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4779

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: SB 479
 Title: Forest Products Business Loan
Guarantee
 Sponsor: Kerttula
 Requestor: Senate Labor & Commerce
 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: Robert O. Healy
 Agency: Revenue

Phone: 465-2350
 Date: 2-23-84
 Date: 2/29/84

Distribution (by Agency preparing fiscal note):

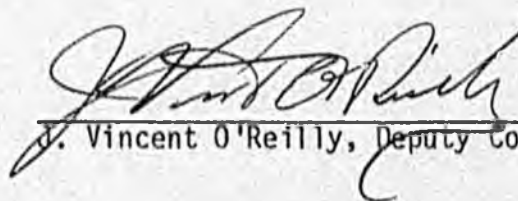
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

TESTIMONY CONCERNING SB 479
SENATE LABOR AND COMMERCE COMMITTEE
MARCH 1, 1984

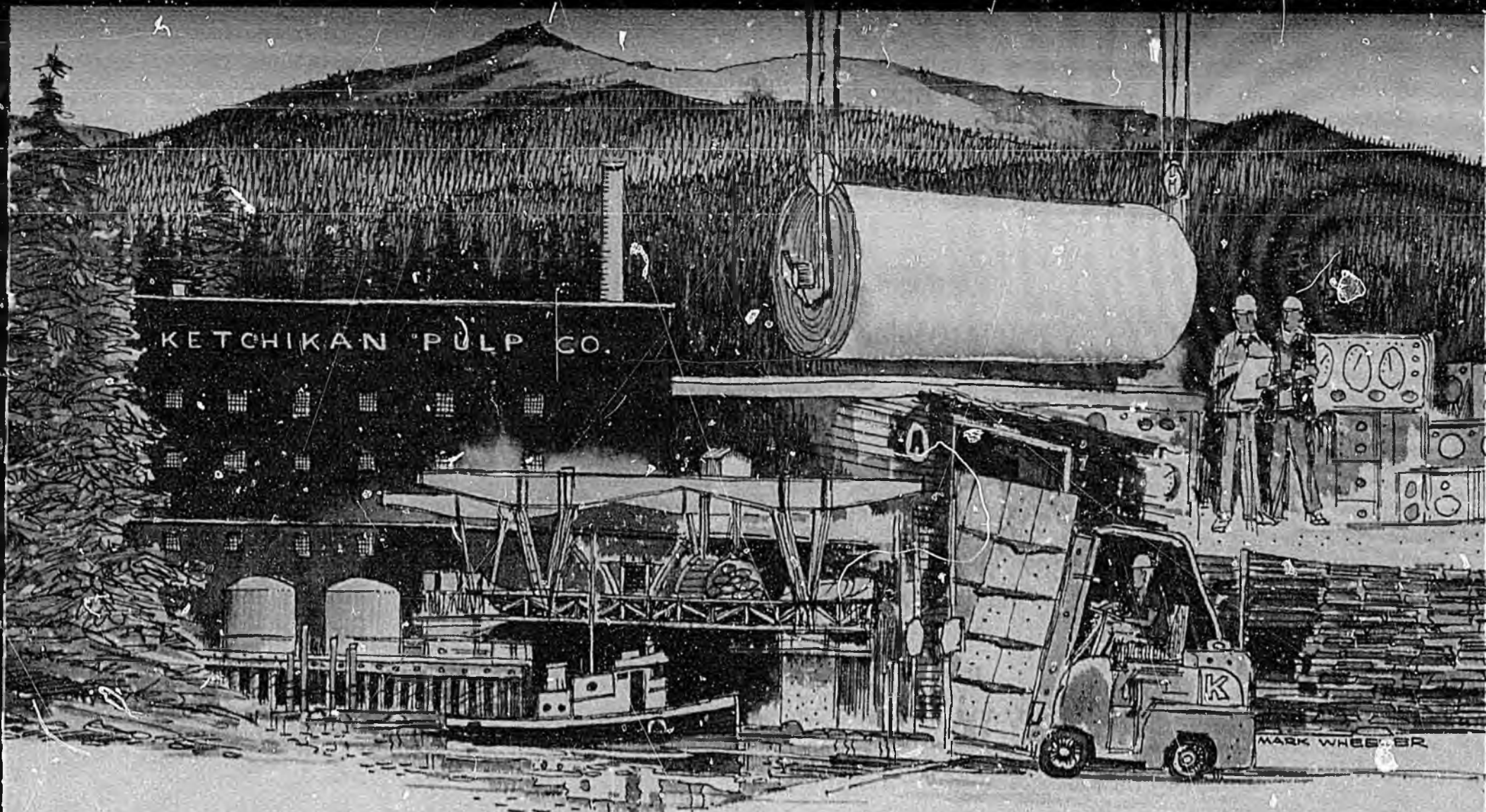
SB 479: "An Act relating to a forest products business loan guarantee program; and providing for an effective date."

- I. We share with you the deep concern over the grave situation facing all aspects of the Southeast timber industry. We are aware the larger mills must operate in order for the economics of the small operators to function. We have evidenced our concern by:
 - A. Meeting with involved parties and participating in their presentations.
 - B. Meeting with other departments and agencies of the State attempting to arrive at mutually agreeable and reasonable environmental controls.
 - C. Causing to be performed overview studies focused on the Southeast timber situation. More studies and solution alternatives will be offered.
- II. Our view on this bill is that it offers a solution, but it may not be aimed at the right problems.
 - A. The problems of the larger mills' operation appear to be:
 1. Markets for their product both as to volume price and stability.
 2. Raw material supply.
 3. Environmental and operating regulations.
 4. Labor costs and efficiency.
- III. This bill offers a means of transfer of ownership, but that may be only a transfer of the problems from one group to another.

Our view is that the State's assets should be used to solve economic problems to the benefit of our citizens. But before we put our citizens and the State more at risk by freezing staff assets in a guarantee, we should perhaps assist in applying the State's assets in solving the major problems.



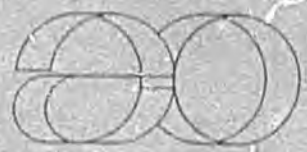
Vincent O'Reilly, Deputy Commissioner



MARK WEBBER

KETCHIKAN PULP COMPANY

... Our First 20 Years



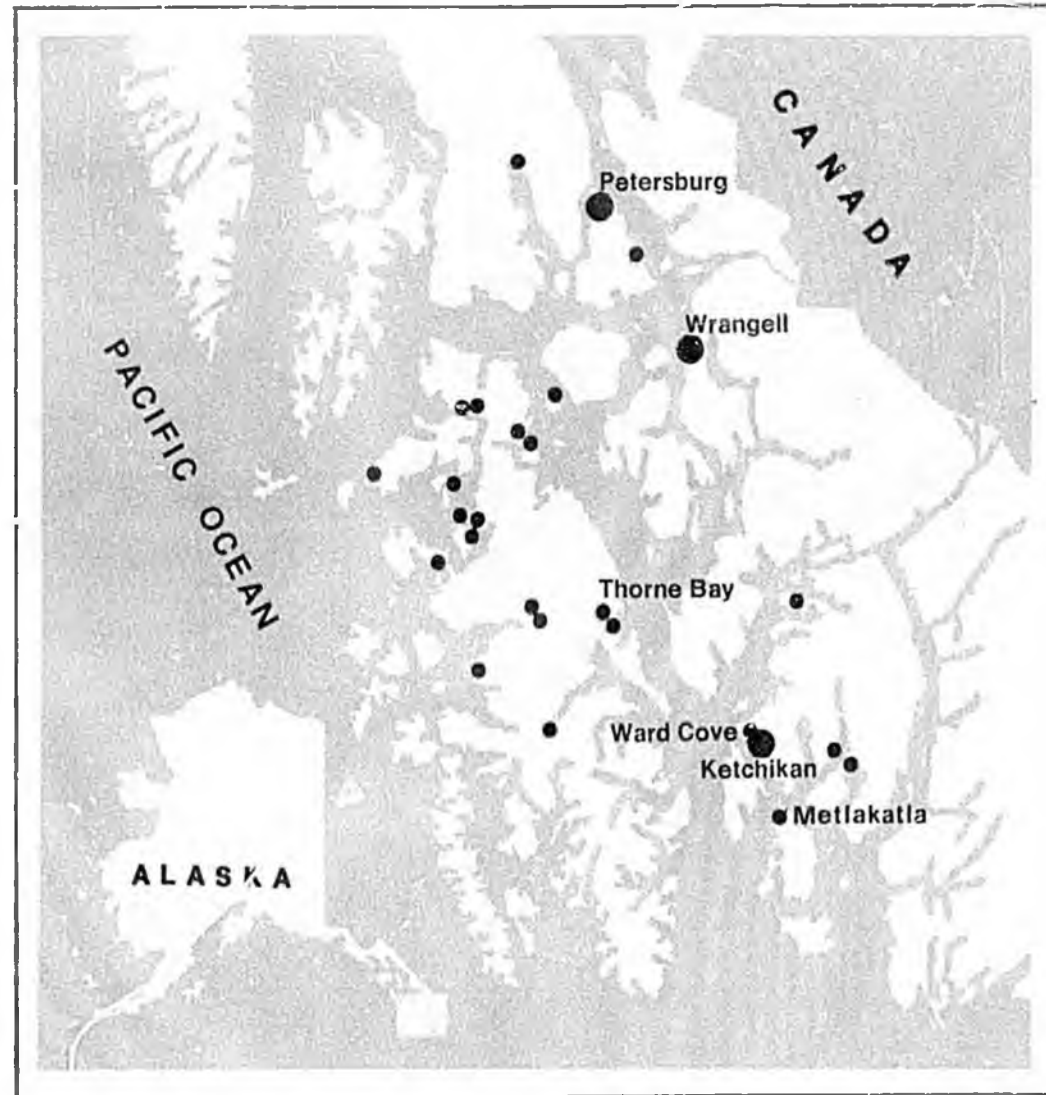
OUR GREAT LAND

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

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

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



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 Heintzlerman and Fred Stevenot and Lawson P. Turcotte of Puget Sound Pulp and Timber Company, Bellingham, Washington. Harold Cavin, engineer, John P. Van Orsdel, consulting engineer, 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-



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,

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-

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 Metlakalla 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-

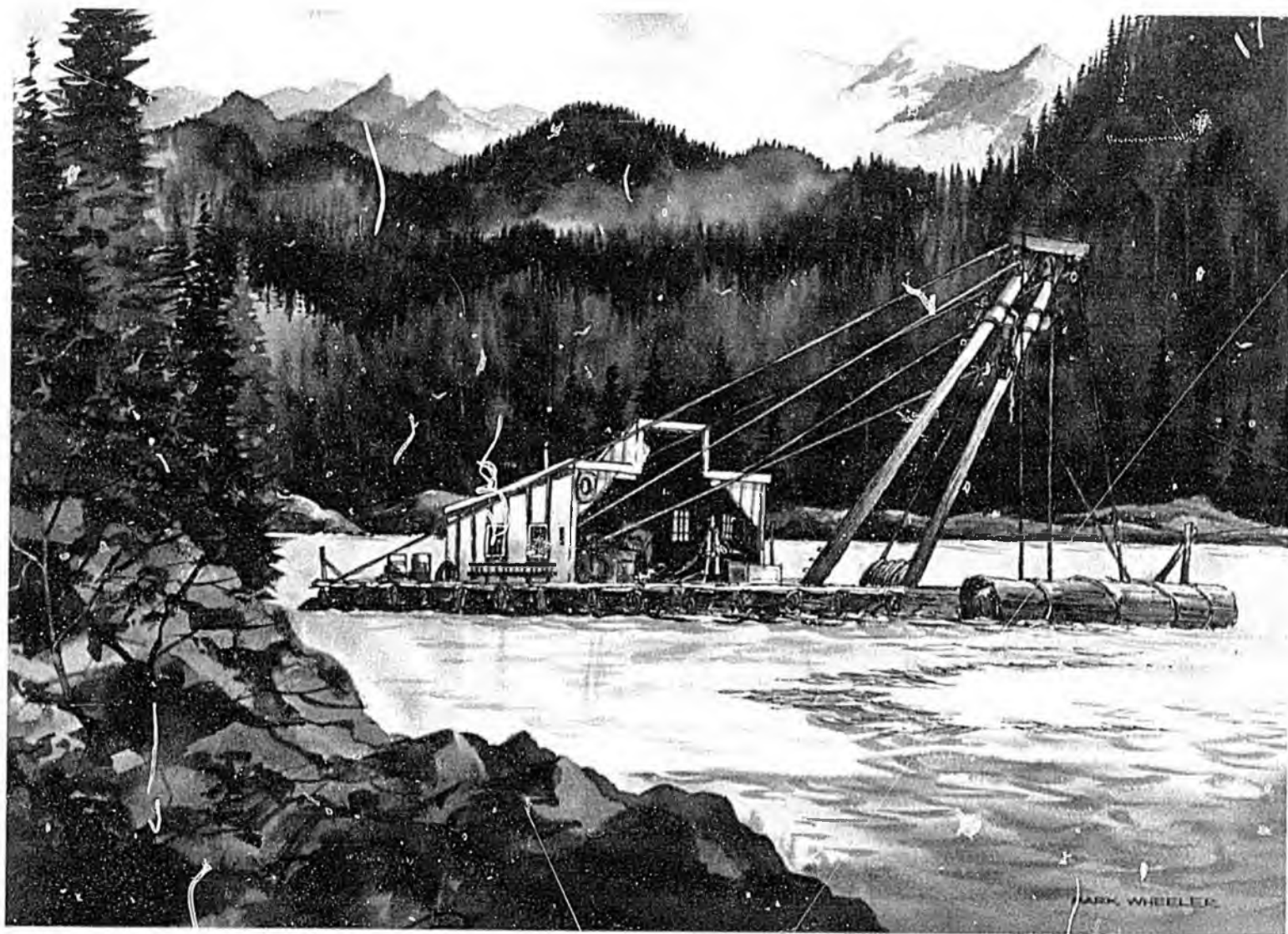
tion was purchased by FMC, and Puget Sound Pulp and Timber merged with Georgia-Pacific Corporation. On January 5, 1973 Georgia-Pacific's interest in Ketchikan Pulp Company was transferred to Louisiana-Pacific Corporation.

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





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.



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 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.

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.

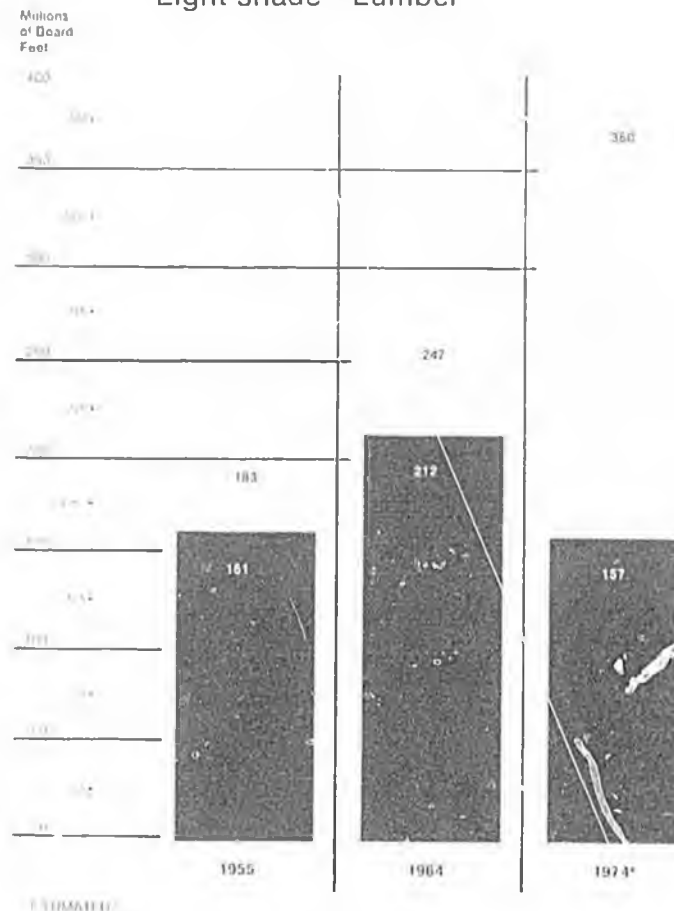
Our goal is the complete utilization of the raw material. Saw logs are towed to one of the sawmills, where the portion suitable for lumber is sawed from the log. The other portion is converted to wood chips for pulp use. The four sawmills have complete waste wood recovery systems producing chips. The 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 sawmill's 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

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.

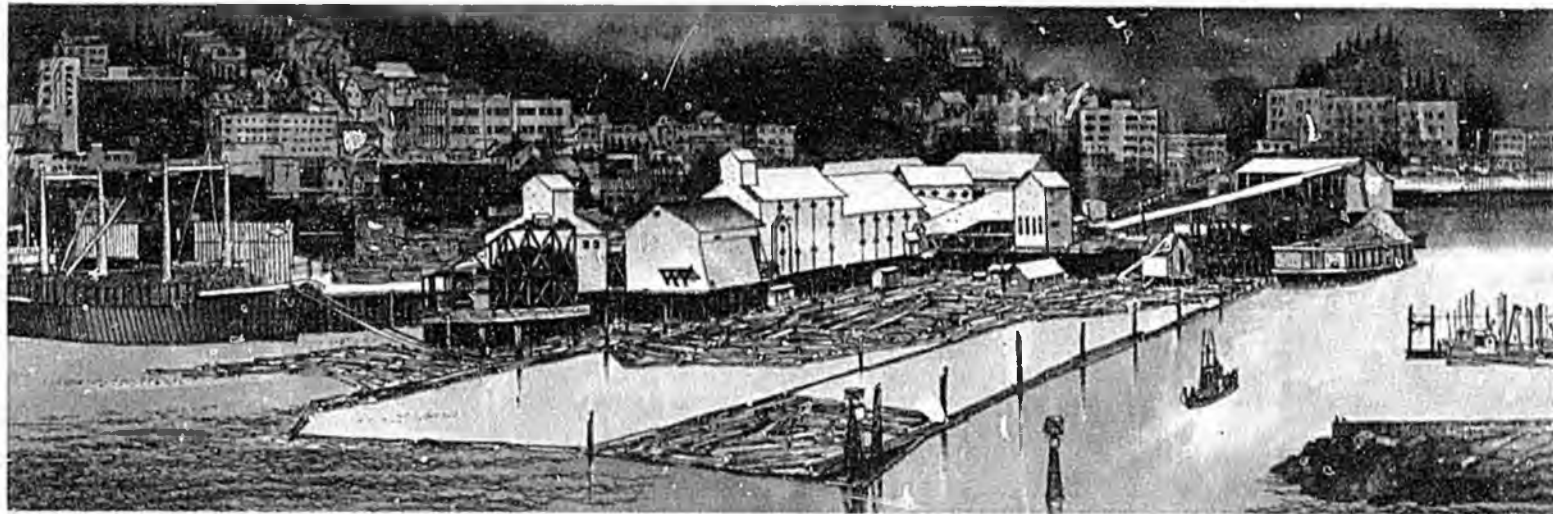
Today the lumber Ketchikan Spruce Mills produce for Japanese, Pacific Northwest and local markets is used for helicopter blades, piano and organ sounding boards, guitar stock, scaffold planks, quality ladders, masts and spars, internal

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.

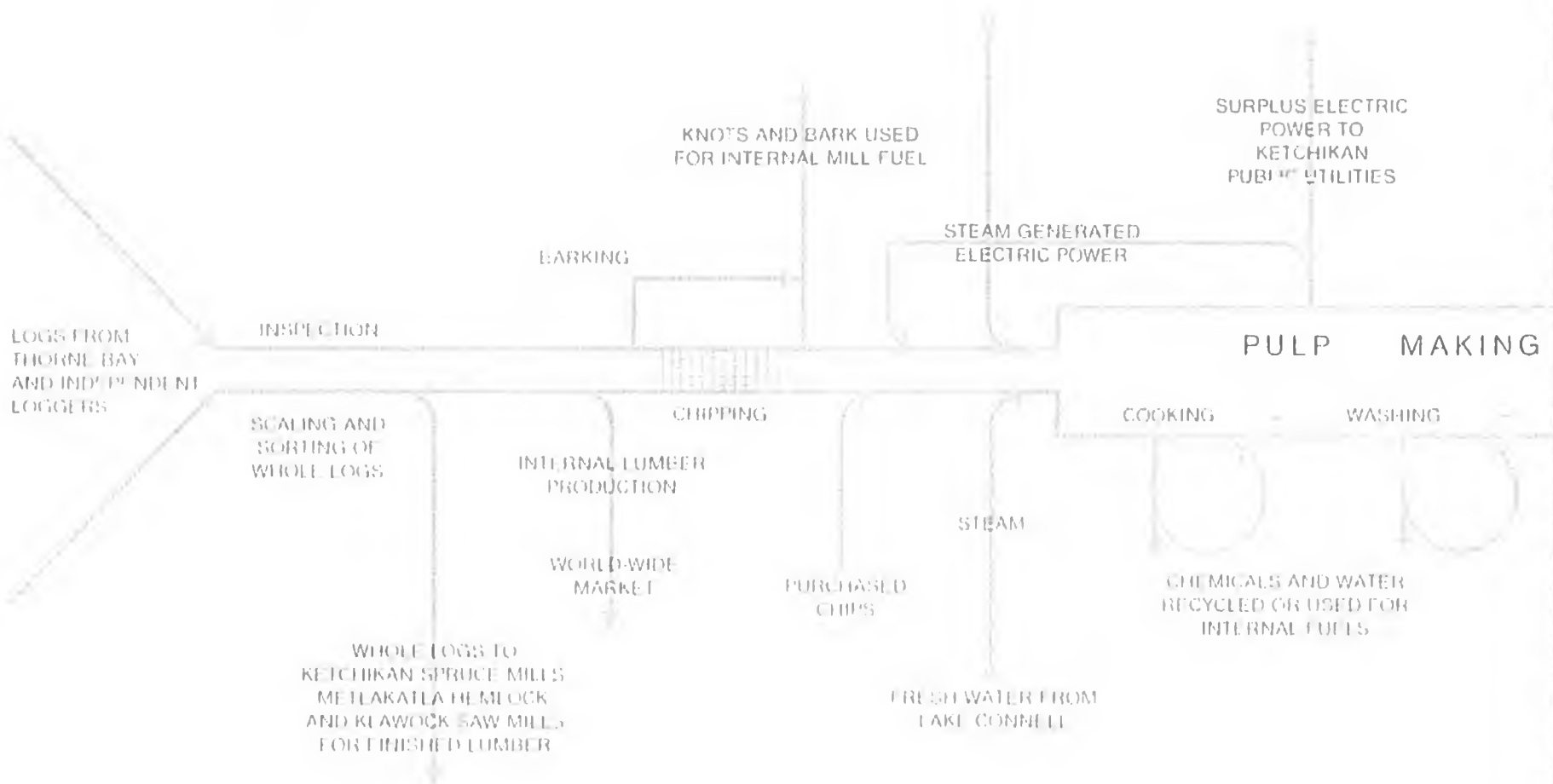
Ketchikan Spruce Mills acquired by Ketchikan Pulp Company in 1967 to produce lumber for domestic and export markets.



HOW 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.

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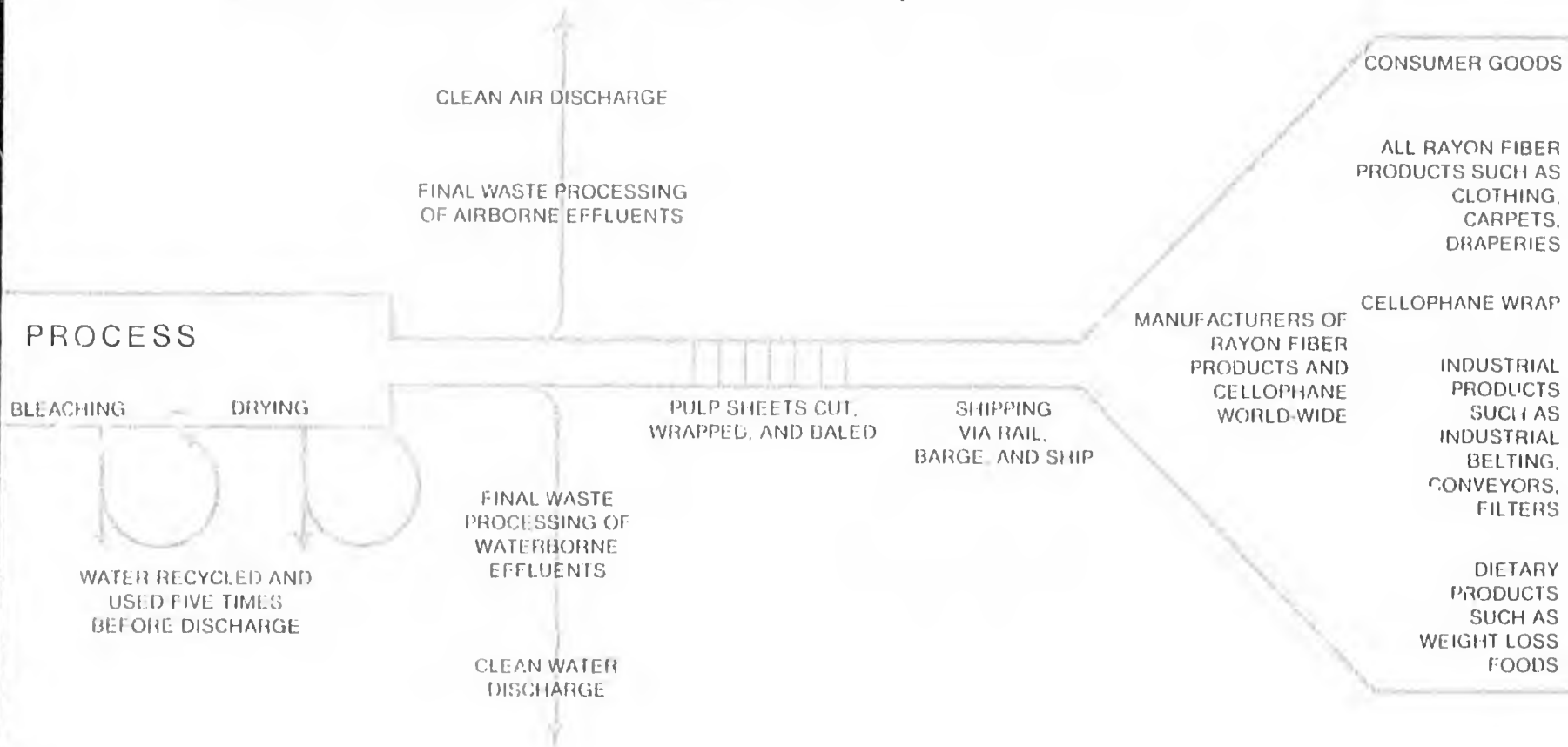
CONSUMER PRODUCTS...

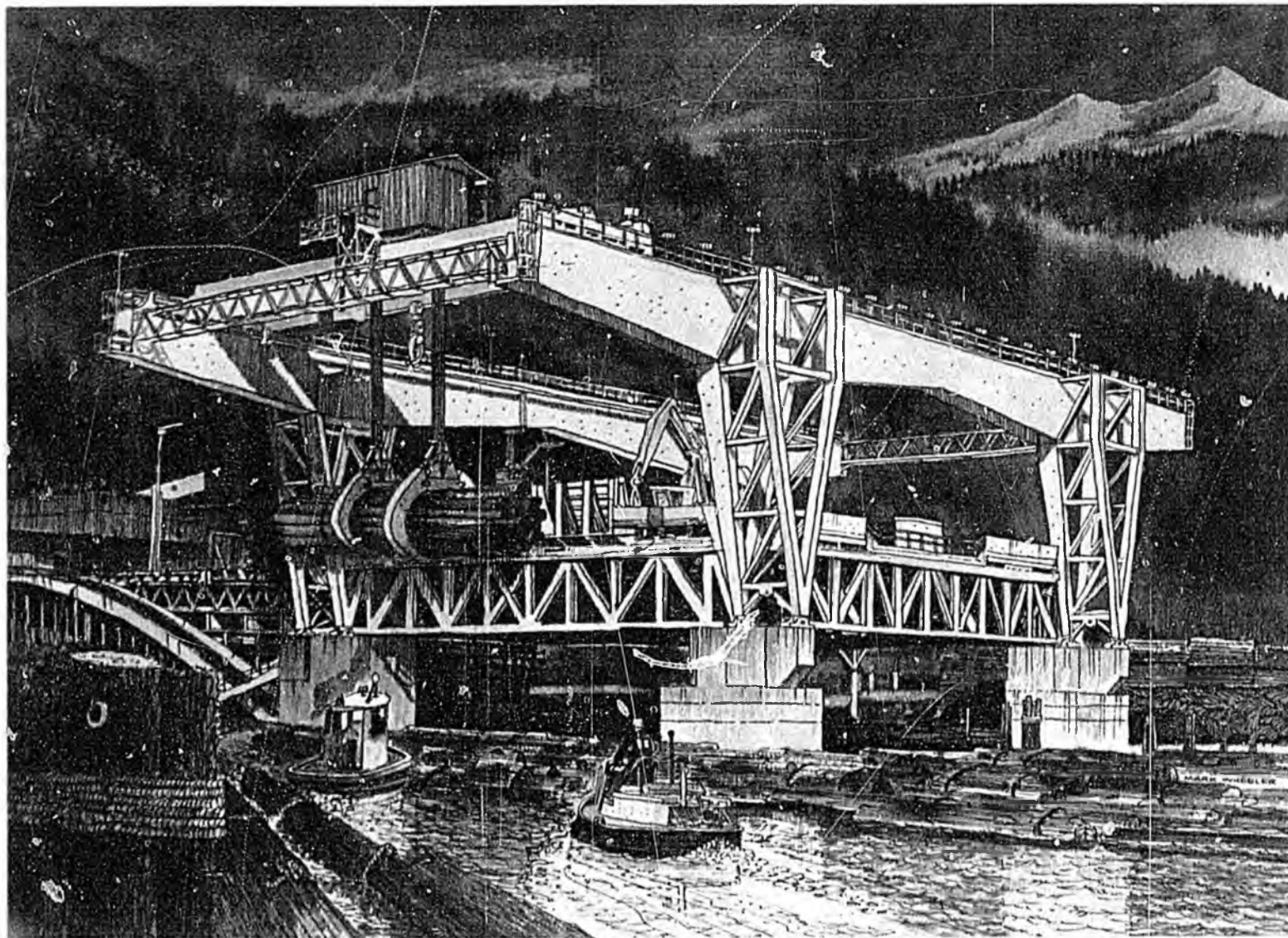
"Tongacell" high quality dissolving pulp is the raw material used for the manufacture of rayon and cellophane. Rayon is manufactured into woven and non-woven fabrics for apparel, draperies, and upholstery. Other non-woven items include disposable diapers and such disposable medical supplies as masks, 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.





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.

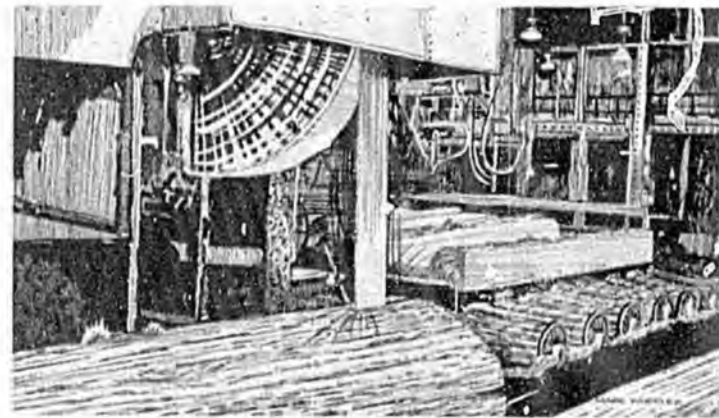
BARKING...

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 the 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.

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

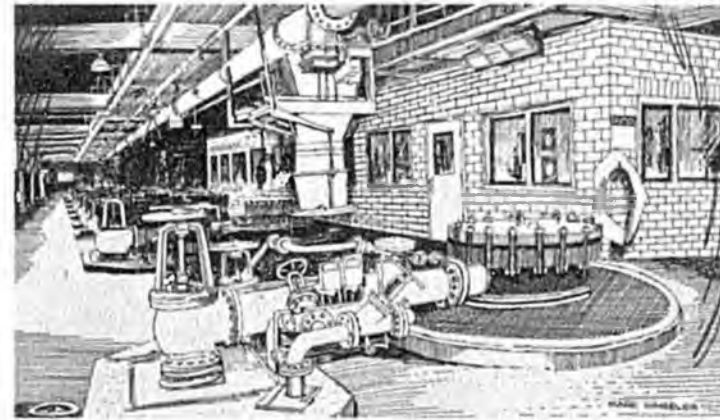
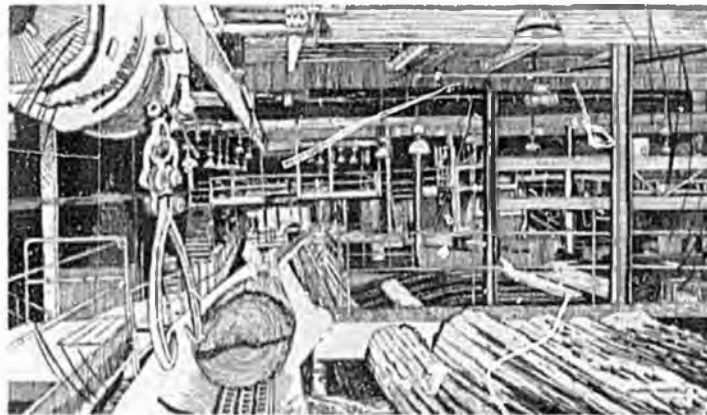


CHIPPING...

Debarked logs not suitable for lumber enter the whole log chipper. Here an average 20 foot log is reduced to 3/4 inch chips in approximately twelve seconds. A belt conveyor moves the chips to silos for storage. Size uniformity is assured by chip screens while fines and sawdust are conveyed to the power house to be used as fuel. Chips made at sawmills are shipped to the pulp mill in barges. These are unloaded by a d'ock crane and blown by a pneumatic conveying system to the storage silos.

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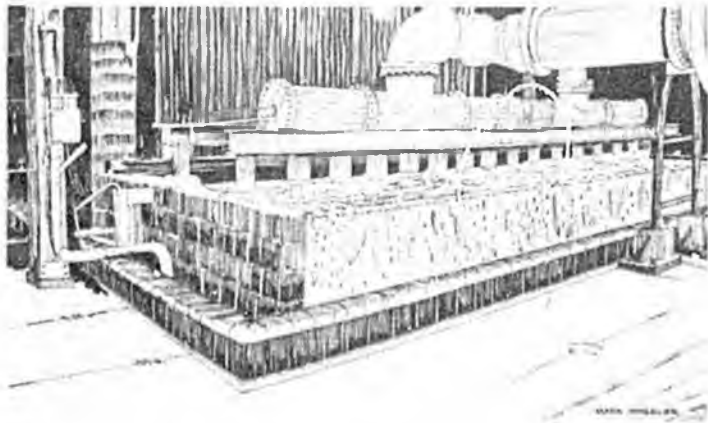
The logs enter woodroom no. 1 through the barker and are either reduced to chips or are conveyed to bandsaw and edger for lumber manufacture.



Chips enter the top of these nine digesters where they are cooked in batches for 5 hours and reduced to pulp.

MAKING PULP...

Wood chips must be dissolved to obtain the individual cellulose fibers. This is done by cooking the chips with steam and chemicals to release the fibers from the lignin or natural binder. There are nine digesters. Each is 53 feet high and 17 feet in diameter. The digester is filled with 110 tons of chips and 55,000 gallons of cooking liquor. The digester is sealed, the temperature rises to 300 degrees F. under a pressure of 120# per square inch for five hours. The pressure is then reduced and the cooked chips are dumped into a large tank.



Sulfur gases from the sulfur burner are cooled by water in the first stage of the acid making process.

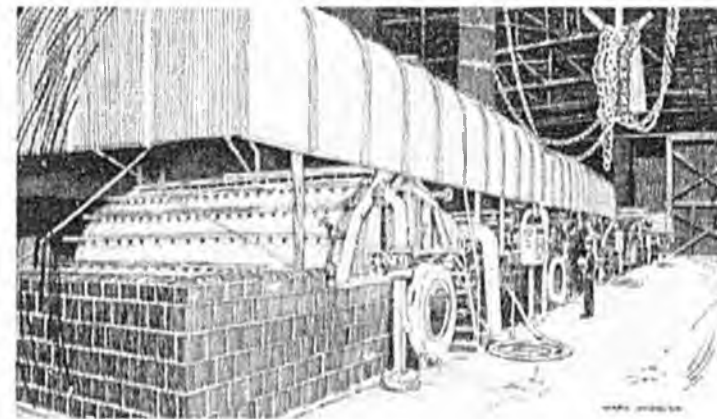
RECOVERING COOKING LIQUOR...

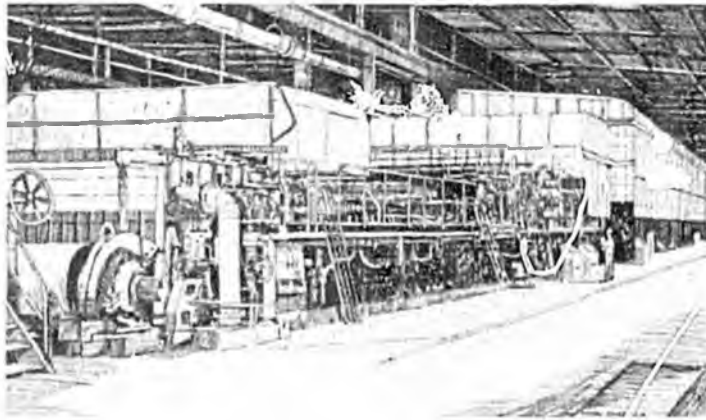
The cooking acid is first washed out of the pulp and then concentrated by evaporation. This spent acid or "red liquor" contains the basic chemicals, magnesium and sulfur, plus the lignins from the wood. After evaporation the red liquor is used as fuel in recovery furnaces. The combustion is self-supporting, and resultant fly-ash and flue gas contains magnesium oxide and sulfur dioxide which are again utilized in the preparation of cooking acid. Sixty per cent of mill power comes from the recovery furnaces.

PROCESSING THE PULP...

The next phase in the preparation of pulp is to remove uncooked knots and wood chunks. Smaller particles of wood, bark and dirt not removed by the deknottling operation are separated out by screens which rotate and vibrate simultaneously. Then the pulp is washed. After this the pulp is ready for bleaching. The continuous bleaching process takes five hours and is done in six stages using varying quantities of chlorine, caustic, and bleach liquor according to the grade of pulp being produced.

Cooked raw pulp passes through a series of washers where spent chemicals are removed and the pulp is bleached in six stages, prior to drying.





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

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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.



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.

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.

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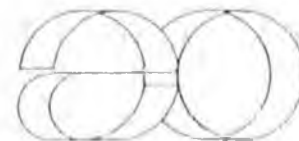
CHALLENGES AND OPPORTUNITIES...

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.

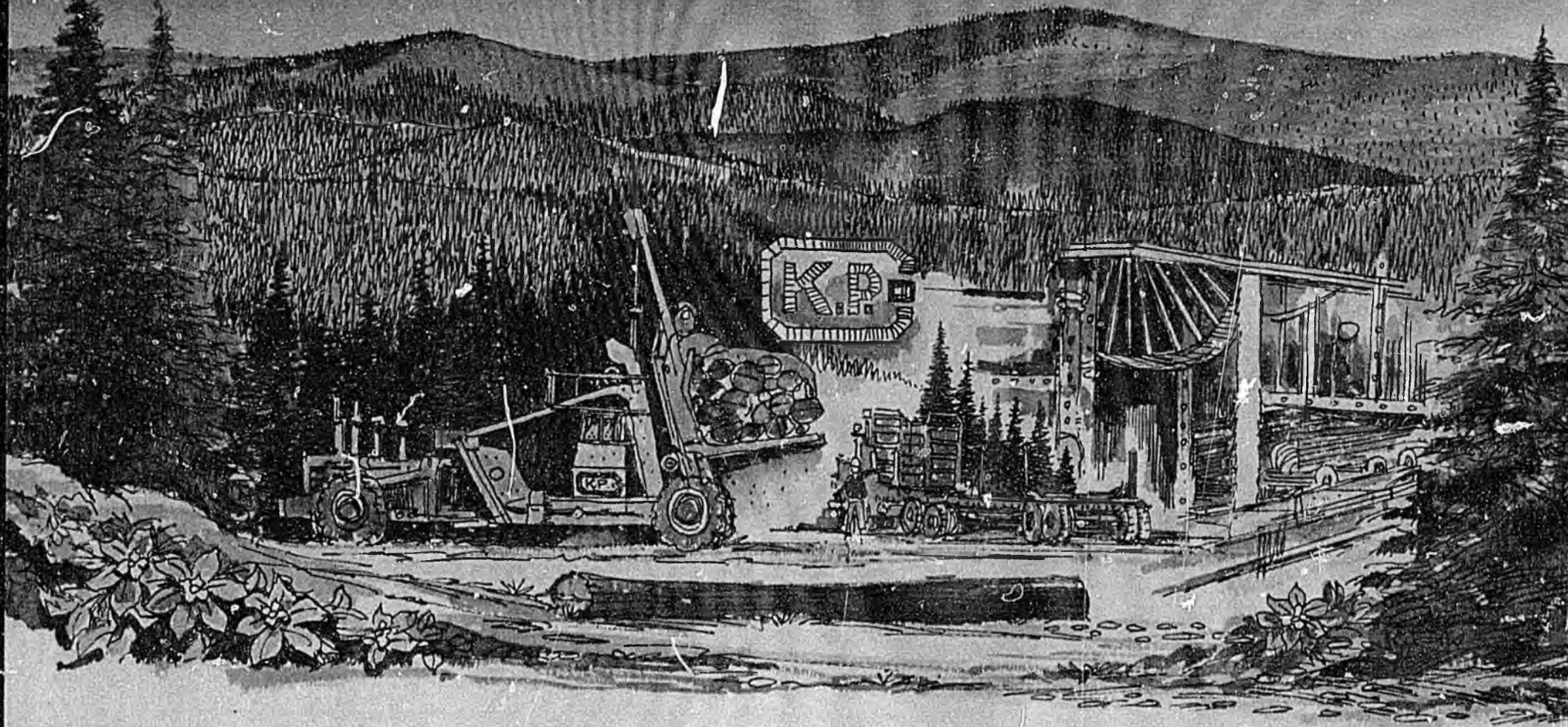
Efficient utilization for the best use of the raw material will continue to be developed thru advancing expertise, knowledge and past experience. Experiments have only begun on the practicability of balloon and helicopter logging in Southeastern Alaska. These methods will have a minimal impact on the 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 Wiese — Ketchikan, Alaska

Lithography at U.S.A. IV Offset Printing Co. — Bellingham, Washington



KETCHIKAN PULP COMPANY

KETCHIKAN, ALASKA 99901

had from the early 1800s plus an antique baby carriage and cradle.

There are full sets of antique dishes, old fur coats and several choices of art nouveau light fixtures. In addition to the antiques, there are handmade dolls from Petersburg and soapstone

que tail coats and Victorian vests available. A full tuxedo set can be bought for about \$150 while the tail coats range from \$125 to \$300.

"We have the only tuxes in town," said Bradner. "There are places where they can be rented but they have to be ordered from Seattle, which

can cost \$75 or so plus shipping."

In addition to antiques, Snowgoose offers a limited amount of antique furniture refinishing and re-upholstering. Also Bradner offers design consulting for restoring older homes or adding a

historic touch to an office. She can order "architectural antiques" such as antique doorknobs, sinks, bathtubs and lighting fixtures and has the resources to find matching items for older motifs.

The three biggest issuers of Government National Mortgage federal agency whose bonds at U.S. government; the Federal (Freddie Mac), and the Federal (Fannie Mae), which are based on full federal backing.

Ginnie Mae bonds, enjoyir safety, pay a commensurately Fannie Mae securities. For as GNMA mutual fund or unit trust managers and brokerage firms.

Freddie Mac securities, issued available in smaller units through Valley Forge, Pa., and Federal Fannie Mae issues its own characteristics similar to Freddie Mac, cost \$25,000 and up.

Monthly cash flows and his biggest drawing cards for most they can also be the biggest draw.

That's because mortgages payments can vary, there's no way your monthly check will be. Prudent return of the principal you

On the plus side, if interest money at the higher rate. On the long-term, high-yield investment could turn out to be short-lived.

The bad news would be premium for the security. Because you'd take a capital loss. And calculated on the basis of 12-year you bargained for.

Sealaska Corp. objects to LPK loan guarantee plan

By KIRK McALLISTER
The Juneau Empire

Sealaska Corp., in a letter to Gov. Bill Sheffield, has objected to proposed legislation that would establish a timber industry loan guarantee program which could help the Louisiana Pacific Ketchikan mill sell its operation to an employees group.

The proposed involvement of the state in guaranteeing loans for the Employee Stock Ownership Trust raises some "fundamental philosophical public policy questions," said Byron I. Mallott, president and chief executive officer of Sealaska in a letter to Sheffield. If such a state program is established, it should benefit the entire timber industry not just the LPK mill, he said.

Companion bills (CSSB 479 & CSHB 627) sponsored by Ketchikan Democrats Sen. Bob Ziegler and Reps. Ron Wendte and Jack McBride, would establish the forest products business loan guarantee fund in the Department of Revenue.

The department could use money in the in the fund to guarantee a loan for purchase of 35 percent or more of the stock or assets of a forest products business.

"Whenever government becomes involved in specifically underwriting a single or limited portion of an industry, it can unknowingly affect the competitive balance in that industry in some largely unforeseen ways," said Mallott's letter.

Mallott said that times are tough for everyone in the timber industry right now including Native corporations and Alaska Lumber and Pulp Co. Just about any company involved in the timber industry in Alaska could use some help from the state and by only helping LPK, government is only scratching the surface of problems in the ailing industry, he said.

If the legislation to help LPK is the beginning of a comprehensive state program to support the entire timber industry then Sealaska could support it but if it is only going to be a loan guarantee for a single company then he questions if the move was good public policy, Mallott wrote.

Vince O'Reilly, deputy commissioner of the Department of Commerce and Economic Development said that the department would like have a comprehensive program to aid the timber industry in marketing, environmental concerns, dealing with federal agencies and other non-monetary ways.

"I agree with Mallott that we can't band-aid it," O'Reilly said. "This law could help Alaskanize the timber industry and if successful, it could be applied to other industries."

However, Rep. Jack McBride, D-Ketchikan, said that although Mallott brought up some good points in his letter to Sheffield, Sealaska was being "short-sighted" in its opposition to the loan guarantee bill. There are large numbers of corporation

shareholders who work at the mill or belong to the longshoreman's union that supplies the mill, McBride said.

Because the sale of the mill is to a group of employees, the debt service for financing the transaction is paid out of operating expenses not profits so less taxes will have to be paid, said McBride. This makes the loan and the ultimate success of the mill more likely, he said.

Under the bill, which would need about \$30 million to set up the fund, Sealaska employees or ALP employees could conceivably use the program to guarantee loans to buy into company timber operations, McBride said. However, McBride warned that having to set up a fund for industrywide loan guarantees would be too costly.

But McBride said he supports industry and government cooperation and has sponsored a bill (HB 677) that would set up a forest products marketing association similar to the Alaska Seafood Marketing Institute.

The marketing association would help get government involved in the timber industry without interfering with competition and industry problems could be dealt with faster and more efficiently, McBride said.

"The timber industry is just too important in this state for government not to work with and understand it better," he said.

Juneau Empire 3/30/84

Briefly

Business

Big Brothers-Big Sisters gets donation from Sohio Alaska

Sohio Alaska Petroleum Company recently donated \$5,000 to Juneau's Big Brothers-Big Sisters program, according to Ken McQuade, executive director for the local youth program.

"We are excited about continuing our long-standing relationship with Sohio to help provide services, recruit volunteers, and raise funds in our community," said McQuade.

The donation is targeted towards the program's Bowl For Bucks fundraiser and volunteer recognition and recruitment of

"We are pleased to be able to provide the full level of funding requested by Big Brothers-Big Sisters," explained Caroline Dowling, who is a community relations specialist with Sohio.

"These funds will serve two programs, partial funding for the volunteer recognition and recruitment activities and partial funding of fundraising expenses associated with the Bowl For Bucks fundraiser in May," she said.

Dowling will travel to Juneau to help with the organization's Bowl For Bucks event on

Without AlaskaNet, you can't even compete with the kid next door.



Legislative Digest

A Forecast and Review

OFFICE COPY

March 7, 1984
No. 13/84

MORE MONEY FOR PROJECTS ???

March revenue forecasts are in and reflect an increase of \$180 million in revenue for fiscal year 1985, and \$171 million from FY84. With the addition of funds carried forward from last fiscal year, about \$3.88 billion is available to be spent by lawmakers this year. The operating budget is estimated to run about \$2 billion for FY85, with an additional \$430 million to be appropriated for loans, new legislation and debt service. With approximately \$700 million in capital projects having been approved by the Governor to date this session, the legislature has almost \$750 million left to spend, assuming none of the funds are used to pay off the \$300 million debt still due the Permanent Fund.

After gubernatorial vetoes last week, the capital budget bills now total about \$700 million, the figure originally proposed in the administration's capital budget. Although the vetoes are hotly contested by several legislators, a deal cut with the House minority may well prevent override of the appropriations cuts. The Governor announced last week that he agreed to retain House Minority capital projects if the Minority would vote to sustain the Governor's vetoes. A joint session is being planned for mid-week to address the vetoes.

The Governor not only vetoed 31 percent of Anchorage's projects and 22 percent of Fairbanks, but also slashed some of his own. Deleted from capital bills were Administration appropriations for Susitna Dam and the Anchorage-Fairbanks Intertie. The Governor's veto message stated that he wanted all energy projects to be funded in the same capital bill to achieve an overall picture. But the administration may well be using these vetoes as bargaining chips to insure that the Alaska Power Authority four-dam pool project is bailed out of before the legislature adjourns this session.

State Pulp Mill Loan Guarantee

Fourteen hundred jobs may be at stake if action is not taken by the legislature this session to aid employees of Louisiana Pacific to purchase the Ketchikan pulp mill. Unemployment benefits alone would cost the state \$20 million in the first year, which is the amount requested by Louisiana Pacific-Ketchikan (LPK) employees that the state guarantee on their loan package, and about one half of the employee purchase price.

The \$90 million deal made between LPK and the employees will consist of a \$50 million buyout by the ESOP (Employee Stock Ownership Program) which will then own 55.6 percent of the stock, with LPK retaining 44.4 percent. Legislation to aid the buyout has been moving in both houses. (Continued on page eight)

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. . . Rural Affairs . . .

Health Corporation Grants

The House has passed HB-548 which would grant qualified health corporations \$30,000 yearly for expenses incurred in conducting community health aide programs. An additional \$8,000 grant would be available for each primary health aide employed averaging over 20 hours a week service.

Rural Power Cost Assistance

SB-376, aimed at helping rural residents receive power cost assistance has passed the Senate and now rests in House Finance. The bill provides a method for customers of a regulated utility, when the utility operator has not applied for assistance, to petition the APA to receive current and past benefits of the Power Cost Assistance program. The House has proposed an additional \$10 million be added to the Power Cost Assistance Program in HB-634. Sources say there will be a move in the Senate to increase that figure to \$26 million. If approved, the fund will total \$35 million (including operating budget funding) and will result in subsidizing rural power rates down to 6.4 cents per kilowatt hour.

Rural Power Loans

House Special Loans Committee will hold hearings this week on HB-689, amending the Rural Electrification Loan Fund passed in 1981. The bill is intended to provide loan monies for pioneering new power lines in rural areas where there currently is no service.

Rural Teacher Scholarships

Senate Judiciary held hearings last week on HB-504, creating a teacher scholarship loan program for native students pursuing careers in education. Loans, made from this program, plus interest would be forgiven for borrowers who teach over four years in an Alaskan school with a high percentage of native students. The bill is still under discussion by the committee.

Rural Projects Escaping Veto

Listed below are several key rural projects that have been funded in three capital bills dealing with transportation, development and general capital appropriations.

t=thousands m=millions

Transportation: HB-636

Manokotak- Airstrip	\$ 285-t
Akutan -Public dock study	90-t
Iliamna -breakwater/dock	648-t
King Cove - Dock/haulout eng.	300-t
Nome - Port facility	2.0-m
Buckland - Dump site road	300-t
Kiana - Beach access road	300-t
Noorvik - Road to dump site	500-t
North Slope Bor.- Anaktuvik Pass	750-t
North Slope Bor. - Atqasuk Rd	300-t
North Slope Bor.- Wainwright Rd	300-t
Chevak - Road Extension	400-t
Kotlik - Airport improvements	2.5-m
Sheldon Point - Airport imp.	600-t
Shishmaref - Road imp.	275-t
Toksook Bay - Roads	220-t
Naknek - Phase 2 dock	400-t

Development Projects: HB-635

Craig - Emergency facilities	\$ 165-t
Kake - Public safety projects	162-t
Ambler - Community building	200-t
Anaktuvuk Pass - Rec. center compl.	100-t
Atqasauk - Comm. rec. completion	200-t
Kobuk - Multipurpose office	200-t
Point Hope - Comm. rec. center	1.5-m
NSB. - Barrow Gov. Facs.	3.0-m
Quinkagak - Clinic	150-t
Ekwok - Electrical System	300-t
Selawik - Agricultural farm	396-t
Tuntutuliak - Community hall	225-t
Pedro bay - Electrification	400-t

General Capital Projects: HB-691

Facility Construction

Bethel - Receiving home	510-t
Norton Sound Treatment Center	600-t
Hoonah - Multi-purpose Ed. fac.	2.0-m
Kake - Health clinic const.	480-t
St. Michael - Comm. health clinic	200-t
Barrow - Administration bldg.	1.8-m
Kivalina - Heavy Equip. bldg.	250-t

(Continued on page six)

The Evolving Permanent Fund

To what extent could the Alaska Permanent Fund be able to provide ongoing revenues to the general fund as oil income winds down in the late 1980's? This chart, developed recently by the Alaska Permanent Fund staff, shows the latest projections for each year of earnings, dividends, inflation-proofing, and fund totals. The chart also shows, at the far left column, the special legislative appropriations into the fund, but assumes no further appropriations. The chart was developed before last week's \$100 million special deposit by Governor Sheffield.

FY	Spec. Approp. (in 000s)	Const. Dedic.	Infl. Proof	End Bal.	Annual Earn	Div. Prog.	Infl. Proof
79		83.8		138.3	8.0		
80		345.0		483.3	32.2	11.9	
81	\$900	385.3		1,768.6	149.8	27.5	
82	800	400.5		2,969.1	368.4	71.2	
83	400	420.9	231.2	4,021.2	471.1	107.9	231.2
84	200	319.2	146.2	4,686.6	507.0	172.8	146.2
85		383.7	304.2	5,374.5	487.8	198.4	304.2
86		536.4	354.7	6,265.6	555.3	239.0	354.7
87		748.1	420.8	7,434.5	641.5	266.3	420.8
88		804.4	494.3	8,733.2	745.2	293.7	494.3
89		897.6	577.8	10,208.6	862.4	329.2	577.8
90		849.1	663.5	11,721.2	989.0	379.3	663.5
91		790.3	750.7	13,262.2	1,117.6	435.6	750.7
92		781.2	842.6	14,886.0	1,249.7	496.4	842.6
93		607.4	929.6	16,423.0	1,380.0	559.9	929.6

Using The Permanent Fund's Income ???

In an effort to locate more money for major projects, such as Susitna Dam or the APA bailout, the Legislature is again this year eying the \$487 million undistributed income of the Alaska Permanent Fund. The undistributed income can be withdrawn by the Legislature, but many are worried that use of that money would reduce the value of the Fund.

The undistributed income account comes from earnings that are not needed to pay dividends or to inflation proof the Fund. Half of the earnings of the Permanent Fund are used to pay dividends, which are based on a formula which averages income for five years. All or part of the other half of PF earnings are used to inflation proof the Fund. The dollars that are not used for inflation proofing are deposited in the undistributed income account.

Legislators opposing use of the account, fear that if there is a slip in earnings, there may not be enough revenue to pay dividends and inflation proof the fund without dipping into the undistributed income account. This raises an important question. Which comes first, the payment of dividends or inflation proofing of the fund? The Permanent Fund Corporation has concluded that dividend payments come first, and that inflation proofing will be paid from the remaining half of earnings and the undistributed account if necessary. According to current state law, dividends cannot be reduced to pay for inflation proofing. Under that premise, if inflation proofing was more than half the earnings and the undistributed income account was insufficient to cover the shortfall, the result would be a decline in real value of the assets of the Fund. Eventually, that would result in lower dividends.

... Status Of Bills ...

House Bills Introduced

--HB-711, Term. Bd. Pub. Accountancy,
(by L&C).....to L&C
--HB-712, Medical Assistance Program
(by L&C).....to HESS & FIN
--HB-713, Practice of Physical Therapy
(by L&C).....to HESS
--HB-715, Penalties, Bad Checks
(by L&C).....to JUD

House Committee Action

--HJR-75, Crude Oil Exports,
RES "DO PASS".....to RLS
--HB-172, Municipal Government,
JUD "DO PASS".....to FIN
--HB-347, Licensing Naturopathic Prac.,
L&C "DO PASS".....to FIN
--HB-396, Audit/Fin. Statement Reqs.,
FIN "MIX REC".....to RLS
--HB-412, Adoption Medical Records,
HESS "DO PASS".....to JUD
--HB-494, State Office Facs/Capitol
FIN "DO PASS".....to RLS
--HB-505, Insurance,
L&C "MIX REC".....to JUD
--HB-509, Aviation Fuel Refiners,
L&C "DO PASS".....to JUD
--HB-510, Accidents, State/Mun. Aircraft,
FIN "DO PASS".....to RLS
--HB-517, State Personnel Records, Conf.
SA "MIX REC".....to FIN
--HB-548, Community Health Aide Programs
FIN "DO PASS".....to RLS
--HB-558, Local Service Roads/Trails,
CRA "DO PASS".....to RLS
--HB-577, Awards Superior Accomplishmts,
SA "DO PASS".....to FIN
--HB-590, State Aid Indian Tribes/Res
CRA "MIX REC".....to JUD
--HB-596, Public Construction,
HESS "MIX REC".....to SA
--HB-605, GO Bonds, Leg. Fac. Anchorage
FIN "MIX REC".....to RLS
--HB-609, Debt of State/Agencies/Mun.,
FIN "DO PASS".....to RLS
--HB-610, Construction Contractors,
L&C "MIX REC".....to FIN
--HB-625, Mun. Tax Agriculture,
CRA "MIX REC".....to RES
--HB-626, Crime of Conspiracy,
JUD "DO PASS".....to FIN
--HB-629, Native Gov/Corp. State Aide,
CRA "MIX REC".....to JUD

House Committee Action (Cont'd)

--HB-645, Comp. Board of Fisheries,
HSF "MIX REC".....to RES
--HB-650, Approp. State Loans/Grants,
FIN "DO PASS".....to RLS
--HB-663, AHFC,
HSL "MIX REC".....to FIN
--HB-665, AHFC Veterans Bonds,
HSL "DO PASS".....to FIN
--HB-681, Default/Coll. Student Loans,
HSL "DO PASS".....to FIN
--HB-685, Alaska Resources Corporation,
HSL "MIX REC".....to FIN
--HB-705, Real Estate Surety Fund,
L&C "DO PASS".....to FIN
--HB-711, Term, Bd of Public Accountancy
L&C "DO PASS".....to RLS

House Floor Action

--HJR-53, Reapportionment Legislature
HOUSE FAILED.....
--HJR-57, Major Projects Fund,
HOUSE FAILED.....
--HB-225, Practice Optometry
HOUSE P/SSSED.....to SENATE
--HB-548, Comm. Health Aide Programs,
HOUSE PASSED.....to SENATE
--HB-589, Alaska Power Authority,
HOUSE PASSED.....to SENATE
--HB-609, Debt. State/Agencies/Mun.,
HOUSE PASSED.....to SENATE
--HB-650, State Loan/Grant Programs,
HOUSE PASSED.....to SENATE
--HB-680, Rec/Prod. Oil/Natural Gas,
HOUSE PASSED.....to SENATE
--HB-684, Approp. Alaska Power Authority
HOUSE PASSED.....to SENATE
--SB-67, Relocation Utility Facilities,
HOUSE FAILED.....Rtn to RLS

Senate Bills Introduced

--SCR-44, Man. State Const. Materials,
(by RES).....to RES & FIN
--SB-538, Man. Saf/Inspections Comm MV's
(by TRANS).....to TRANS & JUD
--SB-539, Comm. Work Criminal Sentence
(by JUD).....to JUD
--SB-540, Child Support Enforcement,
(by SA).....to SA & JUD
--SB-541, Child Support Enf/Reporting,
(by SA).....to SA & JUD
--SB-542, Exposure Mic. Radiation/Work
(by HESS).....to HESS & L&C

... Status ...

Senate Committee Action

--SCR-42, Sport Fishing Salmon, etc.,
RES "DO PASS".....to RLS
--SB-45, Ag Land Sale Moratorium,
RES "DO PASS".....to FIN
--SB-369, Const. AG/Forestry Facilities
RES "DO PASS".....to TRANS
--SB-382, Payment Post Mortem Exams,
FIN "DO PASS".....to RLS
--SB-426, UA Scholarships Natives,
HESS "DO PASS".....to FIN
--SB-432, Am. Alaska Securities Act,
JUD "MIX REC".....to FIN
--SB-456, Embalmer/Funeral Dir. Trainees
L&C "DO PASS".....to RLS
--SB-461, Man/Use Water in Mining
RES "DO PASS".....to FIN
--SB-462, Approp. Mining Water Use Board
RES "DO PASS".....to FIN
--SB-466, Leases by State,
SA "DO PASS".....to FIN
--SB-472, Hearsay Evidence/Sexual Off.
HESS "DO PASS".....to JUD
--SB-477, Arrests/Def. Domestic Violence
JUD "DO PASS".....to RLS
--SB-496, Commercial Fishing Loan Fund,
L&C "MIX REC".....to FIN
--SB-514, Married Persons' Rt/Fam. Home,
HESS "MIX REC".....to JUD
--SB-515, Prop. Rts. Death/Disposition
HESS "MIX REC".....to JUD
--SB-531, Comm. Alaska's Future,
SA "DO PASS".....to FIN
--SB-533, Approp. Res. Care Facs/Child
HESS "DO PASS".....to FIN
--SB-542, Leasing Land Refuse Disposal,
RES "MIX REC".....to FIN

Senate Floor Action

--SJR-30, Enforcement Child Support,
SENATE PASSED.....to HOUSE
--SCR-38, Out-of-court Settlements/state
SENATE PASSED.....to HOUSE
--SB-272, Approp. Anch. Eklutna, Kotz.,
SENATE PASSED.....to HOUSE
--SB-319, Fairbanks/Mat Su Act. Centers,
SENATE PASSED.....to HOUSE
--SB-346, Treatment Mentally Ill,
SENATE PASSED.....to HOUSE
--SB-389, Kenai River Bridge Approp.
SENATE PASSED.....to HOUSE
--SB-402, Exemptions Tax/Credit,
SENATE PASSED.....to HOUSE

... Local Gov't ...

Relocation Of Utilities

SB-67, dealing with relocation of utilities failed to pass the House last week and was returned to the Rules Committee. Currently when relocation of utilities is required due to state state highways construction, the state pays the cost of relocation. In municipalities, the cost of relocation is still the responsibility of the utility. This bill was patterned after the state law and would have forced municipalities to pay the cost of relocation. The bill passed the Senate with strong support, and supporters will try to garner the additional votes needed for passage before session ends.

Teacher Binding Arbitration

The Senate has passed the HESS version of SB-78 allowing binding arbitration for teachers. The bill would give local school boards the option of offering school district certified employees "last best offer mediated arbitration" or the right to strike. An Educational Employees Labor Relations Agency consisting of the current state Labor Relations Board and two additional members representing NEA and the Association of Ak. School Boards would be created under this bill to determine the bargaining unit and would supervise elections. If an impasse was reached an independent private mediator from the the U.S. Federal Mediation Conciliation Service would be called in. Chances of passage in the House are unlikely this year due to adverse feelings by house members generated by an NEA evaluation of legislators that was made public early in the session.

Senate Floor (Cont'd)

--SB-491, Weights and Measures,
SENATE PASSED.....to HOUSE
--SB-519, State Support for Education,
SENATE PASSED.....to HOUSE
--HB-31, Tax Benefits/Vets/Srn. Citizens
SENATE PASSED.....to HOUSE

Rural Projects (from page 2)

(Continued from page two)

Facility Construction

Nome - Correctional center	2.5-m
Ft. Yukon - Day care center	200-t
Dillingham - Jail	258-t
Chevak - Community hall	300-t
Golovin - Equipment garage	234-t

Development

ANF - Cape Beaufort Coal Dev.	2.0-m
Kotzebue - Waste heat recovery	420-t
Kotzebue - Vortax res. imp.	210-t
Shungnak - Sewer system imps.	300-t
Shungnak - Heavy equipment	250-t
Gambell - Water/sewer project	1.0-m
Golovin - Water/sewer/waste heat	625-t
Koyuk - Water and sewer	750-t
Fort Yukon - Water/sewer Phase II	1.0-m
Akiak - Riverbank erosion control	400-t
Mekoryuk - Water/sewer Phase II	760-t
Chefornak - Electric. upgrade	500-t
Aniak - Erosion control	1.4-m
Emmonak - Water/sewer project	1.6-m
Nikolai - Timber development	200-t
Deering - Electric project	250-t
Diomedé - Heavy equipment	320-t

Transportation

Point Hope - Runway	1.3-m
Nome - Port Facility	2.0-m
Bethel - Roads	500-t
Nondalton - Road	500-t
Akhiok - Dock fac. access road	560-t
Kotzebue - Armory	3.2-m
Kotzebue - Airport Imps.	900-t
Nome - Runway rehab. Phase II	2.1-m
Shungnak - Airport Imps.	1.3-m
Nome - Port facility	4.0-m
Ruby - Runway improvements	350-t
Diomedé - Breakwater project	300-t

Education

Kake - School design/phase I	\$ 1.9-m
Brevig Mission - School Imps.	2.6-m
Stevens Village - School Imps.	1.3-m
Grayling - School Imps.	1.5-m
Chalkyitsik - School Imps.	1.0-m
Napaskiak - School Imps.	2.8-m
Mekoryuk - School Imps.	1.9-m
Dillingham - Elementary school	\$ 1.4-m
Chuathbaluk - Elem. addition	1.0-m
Quinhagak - School Phase I	1.0-m
Mt. Village - School Phase I	1.0-m
Galena - Elem. school add.	490-t
Fort Yukon - Voc. Ed. housing	450-t

University Budget

The House Finance committee has completed a preliminary operating budget for the University of Alaska which shows a seven percent increase over last year's budget. General fund revenue appropriations are running at \$167.7 million, up from last years appropriation of \$157 million.

The House Finance committee approved virtually all the instructional increments requested by the University, but other cuts may influence whether the units are fully funded. Left unfunded was an across the board 2.5 percent cost of living increase for University employees. The University has instituted a new compensation plan under which employees are given increases based on their performance. Without funding, if the University implements this plan, cuts will have to come in other areas. The Finance committee has asked the University to report this week on the impacts of this cut, and what action they will take concerning this program.

There were also several cuts in University capital projects. Listed below are a few of the major capital projects funded to date.

University of Alaska, Fairbanks

Duckering Building Add. Compl	\$ 5.0-m
Statewide Admin Bldg.	5.0-m
Essential Equipment	665-t
Housing Phase I completion	400-t
Patty Bldg. Addition Design/Eng	600-t
Power Plant Expansion	4.0-m
Lathrop/Sttevens Hall Renovations	1.8-m
Statewide Services Building	400-t

UAA/Anchorage Comm. College

UAA/ACC Student Housing	\$ 11.8-m
Alterations/Renovations	500-t
Instruct/Admin/Phy. Ed. Equip	500-t
UAA Classrm/Lab Bldg. Phase II	16.6-m
ACC Classrm/Admin. Building	1.1-m
ACC/Alterations/Renovations	500-t

UAJ

Physical Ed. Fac. Planning/Des	\$ 400-t
Voc. Ed/Fisheries Equipment	450-t
Student Housing Phase I	8.5-m
Campus Access Road	1.0-m

. . . Resources . . .

Mining Law Amendments

House Resources is considering several technical amendments to SB-371, relating to state mining laws. The committee met on the bill last week to hear testimony and will resume work this Wednesday. Amendments include extending the time period of offshore mineral prospecting leases from 10 to 20 years, clarifying the bill so that partnerships and joint-ventures can hold mining claims (the bill as written would allow only corporations or persons), and giving the Commissioner of Natural Resources authority to allow conversion of federal mining claims to state claims on newly-selected state lands. DNR supports these three amendments, but opposed a fourth proposal that would, in effect, reduce annual rental rates on offshore mineral leases.

Standardizing Wellhead Price

Revenue Commissioner Bob Heath was to meet with representatives of Arco, Sohio, and Exxon on Monday to discuss oil pricing issues with the three major North Slope producers. Heath appears to be hoping that he can convince the oil companies to accept some standard method for establishing wellhead values for severance tax purposes. The state believes that some companies, notably Arco, are using an assessment method that undervalues North Slope oil.

Royalty Oil Subcommittee

House Finance Chairman Al Adams has appointed himself, Rep. Fred Zharoff and Rep. Jerry Ward to a subcommittee to deal with HB-600, legislation establishing new procedures for negotiating royalty oil contracts (Rep. John Cowdery is the prime sponsor). Adams is interested in rewriting criteria for royalty oil sales to make sure that local fuel availability, a particular concern of his rural constituents, are considered in sales negotiations. Finance will probably report out a substitute in a week.

Mining Water Standards

Senate Resources held a teleconference on SB-407, requiring reclassification of water quality standards for Alaska streams. Departments of Natural Resources and Environmental Conservation testified, and by teleconference placer miners voiced their concerns over EPA water standards that may shut down the placer gold mining industry. The bill itself, if it passes, would only affect state classifications of streams. Federal EPA standards are the miners' real problem, but the bill could give the state leverage to negotiate changes in federal regulations. The bill has a tough road ahead in the legislature. Rural lawmakers will look critically at anything that establishes placer mining as an approved "use" of state waters. The problem is in the precedent of approving specific uses in statute.

Meanwhile, there appears to be no progress being made in easing the EPA standard. No placer mining operation in the state can meet the water quality standard to be enforced by EPA, and the agency is showing no signs of backing off.

NPRA Revenue Sharing

House Judiciary will take up HB-298 soon; the bill was scheduled for hearing last week when committee meetings were cancelled due to floor action. The bill sets out procedures for sharing oil and gas bonus and royalty income from the federal National Petroleum Reserve on the North Slope. Federal law returns 50 percent of lease income to Alaska and stipulates that part of the money will go to affected municipalities.

Fish Board Appointees

Controversy over confirmation of the Governor's appointees to the Fish Board may have died down a bit. The board gained new support from sportsmen when they delayed set gill net openings in Cook Inlet, a move to make more kings available for sportsfishing this year.

The Ketchikan Pulp Loan Guarantee

(Continued from page one) SB-479 and HB-627 (Senator Kerttula and Rep. Wendte, sponsors) now rest in the Finance Committees. If passed, the bills would provide a state guarantee of 50 percent of the loan needed by the ESOP to secure financing for purchase of the mill. The employees intend to borrow \$40 million and sell stock to provide the additional \$10 million needed. Some legislators have expressed concern that the employees of other troubled Alaska firms may request similar assistance under the precedent set by an LPK loan guarantee.

Employees of LPK have formed a committee of 28 members to represent them in negotiations. The committee has hired Salomon Brothers, a New York investment firm to determine the feasibility of the project and find bank financing. Salomon Brothers has secured six banks (National Bank of Alaska included) to finance the \$40 million loan needed. Bank financing is contingent upon state guarantee of 50 percent of the loan package, \$20 million. Guarantee by the state will insure the marketability of the loan and result in an interest savings of one to two percent, \$800,000 yearly.

Lawmakers are looking at an administration plan to use the existing Fish Pack Loan program as a method to guarantee the financing needed by LPK employees. The Fisheries Business Loan statute, passed in 1980, guarantees up to 50 percent of a processor's loan directly to the lender. Sources say a move may be underway to amend that statute to include forest business products. Currently the fish pack loan program has approximately \$43 million available for loans.

The economic viability of the plant is a question that must be considered by lawmakers. LPK estimates that annual operating costs of the plant must be cut by about \$10 million a year to break even. To achieve this employees have agreed to take a 25 percent cut in pay and benefits over the next five years, producing annual savings of \$6.7 million. Employees are also hoping the U.S. Forest Service will grant timber industry cost relief requests that could reduce the price of building roads and harvesting timber. A final ruling on LPK's request for a variance from new federal wastewater treatment standards is due in May. LPK estimates that cost of complying with the EPA standards could cost up to \$10 million, which has been included in the cost of takeover.

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THE LEGISLATURE

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LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 27, 1984

SUBJECT: Sectional analysis of
SB 479

TO: Senator Jalmar Kerttula

FROM: *LH* Linn H. Asper
Legislative Council

You have asked for a sectional analysis of SB 479, 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.

Senator Kerttula
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
C2/137

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

UNEMPLOYMENT CLAIMANTS	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

CLAIMANTS	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		

LOUISIANA PACIFIC CORPORATION
KETCHIKAN DIVISION

MR PHL
2/24/84

A. HISTORY OF OWNERSHIP
KETCHIKAN PULP COMPANY

MAY 1954 START OF PULP MILL OPERATION

JOINT VENTURE 50% OWNED EACH BY
AMERICAN VISCOSE CORPORATION, PHILADELPHIA PENN
(PROVIDING MARKET FOR 70-80% OF PRODUCTION)
PUGET SOUND PULP AND TIMBER COMPANY, BELLINGHAM
WASHINGTON
(PROVIDING OPERATING MGMT TO VENTURE)

1963

FMC CORPORATION PURCHASES AMERICAN
VISCOSE CORP

and

GEORGIA-PACIFIC CORPORATION PURCHASES
PSP & T

1/1/73

LOUISIANA-PACIFIC CORPORATION IS FORMED BY
SPIN-OFF FROM G-P AND KPC IS
INCLUDED AS A DIVISION OF L-P.

11/1/76

L-P PURCHASES REMAINING INTEREST IN
KPC FROM FMC.

KETCHIKAN PULP COMPANY CONTINUES AS
A CORPORATE ENTITY THROUGHOUT, IS NOW A
WHOLLY OWNED SUBSIDIARY OF L-P, AND
OPERATES AS THE KETCHIKAN DIVISION
OF LOUISIANA-PACIFIC CORPORATION.

LOUISIANA PACIFIC CORPORATION
KETCHIKAN DIVISION

M.R. PAHL
2/24/84

B. HISTORY OF OPERATIONS
KETCHIKAN PULP COMPANY

MAY 1954 BEGINNING OF OPERATIONS, LOGGING
AND PULP MILL OPERATIONS

1967 GEORGIA-PACIFIC CORPORATION PURCHASES
KETCHIKAN SPRUCE MILLS FROM DALY FAMILY
AND CONTRIBUTES KSM TO KETCHIKAN PULP
COMPANY. FMC CONTRIBUTES EQUAL
AMOUNT OF CASH TO KPC TO MAINTAIN
EQUAL JOINT VENTURE IN KPC.

PURPOSE DEVELOP INTEGRATED OPERATION AND
IMPROVE FOREST UTILIZATION.

1971 KPC (KSM) ACQUIRES INTEREST OF
ALASKA PRINCE TIMBER IN OPERATING
LEASE OF SAWMILL AT ANNETTE ISLAND
FROM COMMUNITY OF METLAKATLA.

1981 LOUISIANA-PACIFIC CORPORATION ASSIGNS
OPERATING MANAGEMENT RESPONSIBILITY FOR
SEWARD ALASKA SAWMILL (KENAI LUMBER
COMPANY) TO KETCHIKAN DIVISION OF
KPC.

LOUISIANA-PACIFIC CORPORATION
 KETCHIKAN DIVISION

MRPLH
 2/24/84

C. EMPLOYMENT DATA
 KETCHIKAN PULP COMPANY

	<u>1984</u>	<u>PLAN</u>	<u>No. EMP</u>
	<u>No.</u>	<u>ANNUAL</u>	<u>PEAK</u>
	<u>EMP</u>	<u>PAYROLL</u>	<u>EMPLOYMENT</u>
			<u>(BETTER MARKETS)</u>
1. KPC DIRECT LOGGING SAWMILLS, PULP, SALARIED	800	\$ 24 MILLION	1,200
2. KPC CONTRACTORS, LOGGING, ROADBUILDING, TOW BOATS ETC	<u>600</u>		<u>800</u>
	1,400		2,000

Forest
Products Loan
Program

SENATE BILL NO. 479, by Senators Kerttula and Ziegler.
Establishes a Forest Product Business Loan Guarantee Program in the Dept. of Revenue. Money in the loan fund could be used to guarantee a loan for the purpose of financing the purchase of 35 percent or more of the stock or assets of a forest products business by, on behalf of, or for the benefits of the employees of that business. The Commissioner must require that a loan guaranteed by the fund be secured by adequate collateral.

page 306

Money in the fund that is not being used for loan guarantees must be invested under laws governing investment of the Permanent Fund

(AS 37.10.070). Income from the investment would be transferred to the General Fund.

The following conditions must be met before the Dept. of Revenue could guarantee a loan: (1) the term of the loan cannot exceed 10 years; (2) the loan must be secured by real or personal property, inventory or accounts receivable of the forest products business, or by other collateral acceptable to the department; (3) the loan must be originated with and serviced by the Alaska Commercial Fishing and Agriculture Bank, or by a state or federally chartered financial institution located in Alaska; and (4) the loan must be made to the employees of the forest products business, to an employee stock ownership trust, or to one or more corporations or other business associations or entities in which the employees of the business hold an interest that is equal to or greater than the interest held by the seller of the business.

The Department could guarantee up to 50 percent of a loan, but could not guarantee less than \$5 million or more than \$30 million per borrower, and could not guarantee the payment of annual interest on the guaranteed portion of a loan.

Upon default by a borrower, the amount of the maximum liability of the fund for a loan guarantee is the percentage of the amount in default specified by the Department in the guarantee agreement.

Allows the Department to grant additional guarantees to the same borrower if 30 days have elapsed since the date the first guarantee contract was signed.

Effective immediately. Identical to HB 627.