4-5-76

PMS NELS ANDERSON, JR CHAIRMAN

HOUSE RESOURCE COMMITTEE  
\* 1031

POUCH V

JUNEAU ALASKA

REPRESENTATIVE NELS ANDERSON, JR , CHAIRMAN

HOUSE RESOURCE COMMITTEE

POUCH V

JUNEAU ALASKA

DEAR CHAIRMAN ANDERSON:

IN RESPONSE TO YOUR NOTICE REGARDING HEARINGS ON HB 878 TO BE  
HELD IN JUNEAU ON APRIL 8 I HEREWITH SUBMIT THE FOLLOWING  
TESTIMONY IN LIEU OF PERSONAL APPEARANCE BECAUSE OF PREVIOUSLY  
SCHEDULED DENTAL SURGERY. YOUR COMMITTEES CONSIDERATION OF THIS  
TESTIMONY IS GREATLY APPRECIATED.

HB 878 FUNCTIONS AS A SEVERANCE TAX AT THE RATE OF ABOUT SEVEN PERCENT OF INCOME FROM MINING OPERATIONS. IT IS IMPOSED ON TOP OF FEDERAL AND STATE INCOME TAXES, PROPERTY TAXES, SALES TAXES, ETC. IN COMBINATION WITH EXISTING STATE INCOME TAXES IT RESULTS IN WHAT MAY BE THE HIGHEST RATE OF STATE TAXATION ON MINING IN THE U.S.M.

MY TESTIMONY IS BASED UPON THE FOLLOWING ASSUMPTIONS. TO THE EXTENT THAT THESE ASSUMPTIONS MIGHT NOT BE CORRECT, THIS TESTIMONY WOULD NOT HAVE APPLICATION.

1. THAT ALASKANS DESIRE TO BE A FREE PEOPLE.

2. THAT ALASKANS DESIRE TO BE AS NEARLY SELF SUFFICIENT AS THEIR RESOURCES WILL ALLOW.

3. THAT ALASKANS PREFER NOT TO CALL FOR FEDERAL HANDOUTS WITH THEIR ATTENDANT BUREAUCRATIC CONTROLS OR OUTRIGHT COERCION.

4. THAT KNOWLEDGEABLE ALASKANS RECOGNIZE THAT IN MOST OF THE STATE, PARTICULARLY NORTH OF THE ALASKA RANGE, THERE IS VERY LITTLE BASIS FOR SIGNIFICANT ECONOMIC DEVELOPMENT OTHER THAN THE EXTRACTION OF MINERALS OR MINERAL FUELS.

5. THAT ALASKANS UNDERSTAND THAT BECAUSE OF SAVAGELY HIGH COSTS, LACK OF TRANSPORTATION AND LACK OF INFRASTRUCTURE, HARD ROCK MINERAL DEPOSITS IN MOST AREAS OF ALASKA MUST BE TWO OR THREE TIMES MORE VALUABLE THAN IN CONTINENTAL U.S. IN ORDER TO BE COMMERCIAL, AND THAT THESE EXCEPTIONAL DEPOSITS ARE VERY DIFFICULT AND VERY EXPENSIVE TO FIND.

6. THAT KNOWLEDGEABLE ALASKANS REALIZE THAT SINCE THE LAST SIGNIFICANT MINING OPERATION IN ALASKA CLOSED IN 1938, MORE THAN 125 MILLION DOLLARS HAS BEEN EXPENDED IN HARD ROCK EXPLORATION WITHOUT MAKING A DISCOVERY PROVEN TO BE COMMERCIAL UNDER CURRENT CONDITIONS. THIS EXPENDITURE DOES NOT COUNT GOVERNMENT GEOLOGICAL SURVEYS.

②

7. THAT THE MINING INDUSTRY WILL BEAR THE COSTS OF DEVELOPMENT OF TRANSPORTATION AND INFRASTRUCTURE TO THE EXTENT THESE MAY NOT EXIST AT THE TIME OF ANY FUTURE DECISION TO PRODUCE.

8. THAT KNOWLEDGEABLE ALASKANS RECOGNIZE THE SEVERE PROBLEMS OF CAPITAL SHORTAGE AND CAPITAL FORMATION FACED BY THE U.S., AND THAT UNLESS TAXES ARE REVISED TO ALLOW FASTER GENERATION OF PRIVATE CAPITAL, THE CAPITAL NEEDS OF U.S. INDUSTRY WILL EXCEED THE SUPPLY BY INCREASING MARGINS, WITH SERIOUS CONSEQUENCES UPON THE ABILITY OF U.S. INDUSTRY TO PRODUCE THE NEEDS OF ITS CITIZENS. REFERENCE IS MADE TO THE CURRENT PLIGHT OF THE STEEL, RAILROAD, AND MINING INDUSTRIES AMONG OTHERS.

9. THAT ALASKANS ARE CONCERNED ABOUT THE BURGEONING BUREAUCRACY AND MIND BOGGLING WASTE THEY SEE IN THE EXPENDITURE OF THEIR TAX DOLLARS.

10. THAT ALASKANS UNDERSTAND THAT METAL PRICES ARE SET BY THE WORLD MARKET, AND THAT BECAUSE OF THIS, MINE OPERATORS CANNOT PASS ON THE COST OF TAXES.

11. THAT ALASKA COMPETES WITH THE REST OF THE WORLD AS A PLACE TO SPEND EXPLORATION DOLLARS, AND THAT POLITICAL STABILITY AND INVESTMENT CLIMATE ARE CRITICAL FACTORS IN MANAGEMENT DECISIONS ABOUT WHERE TO SPEND EXPLORATION DOLLARS. CURRENT PROBLEMS OF LAND STATUS, TAX LEGISLATION, AND GOVERNMENT REGULATION ARE CASTING A CLOUD OVER ALASKA'S EXPLORATION POTENTIAL.

12. THAT ALASKANS WANT JOBS FOR THEMSELVES AND FOR THEIR CHILDREN.

13. THAT ALASKANS UNDERSTAND THAT JOBS COME FROM INDUSTRY, INDUSTRY RESULTS FROM INVESTMENT, AND INVESTMENT REQUIRES A RETURN COMMENSURATE WITH ITS RISK.

BASED UPON THE FOREGOING ASSUMPTIONS, THE ISSUES EVOKED BY HB 878, AS BY ANY SPECIAL TAX ON MINING, INCLUDING THE EXISTING ONE TO BE REPLACED BY HB 878, ARE MORE THAN SIMPLE TAX ISSUES.

5

THE ISSUES ARE JOBS FOR OURSELVES AND OUR CHILDREN, THE SURVIVAL OF A FREE ENTERPRISE ECONOMY, AND THE PRESERVATION OF INDIVIDUAL LIBERTY.

THE SEVERANCE TAX PROPOSED BY HB 878, AS ALSO THE PRESENT MINING LICENSE TAX, TENDS TO PREVENT THE CREATION OF JOBS, THE DEVELOPMENT OF ENTERPRISE, THE PRIDE OF SELF SUFFICIENCY, AND THE PRESERVATION OF INDIVIDUAL LIBERTY. IT IMPEDES THESE THINGS BECAUSE IT DISCOURAGES EXPLORATION, WHICH MUST PRECEDE THE DEVELOPMENT OF A MINING INDUSTRY. WITHOUT INDUSTRY THERE ARE NO JOBS, AND WITHOUT JOBS ALASKANS ARE REDUCED TO A KIND OF PARASITIC SERVITUDE AT THE MERCY OF THE FEDERAL PORK BARREL.

THE QUESTION POSED BY HB 878 AND BY THE CONTINUED EXISTANCE OF THE PRESENT MINING LICENSE TAX WHICH IS ALSO A SEVERANCE TAX IN CONCEPT, IS:

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RESPECTIVELY SUBMITTED,

JEFF KNAEBEL, 3230 AIRPORT WAY, FAIRBANKS AK

JEFF KNAEBEL

TLX 090354 02

1252 EST

IPMAFUB AHG

(6)

Anchorage Helicopter Service, Inc.  
1812 East 5th Avenue  
Anchorage, Alaska 99501  
(907) 277-1437

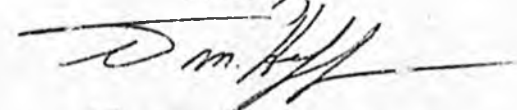
Rec'd 4/7

4-5-76

DEAR REP. ANDERSON,

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THANK-YOU FOR YOUR TIME.

SINCERELY  
  
F. H. HEFFERNAN

ARCTIC Since 1904 CIRCLES  
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SAMSON HARDWARE

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Hard Hats

Safety Goggles

Tie Wire

Plumbing Supplies

Plumbing Fixtures

Building Hardware

Stoves — Grills —

Heavy Hardware

April 1, 1976

Nels Anderson  
Chairman House Resources Committee  
Juneau, Alaska

Dear Sir:

It is my understanding that hearings begin early this month, concerning special mining taxes it is my opinion if we are going have people productively employed at doing worthwhile things for themselves and their fellow man we cannot kill them with taxation.

I am against any concept of special mining tactics.

Sincerely,

E. S. Albright, President

April 1, 1976

Wm. Hovey Smith  
3230 Airport Way  
Fairbanks, Alaska 99701

Dear Sirs:

I would like to register the following comments on the proposed Mining License Tax:

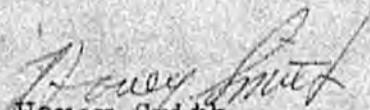
A. If the Mining License Tax as presently proposed is enacted, Alaska would effectively price itself out of the metallic mineral market. Known porphyry mineral deposits in Alaska are large, but low grade. This type of deposit has the potential of bringing into Alaska large amounts of outside money for exploration, development, and production; but the low grade of known deposits, the very high cost of developing such a deposit in Alaska, and the addition of a Mining License Tax would effectively kill exploration and development of this variety of mineral deposit.

B. Another type of mineral deposit which is presently being sought in Alaska is the massive Sulfide type. These deposits are much smaller than porphyry deposits, must be higher grade, but still outside exploration capital is required for their exploration and development. Finding these deposits is a very high risk exploration venture. If any hope of profit is removed by taxation, this exploration will not be done and no mineral deposits which would help the Alaskan economy will ever be developed.

C. If the purpose of the legislature is to bow under the pressure of the Sierra Club and others who seek to keep Alaska as a sort of Natural Park, the Mining License Tax will help insure that Alaska will be forever poor, underdeveloped, and dependent on the federal government. If a strong financially secure state is desired, we must develop our own natural resources.

D. If mining is to be taxed, and no one disputes that the mining industry should pay taxes, the taxes should be nominal; and the approach of a tax free holliday while a property is being explored and for the first three years of production should have serious consideration.

Sincerely,

  
Wm. Hovey Smith  
Exploration Geologist

Send copy

to Bob Bacon

Gen. Mgr

BBC

Dillingham

In his info

DMJ  
NA



The Honorable Terry Gardiner  
Chairman Judiciary Committee  
Pouch V  
State Capitol  
Juneau, AK 99811

April 22, 1976

Dear Mr. Gardiner:

Cominco American Incorporated has been active in exploring for minerals in Alaska for the past four years, and we consider Alaska an excellent location to discover new mineral deposits. If the political and tax structures within the State are not conducive to develop and mine new deposits, our exploration efforts would be better directed to areas more favorable and receptive to keep us competitive in the world market.

Having been unable to attend the resource committee meeting regarding the Mining License Tax in Alaska on April 8, 1976, I would like to comment at this time. For the record, Cominco American Incorporated does not subscribe to the continuation of the Mining License Tax (Bill 878) as recently revised and resubmitted. We realize this is not in accord with those from Industry who spoke at the April 8 meeting, and hence the reason for this reply.

The Mining License Tax by itself will not preclude the development of a major producing venture, but it most certainly does and will add to the total tax burden present for the development and production of minerals in the State of Alaska. At this time, I know you are well aware of the high taxes set for mining in Alaska and the high cost of doing business in the state, let alone the remoteness of nearly all areas within the State.

In the particular instance of the present Mining License Tax (Bill 878) which has been presented, reviewed and nearly passed, attention should be given to a thorough analysis as to its effect on the total mining tax picture before passage. This is to mean: 1. Will the passing of the present bill bring future dollars into the State from something which is nearly nonexistent, and 2. Is there a more viable tax structure which would give the State a base from which to gain additional revenues?

The Honorable Terry Gardiner  
April 22, 1976  
Page Two

Your attention and time devoted to our thoughts is appreciated, and we would hope your good judgment to the matter could be beneficial to both the State and Industry.

Yours truly,

*G.G. Booth*

G.G. Booth,  
Exploration Geologist

cc: W.E. Bradley	H. Eyrich
Fred Brown	K. Mote
Samuel R. Cotton	R. Babcock
Richard I. Eliason	R. Chadwick
Charles H. Parr	M. Chase
Keith W. Specking	C. Hawley
Mike Colletta	P. Holdsworth
John Butrovich	J. Knaebel
✓ Nels A. Anderson, Jr.	J. Stephens
Hugh Malone	W. McGregor

GGB/drs

# TELEGRAM

ALASKA ALASKA COMMUNICATIONS, INC.

PHONE: 585-6710

JUNEAU, ALASKA 99801

#

12 024 POM FAIRBANKS ALASKA 15 03-31 915A AST

1976 MAR 31 PM 2 37

REP NELS ANDERSON

~~7340~~

JUN

WE ARE AGAINST SPECIAL TAX ON MINING INDUSTRY SPECIAL

PENALTY NOT NEEDED IN ALASKA

GEORGE E GORDON PRES COLLEGE UTILITIES CORP

BOX 88909 COLLEGE

MINING TAX BILL  
8

# TELEGRAM

ALASKA COMMUNICATIONS, INC.  
PHONE: 536-6440  
JUNEAU, ALASKA 99801

#

02 029 ANCHORAGE AK 88 04-12 1025A AST

PMS GOV J HAMMOND

JUN 2098

CONTRARY TO STATEMENTS BEING MADE IN TELEGRAMS OR IN THE PRESS,  
THE ALASKA MINERS ASSOCIATION IS IN GENERAL SUPPORT OF HB878  
WE DID REQUEST MINOR AMENDMENTS WHICH CLARIFIED INTENT OF  
LEGISLATION, AND POINTED OUT THAT CARRY OVER OF NET OPERATING  
LOSES SHOULD BE ADDED TO ADDRESS THE PROBLEM OF OPERATIONS  
IN A PERIOD OF LOW METAL PRICE. HOWEVER WITH THESE MINOR POINTS  
WE HONOR OUR OBLIGATION TO THE STATE AND DEPARTMENT OF REVENUE  
MADE IN OUR JOINT MEETINGS ON THIS TAX

C C HAWLEY CHAIRMAN ANCHORAGE BRANCH AMA  
SRA BOX 780 ANCHORAGE AK 99507

*Shan*

1976 APR 12 PM 4 10

CHAIRMAN:  
NELS A. ANDERSON, JR.

STAFF ASSISTANT:  
GUY VANDOREN

POUCH V  
JUNEAU, ALASKA 99811



VICE CHAIRMAN:  
TED SMITH

SECRETARY:  
~~BETH O'DONNELL~~  
Ruth I. Allington  
PHONE: 465-3715  
465-3781

## House Resource Committee

FRED BROWN

MIKE HERSHBERGER

ALVIN OSTERBACK

LESLIE (RED) SWANSON

DICK ELIASON

LEO RHODE  
JAMES HUNTINGTON

May 10, 1976

Jeff Knaebel  
PO Box 81467  
College, Alaska 99701

Dear Mr. Knaebel:

Thank you for giving me an opportunity to further express my views on an issue that requires further explanation. I am not adverse to public exposure provided by the press. I believe deeply in every view getting "aired" adequately.

The mining tax issue is one issue that brings us to the point of where mark-up work is done. I am sure you know that committees seldom take news releases as a reliable source for amendments to specific pieces of legislation.

The democratic process commands an open forum on all issues. My feelings on your opposition to the rewritten mining tax law are unimportant. My statement regarding the work that needs to be done in the committee system is still valid. The committee system is open to all people and my committee had this measure before it for a long enough time to allow all sides to take part.

The bill is still in the Finance Committee at this time. The Finance Committee would be happy to hear your views when the bill comes up for consideration. The process there will be an open process, as it was in my committee.

I appreciate the comments and hope that this letter will help you see my point of view.

Here's to open participatory government.

Very Sincerely,

Nels A. Anderson, Jr.

cc. B. Waugaman, C. Hawley, P. Holdsworth, F. Pratt, A. Gregory,  
T. Snapp

rec'd  
H/22

PO Box 81467  
College, Alaska  
April 20, 1976

Mr. Nels A. Anderson, Jr., Chairman  
House Resource Committee  
Pouch V  
Juneau, Alaska

Dear Chairman Anderson:

Thank you for taking the time to talk with me on the telephone today. I do appreciate it.


One thing that you said concerns me because of how it might relate to the operation of our system of democratic government. You said, more or less, "do your work in committee, not in the press". This leads me to wonder how you perceive the democratic process.

Do you favor work in a closed system of committees, or truly participatory democracy? The press is a vehicle through which the public is informed of issues so that people may respond. Few people know what happens in legislative committees. Only a very few have the money and can take the time from their jobs to come to Juneau to "work through committee", as you say. Usually it is only the special interests who make it to the closed system of "committee work". I am concerned because you sounded as if you might be averse to press exposure of issues in committee.

Since, according to some of my friends who know you, you are an "up and coming" politician, I am concerned about how you view this process. I truly hope that you favor an open, participatory government with maximum involvement of the public. This would seem to require an active, informed free press. Government of the people, by the people, for the people inherently must be an open process or it cannot succeed.

I would appreciate your views on this matter, and once again I thank you for your time on the telephone today.

Respectfully,



Jeff Knaebel

JK:km

cc: B. Waugaman, C. Hawley, P. Holdsworth, F. Pratt, A. Gregory, T. Snapp

↓ Wm. I. Waugaman, Pres.  
Alaska Miners Association

PO Box 60450

Fairbanks, Alaska 99701

↓ G.C. Hawley

5109 Shaun Circle

Star Route A, Box 78-D

Anchorage, Alaska 99507

↓ Tom Snapp

*with paper*

Tundra Times

510 - 2nd Ave., Rm. 220

Fairbanks, Alaska 99701

↓ Albre Gregory, Editor

Nome Nugget

Nome, Alaska 99762

↓ Fred Pratt

Fairbanks Mfr.

Box 710 Fair 99701

~~Frank Pratt  
7446 E 30th Ave.  
Anchorage Alaska 99504~~

Phil R. Holdsworth

326 - 4th St., Ab. 1009

↓ Dunbar, Alaska 99801



# C. R. Lewis Co. Inc.

PLUMBING - HEATING - SHEET METAL

rec'd 5/10

1500 POST ROAD, ANCHORAGE, ALASKA 99501 - 907-272-4541

May 5, 1976

Mr. Nels Anderson, Jr.  
Chairman House Resource Committee  
Pouch V  
Juneau, Alaska

Dear Nels:

It was good to see you in Juneau a few days ago. Wish I had had more time to spend there and you and I could have had some time together.

We share one thing in common. That is the concern for jobs in Alaska for Alaskans. In view of this, I trust you will carefully consider any increase in taxes or change in tax structure which would make it more difficult for outside risk capital to come in and develop our resources and provide jobs for Alaskans--especially those in the bush area.

What is the present status of House Bill 878? I am especially concerned about this bill and certainly hope it never gets out of your committee.

Will appreciate a note at your convenience.

Best Personal Regards,

Clyde R. Lewis  
C. R. Lewis Co.

CRL/ces

CHAIRMAN:  
NELS A. ANDERSON, JR.

STAFF ASSISTANT:  
GUY VANDOREN

POUCH V  
JUNEAU, ALASKA 99811



VICE CHAIRMAN:  
TED SMITH

SECRETARY:  
~~XXXXXXXXXXXX~~  
Ruth I. Allington  
PHONE: 465-3715  
465-3781

## House Resource Committee

FRED BROWN

ALVIN OSTERBACK

DICK ELIASON

LEO RHODE

MIKE HERSHBERGER

LESLIE (RED) SWANSON

JAMES HUNTINGTON

May 13, 1976

C.R. Lewis Co., Inc.  
1500 Post Road  
Anchorage, Alaska 99501

Dear Mr. Lewis:

Sorry I'm so late in answering your letter of May 5, 1976, regarding HB 878.

The bill moved out of my committee on April 12, 1976, with a Do Pass recommendation. Mr. Phil Holdsworth, C.C. Hawley, and others were here during the mark-up. The information we got from the mining industry and the administration was that the existing mining tax was rewritten jointly.

The new bill imposes no new tax exposure in the mining industry as I understand it. If it does, then I am guilty of a horrible oversight.

Please find enclosed our CS for HB 878 for your consideration. I also would ask you to contact Mr. Holdsworth, or C.C. Hawley, to clarify any problems that may be in the bill.

Very Sincerely,

Nels A. Anderson, Jr.  
NAA/ra

HB

882

"An Act relating to timber salvage contracts."

COMMITTEE REPORT

HOUSE

3/25/76

Mr. Speaker:

Date 4-22-76

RESOURCES

HB 882

The Committee on \_\_\_\_\_ has had \_\_\_\_\_

under consideration. A Majority of the members of the Committee

( ) recommends it DO PASS

( ) recommends it DO NOT PASS

( ) recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR HB 882 AND THAT  
CS FOR HB 882 DO PASS

( ) "and" recommends it BE REFERRED TO THE \_\_\_\_\_  
COMMITTEE

( ) reports it back WITHOUT RECOMMENDATION

( ) "other"

Members signing the Majority report:

Nels B. Anderson James Hershberger  
\_\_\_\_\_  
\_\_\_\_\_  
Harold ...  
\_\_\_\_\_

Members NOT concurring in the Majority report:

... recommends: No Rec.  
... recommends: No Rec.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ recommends:

Nels B. Anderson Chairman

HOUSE RESOURCE COMMITTEE - Minutes - March 4, 1976

Present were Huntington, Hersinberger, Rhode, Osterback, Smith, Brown Swanson, Staff Assistant Van Doren and Chairman Anderson

Subject: HB 769, HB 580

Sponsor Gardiner began. The basic problem is that a two-year time frame imposed on the salvage operations is unworkable. This bill would cut down the time-frame to 30 days with an extension possible. A loss would be recorded by the Department, then after 30 days, if salvage was still desired, but had not begun, an extension would be available. The desire is to make salvage possible of logs the timber industry is not interested in. The Dept. of Natural Resources does not have a policy on the sale of logs from beaches. Permits now are tied up in paperwork--so salvage takes place "illegally". Under HB 769, the state doesn't have to respond to a request for a permit. Automatic approval is granted if no response. Also, the bill would set up a federal-state log agreement. Most salvage logs are above the mean high water--which is federal land. Regarding brands--each business has its own brand.

(2783) According to Gardiner, there would not be any added administrative problem under this proposed legislation.

Chairman Anderson asked whether there was now a problem with permits. Answer: Yes, the process is cumbersome. The timing in the proposed bill is based on the current abandoned log status.

In answer to a question as to what happens to undistinguishable brands on abandoned timber, statement was made that it is now salvageable under permit. Gardiner also stressed that there is no magic in the 30-day timing in the bill. Time is needed to retrieve the logs, but the longer you wait the more "junk" accumulates in the logs. They then become unusable in the mills.

Osterback stated that logs are a hazard to boats. The bill would be an aid to fishermen.

Mr. Smith asked whether there might be another solution to the problem. The proposed bill still presents a cumbersome proposition.

Rep. Gardiner stated that the "sign off" procedure in the bill for the state could speed up the process. Basically the industry is interested only in the larger amounts of logs. They don't bother reporting the smaller amounts. The state does nothing to or with reported losses. It only files them. It is up to the salvager to "do something".

Mr. Miller, co-sponsor of the bill, stated that, as Gardiner had said, the two-year waiting period was the hassel. (Miller referred to letters from Mr. Yates, and Mr. Dutton, copies of which are in committee folders)

Mr. Jim Clark, representing Alaska Lumber and Pulp, presented testimony on HB769. He stated that people will be here Fri., Mar. 5, who could present additional testimony on this bill. Mr. Clark stated that the problem is not when the title passes, although there could be a constitutional problem involved, but the problem is finding people who are willing to salvage the logs.

Mr. Clark elaborated on the title problem. Probably the logs belong to the Forest Service until they are scaled--which is when the actual number of board feet in the contract is known.

Contracting for beach salvage logging is difficult. Tides are a problem--no one has ever "made it" as a beach logger in Southeast. The companies end up getting people from down south to do the salvaging. Industry would "like to have a contract with a beach logger".

Chairman Anderson asked how industry now reflects salvage loss. Mr. Clark stated that it shows up on the books as a loss--the monitoring program shows the loss.

Mr. Clark stated that floating logs are comparatively easy to get. Beached logs are much harder to get. In answer to a question on what the market is for beached logs, Mr. Clark answered that it depends on the condition of the logs. Clark also stated that 30 days was not long enough for industry--people cannot be brought up fast enough to recover the logs in the 30-days.

Chairman Anderson asked whether a 1:30 p.m. meeting Friday would be acceptable with the industry people. The meeting was then set.

Mr. Clark stated additional industry concerns--under the failure to report clause, the term "lost logs" should be used, not "timber property". Also, clarification of "immediate" is needed. Also, there is an unclear relationship between the sections of the proposed Act. Clark made reference to the "Uniform Commercial Code" and its requirements.

Rep. Smith asked that there be clear title passage wording in the Act.

Mr. Anderson asked who owned the logs while they were being pulled down the channel. Mr. Clark answered that the Forest Service says that they own them at that time. However, the question is very real, as to who owns break-away logs. The industry and government have been working under "understandings". Now they are attempting to ascertain "definite" ownership criteria.

Rep. Miller stated that the title problem has nothing to do with the bill.

Clark continued--Industry does bear the risk of loss--they are concerned about the right to get their logs back.

Mr. Huntington asked whether in industry's opinion the present law giving 2 years was o.k. Clark answered "not necessarily, but 30 days is too short".

Rep. Brown referred to the "Uniform Commercial Code", and stated that problems in the proposed legislation could be amended. He stated that others must have had similar problems--and they must have solved them. It would be helpful to have law reference from other jurisdictions.

Mr. Smith asked why the log salvage had become an issue.

Mr. Larry Dutton, State Forester, presented testimony. He said that the state has been attempting to solve the salvage problems since at least 1970. Evidently the bill as presented would preclude sale of salvagable timber. The problem with permits is that the state should be able to recover administrative costs of the program. A fee is needed--either a flat fee or a volume-based fee. Also, the state has to know how much is actually being salvaged. Mr. Dutton felt that the permit system is burdensome. Also, the problem of logs above high water necessitates agreement with the federal people. An estimated value of the logs in question is necessary, with a price.

(Tape 8, Side 1) It is difficult to award a sale without watching out for protection of wildlife habitat. Cooperation with Fish and Game is thus necessary. Also, if 2 or more are applying for the same salvage logs, who gets it? Not enough information is provided. Mr. Dutton stated that large sales are not advertised--they are negotiated. He stated approval of the cooperative agreement that would be forthcoming under the bill between the federal and state governments.

Discussion of salvage problems included: Only 5 to 6 months per year can be used for salvage. Also, only 5 to 6 months per year are covered by insurance on log-towing. Initial recovery period should be for at least 90 days. If industry attempts salvage, it will begin within 30 days. The total time needed would not be more than 90 days.

Mr. Smith asked about research on a state "Log Patrol". The answer was that in 1970 one was tried, but had a lack of support from the timber industry.

According to Mr. Dutton, Alaskan people are in the majority in applying for salvage permits.

Mr. Osterback asked whether if the insurance company has paid for the lost logs, when do they no longer belong to industry? Answer: Maybe.

As to what the insurance company is actually insuring, answer was that this is all or part of the question on when title passes.

Mr. Dutton added that a tremendous amount of money is involved in each log from the minute cutting starts. What the brand means is that that company has an interest in that log, even if the ownership at a given time is not clear.

Mr. Brown elaborated, stating that an example would be the sale of property (land) under contract. Lots can happen before the title

actually passes to the next party.

Mr. John Raynor, U.S.F.S., Div. of Timber Management, testified.  
(Tape 8 Side 1 0474--0595)

Form 421 is used to report the tree count to the Forest Service. When the raft arrives at the scaling point, a recount is made. If there is a significant difference, a check is made. If the check indicates that adverse conditions of weather or raft were present, adjustments might be made on the basis of comparing with the logs shipped.

Mr. Huntington asked why, if the Forest Service has been selling logs for over 20 years, how come no solution has been reached yet. Also, if the logs are on your beach, why wouldn't they be your logs. Answer was made that ownership of the brands goes for two years, with a 1 year extension possible. That's why this bill is necessary. After a three-year period, the logs are worthless.

A problem was stated as to combining state and federal logs in any one sale.

Mr. Anderson asked how come the problem hasn't been solved (salvage) yet, at least on federal lands. He also asked whether the federal government could charge industry a rental fee for space the logs take up. There was no concrete answer.

A question regarding navigation problems, ascertained that if the logs are not on National Forest lands, they are not the responsibility of the Forest Service.

Mr. Brown stated that the Federal Government has control of the navigable areas through the Coast Guard.

In answer to a question from Mr. Huntington as to what other states do about this situation, reply was made that the magnitude of the problems other states face is not as great as ours.

It was stated that there is support for the state and federal governments working together on this problem. As to progress on a proposed state-federal agreement alluded to, Mr. Raynor answered that only the concept has been discussed, with no agreement-proposed yet. The bill would accelerate the process of getting agreement finalized. Probably three years would be necessary to complete the agreement.

Chairman Anderson stated that we definitely need to move on the waste problem.

Mr. Dutton quoted a memorandum to Roger Lewis re: a governor's log salvage bill. Evidently it is not going to be available. If HB 769 is passed, and if sale is involved, wording from the memorandum needs to be included.

Mr. Clark added information on timing. The logs go from the U.S.F.S. to the insurance company (if lost) and possibly a "reasonable" time needs to be specified for each step of the process. Chairman Anderson felt that this problem could be solved by regulations. Clark stated that regulations might be better than law for timing.

Mr. Brown asked whether the bill could refer not to the owner of the logs, but the owner of interest in the logs? Clark answered--"Probably".

Action on HB769 was recessed until 1:30 p.m. Friday, Mar. 5, 1976.

Announcement was made that status plats are to be sent on SB444 from Anchorage.

Mr. Smith moved that HB580 be passed with No Recommendation to Finance. Motion passed.

Present were Eliason, Huntington, Rhode, Smith, Osterback and Brown, with Staff Assistant Van Doren and Chairman Anderson.

Subject: HB 769

Mr. Smith began continuation of the hearing on HB 769 by asking whether a tidelands lease was really necessary to salvage logs.

Mr. Jim Clark, of Alaska Lumber and Pulp Co. (counsel) stated affirmatively. The state still has some requests for permits from a year ago. In order to salvage the logs, a rafting area must be established. The "killer" is that the Corps of Engineers require a permit for a rafting area. This problem could use up the entire 30 days plus an extension proposed in HB 769.

Mr. Smith stated that short term permits only are necessary for such as rafting procedures. That wouldn't take as much time.

Rep. Mike Miller stated that an entire raft breakup would not be usual. Small breakups are the common occurrence.

Mr. Walt Begalka, of Ketchikan Pulp Co., stated that he has worked with permits at least since 1958. Originally much leeway was allowed. Now permits are required for everything. If a change of as little as one-half mile is incurred from the original permit, a new permit must be obtained.

Question: What is the feasibility of logging salvage?

Answer: If "everything" was picked up, it could be profitable.

Question: How soon do you have to get wood for it to be saleable?

Answer: The biggest problem is iron and rocks in the wood.

Mr. Jim Rynearson, of Ketchikan Pulp, stated that salvageability depends upon when the logs were lost. If the logs are originally washed up high on the beach, they may be good for at least 3 years. However, if they are washed up at low tide, they probably will be battered.

Question: How can salvage operations be improved?

Answer: There are many problems--legal problems. So far, private ownership situations are no problem, but when the native ownership takes over additional problems will occur

Also, the Corps of Engineers permits take up large amounts of time. Temporary permits used to be offered, but now only permanent permits are available.

British Columbia operations have been observed for several years, and many ways have been tried to solve the salvage problem. No profitable solution has yet been found.

Question: Why are there no Alaskan salvage operators?

Answer: Possibly because of the ownership problem (ownership of the logs). But basically, because of the cumbersome salvage permit system.

Mr. Begalka stated that many ways have been tried. Many losses are incurred at this time of year when it is impossible to retrieve lost logs.

Mr. Huntington asked for a suggestion of a proper time frame for the bill. The answer was maybe a year, but some agencies don't move very fast. A year after the permit was awarded would be plenty of time.

In answer to a question as to how long a salvage permit lasts, answer was one year. It can be renewed, but a new fee is necessary. Also, total areas are not necessarily covered. There may be large open spaces between areas covered by the permit.

Discussion:

Rewrite the bill to fit time constraints. That would be a positive advance.

Eighty percent of logs are left above mean high tide.

Certain types of logs simply can't be used--no metal, no holes, no cedar, no rocks.

Logs used to be moved in flat rafts--logs left the rafts. It was/is difficult to bundle the logs.

The only real way to log after their being stranded on a beach is to load them with an A-frame or a loading machine. They must be bundled.

Regarding title: Title stays with the U.S.F.S. until the logs are scaled. Once rafts are paid for under loss, insurance company would own the logs. (right of subrogation)

The industry's loss on an annual basis is possibly 2,000,000 feet a year. or \$300,000.00. (Begalka)

Mr. Dutton stated that the Administration wouldn't object to a one-year limit if the subject company notified the state if at any time it actually abandoned the logs.

Discussion of the time involved to deliver logs from their source to their mill elicited that a possible 4 knots could be attained with rafts in good conditions. But the total situation is unpredictable. Logs are started in the South, transferred to northern tugs, then wait for a favorable tide at Sitka.

Mr. Dutton stated that the proposed bill requires an immediate report of log loss, whereas industry doesn't know a loss has been sustained until the scaling of the logs at the destination.

Mr. Begalka stated that any logs not accounted for at the destination must be paid for to the Forest Service.

Mr. Miller stated that the two-year period is generally agreed to be too long, both by government and by industry. But he expressed concern as to the "smoke screens" being raised on the issue. The problem is not title--it's time. Possible 45 days could be allowed for reporting, with no absolute outside limit for recovery. (3485) "If your are going to recover them, we don't care how long it takes".

Miller (cont.) Originally industry was not behind the bill because too much money was involved with little return. Now the main problem may be a need for legal counsel overview to clear up any problems that have been incurred.

Chairman Anderson: There is a problem--If industry is required to retrieve logs, then the profitability decreases--is that correct? Mr. Begalka answered that at least 10% of wood on beaches is Douglas fir. Also on beaches is cottonwood and pine. The Forest Service won't allow any logs to be taken unless all are taken. (180). A concerted effort by industry and government is needed to recover the wood.

\_\_\_\_\_, representing the U.S.F.S., stated that the salvage problem has been recognized for many years--at least since 1957. Many of the stranded logs are not of Alaskan origin. (He will have more facts on this by next week). Probably only 2% to 3% are uprooted trees. The rest were once logs. Brands are unrecognizable in 96% of the logs beached. Cedar comprises 21% of the useable lumber--and cedar is unuseable in pulp. There is lots of hemlock on the beaches, also. The longer the logs are on the beaches, the more the brands will disappear. There is also a trespass problem in recovering the logs. This problem will also be researched for the committee.

Chairman Anderson asked what was done with the logs no one wanted?  
Answer: There is no good solution at this time.

The representative of the Forest Service stated that at the time of an adjustment for lost logs, title passes. In effect, scaling is then accomplished.

Anderson--It doesn't appear to hurt industry if a few logs are lost. What is industry losing? The federal government should be able to go ahead and say to a salvager in such a situation "Get rid of it".

Mr. Al Anderson, of Alaska Wood Products, stated that just because the logs are insured doesn't mean that industry doesn't care what happens. Insurance rates go up. In answer to a question as to whether an insurance company will go out and gather up logs it has paid for, answer was "Maybe".

Mr. Miller asked how often there was a major spill. Mr. Begalka answered that Ketchikan Pulp has had two major breakups in 20 years. Al Anderson stated that an insurance company had recovered 900,000 out of 1,400,000 b/f in their most recent spill.

Mr. Begalka stated that the problem of lost logs is compounded by count inaccuracies.

Roger Allington, of Sealaska Corporation, testified to future problems foreseen by the native corporations. The corporations will be industry, but will also own the land. There is a problem with what the government

can do, versus what a private land owner can do. For instance, a private land owner cannot condemn property. Also trespass is a problem--there is a need for clarification on when a private owner can handle log property--in other words, who owns and for how long?

Mr. Miller stated that he sees it as a good deal for the private owner. If 30 days goes by they are already your logs by right of possession.

Chairman Anderson informed the committee that the bill will be addressed again after the information is in from Dutton.-- with a tentative date of March 19 for the rehearing. Staff was advised to get in touch with insurance companies for the timber industry.

Meeting adjourned.

HOUSE RESOURCE COMMITTEE - Minutes - March 18, 1976

Present were Huntington, Swanson, Hershberger, Rhode, Smith and Brown; Staff Assistant Van Doren and Chairman Anderson.

Subject: CS SCR 83 am  
CS HB 769  
HB 863

Motion was made to Pass CS SCR 83 am out of committee. Swanson made objection. General discussion cleared up the objection by Swanson. Motion carried to recommend Do Pass on CS SCR 83 am.

RE: HB 769. Joel Bennett gave a general resume of the changes in the committee substitute from the original bill. 1) there is now a 90-day salvage clause. 2) there is addition of good faith wording as applied to salvage attempts. 3) there is addition of "rightful transporter" wording.

Mr. Brown asked whether there might be a need for a definition of "rightful transporter".

Mr. Bennett answered that "rightful transporter" is to help clarify responsibility. Bennett also mentioned that the criminal provision of the original bill has been removed at request of the sponsor. Guidelines for the "good faith effort" will be in draft regulations.

Brown stated that regulations wouldn't be needed--"good faith" is familiar in the law. Brown presented a possible definition of "rightful transporter", (approx.) a person having an executory contract or interest in the logs, or his designee, or one who in normal process of trade transports or causes to be transported the logs. (0955)

Swanson expressed concern with regulations--they might present the catch in the bill.

Huntington stated the problem of logs the state owns that are under salvage contract, but the salvagers haven't done the job.

Brown suggested that there might be a need for another phrase covering "good faith" in the salvage operation.

Swanson mentioned situations in which it was impossible to retrieve logs because of adverse tides. There is "alot to salvage besides "floating" the log".

Mr. Smith presented a possible "good faith" wording--"good faith effort includes the fact that effects of weather, tide, etc., might preclude salvage operations" (approx.)

Motion was made to include Mr. Smith's "good faith" wording and Mr. Browns "rightful transporter" wording in the Committee Substitute. Motion passed.

Motion for Do Pass recommendation of CS for HB 769 carried unanimously.

Mr. Brown suggested that a bill be presented by the Resources Committee addressing the salvage owner problem. Chairman Anderson requested the staff to handle this as expeditiously as possible.

It was requested that HB 863, scheduled for Monday morning, be brought before the committee for consideration. Committee agreed.

Pending receipt of a fiscal note, the Committee moved a Do Pass recommendation on HB863. Motion carried. If there is an adverse impact reflected in the note, the committee will reconsider the bill.

Meeting adjourned.