

SCOMM

#34:25

Offered: 3/22/84
Referred: Finance

Original sponsors: Kerttula and
Ziegler

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 479 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to a forest products business loan
7 guarantee program; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 45 is amended by adding a new chapter to read:

11 CHAPTER 94. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.

12 Sec. 45.94.010. ESTABLISHMENT OF LOAN GUARANTEE FUND. The
13 forest products business loan guarantee fund is established in the
14 Department of Revenue.

15 Sec. 45.94.020 FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.
16 The department may use money in the fund to guarantee a loan for the
17 purpose of financing the purchase of 35 percent or more of the stock
18 or assets of a forest products business by, on behalf of, or for the
19 benefit of the employees of that business, as provided in AS 45.94.-
20 050.

21 Sec. 45.94.030. POWERS AND DUTIES OF THE DEPARTMENT. (a) The
22 commissioner may

23 (1) designate agents and delegate powers necessary to
24 implement this chapter;

25 (2) adopt regulations to implement this chapter;

26 (3) make and execute contracts and other instruments to
27 implement this chapter;

28 (4) acquire real or personal property by purchase, trans-
29 fer, or foreclosure when the acquisition is necessary to protect an

1 interest in the fund.

2 (b) The commissioner shall require that a loan guaranteed by the
3 fund be secured by adequate collateral, (and that the net cash flow
4 from the forest products business provides adequate coverage for the
5 debt service on the loan. The applicant shall provide an economic and
6 financial feasibility analysis prepared by a firm acceptable to the
7 department.

New.

8 Sec. 45.94.040. INVESTMENT OF THE FUND. Money in the fund that
9 is not being used for loan guarantees under this chapter shall be
10 invested as provided for the investment of state treasury surplus
11 under AS 37.10.070. Income from investment shall be transferred to
12 the general fund.

13 Sec. 45.94.050. CONDITIONS OF LOAN GUARANTEES. (a) The depart-
14 ment may guarantee a loan under this chapter if

15 (1) the term of the loan does not exceed 10 years;

16 (2) the loan is secured by the real or personal property,
17 inventory or accounts receivable of the forest products business, or
18 by other collateral acceptable to the department;

19 (3) the loan is originated with and serviced by a state or
20 federally chartered financial institution; and

21 (4) the loan is made to the employees of the forest pro-
22 ducts business, to an employee stock ownership trust, or to one or
23 more corporations or other business associations or entities in which
24 the controlling interest is held by state residents who are employees
25 of the forest products business.

*new.
like
HB.
627*

26 (b) The department may provide a guarantee from the fund for up
27 to 50 percent of a loan, but may not guarantee less than \$5,000,000 or
28 more than \$30,000,000 per borrower. The department may not guarantee
29 the payment of annual interest on the guaranteed portion of a loan.

*need
language*

1 (c) After a default by a borrower, the amount of the maximum
2 liability of the fund for a loan guarantee under this chapter is the
3 percentage of the amount in default specified by the department in the
4 guarantee agreement, multiplied by the amount then in default. Pay-
5 ments received toward satisfaction of a default shall be allocated
6 between the lender and the fund according to the percentage specified
7 by the department in the guarantee agreement until the principal
8 balance has been repaid.)

9 Sec. 45.94.060. DEFINITIONS. In this chapter

10 (1) "commissioner" means the commissioner of revenue;

11 (2) "department" means the Department of Revenue;

12 (3) "forest products business" means a sole proprietorship,
13 partnership, corporation or other business organization formed for the
14 purpose of harvesting or processing timber or other forest resources;

15 (4) "fund" means the forest products business loan guaran-
16 tee fund.

17 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
18 10.070(c).

Introduced: 2/13/84
Referred: House Special Committee
on State Loans, Resources and
Finance

1 IN THE HOUSE

BY WENDTE AND MCBRIDE

2 HOUSE BILL NO. 627

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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17 purpose of financing the purchase of 35 percent or more of the stock
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19 benefit of the employees of that business, as provided in AS 45.94.-
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21 Sec. 45.94.030. POWERS AND DUTIES OF THE DEPARTMENT. (a) The
22 commissioner may *COMMISSOR HEATH*

23 (1) designate agents and delegate powers necessary to
24 implement this chapter;

25 (2) adopt regulations to implement this chapter;

26 (3) make and execute contracts and other instruments to
27 implement this chapter;

28 (4) acquire real or personal property by purchase, trans-
29 fer, or foreclosure when the acquisition is necessary to protect an

50% FIRST LOSS TO LEADER
MONEY STANDPOINT
CUSTOMER 50/50
LOSS SITUATION

1 interest in the fund.

2 (b) The commissioner shall require that a loan guaranteed by the
3 fund be secured by adequate collateral.

4 Sec. 45.94.040. INVESTMENT OF THE FUND. Money in the fund that
5 is not being used for loan guarantees under this chapter shall be
6 invested as provided for the investment of state treasury surplus
7 under AS 37.10.070. Income from investment shall be transferred to
8 the general fund. → INVESTMENT OF SURPLUS FUNDS

9 Sec. 45.94.050. CONDITIONS OF LOAN GUARANTEES. (a) The depart-
10 ment may guarantee a loan under this chapter if

11 (1) the term of the loan does not exceed 10 years;

12 (2) the loan is secured by the real or personal property,
13 inventory or accounts receivable of the forest products business, or
14 by other collateral acceptable to the department; PARTICIPATION

15 (3) the loan is originated with and serviced by the Alaska
16 Commercial Fishing and Agriculture Bank, or by a state or federally
17 chartered financial institution located in the state; and

18 (4) the loan is made to the employees of the forest pro-
19 ducts business, to an employee stock ownership trust, or to one or
20 more corporations or other business associations or entities in which
21 the employees of the forest products business hold an interest that is
22 equal to or greater than the interest held by the seller of the forest
23 products business.

24 (b) The department may provide a guarantee from the fund for up
25 to 50 percent of a loan, but may not guarantee less than \$5,000,000 or
26 more than \$30,000,000 per borrower. The department may not guarantee
27 the payment of annual interest on the guaranteed portion of a loan.

28 (c) Upon default by a borrower, the amount of the maximum liabi-
29 lity of the fund for a loan guarantee under this chapter is the

RESPONSIBLE

WICROGAN
(STATE
OF
AK.)

1 percentage of the amount in default specified by the department in the
2 guarantee agreement.

3 Sec. 45.94.055. **ADDITIONAL GUARANTEES.** Not less than 30 days
4 after the department enters into a contract to guarantee a loan to a
5 borrower under this chapter, the department may enter into a contract
6 to guarantee another loan to that borrower under this chapter.

7 Sec. 45.94.060. **DEFINITIONS.** In this chapter

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9 (2) "department" means the Department of Revenue;

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12 purpose of harvesting or processing timber or other forest resources;

13 (4) "fund" means the forest products business loan guaran-
14 tee fund.

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Introduced: 2/13/84
Referred: House Special Committee
on State Loans, Resources and
Finance

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BY WENDTE AND MCBRIDE

2

HOUSE BILL NO. 627

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

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16 Commercial Fishing and Agriculture Bank, or by] a state or federally
17 chartered financial institution [located in the state]; and

18 (4) the loan is made to the employees of the forest pro-
19 ducts business, to an employee stock ownership trust, or to one or
20 more corporations or other business associations or entities in which
21 [the employees of the forest products business hold an interest that is
22 equal to or greater than the interest held by the seller of the forest
23 products business].

24 (b) The department may provide a guarantee from the fund for up
25 to 50 percent of a loan, but may not guarantee less than \$5,000,000 or
26 more than \$30,000,000 per borrower. The department may not guarantee
27 the payment of annual interest on the guaranteed portion of a loan.

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1 percentage of the amount in default specified by the department in the
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12 purpose of harvesting or processing timber or other forest resources;

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14 tee fund.

15 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
16 10.070(c).

Asper
3/6/84

Original sponsors: Wendte and McBride

IN THE HOUSE

BY THE HOUSE SPECIAL COMMITTEE
ON STATE LOANS

CS FOR HOUSE BILL NO. 627 (Loans)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - SECOND SESSION

A BILL

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12 (2) the loan is secured by the real or personal property,
13 inventory or accounts receivable of the forest products business, or
14 by other collateral acceptable to the department;

15 *REVENUE*
16 *OK* { (3) the loan is originated with and serviced by a state or
17 federally chartered financial institution; and GFAB TAKEN OUT!

18 (4) the loan is made to the employees of the forest pro-
19 ducts business, to an employee stock ownership trust, or to one or
20 more corporations or other business associations or entities in which
21 the controlling interest is held by state residents who are employees
22 of the forest products business. *STATE RESIDENTS PROVISION*

23 (b) The department may provide a guarantee from the fund for up
24 to 50 percent of a loan, but may not guarantee less than \$5,000,000 or
25 more than \$30,000,000 per borrower. The department may not guarantee
26 the payment of annual interest on the guaranteed portion of a loan.

27 (c) Upon default by a borrower, the amount of the maximum liabi-
28 lity of the fund for a loan guarantee under this chapter is the per-
29 centage of the amount in default specified by the department in the
guarantee agreement.

ADDITIONAL GUARANTEE:

TAKEN OUT

(44.94.055)

NOT RADED

(GROUP) ONE

TIME

SHOT ON LOANS

1 Sec. 45.94.060. DEFINITIONS. In this chapter

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3 (2) "department" means the Department of Revenue;

4 (3) "forest products business" means a sole proprietorship,
5 partnership, corporation or other business organization formed for the
6 purpose of harvesting or processing timber or other forest resources;

7 (4) "fund" means the forest products business loan guaran-
8 tee fund.

9 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
10 10.070(c).

LEGISLATIVE CITATIONS

Representative Fuller moved and asked unanimous consent that the House approve the citation Honoring - Gambell Students. There being no objection, it was so ordered.

The citation was referred to the Chief Clerk for enrollment.

UNFINISHED BUSINESSHB 627

Representative Uehling moved and asked unanimous consent that the House Special Committee on State Loans be allowed to waive Rule 23(a) of the Uniform Rules (the Five Day Rule) to hear HOUSE BILL NO. 627 (forest products business loan guarantee program; effective date). There being no objection, it was so ordered.

HB 486

The Speaker added a Labor & Commerce Committee referral to HOUSE BILL NO. 486 (authorizing fees for the use of state park facilities; effective date).

HB 486 is now in the Resources Committee with further referrals to the Labor & Commerce and Finance Committees.

Representative Malone announced a Democratic Caucus upon recess.

Representative Barnes moved and asked unanimous consent that the House recess to a call of the Chair. There being no objection, the House recessed at 12:35 p.m.

AFTER RECESS

The House was called back to order at 1:07 p.m.

UNFINISHED BUSINESSHCS CSSB 348(Fin)

Representative Syzmanski brought up reconsideration of HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 348 (Finance) (supplemental appropriation for the operation of the legislature; effective date).

THIRD READING OF SENATE BILLS

HCS CSSB 348(Fin) was automatically before the House in third reading and was read the third time.

The question to be reconsidered: "Shall HCS CSSB 348(Fin) pass the House?" The roll was taken with the following result:

HCS CSSB 348(FIN) RECONSIDERATION

Yeas:	26	Abood, Barnes, Bussell, Cato, Clocksin, Cowdery, Duncan, Flood, Fritz, Fuller, Furnace, Goll, Hayes, Hurlbert, Koponen, Larson, Liska, Malone, McBride, Miller, M.M., Miller, M.W., Ringstad, Tischler, Uehling, Wendte, Zharoff
Nays:	7	Herrmann, Lindauer, Martin, Phillips, Szymanski, Vaska, Ward
Excused:	2	Davis, Shultz
Absent:	5	Adams, Bettisworth, Grussendorf, Lacher, Pestinger

And so, HCS CSSB 348(Fin) passed the House on reconsideration.

Representative Barnes moved the effective date clause.

The question being: "Shall the effective date clause be adopted?" The roll was taken with the following result:

HB 679

The Community & Regional Affairs Committee has had HOUSE BILL NO. 679 (relating to the Municipal Bond Bank authority; effective date) under consideration and reports it back as follows: M.W. Miller (Chairman), Cato, Phillips and Lacher recommend do pass; McBride signed do pass "good bill".

HB 679 was referred to the Finance Committee.

HB 680

The Labor & Commerce Committee has had HOUSE BILL NO. 680 (relating to the recovery and production of oil and natural gas; effective date) under consideration, recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 680 (Labor & Commerce) (same title), and reports it back as follows: Cowdery (Chairman), Uehling, Furnace, Ringstad and Pestinger recommend do pass; Wendte has no recommendation.

HB 680 was referred to the Resources Committee.

REPORTS OF SPECIAL COMMITTEESHB 627

The House Special Committee on State Loans has had HOUSE BILL NO. 627 (relating to a forest products business loan guarantee program; effective date) under consideration, recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 627 (Loans) (same title) and reports it back as follows: Uehling (Chairman), Koponen, Pestinger, Furnace and Wendte recommend do pass; Ward has no recommendation. A zero fiscal note was attached.

HB 627 was referred to the Resources Committee.

CONSIDERATION OF THE DAILY CALENDARSECOND READING OF HOUSE BILLSSSHB 560

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 560 (relating to the jurisdiction of the district court and magistrates; effective date) was read the second time with the Judiciary Committee report (page 2488 of the journal) and the Finance Committee report (page 2806 of the journal).

Representative Barnes moved and asked unanimous consent that SSHB 560 be considered engrossed, advanced to third reading and placed on final passage. There being no objection, it was so ordered.

SSHB 560 was read the third time.

The question being: "Shall SSHB 560 pass the House?" The roll was taken with the following result:

SSHB 560

Yeas: 35 Abood, Adams, Barnes, Bettisworth,
 Bussell, Cato, Clocksin, Cowdery,
 Davis, Duncan, Flood, Fuller,
 Furnace, Goll, Grussendorf, Hayes,
 Hurlbert, Koponen, Lacher, Larson,
 Lindauer, Liska, Malone, Martin,
 McBride, Miller, M.W., Pestinger,
 Phillips, Ringstad, Shultz, Uehling,
 Vaska, Ward, Wendte, Zharoff

Nays: 0

Excused: 5 Fritz, Herrmann, Miller, M.M.,
 Szymanski, Tischer

Absent: 0

And so, SSHB 560 passed the House.

Representative Barnes moved and asked unanimous consent that the roll call on the passage of the bill be considered the roll call on the effective date clause. There being no objection, it was so ordered.

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4821



REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

MEMORANDUM

TO: Members of the House Special Committee on State Loans
FROM: Representative Rick Uehling,
DATE: February 28, 1984

RE: Today's meeting

The Special Committee on State Loans will meet today at 5 p.m.

We will be taking testimony on HB 627, "An Act relating to a forest products business loan guarantee program; ED." and also have a work session on the appropriations for loans programs within the Department of Commerce & Economic Development.

Attached to this memo is additional budget backup for the C & ED programs, including statistics on program activity for FY '83 and through January of FY '84; an audit on the Commercial Fishing Loan Fund by the Office of Management and Budget and the pertinent Statutes for the Commercial Fishing Loan Act and the Alternative Technology and Energy Revolving Loan Fund.

See you at 5 p.m.

/as

March 2, 1984

The Honorable Rick Uehling
Chairman
House Special Committee on Loans
Pouch V
Juneau, AK 99811

Dear Representative Uehling:

The following information on fishery product loan guarantees is provided pursuant to your request at the February 28, 1984 hearing on HB 627:

Fishery Product Loan Guarantees

	<u>FY 83</u>	<u>FY 82</u>	<u>FY 81</u>	<u>FY 80</u>	<u>Total</u>
Loan Volume	\$1,500,000	\$56,442,000	\$50,650,000	\$28,692,000	\$137,284,000
Guarantee	\$750,000	\$30,899,750	\$22,110,000	\$22,800,000	\$76,559,750
# of Loans	1	17	16	7	41

All loans were made by Commercial Fisheries and Agriculture Bank except for 2:

NBA, 1982 - Whitney Fidelgo Seafoods, \$10,000,000 Guarantee

Bank of California, 1980 - Kachemak Seafoods, \$220,000 Guarantee

The state has paid on five defaulted loans a total of \$8,043,536.46.
Repayments to date have been \$5,758,780.56.

There are currently four outstanding loans which are in default with a balance due of \$2,284,755.90. There are four outstanding loan commitments totalling a potential obligation of \$721,668.50.

The current available balance for loan guarantees is \$36,993,575.60.

Also enclosed is the agreement between the state and the Commercial Fisheries and Agriculture Bank (CFAB) for repurchase by CFAB of its class "c" stock held by the state.

March 2, 1984
The Honorable Rick Uehling
Page 2

There is no schedule for repayment. The "plan" for repurchase, as it is referred to in the agreement, gives CFAB complete discretion as to when the stock will be repurchased. AS 44.81.010(b) requires repurchase within 20 years after purchase by the state. The "plan" does require annual reports from CFAB regarding progress on funding a reserve from which to repurchase class "c" stock. To date, Treasury has made two written requests for the first annual report due at the end of calendar year 1983 but has not yet received one.

Sincerely,

Milt Barker

Milt Barker
Deputy Commissioner

MB:mw

Enclosures

cc: Representative Jerry Ward
Hon. Robert D. Heath

HB 650
Letter of Intent

It is the intent of the Legislature that the department give priority consideration under the Alternative Technology and Energy Loan program to loan requests that evidence the greatest potential for energy savings to the applicant and the State. In general, loan requests shall be approved based on the following priority list:

1. Solar electric generation equipment, including photoelectric cells systems;
2. wind systems;
3. hydroelectric systems;
4. woodstoves with catalytic converters and catalytic converters for woodstoves;
5. multifuel systems;
6. passive solar systems, including solar heating units and sun spaces; and
7. active solar systems, including solar collectors.

/s/ _____
Rick Uehling, Chairman
Special Committee on Loans

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: HB 627
Title: Forest Products Business Loan
Guarantee _____
Sponsor: Wendte
Requestor: House Loans
Date of Request: 2-20-84

FISCAL DETAIL

Agency Affected: Revenue
Program Category Affected: _____
BRU, Program of Subprogram(s) Affected: Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>CAPITAL</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>REVENUE</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
Division: Treasury
Approved by Commissioner: [Signature]
Agency: Revenue

Phone: 465-2350
Date: 2-23-84
Date: 2/28/84

Distribution (by Agency preparing fiscal note):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

POTENTIAL UNEMPLOYMENT PAYMENTS TO DIRECT/INDIRECT & SERVICE RELATED EMPLOYEES IN
THE EVENT OF A LOUISIANA PACIFIC AND ALASKA LUMBER & PULP CLOSURE

UNEMPLOYMENT CLAIMENTS	AVERAGE PAYMENT & DURATION	EXHAUST BENEFITS	
		39 WEEKS	52 WEEKS
3,000	\$6,245,580	\$14,952,600	\$19,936,800
6,000	\$12,491,160	\$29,905,200	\$39,873,600
10,000	\$20,818,600	\$49,842,000	\$66,456,000

ADMINISTRATIVE COSTS OF MAKING PAYMENTS

CLAIMENTS	AVERAGE PAYMENT & DURATION	39 WEEKS	52 WEEKS
3,000	\$189,296	\$384,296	_____
6,000	\$396,596	\$769,452	_____
10,000	\$659,711	\$1,281,289	_____

* AVG. PAYMENT & DURATION = \$127.80 per week for 16.29 weeks

LOUISIANA PACIFIC EMPLOYMENT INFORMATION

		<u>PAYROLL</u>	<u>WAGES & BENEFITS</u>
DIRECT EMPLOYMENT	800	\$22.6 million	\$28 - 30 million
SECONDARY EMPLOYMENT	<u>600</u>		
TOTAL EMPLOYMENT	1400		

Information provided by LPIK

Chapter 92. Fishery Product Revolving Loan Guarantee Fund.

Section

- 10. Establishment of fund
- 20. Fishery product guarantees
- 30. Powers and duties of the department
- 40. Investment of the fund

Section

- 50. Conditions of loan guarantees
- 55. Additional guarantees
- 60. Definitions

Sec. 45.92.010. Establishment of fund. The fishery product revolving loan guarantee fund is established in the Department of Revenue. (§ 1 ch 33 SLA 1982)

Sec. 45.92.020. Fishery product guarantees. The department may use money in the fund to guarantee a loan made to a fish processor with facilities in Alaska for the purpose of financing

(1) the purchase and processing of fishery products from Alaska fisheries; or

(2) the repurchasing, transporting, repackaging, inspecting, and storing of Alaska fishery products that are recalled in 1982. (§ 1 ch 33 SLA 1982)

Sec. 45.92.030. Powers and duties of the department. (a) The commissioner may

(1) designate agents and delegate powers necessary to implement this chapter;

(2) adopt regulations to implement this chapter;

(3) make and execute contracts and other instruments to implement this chapter;

(4) acquire real or personal property by purchase, transfer, or foreclosure when the acquisition is necessary to protect an interest in the fund.

(b) The commissioner shall require that a loan guaranteed by the fund be secured by collateral. (§ 1 ch 33 SLA 1982)

Sec. 45.92.040. Investment of the fund. Money in the fund that is not being used for loan guarantees under this chapter shall be invested as provided for the investment of state treasury surplus under AS 37.10.070. Income from investment shall be transferred to the general fund. (§ 1 ch 33 SLA 1982)

Sec. 45.92.050. Conditions of loan guarantees. (a) The department may guarantee a loan under this chapter if

(1) the term of the loan does not exceed one year;

(2) the loan is secured by inventory or accounts receivable of the fish processor, or by other collateral acceptable to the department;

(3) the loan is originated with and serviced by the Alaska Commercial Fishing and Agriculture Bank, or by a state or federally chartered financial institution located in the state; and

§ 45.92.055

TRADE AND COMMERCE

§ 45.95.010

(4) the majority interest in the fish processor is beneficially owned by residents of the state and the majority of owners of the fish processor are residents of the state.

(b) The department may provide a guarantee from the fund for up to 50 percent of a loan, but may not guarantee more than \$15,000,000 per loan or \$30,000,000 per borrower. The department may not guarantee the payment of annual interest on the guaranteed portion of a loan.

(c) Upon default by a borrower, the amount of the maximum liability of the fund for a loan guarantee under this chapter is the percentage of the amount in default specified by the department in the guarantee agreement. (§ 1 ch 33 SLA 1982; am § 2 ch 33 SLA 1982)

Effect of amendments. — The 1982 paragraph (3) of subsection (a) and added amendment added "and" at the end of paragraph (4) of that subsection.

Sec. 45.92.055. Additional guarantees. Not less than 30 days after the department enters into a contract to guarantee a loan to a borrower under this chapter, the department may enter into a contract to guarantee another loan to that borrower under this chapter. (§ 1 ch 33 SLA 1982)

Sec. 45.92.060. Definitions. In this chapter

(1) "commissioner" means the commissioner of revenue;

(2) "department" means the Department of Revenue;

(3) "facilities in Alaska" means facilities at which fisheries products are canned, frozen, or otherwise processed for inventory, including floating facilities that are documented under the laws of the United States as defined in 46 U.S.C. 801, and operated in waters of the state;

(4) "fish processor" means a person engaging in a business for which a license is required under AS 43.75.010 — 43.75.090;

(5) "fishery product" means salmon;

(6) "fund" means the fishery product revolving loan guarantee fund. (§ 1 ch 33 SLA 1982)

Editor's notes. — AS 43.75.010 and AS 43.75.090 were repealed. For present provisions covering the subject matter of the repealed sections, see AS 43.75.011 et seq.

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465-3800

MEMORANDUM

February 27, 1984

SUBJECT: Sectional analysis of
HB 627

TO: Representative Ron Wendte

FROM: *LH* Linn H. Asper
Legislative Council

You have asked for a sectional analysis of HB 627, relating to a forest products business loan guarantee program.

*Section 1 establishes the forest products business loan guarantee program and sets conditions for the loan guarantees.

Sec. 45.94.010 establishes the forest products business loan guarantee fund in the Department of Revenue

Sec. 45.94.020 allows the Department of Revenue to use fund money to guarantee a loan for the purchase of 35 percent or more of the stock or assets of a forest products business by the employees of that business.

Sec. 45.94.030 grants the department the powers necessary to administer loan guarantees under the forest products business loan guarantee program, and requires that a loan guaranteed must be secured by adequate collateral.

Sec. 45.94.040 directs the department to invest money from the loan guarantee fund that is not being used to guarantee loans in investments allowed under AS 37.10.070.

Sec. 45.94.050 establishes conditions on a loan guarantee, including maximum and minimum amounts that may be guaranteed, terms of loans guaranteed, security for guaranteed loans, state financial institution participation in the guaranteed loan, and other terms applicable to guaranteed loans.

Representative Wendte
Page 2
February 27, 1984

Sec. 45.94.055 allows the department to guarantee additional loans for a borrower under the terms of the chapter.

Sec. 45.94.060 provides definitions of terms used in the chapter.

Section 2 of the Act provides an immediate effective date.

LHA:csH
C2/138

Original sponsors: Wendte and McBride

1 IN THE HOUSE

BY THE HOUSE SPECIAL COMMITTEE
ON STATE LOANS

2 CS FOR HOUSE BILL NO. 627 (Loans)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to a forest products business loan
7 guarantee program; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 45 is amended by adding a new chapter to read:

11 CHAPTER 94. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.

12 Sec. 45.94.010. ESTABLISHMENT OF LOAN GUARANTEE FUND. The
13 forest products business loan guarantee fund is established in the
14 Department of Revenue.

15 Sec. 45.94.020. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.
16 The department may use money in the fund to guarantee a loan for the
17 purpose of financing the purchase of 35 percent or more of the stock
18 or assets of a forest products business by, on behalf of, or for the
19 benefit of the employees of that business, as provided in AS 45.94.-
20 050.

21 Sec. 45.94.030. POWERS AND DUTIES OF THE DEPARTMENT. (a) The
22 commissioner may

23 (1) designate agents and delegate powers necessary to
24 implement this chapter;

25 (2) adopt regulations to implement this chapter;

26 (3) make and execute contracts and other instruments to
27 implement this chapter;

28 (4) acquire real or personal property by purchase, trans-
29 fer, or foreclosure when the acquisition is necessary to protect an

1 interest in the fund.

2 (b) The commissioner shall require that a loan guaranteed by the
3 fund be secured by adequate collateral.

4 Sec. 45.94.040. INVESTMENT OF THE FUND. Money in the fund that
5 is not being used for loan guarantees under this chapter shall be
6 invested as provided for the investment of state treasury surplus
7 under AS 37.10.070. Income from investment shall be transferred to
8 the general fund.

9 Sec. 45.94.050. CONDITIONS OF LOAN GUARANTEES. (a) The depart-
10 ment may guarantee a loan under this chapter if

11 (1) the term of the loan does not exceed 10 years;

12 (2) the loan is secured by the real or personal property,
13 inventory or accounts receivable of the forest products business, or
14 by other collateral acceptable to the department;

15 (3) the loan is originated with and serviced by a state or
16 federally chartered financial institution; and

17 (4) the loan is made to the employees of the forest pro-
18 ducts business, to an employee stock ownership trust, or to one or
19 more corporations or other business associations or entities in which
20 the controlling interest is held by state residents who are employees
21 of the forest products business.

22 (b) The department may provide a guarantee from the fund for up
23 to 50 percent of a loan, but may not guarantee less than \$5,000,000 or
24 more than \$30,000,000 per borrower. The department may not guarantee
25 the payment of annual interest on the guaranteed portion of a loan.

26 (c) Upon default by a borrower, the amount of the maximum liabi-
27 lity of the fund for a loan guarantee under this chapter is the per-
28 centage of the amount in default specified by the department in the
29 guarantee agreement.

Sec. 45.94.060. DEFINITIONS. In this chapter

- (1) "commissioner" means the commissioner of revenue;
- (2) "department" means the Department of Revenue;
- (3) "forest products business" means a sole proprietorship, partnership, corporation or other business organization formed for the purpose of harvesting or processing timber or other forest resources;
- (4) "fund" means the forest products business loan guarantee fund.

* Sec. 2. This Act takes effect immediately in accordance with AS 01.-10.070(c).

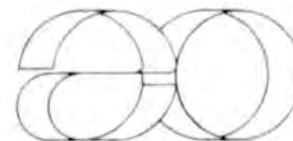
CHALLENGES AND OPPORTUNITIES...

Many challenges faced Ketchikan Pulp Company as they pioneered the pulp industry in Alaska. Today with the ever increasing demands for wood products, new and exciting challenges still exist.

New and competitive products from forest resources are constantly being developed with advancing technology. New markets, and the rapidly changing economic conditions in the United States and world markets present unlimited challenges.

Efficient utilization for the best use of the raw material will continue to be developed thru advancing expertise, knowledge and past experience. Experiments have only begun on the practicability of balloon and helicopter logging in Southeastern Alaska. These methods will have a minimal impact on the environment and make timber, now inaccessible, economically feasible to harvest.

The Forest Products industry is a mainstay in Alaska and the Ketchikan economy, and is expected to become increasingly important in the years to come. The realization that wood is the only renewable construction resource insures a secure future for the timber industry and Alaska.



Art by Mark Wheeler — Ketchikan, Alaska.

Lithography in U.S.A. by Union Printing Co. — Bellingham, Washington

OUR PEOPLE OUR COMMUNITY...

Company employees deserve much of the credit for making these twenty years possible. The high quality of our pulp, lumber, and cants is the result of the skill and conscientious endeavors on the part of our people who have made Alaska their home and who have created a social environment of which they can be proud.

Ketchikan is home to 10,000 Alaskans and is shopping headquarters for 4,000 more. Ketchikan is the Gateway to Alaska with a frontier feeling and a pioneer spirit. Ketchikan is an All-American-City and has been listed as one of the ten most liveable cities in America. Just 90 jet-minutes from Seattle and 45 jet-minutes from our state capitol in Juneau, Ketchikan is also the Salmon Capitol of the World.

Ketchikan Pulp Company is proud to be a part of the Ketchikan community and the State of Alaska.

Ketchikan is the third largest city in the State of Alaska with main industries being timber, fishing and tourism.

24.



WE PROTECT AIR QUALITY...

The original design of the pulping and spent liquor recovery systems at Ward Cove emphasized maximum air and water protection. Furnaces fired by oil and waste wood contained cyclonic units for fly ash separation. Spent liquor recovery furnaces were constructed with four tower cooling and absorption wet scrubbers to remove sulfure dioxide and particulate material from the flue gases.

The pulp mill is presently in compliance with their state air quality control permit, issued June 18, 1973 and is continuing to test more comprehensive control techniques to further enhance air quality.

Clean air is also a concern at our sawmills. In November 1973 the State of Alaska issued an air quality control permit to Ketchikan Spruce Mills for operation of their waste wood boiler. This was the first sawmill boiler in Alaska to comply with air quality requirements. Previously, in 1969 the tepee burner at Ketchikan Spruce Mills was retired from service. It was the first burner in Alaska and one of the first in the nation to be taken out of use. Waste wood formerly burned in this unit was then routed to the pulp mill for incineration and power generation. In 1973 use of the wigwam burner at Annette Hemlock Mills was discontinued. Barging of its waste to Ward Cove for power generation was initiated in June, 1974.

WE PROTECT WATER QUALITY...

Clean water is important to Ketchikan Pulp Company and our employees. Every week water samples are collected from twelve stations in and near Ward Cove to provide information on water quality control.

Last year \$6.35 million of environmental controls were completed. The log deck and bundle handling crane minimizes log handling and storage in the water as well as keeping loose bark and debris out of the water.

Emergency storage capacity for sulphite waste liquors is being provided. In event of equipment failure these waste liquors will not be discharged into the bay. A new sanitary waste treatment plant has also been installed.

The new clarifier is an open circular concrete tank 190 feet in diameter and 12 feet deep. The waste water from barking, pulp washing, and floor drains is pumped to the clarifier. The solids are raked to the center and pumped to the hog house, filtered, pressed, and burned with the hog fuel.

All of these projects meet the present requirements of the Federal Environmental Protection Agency and the State of Alaska.



Bleached pulp, suspended in water is spread into sheet form where it is dewatered, dried and rolled.

22.

DRYING THE PULP...

Bleached pulp is metered to the headbox of the pulp machine. Here it is evenly distributed on a moving wire screen. As the pulp moves through the machine, water is removed by gravity, next by suction, then by pressure and finally by heat as it passes over 140 steam heated dryer rolls. After drying, the pulp is wound onto jumbo-sized rolls weighing 20 tons each. These are stored while each is thoroughly tested for quality by the laboratory.

SHIPPING TO CONSUMERS...

The pulp is cut into sheets of various sizes depending upon the customer's specifications and made into bales weighing up to 700 pounds. Shipments to domestic customers travel by rail car barge to Seattle and are then routed over major rail lines. Export pulp is loaded aboard ocean-going vessels from the Company dock. Domestic rayon and cellophane plants are the major customers but pulp has been exported to Mexico, Colombia, India, and other countries.

Dried pulp is cut, baled, and loaded into box cars for shipment to conversion plants.



TOWING AND SORTING...

Rafts of bundled logs are towed by tug boat from logging camps as far away as 200 miles. In the log pond at Ward Cove, the rafts are opened and bundles lifted to the log deck. The log bundle handling crane raises bundles of logs weighing up to 90 tons from the water to the log deck where steel bands are cut and logs sorted by species and grade for best utilization. Here high grade sawlogs and cedar go back to the pond to be rerafted and sent to sawmills.

BARKING...

In the #1 woodroom logs are first cut into 20 foot lengths. Bark is blasted loose by water discharged from a nozzle at the tremendous pressure of 1400 pounds per square inch. The #2 woodroom barks and chips logs up to 30 inches in diameter in one continuous straight line. The bark is drained and pressed to remove water and is then burned to make steam which drives the electric turbines.

CUTTING LUMBER AND CANTS...

Logs which contain quality lumber and cants move to a sawmill integrated with both woodrooms. Here the logs go through a headrig which cuts that portion of the log suitable for lumber. This lumber is cut to precision dimensions, graded, strapped and stored until shipment. It is lightered by barge to ocean-going vessels for loading in Ward cove or at the Ketchikan Spruce Mills dock. Chips from slabs and woodscraps are conveyed to the silos.

19.

This bandsaw in the woodroom is used for breakdown of large logs prior to chipping.



18.



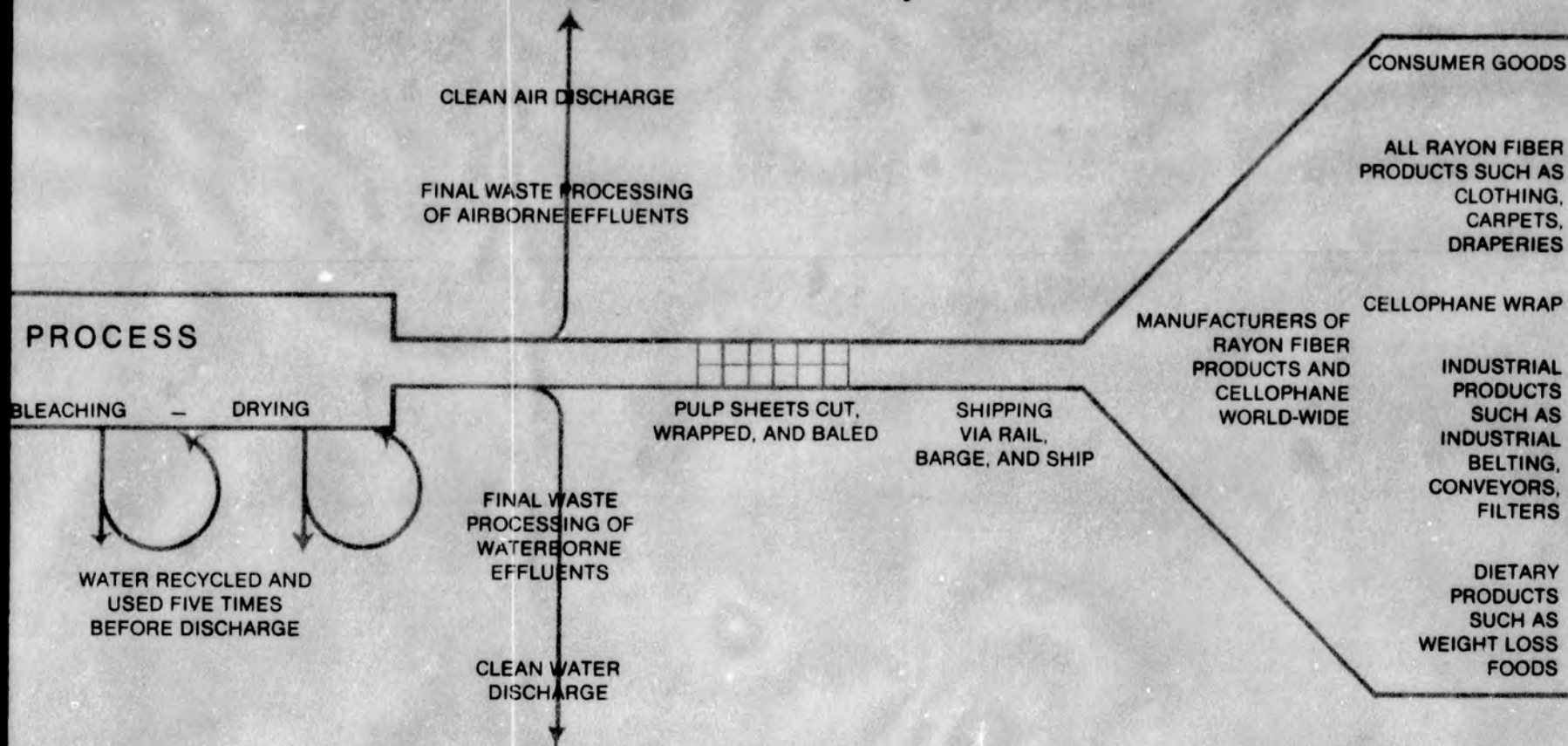
CONSUMER PRODUCTS...

"Tongacell" high quality dissolving pulp is the raw material used for the manufacture of rayon and cellophane. Rayon is manufactured into woven and non-woven fabrics for apparel, draperies, and upholstery. Other non-woven items include disposable diapers and such disposable medical supplies as masks, gowns, drapes, and caps. Rayon is used extensively in industrial products such as tire cord, rope, twine, industrial belting, hose, braids, bris-

ties, insulation and other products. There are applications for rayon fibers in the plastics, rubber, paper, paint, electrical, chemical and other non-textile industries.

Cellophane has found widespread use as a clear packaging material for a multitude of consumer products.

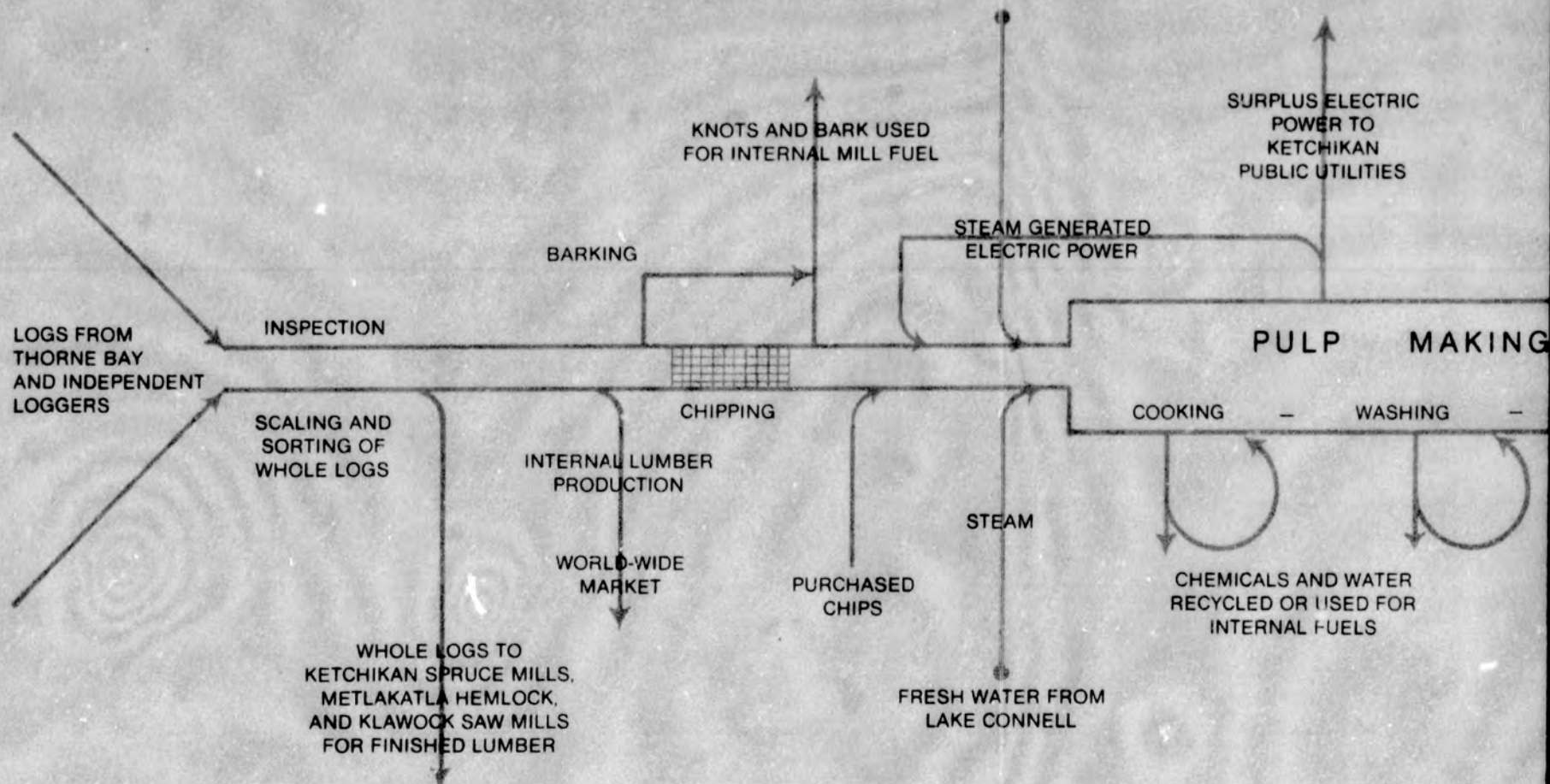
Another derivative of dissolving pulp is "Avicel" which is used in diet foods, pharmaceutical and cosmetic products.



HOW KETCHIKAN PULP WORKS...

In pulp making the glue holding wood together, known as lignin, is dissolved and the fibers chemically purified. The fibers are then formed into sheets and dried, cut and baled for shipping.

16.



OUR SAWMILL OPERATIONS...

Ketchikan Spruce Mills, a Ketchikan landmark since 1903, is Alaska's oldest manufacturer. During early years its production of spruce was used for fishboxes, railroad ties, common lumber and airplane stock.

Today the lumber Ketchikan Spruce Mills produce for Japanese, Pacific Northwest and local markets is used for helicopter blades, piano and organ sounding boards, guitar stock, scaffold planks, quality ladders, masts and spars, internal

parts for rocket engines and residential and commercial construction.

Annette Hemlock Mills is operated under lease and located in the Indian community of Metlakatla. Our sawmill located at the Indian village of Klawock is leased to Alaska Timber Corporation. These mills cut high grade, old growth hemlock logs into lumber and cants for export and Northwest markets where cants are resawn into sizes conforming to customer building requirements.

A new sawmill, integrated into the woodrooms at Ward Cove, recovers segments of lumber from lower grade logs formerly used for chips.

Ketchikan Spruce Mills acquired by Ketchikan Pulp Company in 1967 to produce lumber for domestic and export markets.



HOW WE USE OUR RESOURCE...

Today's fully integrated utilization of Alaskan forests is being achieved because of industrial development and improvements. Of today's log acquisitions 50 per cent are sawed into high quality lumber and cants and 50 per cent are used to make high grade dissolving pulp. In contrast twenty years ago practically all of the logs became pulp.

Our goal is the complete utilization of the raw material. Saw logs are towed to one of the sawmills, where the portion suitable for lumber is sawed from the log. The other portion is converted to wood chips for pulp use. The four sawmills have complete waste wood recovery systems producing chips. The pulp mill produces pulp from low grade logs not suitable for sawing and from these sawmill waste-wood recovery chips.

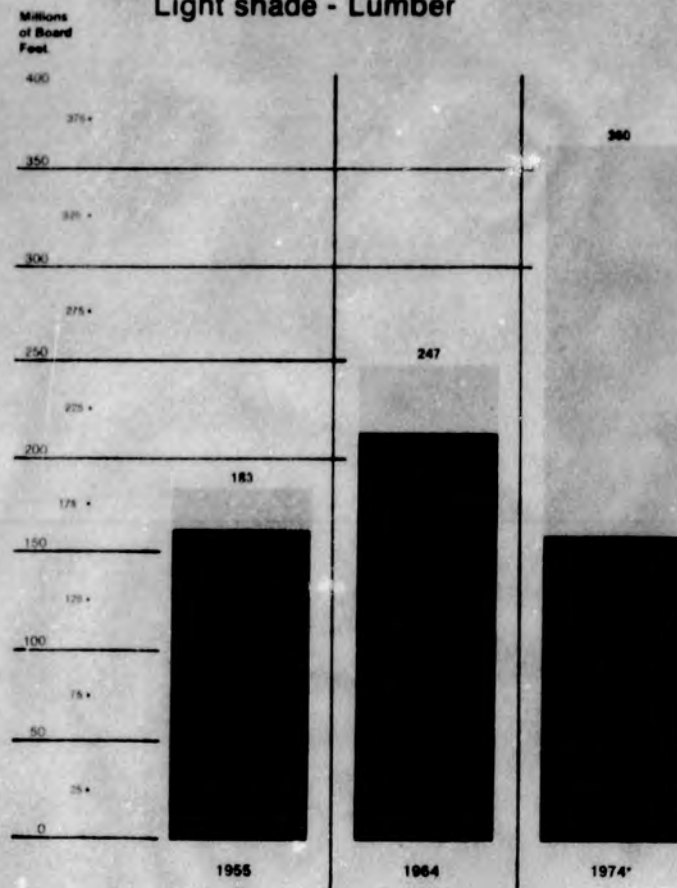
Bark waste and sawdust from the sawmills and pulp mill are utilized for fuel at Ward Cove. This is burned in two power boilers which produce steam for process heating and driving three turbine generators.

Ketchikan Pulp Company and its affiliated sawmills have been industry leaders in Alaska in working toward total utilization of our forest resources. Improved utilization conserves our vital forest resources and guarantees that every tree harvested will provide a full measure of prosperity for Alaska.

Graph shows utilization of whole log for
lumber and pulp.

Dark shade - Pulp

Light shade - Lumber



All Residuals Are Used As Fuel

All Sawmills Ship Their Hog Fuel To Ward Cove..

WE PROTECT THE LAND...

Trees are harvested today with tomorrow in mind. In close cooperation with the U.S. Forest Service a sound program of forest management includes the sustained yield principle. Full consideration is given to the multiple use concept including programs of water use, wildlife and fish conservation as well as recreational facilities.

Protection of all natural resources is planned. Road construction and timber harvest is designed for minimum impact on fish and wildlife habitats. When logging roads are no longer needed they are "put to bed." Bridges are removed and the drainage is returned to its original form. In some areas grass is planted to stabilize fragile soil.

Ketchikan Pulp Company cooperates fully with the U. S. Forest Service and other governmental agencies on environmental impacts. The Maybeso Experimental Forest at Hollis, and the program conducted by the Fisheries Research Institute of the University of Washington have studied forest regeneration and the effects of logging on salmon streams. Results show that the responsible logging operator can be beneficial to the spawning salmon.

AFTER WE LEAVE THE WOODS...

Early logging areas at Hollis and elsewhere in Southeastern Alaska show remarkable regrowth with strong indications that the second crop of timber will yield double the volume per acre of the present over-mature forest.

Southeastern Alaska is fortunate that nature has provided it with a remarkable natural seeding ability. The seeds of the Sitka spruce, western hemlock, western red cedar and Alaska yellow cedar are all light and are easily borne for long distances by frequent high winds. Annual rainfall of between 150 and 200 inches provides ample moisture so that each acre reseeds to its full potential. A new crop of trees is started and the visible effects of the harvest soon disappear. As this new forest takes over, it is protected from fire by the same abundant rainfall that encourages its rapid growth.



THORNE BAY...

Company logging operations started in 1953 at Hollis on Prince of Wales Island and were moved to Thorne Bay in 1962. Thorne Bay is the largest logging camp in the United States. Active logging is generally carried on during nine or ten months of the year, but most families stay year around.

The camp is a complete community with all modern conveniences such as lights, television, water, sewers, and streets. There are the customary bunkhouses and mess halls as well as houses for the 60 families who make Thorne Bay home. There is a store, restaurant, movie hall, snack bar, and employee-built church. The Thorne Bay school has all grades including a four year high school. Its basketball team competes with teams from comparable sized schools in Southeastern Alaska. Employees and their families actively participate in a Community Club, Garden Club, and an annual salmon derby.

Until summer 1974 all transportation to and from Thorne Bay has been by air or water. The camp is now connected by road to Craig, Klawock, and the Hollis ferry terminal.

WE START IN THE WOODS...

Before actual harvesting begins in the woods, Ketchikan Pulp Company's forestry and engineering department cruises the timber in the proposed logging site. The method of harvest is determined, and timber to be logged is laid out. After a camp is set up and roads are constructed, logging begins.

Logs are loaded upon trucks and hauled to the log dump where they are sorted and bundled. Quality logs are stored on the Thorne Bay dry deck for winter use. Other logs are placed into the water, made into bundle rafts, then towed to Ward Cove and other storage areas.

Approximately one-fourth of the log needs are supplied from the company logging camp at Thorne Bay. Additional logs are secured from logging contractors operating on the Company pulp sale and from independent timber sales acquired from the U.S. Forest Service.

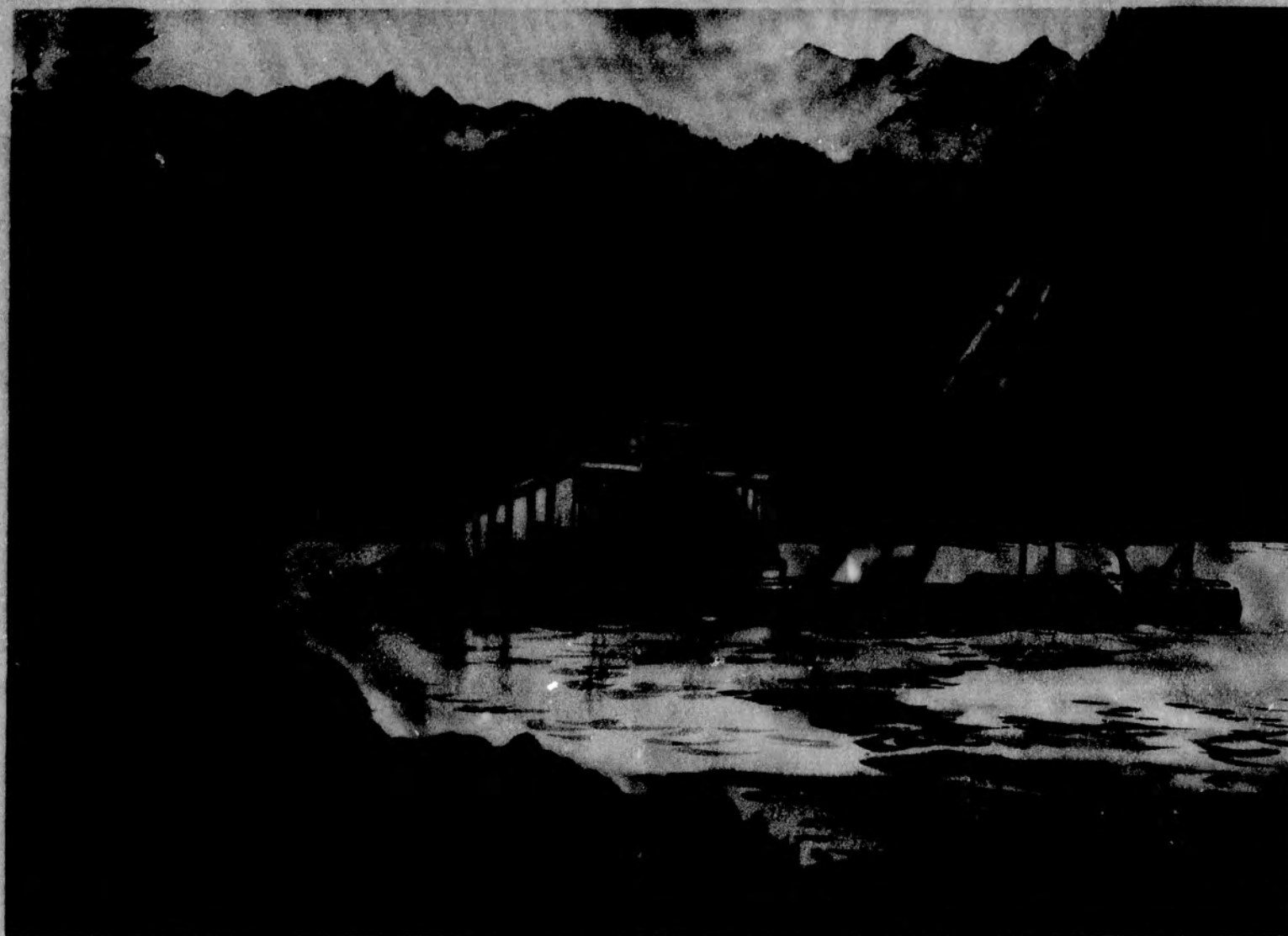
WE BUILD ROADS...

Road building is an expensive part of harvesting Alaska's timber. Over the past 20 years approximately 500 miles of road have been constructed on Prince of Wales Island for the harvest of timber. These roads have been built to Forest Service standards and many will provide a network of roads to be used by the Forest Service and the public for transportation, recreation, reforestation, and forest protection.

Newly inaugurated ferry service for Prince of Wales Island with the ferry CHILKAT provides the people of this vast island with their first road tie with Ketchikan and the Marine Highway. The Craig-Klawock-Hollis road is an extension of the company-constructed logging road system up the Harris River from the original Hollis logging site. Eventually the road systems of many logging camps will be tied into this transportation system.

With the annual timber harvest, road construction programs, a new airport and sawmill at Klawock, the new ferry terminal at Hollis and a whole new area of recreational possibilities, this is one of the fastest developing areas in Southeastern Alaska.

10.



wegian freighter *Risanger*, destined for Belgium, Holland, and Germany. Since then "Tongacell", the brand name for Ketchikan Pulp Company's pulp, has been shipped all over the world although 75 per cent goes to United States markets.

Ketchikan Pulp Company has *continuously* upgraded the manufacturing plant. Additional digesters were installed in 1957, 1964 and 1969. Additional recovery and acid manufacturing facilities were added in 1957 and 1966. In 1971 a new power plant generator was installed as well as a second woodroom. In 1973 \$6.35 million of environmental projects were completed including an elevated log deck and bundle handling crane. These improvements have resulted in increased production and better utilization of the raw material. The production surpassed the rated 525 tons per day in 1959 with the current mill capacity now at 650 tons per day.

To increase utilization of forest resources Ketchikan Pulp Company acquired Ketchikan Spruce Mills in 1967 and leased Annette Hemlock Mills at Metlakatla in 1971. The Company financed the construction of a sawmill at Klawock which is leased to an independent operator. In 1973 construction was completed on a sawmill as part of the new log deck and existing woodrooms at the Ward Cove plant. This is one of the few sawmills built into the woodroom of a pulp operation.

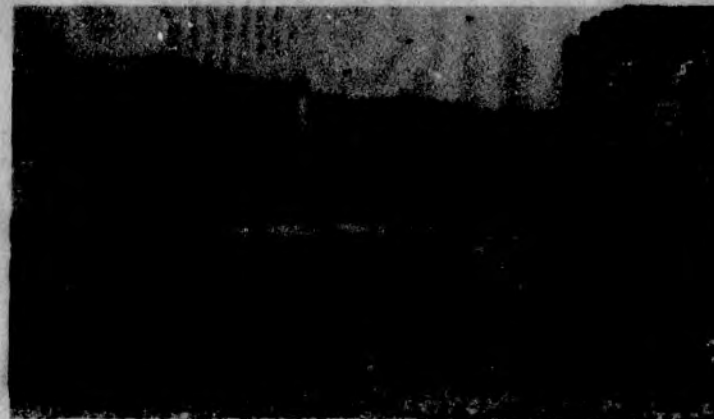
At present Ketchikan Pulp Company is jointly owned by FMC Corporation and Louisiana-Pacific Corporation. In 1963 American Viscose Corpora-

tion was purchased by FMC, and Puget Sound Pulp and Timber merged with Georgia-Pacific Corporation. On January 5, 1973 Georgia-Pacific's interest in Ketchikan Pulp Company was transferred to Louisiana-Pacific Corporation.

Today nearly 1200 people are directly employed by Ketchikan Pulp Company on a year round basis. Six hundred men and women are employed at Ward Cove while another 190 are at Ketchikan Spruce Mills, 150 at Annette Hemlock Mills and 250 at Thorne Bay. Another 750 independent loggers and construction workers supply logs and other needed services bringing the total to nearly 2000 jobs. Local spending for supplies and wages, largely spent in Ketchikan, amounts to over three million dollars a month.

9.

Chip silos, oil storage, woodroom, powerhouse, machine shop, and pulp press building nearing completion - Dec. 7, 1953.



George Beck, recalls, "The building of Ketchikan Pulp had an impact very much like that which the Trans-Alaska Pipeline is experiencing now."

To provide a fresh water supply a gigantic 85-foot high dam was built at the outlet of Lake Connell. A wooden stave pipeline five feet in diameter and three miles long was built to bring fresh water to Ward Cove. Because the water contains impurities such as dissolved organic matter, it was necessary to build a filter plant to filter and chemically treat the water before its use in the pulp making process.

Meanwhile on Prince of Wales Island at Hollis a logging camp was set up with operations beginning in July 1953. This logging camp, built near the site of an abandoned gold mining town, contained company-built homes, buildings for meetings and weekly moving pictures, a recreation hall and schoolhouse in which the first eight grades were taught. It was the largest logging operation in the Territory of Alaska. Today, Hollis is again a timbered area with second growth trees standing 30 to 40 feet high.

In May 1954 the first finished pulp rolled off the machine. Alaska's dream of a wood pulp industry had become a reality. At that time the completed mill, costing \$55 million, represented the largest single industrial investment ever made in the Territory of Alaska.

On July 14, 1954, a formal dedication was held. Industry dignitaries from New York, Philadelphia, the West Coast, and Tokyo came to see the world's most modern dissolving pulp mill in operation.



Powerhouse stack, machine shop, dock, pulp preparation building, pulp storage building and sulfur silos taking shape - May 21, 1953.

Among the honored guests who spoke at the ceremonies were Governor B. Frank Heintzleman, who as Regional Forester 10 years before, was instrumental in the inception of the mill, Alaska's Congressional Delegate E. L. Bartlett, and Chief U. S. Forester R. E. McArdle.

"We now see the establishment of a major enterprise which will provide year round employment, based upon a renewable natural resource offering a supply of raw material in perpetuity under proper scientific management," Governor Heintzleman stated in his dedication message.

In June 1954 the freighter *P & T Trader* lifted the first shipment of pulp which was destined for Buenos Aires, Argentina. The first shipment to Europe was made in September 1954 on the Nor-



Excavation, clearing, and construction office building at Ward Cove - July 22, 1952.

cient depth to accommodate barges and ocean-going vessels and was adequately sheltered for log storage and handling.

Preliminary engineering work was begun on the mill, power and water sites. W.A. Bates, president of the Miners and Merchants Bank in Ketchikan, was given the tremendous task of putting the proposed mill site under option. About 90 owners were involved, many of whom were deceased, thus requiring negotiations with numerous heirs all over the United States. It took Bates nearly three years to complete title searches, obtain options and close purchase transactions and it required him to travel to places such as Moss Landing, California, Fairbanks, Alaska, and Scranton, Pennsylvania.

In the meantime keen interest was shown in a

new magnesium oxide process being developed to make pulp. Through the use of magnesium oxide as a cooking acid base, a mill could operate as a closed system in which the chemicals used in cooking acid would be recovered and reused.

By April 1952 the process proved efficient and economical, so Ketchikan Pulp Company awarded a \$46 million construction contract to Ward Cove Builders, formed jointly by Howard S. Wright Company and Guy F. Atkinson Company. Harold Cavin, Puget Sound Pulp and Timber Company, was in charge of engineering and design of the mill, one of the first in the world built for the magnesium oxide process.

Thousands of tons of heavy equipment and materials were shipped to Prince Rupert, British Columbia by rail from the eastern United States and ferried on 6 and 12-car barges to Ward Cove.

At Ward Cove there was a flurry of activity. Countless bargeloads of building materials were unloaded and gigantic construction equipment moved in. Actual construction started on May 19, 1952 when clearing for the office building began. Then on June 1 ground was broken for the mill itself.

The construction of the mill had a tremendous impact on the city of Ketchikan. The builders hired as many local workers and contractors as possible. In addition, literally thousands of experts in all areas of construction were brought in, all requiring housing, utilities, and community services. The then mayor and still current resident of Ketchikan,

prepare maps and reports to be used as the basis for another sale of timber. This timber was located mainly on Prince of Wales Island, the largest of the cluster of islands making up the Alexander Archipelago in Southeastern Alaska.

During 1945 discussions were held between Heintzleman and Fred Stevenot and Lawson Turcotte of Puget Sound Pulp and Timber Company of Bellingham, Washington. Harold Cavin, chief engineer, John P. Van Orsdel, consulting forester, and Wm. D. Shannon, consulting hydroelectric engineer were sent to Ketchikan. They submitted favorable reports on the feasibility of a dissolving pulp mill at Ketchikan. Dissolving pulp is a special grade of chemical pulp for use in the manufacture of rayon and cellophane products.

This study emphasized the heavy financial requirements of the undertaking, and the importance of an assured market for a major part of the plant's output.

In 1948 American Viscose Corporation, a pioneer United States manufacturer of rayon and cellophane, sent a committee to investigate a proposal of Puget Sound Pulp and Timber Company to build a pulp mill in Alaska. As a result of the visit, the two companies formed Ketchikan Pulp Company as a joint venture.

Officers of this new company were chairman of the board, Dr. Frank H. Reichel, president of American Viscose Corporation; president, Lawson P. Turcotte, president of the Puget Sound Pulp and Timber Company, vice-president and treasurer,

William H. Brown, secretary-treasurer of American Viscose Corporation; vice-president and secretary, Robert H. Evans, general counsel of Puget Sound Pulp and Timber Company. Other directors were Henry H. Bitler and John G. Jackson of American Viscose Corporation and Erik T. Ekholm and Fred G. Stevenot of Puget Sound Pulp and Timber Company.

It took three years of preparations before the final timber purchase agreement between Ketchikan Pulp Company and the United States Forest Service was completed on July 26, 1951, on a timber tract previously bid at public auction. The agreement, still in effect, calls for a 50 year, sustained yield, timber harvesting schedule. Ketchikan Pulp has consistently harvested less timber than allowed annually under this agreement.

The decision was made to establish a high grade dissolving pulp mill of 300 tons daily capacity with a proposed increase to 525. This inaugurated a new enterprise to make constructive use of the vast timber resources of the Territory.

The mill site selected is seven miles north of Ketchikan at Ward Cove, a small cove where Russian traders anchored before Alaska was purchased by the United States. In the 1880s when the cove was surveyed by the U.S.S. *Patterson*, it was named for one of the officers on the ship. Later the area was known as Wacker, Alaska, named for the family who owned much of the area.

Here was suitable terrain for the construction of a pulp mill and wharf. The adjacent waters had suffi-

KETCHIKAN PULP COMPANY

...Our First 20 Years

Ketchikan Pulp Company was the dream of many men; men who were deeply interested in encouraging and bringing about a steady industrial development of Alaska; men who recognized that any such project was a pioneer undertaking involving long-term investment accompanied by unusual risks; men who were willing to take the risk of unknown conditions that might be encountered at an isolated site a great distance from markets.

Interest in Alaska pulp opportunities extends back as far as 1910. The Territory needed a stable economic base to supplement the highly seasonal and fluctuating fisheries industry. Virgin growth stands of spruce and hemlock interspersed with cedar offered limitless raw materials and covered all of the countless islands of Southeastern Alaska.

Some of this timber had been utilized. Over the years a number of small sawmills had operated in Southeastern Alaska. Many mining camps were cutting their own lumber, and when the camps were abandoned so were the sawmills. The need for lumber increased as the fishing industry developed and towns began to grow, but little more than lumber for homes and shops was ever produced.

Among those instrumental in encouraging interest in timber as a raw material for pulp was the United States Forest Service. As an incentive,

timber sales were offered in 1913 and 1917, but these attempts were unsuccessful. A small paper pulp mill was built in the early 1920s by Alaska Pulp and Paper Company at Speel River, 30 miles south of Juneau. This mill produced about 15 tons per day of ground wood pulp. Unsatisfactory prices for low grade pulp and a lack of market forced its operators to close in 1923.

During the late 1920s several paper companies investigated the possibilities of establishing processing plants. Two timber sales were advertised and conditionally awarded, but the Great Depression and conditions through World War II discouraged any real interest.

In June 1944 Regional Forester B. Frank Heintzleman had C.W. Archbold, Supervisor of the Southern Division, set up timber cruising parties to

5.

KP 10 Floating construction camp for construction workers at Ward Cove - June 30, 1952.



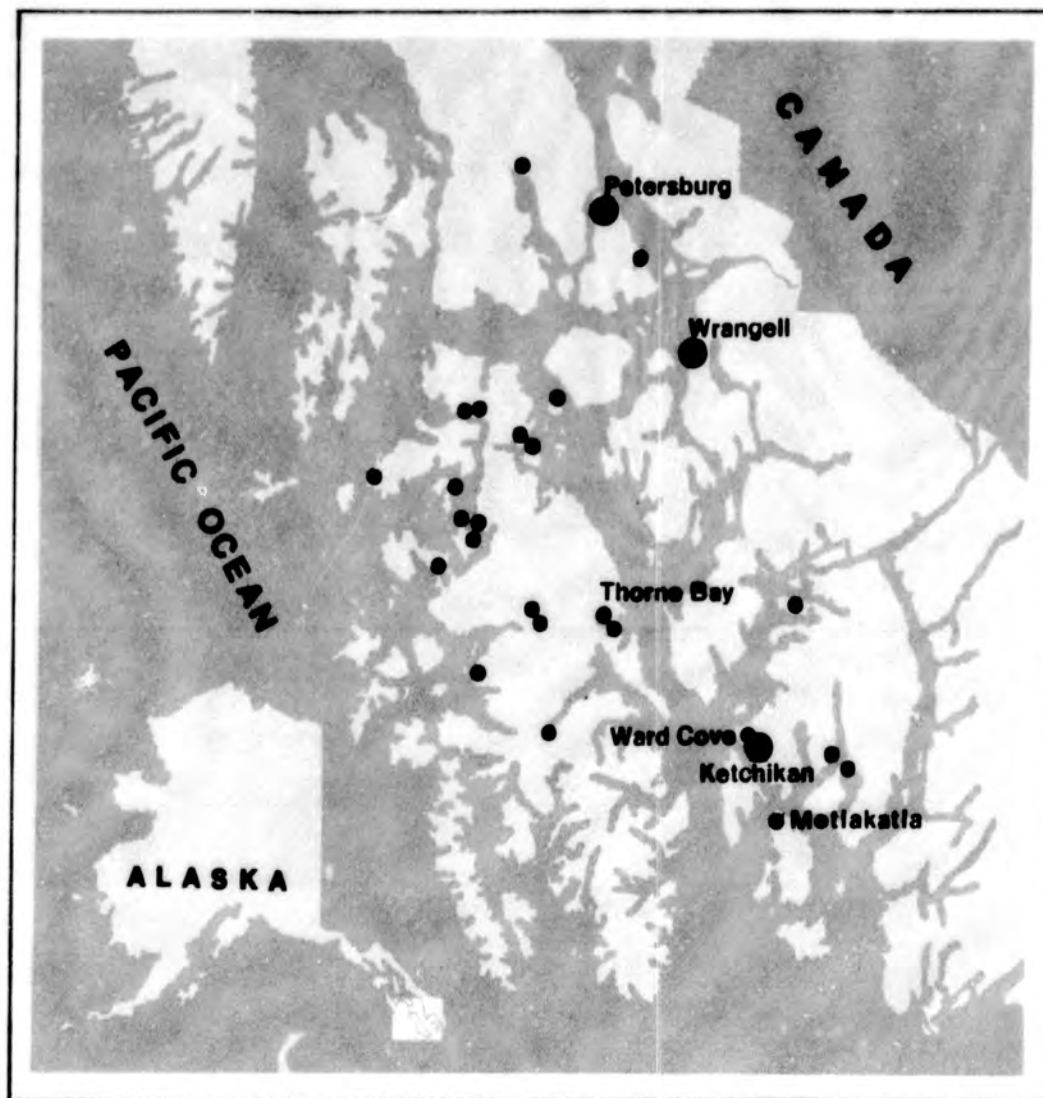
OUR GREAT LAND

The forested mountains and valleys of the Tongass National Forest in Southeastern Alaska are the source of raw material for the dissolving pulp and lumber produced by Ketchikan Pulp Company.

A long-term timber sale, previously bid at public auction, provides eight and one quarter billion board feet of timber on approximately 786,000 acres of Tongass National Forest to be harvested over a fifty year period.

This timber is located on the northern half of Prince of Wales Island and a portion of Revillagigedo Island. Western hemlock, Sitka spruce interspersed with western red cedar and Alaska yellow cedar grow in dense wind and rainswept forests.

A pulp mill and sawmill are located at Ward Cove, seven and one half miles north of Ketchikan. Affiliated sawmills are at Ketchikan, Metlakatla, and Klawock. Logging camps are located throughout the richly forested area.



• Ketchikan Pulp Company Logging Operations.