

H B

3 0 6

COMMITTEE REPORT  
HOUSE

4/26

RESOURCES

FURTHER: FINANCE

(7)

3/20/85

Date: 4/25/85

The Committee on LABOR & COMMERCE has had HB 306

"An Act relating to the promotion of the marketing of forest products."

under consideration and recommends:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for \_\_\_\_\_  same title  
 new title
- and recommends \_\_\_\_\_
- AND attaches a "Letter of Intent" [2] New Fiscal Note *Sug. 57*
- reports it back without recommendation [1] Zero Fiscal Note Attached  
*w/analysis*
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

*[Signature]*  
*[Signature]*  
*[Signature]*  
*[Signature]*  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

*[Signature]*  
*[Signature]*  
*[Signature]*  
 \_\_\_\_\_  
 \_\_\_\_\_

*[Signature]*  
CHAIRMAN

To: Mike  
From: Roger

April 24 Meeting

---

HB 306 : The Dept. of C & ED will have someone here to testify on the bill from their Forest Products Advocates program, according to Katie Wallen. We have not yet received a fiscal note from them. I am not sure what their position is, but it seems like this bill is very duplicative of their current activity.

I did call Elsa, Taylors aide, and told them that with a teleconference on HB 318 and HB 305 back up, we may not get to the bill and will have to hold it over to Friday or else next week, and suggested they be prepared for that possibility.

HB 373: I don't see a whole lot of problem with this bill, except that there was a newspaper article in the Anchorage Times that I am trying to locate for the files that suggests that de-regulation could cause some problems in this area, even if there are only 5 concert promoters registered. I did call Jack Sanderson in Marrou's office and indicated that the probable order of the bills would either have HB 373 up first or else last, in which case it may have to be held over til Friday or next week, and they might want to have Marrou here and if it isn't brought up first, then Jack could sit in and if we got back to it he could call Marrou up and get him back up here from Behrends on short notice. I also told the same thing to Taylor's staff.

Original sponsors: Taylor and Sund

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

IN THE HOUSE

BY THE LABOR AND  
COMMERCE COMMITTEE

CS FOR HOUSE BILL NO. 306 (L&C)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the promotion of the marketing of forest products."

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

\* Section 1. FINDINGS AND PURPOSES. (a) The legislature finds that a cooperative effort by the state and private industry to stabilize and develop the forest products industry of Alaska, promote quality control within the industry, and foster expansion of the market for Alaska forest products throughout the state, nation, and world is in the public interest and is a valid public purpose. The legislature further finds that a cooperative effort would benefit the forest products industry in Alaska and that, therefore, some of the cost of maintaining the effort should be borne by the industry. One hundred percent public financing may occur in the first two years of the program in recognition of the depressed state of the timber industry.

(b) The purpose of this Act is to

(1) encourage the forest products industry in the state to make greater use of the forest products resources in the state;

(2) expand the range of forest products harvested by the forest products industry in the state;

(3) enable the forest products industry to maintain and enhance the quality of forest products harvested and processed by loggers and processors in the state;

(4) enable the forest products industry in the state to stimulate consumer identification of Alaska forest products to increase the use

1 and consumption of forest products harvested and processed in the state;

2 (5) stabilize and diversify the distribution of forest products  
3 processed and harvested in the state by encouraging consumers to purchase  
4 Alaska forest products; and

5 (6) create an effort that will be eventually financed jointly by  
6 the state and by forest product processors.

7 \* Sec. 2. AS 41 is amended by adding a new chapter to read:

8 CHAPTER 47. ALASKA FOREST PRODUCTS MARKETING INSTITUTE.

9 Sec. 41.47.010. ALASKA FOREST PRODUCTS MARKETING INSTITUTE  
10 ESTABLISHED. There is established the Alaska Forest Products Market-  
11 ing Institute. The institute is a public corporation of the state in  
12 the Department of Commerce and Economic Development with separate and  
13 independent legal existence.

14 Sec. 41.47.020. BOARD OF DIRECTORS. (a) The governing body of  
15 the institute is a board of directors consisting of 18 members who are  
16 engaged in either forest product processing, the financing of forest  
17 product processing, or the harvesting of forest products.

18 (b) Eight members of the board shall be appointed by the Alaska  
19 Loggers' Association, one member shall be appointed by the Interior  
20 Loggers' Association, one member shall be appointed by the Matanuska-  
21 Susitna Loggers' Association, one member shall be appointed by the  
22 Kenai Loggers' Association, three members shall be appointed by the  
23 Alaska Federation of Natives to represent timber harvesting Native  
24 corporations, and two members shall be appointed by the governor to  
25 represent other timber interests. The commissioner of commerce and  
26 economic development and the commissioner of natural resources serve  
27 ex officio as members of the board.

28 (c) The board shall annually elect a presiding officer and other  
29 necessary officers from among its members.

1           Sec. 41.47.030. TERM OF OFFICE. Members of the board serve  
2 two-year staggered terms and may be reappointed. A member appointed  
3 to fill a vacancy holds office for the balance of the term.

4           Sec. 41.47.040. REMOVAL AND VACANCIES. A member of the board  
5 serves at the pleasure of the appointing authority. A vacancy on the  
6 board occurring other than by expiration of a term shall be filled in  
7 the same manner as the original appointment.

8           Sec. 41.47.050. QUORUM. Ten members of the board constitute a  
9 quorum for the transaction of business and the exercise of the powers  
10 and duties of the board.

11           Sec. 41.47.060. COMPENSATION OF BOARD MEMBERS. A board member  
12 serves without compensation but shall receive the per diem and travel  
13 pay authorized under AS 39.20.180 for board members.

14           Sec. 41.47.070. MEETINGS. The board shall meet at least once a  
15 year. Meetings are held at the call of the presiding officer or when  
16 requested in writing by two members of the board.

17           Sec. 41.47.080. EMPLOYMENT OF PERSONNEL. The board may employ  
18 and shall establish the compensation of an executive director. The  
19 executive director may, with the approval of the board, employ and  
20 establish the compensation of additional staff as necessary.

21           Sec. 41.47.090. POWERS. The board may  
22           (1) have a corporate seal;  
23           (2) adopt and change bylaws;  
24           (3) sue and be sued;  
25           (4) adopt regulations governing the exercise of its powers;  
26           (5) cooperate with a public or private board, organization,  
27 or agency engaged in work or activities similar to the work or activi-  
28 ties of the institute, including entering into contracts for joint  
29 programs of consumer education, sales promotion, quality control,

1 advertising, or research relating to the production, processing, or  
2 distribution of forest products;

3 (6) conduct, or contract for, scientific research to de-  
4 velop and discover uses for forest products harvested and processed in  
5 the state;

6 (7) receive contributions of money from persons;

7 (8) establish offices in the state and outside the state  
8 and otherwise incur expenses incidental to the performance of its  
9 duties;

10 (9) appear on behalf of the institute before boards, com-  
11 missions, departments, or other agencies of municipal, state, or  
12 federal government;

13 (10) acquire, lease, sell, or dispose of property necessary  
14 to carry out its purposes and powers;

15 (11) establish bank accounts for the transaction of the  
16 institute's business.

17 Sec. 41.47.100. DUTIES. The board shall

18 (1) conduct education, research, advertising, or sales  
19 promotion programs designed to accomplish the purposes of this chap-  
20 ter;

21 (2) prepare market research and product development plans  
22 to promote forest products and their by-products that are harvested in  
23 the state and processed for sale;

24 (3) develop market-oriented quality specifications for  
25 Alaska forest products for developing a high quality image for Alaska  
26 forest products in world markets, and adopt and distribute recommenda-  
27 tions for harvesting and marketing forest products; and

28 (4) submit an annual report to the governor and the legis-  
29 lature describing the activities of the institute.

1  
2 Sec. 41.47.110. PROHIBITED PROMOTIONS. The board may not pro-  
3 mote or enter into a contract that promotes forest products by

4 (1) geographic origin other than from the coastal forests  
5 or interior forests generally;

6 (2) geographic region of the state; or

7 (3) specific brand name.

8 Sec. 41.47.120. FINANCING. The state may finance the budget of  
9 the institute during fiscal years 1986 and 1987. After fiscal year  
10 1987, the state may not finance more than 50 percent of the budget of  
11 the institute.

12 Sec. 41.47.200. DEFINITIONS. In this chapter,

13 (1) "board" means the Board of Directors of the Alaska  
14 Forest Products Marketing Institute;

15 (2) "institute" means the Alaska Forest Products Marketing  
16 Institute.

17 \* Sec. 3. AS 39.25.110 is amended by adding a new paragraph to read:

18 (23) executive director and employees of the Alaska Forest  
19 Products Marketing Institute.

20 \* Sec. 4. AS 39.50.200(b) is amended by adding a new paragraph to read:

21 (48) Alaska Forest Products Marketing Institute (AS 41.47.-  
22 010).

23 \* Sec. 5. Initial appointments to the Board of Directors of the Alaska  
24 Forest Products Marketing Institute under AS 41.47.020 enacted in sec. 2 of  
25 this Act shall be made for the following terms:

26 (1) six members shall serve for one year;

27 (2) six members shall serve for two years;

28 (3) six members shall serve for three years.



# Alaska State Legislature

## House

Official Business

Pouch V  
State Capitol  
Juneau, Alaska 99811

PAGE 2, Line 18

Sec. 41.47.020. paragraph (b) Eight members of the board shall be appointed by the governor based upon the recommendation of the Alaska Loggers Association, one member shall be appointed by the governor based upon the recommendation of the Matanuska Susitna Loggers Association, one member shall be appointed by the governor based upon the recommendation of the Kenai Loggers Association, three members shall be appointed by the governor based upon the recommendations of the Alaska Federation of Natives to represent timber harvesting Native corporations, and two members shall be appointed by the governor to represent other timber interests. The commissioner of commerce and economic development and the commissioner of natural resources serve as ex officio members of the board.

HB 306 File Contents

April 24, 1985 Meeting

- 1) Bill Summary -- Legislative Reporting Service
- 2) Fiscal Notes -- Dept. of Revenue (2 different notes)
- 3) Fiscal Note -- Dept. of Commerce & Economic Development
- 4) Draft Letter from James F. Clark to Governor Sheffield & to Lennie Boston
- 5) "Offer to Participate in Generic Marketing, Planning, and Review Options available to perform industry-wide functions"; and also "Support for a two-year capital project for the State Office of Forest Products," by the Alaska Loggers Association.

---

April 25, 1985 Meeting

- 6) Proposed CS for HB 306 -- April 24, 1985
- 7) Proposed Amendment to CS HB 306 -- by Sponsor -- page 2, line 18

INTRODUCTION OF BILLS (House)(cont'd)

REAA School Board Sections  
(number of members)

HOUSE BILL NO. 304, by Reps. Sund and Taylor. Would allow the Commissioner of Education to permit a section of an Regional Educational Attendance Area (REAA) to be represented by more board members than is currently set out in law if the Commissioner determines that the REAA has had a pattern of substantial population fluctuations between geographic areas within the REAA, and that compliance with the numerical requirements could result in continuous underrepresentation and overrepresentation of sections. In a REAA section allowed to be represented by more board members, no more than two members may be elected from the same community. Does not provide effective date (takes effect 90 days after Governor signs bill).

Introduced March 20 and referred to Health, Education & Social Services.

Barbers & Hairdressers  
(extending & amending laws)

HOUSE BILL NO. 305, by Reps. Sund, Taylor and Jenkins. See Senate Bill 218, page 390, identical.

Introduced March 20 and referred to Labor & Commerce, Finance.

Forest Product Marketing Institute  
(establishing)

HOUSE BILL NO. 306, by Reps. Taylor and Sund. Would establish the Forest Product Marketing Institute to conduct education, research, advertising, or sales promotion programs designed to market forest products. The Institute would also be charged with preparing market research and product development plans to promote forest products and their by-products, and to develop market-oriented quality specifications for Alaska forest products for developing a high quality image for those products in world markets. Promotions would be generic.

The Institute would be a public corporation of the state in the Dept. of Commerce & Economic Development, with a separate and independent legal existence. It would be governed by an 18-member board of directors appointed by the Governor. Twelve members must be affiliated with forest products processors, eight would have to be affiliated with a forest products processor with an annual payroll of \$1 million or more, and four members affiliated with a processor with an annual payroll of between \$50,000 and \$1 million. Five members would have to be engaged in harvesting forest products. One member could not be involved with the forest products industry.

Would require processors who buy forest products valued over \$50,000 annually to pay an assessment of between .001 and .004 of the value paid by the processor. The assessment could be levied only with approval of eligible processors in an election held by the Institute. Processors would choose the amount. The assessment could be terminated through an election process.

Does not provide an effective date (takes effect 90 days after Governor signs bill).

Introduced March 20 and referred to Labor & Commerce, Resources, Finance.

OFFER TO PARTICIPATE IN GENERIC MARKETING, PLANNING, AND  
REVIEW OPTIONS AVAILABLE TO PERFORM INDUSTRY WIDE FUNCTIONS

WHEREAS the Governor of Alaska has appointed a Timber Task Force to address the issues of concern to the faltering Alaska forest products industry; and

WHEREAS that task force has identified generic marketing of Alaskan forest products and a state-wide industry organization (association, council, or committee) as necessary and important ingredients to the development and maintaining of a state-wide forest products industry and a statewide marketing strategy;

NOW THEREFORE BE IT RESOLVED by the Board of Directors of the Alaska Loggers Association that they offer to assist the State Office of Forest Products in designing a generic market program. Said assistance being in the form of offering positive encouragement to the effort and providing experienced industry marketing advisors;

BE IT FURTHER RESOLVED that the Alaska Loggers Association Board recommends to the State Office of Forest Products it form a special temporary committee consisting of:

Gerry Engel, Mitkof Lumber Company

Steve Seley, Seley, Inc.

Frank Roppel, Alaska Pulp Corporation

Mel Mountain, Louisiana Pacific Ketchikan

Bob Loescher, Sealaska Corporation

Don Bell, Alaska Loggers Association

Representative, Railbelt Area

Representative, Railbelt Area

Representative, State Office of Forest Products

with the purpose of advising the State Office of Forest Products on the design of a generic marketing plan; also for discussions, design and financial structure issues of a state-wide organization and/or organized effort that can address marketing, interaction with government, quality control, market research, public affairs, and related issues. And the Alaska Loggers Association Board requests that the Office of Forest Products, with assistance from the committee, complete their work and report their proposed program and recommendations to this Board of Directors and the Commissioner of Commerce and Economic Development no later than October 1, 1985.

SUPPORT FOR A TWO YEAR CAPITAL PROJECT  
FOR THE STATE OFFICE OF FOREST PRODUCTS

WHEREAS the Alaska forest products industry is a major contributor to employment and economic activity in the State of Alaska; and

WHEREAS the Alaska forest products industry has been in a sustained depression for four years; and

WHEREAS the State of Alaska has heretofore invested minute State resources in support of the Alaska forest products industry; and

WHEREAS the State of Alaska and private firms and individuals are now owners and managers of vast interior Alaska timber tracts that are undeveloped and underutilized; and

WHEREAS the new two-person staff of the Office of Forest Products in the Department of Commerce and Economic Development has designed a two-year capital project (tentatively designated "Operation Spruce Seed") to begin moving the forest products industry towards a coordinated state-wide forest products marketing strategy;

NOW THEREFORE BE IT RESOLVED by the Board of Directors of the Alaska Loggers Association that they do hereby endorse and concur with the general scope and outline of that two-year plan and recommend to the Alaska State Legislature and the Governor and his administration that they do provide the necessary funds beginning July 1, 1985, in the approximate amount of \$508,000 and give their enthusiastic support to this effort to start the Southeast Alaska forest products industry back on the long road of recovery and the orderly development of new timber lands and forest products in Southcentral and interior Alaska.

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date 3-27-85

**REQUEST**

Bill/Resolution No: HB 306  
 Title: Forest Products Marketing  
 Sponsor: Taylor and Sund  
 Requestor: Resource and Finance  
 Date of Request: March 27, 1985

**FISCAL DETAIL**

Agency Affected: Department of Revenue  
 Program Category Affected: Collection and Management  
 BRU, Program of Subprogram(s) Affected: Audit Division  
Audit Division

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
200 TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL	-0-	3.0	-0-	-0-	-0-	-0-
400 SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
500 EQUIPMENT	-0-	1.0	-0-	-0-	-0-	-0-
600 LANDS & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
800 MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL OPERATING</b>	-0-	4.0	-0-	-0-	-0-	-0-
<b>CAPITAL</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>REVENUE</b>	-0-	-0-	-0-	-0-	-0-	-0-

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-

**POSITIONS:**

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

**ANALYSIS:** Please see attached.

Prepared By: Martin J. Richard, Director  
 Division: Audit Division

Phone: 465-2320  
 Date: March 27, 1985

Approved by Commissioner: [Signature]  
 Agency: Revenue

Date: 3/29/85

**Distribution (by Agency preparing fiscal note):**

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

Analysis for HB 306

If enacted, operating expenses within the Audit Division will increase as follows:

**Contractual \$3.0:**

To initiate the Forest Products Marketing Assessment program, the Division will incur additional expense for forms design and publication, postage; and in drafting and promulgating regulations.

**Equipment \$1.0:**

To handle additional paperwork filed by processors, additional facilities are necessary.

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date

**REQUEST**

Bill/Resolution No: HB 306  
 Title: An Act relating to the  
promotion of forest products  
 Sponsor: Taylor and Sund  
 Requestor: House Labor & Commerce  
 Date of Request: March 22, 1985

**FISCAL DETAIL**

Agency Affected: Revenue  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program of Subprogram(s) Affected: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	-	-	-	-	-	-
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	-	(See Analysis)	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-

**POSITIONS:**

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

**ANALYSIS:** Attach a separate page for analysis.

Prepared By: Robert Elliott  
 Division: Revenue - Research Section

Phone: 465-2173  
 Date: 3/28/85

Approved by Commissioner: [Signature]  
 Agency: Revenue

Date: 3/29/85

Distribution (by Agency preparing fiscal note):

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

FISCAL NOTE HB 306  
ATTACHMENT

Analysis for HB 306

The figures below represent the estimated revenues collected and available for legislative appropriation, if eligible processors elect a forest product marketing assessment. Value was determined by the Department of Revenue's Audit Division utilizing tax returns to determine "the costs to procure logs." It was assumed the marketing assessment could become operational in calendar year 1986, and subsequently collect assessments for FY 1987. The possible assessment rate scenarios for FY 1987 follow:

	<u>Assessment Rate</u>	<u>(Thousands of Dollars)</u>
a)	.1 percent of value	25.0
b)	.2 percent of value	50.0
c)	.3 percent of value	75.0
d)	.4 percent of value	100.0

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: HR 306  
 Title: Marketing of Forest  
Products  
 Sponsor: Taylor & Sund  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: Commerce & Econ. Dev.  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES		106,000	111.0			
200 TRAVEL		20,000	21.0			
300 CONTRACTUAL		206,000	216.0			
400 SUPPLIES		2,000	2.0			
500 EQUIPMENT		9,000				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		<b>343,000</b>	<b>350.0</b>			
<b>CAPITAL</b>						
<b>REVENUE</b>						

FUNDING: (Thousands of Dollars)

GENERAL FUND		243,000	245			
FEDERAL FUNDS						
OTHER PROGRAM RECEIPTS		100,000	105			
<b>TOTAL</b>		<b>343,000</b>	<b>350</b>			

POSITIONS:

FULL-TIME		2	2			
PART-TIME						
TEMPORARY						

**ANALYSIS:** Attach a separate page if necessary.  
 This budget assumes program receipts from the assessment of \$100,000 and a general fund appropriation of \$243,000 in FY '86. This \$343,000 budget would fund an Executive Director (R-26), Clerk (R-8), 2 trips for staff and 18 board members at \$500/trip, plus basic expenses. There is also \$200,000 for generic marketing contracts. Assessment revenue can vary widely and State match above and beyond the assessment is totally optional.

Prepared By: William H. Beardsley, Director Phone: 465-2094  
 Division: Office of Forest Products Date: \_\_\_\_\_

Approved by Commissioner: Loran H. Lounsbury Date: 4/24/85  
 Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

7/1/84

1.	POSITION TITLE Executive Director			RANGE/STEP 26A	DEPT. UNIT	PAGE/LINE	COV.	APPROV.	DISAP.
2.	TYPE OF POSITION	STAFF MONTHS	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION	ELECTION DISTRICT	LEG.	
3.	CONTINUATION LEVEL			ADDITION	JUSTIFICATION				
4.	Type of Expenditure			AMOUNT					
	1	2	3						
	PERSONAL SERVICES								
5.	Salary	62,508							
6.	Benefits	10,120							
7.	Supplemental Benefits	3,832							
8.	Fixed Benefits	2,630							
9.	TOTAL PERSONAL SERVICES	01	79,090						
10.	Travel	02							
11.	Contractual	03							
12.	Commodities	04							
13.	Equipment	05							
14.	Other								
15.	TOTAL COST								
	RECEIPT CODE	FUNDING SOURCE							
16.		Federal receipts 1002							
17.		C.F. Hatch 1003							
18.		General Funds 1004							
19.		I-A Receipts 1005							
20.		Program Receipts 1028							
21.		Other							
FOR BSM USE ONLY KEY NUMBER _____									

REQUEST FOR  
NEW POSITION

AGENCY \_\_\_\_\_  
PROGRAM \_\_\_\_\_  
BRU \_\_\_\_\_  
COMPONENT \_\_\_\_\_

Page \_\_\_\_\_ of \_\_\_\_\_  
Revised Date \_\_\_\_\_

**FY 86**

1.	POSITION TITLE Clerk III				RANGE/STEP 8A	DEPT. UNIT	PAGE/LINE	COY.	APPROV.	DISAP.	
2.	TYPE OF POSITION	STAFF MONTHS	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION	ELECTION DISTRICT	LEG.			
3.	CONTINUATION LEVEL				JUSTIFICATION						
4.	ADDITION										
5.	Type of Employment				Amount						
	1	2	3								
	PERSONAL SERVICES										
5.	Salary	19,572									
6.	Benefits	3,169									
7.	Supplemental Benefits	1,200									
8.	Fixed Benefits	2,732									
9.	TOTAL PERSONAL SERVICES	26,673									
10.	Travel	02									
11.	Contractual	03									
12.	Commodities	04									
13.	Equipment	05									
14.	Other										
15.	TOTAL COST										
16.	RECEIPT CODE	FUNDING SOURCE									
17.		Federal Receipts 1002									
18.		C.F. Match 1003									
19.		General Funds 1004									
20.		I-A Receipts 1005									
21.		Program Receipts 1028									
		Other									
FOR BSM USE ONLY											
KEY NUMBER _____											

REQUEST FOR  
NEW POSITION

AGENCY \_\_\_\_\_

PROGRAM \_\_\_\_\_

BRU \_\_\_\_\_

COMPONENT \_\_\_\_\_

Page \_\_\_\_\_ of \_\_\_\_\_

Revised Date \_\_\_\_\_

FY 86

JUNEAU OFFICE

COURT PLAZA BUILDING SUITE 800  
240 MAIN STREET  
POST OFFICE BOX 1211  
JUNEAU ALASKA 99802-1211  
PHONE (907) 585-1340  
TELEX 095-45-376  
TELECOPY 507-585-6616

OF COUNSEL  
M E MONAGLE

R E ROBERTSON (907) 585-1340  
F O EASTAUGH  
J B BRADLEY  
WILLIAM G RUDD  
JAMES F CLARK  
PAUL M HOFFMAN  
J P TANGEN  
HAROLD E SNOW  
D ELIZABETH CUADRA  
STEVEN W SILVER  
JAMES M SMITH  
PAMELA FINLEY  
JOSEPH D DARNELL

ROBERTSON, MONAGLE, EASTAUGH & BRADLEY

A PROFESSIONAL CORPORATION  
ATTORNEYS AT LAW  
POST OFFICE BOX 1211  
JUNEAU, ALASKA 99802-1211

ANCHORAGE OFFICE

THE HUNT BUILDING  
550 WEST SEVENTH AVE SUITE 1290  
POST OFFICE BOX 875  
ANCHORAGE ALASKA 99510-0875  
PHONE (907) 277-6653  
TELEX 090-26-486  
TELECOPY 907-279-1956

ROBERT B BAKER  
MICHAEL T THOMAS  
LEROY J BAKER  
L G BERRY  
CARL W WINNER  
SUSAN L MENDENHALL  
KENNETH W LEGACKI  
JULIA B BOCKMOM

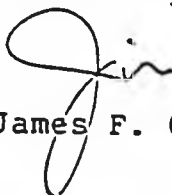
March 20, 1985

Ms. Lennie Boston  
Special Assistant  
Office of the Governor  
Pouch A  
Juneau, Alaska 99811

Dear Lennie:

Enclosed for your review, please find the draft letter to Governor Sheffield reporting on the results of the March 15, 1985 meeting of the Alaska Timber Task Force. After you have had a chance to look it over, perhaps we can get together some-time tomorrow to discuss it.

Yours very truly,

  
James F. Clark

JFC:sc  
Enclosure

FILE COPY

# DRAFT

JUNEAU OFFICE

COURT PLAZA BUILDING SUITE 800  
240 MAIN STREET, JR.  
POST OFFICE BOX 1211  
JUNEAU ALASKA 99802-1211  
PHONE (907) 586-3340  
TELEX 055-45-1275  
TELECOPY 907-586-6518

OF COUNSEL  
M E MONAGLE

R E ROBERTSON (1982-1985)  
F O EASTAUGH  
J B BRADLEY  
WILLIAM C BROWN  
JAMES F CLARK  
PAUL M HOFFMAN  
J P TANGEN  
HAROLD E SNOW JR  
D ELIZABETH QUADRA  
STEVEN W SILVER  
JAMES M SHINE  
PAMELA FINLEY  
JOSEPH D DARNELL

ROBERTSON, MONAGLE, EASTAUGH & BRADLEY

A PROFESSIONAL CORPORATION  
ATTORNEYS AT LAW  
POST OFFICE BOX 1211  
JUNEAU ALASKA 99802-1211

ANCHORAGE OFFICE

THE HUNT BUILDING  
510 WEST SEVENTH AVE SUITE 1290  
POST OFFICE BOX 479  
ANCHORAGE ALASKA 99510-0479  
PHONE (907) 277-6883  
TELEX 050-26-486  
TELECOPY 907-276-1955

ROBERT E BAKER  
MICHAEL T THOMAS  
LESCY J BARKER  
L G BERRY  
CARL W WATNER  
SUSAN L WENDENALL  
KENNETH W LEGACKI  
JULIA B BOCKMOM

March 20, 1985

The Honorable Bill Sheffield  
Governor, State of Alaska  
Pouch A  
Juneau, Alaska 99811

Dear Governor Sheffield:

This is to report to you on the excellent meeting which the Alaska Timber Task Force had on March 15, 1985. The Task Force reviewed your administration's response to the December 14, 1984 Task Force Report, as well as the responses of the Forest Service and industry. We would like to commend you on your response and commend to you the responses we received from the other Task Force participants. The setting of priorities by the State, the Forest Service and industry was reasonable and realistic considering what can be done to help the industry within Federal and State budget constraints.

This letter is to list the Task Force's priorities after reviewing the responses:

A. Marketing Program.

1. At page 7 of the Task Force report, the Task Force recommended that the U.S. Trade Representative's office be made more fully aware of the declining position of dissolving the sulfite pulp industry both in Alaska and the lower 48. We urged that diplomatic persuasion be used in an attempt to increase the United States' market share of dissolving sulfite pulp. As you know, South Africa is one of Alaska's chief competitors on the Pacific Rim because it produces at far less cost than Alaska pulp.

We appreciate having your Washington Office cooperate with the Congressional delegation in urging the help of the U.S. Trade Representative. The Task Force considers this a priority matter.

2. The Alaska Railroad can greatly assist our effort to use Alaska wood products in the Southcentral and Interior markets in two ways:

The Honorable Bill Sheffield  
March 20, 1985  
Page 2

a. As you know, hemlock is an Alaska species which has been difficult to market. Hemlock can be used to produce railroad ties.

At pages 12 and 13 of the report, the Task Force discussed the use of the Alaska Forest Product Preference (AS 36.15.010 - .020) to increase the marketing of Alaska wood products in Alaska. Purchase of Alaska hemlock railroad ties by the Alaska Railroad would be of great help to the industry and the Railroad would meet the intent of this Act.

b. At page 36 of the report, the Task Force recommended a study of the use of the Alaska Railroad to move logs to a central processing location and then move the finished product to South Central and Interior markets.

It would be helpful to receive more cooperation from the Alaska Railroad regarding each of these objectives:

a. Representative Sund has raised concerns, which the Task Force shares about whether the Alaska Railroad plans to give Alaska timber processors a chance to sell railroad ties to the Alaska Railroad. Apparently, neither of the FOB points specified by the Railroad are in Alaska.

b. The Task Force recommended a study of the Alaska Railroad as a vehicle for moving logs to a processing facility along the railbelt and then moving manufactured products to markets along the railbelt. This proposal has been set back by the Railroad's recent raise in rates. The rate on logs has increased by eighty-eight percent (88%).

The Task Force urges that your good offices be used to raise the consciousness of Alaska Railroad officials about the role it might play in assisting the timber industry in Alaska. If the Interior and Southcentral timber industry plays the role the Task Force has proposed for it, it will someday be a major revenue producer for the Railroad.

3. As part of the overall marketing program, specifically with the People's Republic of China in mind, the Task Force recommended at page 38 of its report that an export-import bank be established. The Task Force did not make a recommendation whether this should be done by the State or by the private sector. However, state leadership is needed to help develop a plan. Since this would effect not only the timber industry, but other industries as well, the Task Force suggests that your office call a meeting with interested industries, including the banking industry, to explore the possible structure of a state export-import bank.

4. At page 9 of the Report, the Task Force recommended that the State assist in marketing in two ways: (a) generic marketing through the Asian offices and (b) participation with associations in Pacific Rim countries which use Alaska wood products. The Task Force urges that the Department of Commerce and Economic Development's Forest Division be provided sufficient funds to pursue these marketing objectives.

B. State Budget Matters.

1. At pages 14 and 15 of the Report, the Task Force recommended a forestry assistance program, which would provide technical assistance and training in forest matters, forest products processing, and wood utilization in Southcentral and the Interior. The Task Force urges that this be a priority matter in setting the Division of Forestry's budget for this upcoming year. This program is a priority with the Task Force because it could be of great assistance in South Central and the Interior. Accordingly, we urge that the positions for this program be budgeted in the State Forester's office.

2. Attached to this letter is a letter written by me on behalf of the Alaska Loggers' Association to Representative Cotten. It urges that the budget of the State Division of Forestry be increased to include a staff position to allow the State Forester to participate in interagency discussions involving regulatory matters - specifically stipulations proposed by other agencies concerning timber harvest activities. The thrust of the letter was subsequently endorsed by the Alaska Loggers' Association and a copy of that resolution is attached.

It is the recommendation of the Task Force that money be found to allow the State Forester to participate in permitting, regulatory matters and interagency discussions of forest development proposals. The Task Force was distressed to learn that State Forester Sturgeon is required to do his own research and staff work in order to participate. Accordingly, the Task Force urges that money be found within the DNR budget to provide such staff.

4. I presented a loan guarantee program to the Task Force on behalf of the forest industry which would convert the money set aside last year for Ketchikan Pulp Corporation's proposed employee stock ownership plan to a program that would benefit the entire industry as a loan guarantee program. I have talked with a number of officials within your administration regarding this proposal and received very sound and realistic advice about how to proceed in shaping a bill which will be worthy of realistic consideration.

The Honorable Bill Sheffield  
March 20, 1985  
Page 4

The proposed legislation is attached as Exhibit B. The guarantee program would be administered through the banking industry which would have an important interest in the loans. The loans must be commercially reasonable - i.e. that is to say, they must fully collateralized. The loans would be made at market interest rates. In addition, users of the guarantee program would pay a "user fee."

We feel that this is a reasonable program in light of existing budget constraints and urge your consideration and assistance in shaping it.

4. Attached to this letter as Exhibit C, are letters from Greg Bell to Senator Edna Armstrong DeVries concerning a demonstration project at the Goose Bay facility. We believe that this type of project can be extremely worthwhile in providing data which will assist in determining the viability of using a kiln to produce dimensionally stable lumber in the Interior and South Central Alaska. This would be coupled with a training program for the prisoners.

We ask the help of your administration in bringing together the necessary people to consider and coordinate this idea. To the extent necessary, we would urge that Corrections' budget be sufficient for this program.

C. Federal Budget Matters.

1. The Alaska National Interest Lands Conservation Act (ANILCA) provided funding for intensive management in Section 705(a) and for a revolving loan fund to purchase equipment to harvest timber in marginal and special areas in Section 705(b). The Task Force report discusses Section 705(b) funding at page 43. The Task Force, however, failed to make a recommendation with respect to this source of funding.

This was simply an oversight. Creation of this source of funding is a priority with the Task Force. At our meeting the Forest Service reported that the Farmer's Home Loan Administration is prepared to promulgate regulations for the use of this funding, but that Congress has not yet appropriated money to fund the program. We would urge the assistance of your Washington office, working with the Congressional delegation, to obtain the funding needed to make this a viable program.

2. At page 32 of its report, the Task Force urges increased expenditures for the intensive management funds authorized by Section 705(a) of ANILCA. The intensive management program is designed to fund precommercial thinning, advanced logging technology, and prerloading. Even with the reallocation

The Honorable Bill Sheffield  
March 20, 1985  
Page 5

of funds in FY 1984, the Forest Service spent only fifty-three percent (53%) on preroading of what it told Congress it would spend during the D-2 debates. Ten million dollars more would have been spent in Southeast Alaska for preroading in FY 84 had the Forest Service fully funded the program.

We need to continue to push for more funding of the preroading program because it provides jobs for Alaskans in Southeast Alaska who would work for the construction companies which obtain the preroading contracts and makes it economically possible to harvest the timber, thus providing timber-related jobs.

We appreciate the assistance you have given us on this matter, including the pledge to continue to have your Washington office work with the Congressional delegation to increase the amount of this funding. This is a priority matter with the Task Force.

3. Section 14(i) of the National Forest Management Act contained a proviso which excluded small operators in Alaska from the opportunity of electing to have the Forest Service build the roads needed for their sales. Roading costs are a major front-end cost that makes it impossible for many small operators to obtain the financing needed to perform Forest Service sales. If this Alaska exclusion were removed, it would be a great assistance to independent loggers and operators, particularly in Southeast Alaska. We appreciate your continuing cooperation on this matter and appreciate the efforts of your Washington office to assist the Congressional delegation. This is a priority item with the Task Force.

D. Rules and Regulations.

1. We appreciate the continued cooperation of your administration in attempting to eliminate the necessity to obtain a Section 402, National Pollution Discharge Elimination System (NPDES), permit in order to construct a log transfer facility. This point is fully discussed at pages 20 through 22 of the Task Force report. We need to get administrative cooperation from the Corps of Engineers by eliminating newly instituted requirements in their permits which incorporate erroneous provisions from the now-defunct general permit proposed by EPA (and opposed by the State, industry, and the Forest Service). The Task Force asked the Forest Service to obtain a meeting to seek this goal with the relevant agencies which will take place on April 15, 1985.

In addition, we are seeking legislation in Congress which would make it clear that a Section 402 permit is not

The Honorable Bill Sheffield  
March 20, 1985  
Page 6

required to construct a log transfer facility. Your administration supports this legislation. Sealaska is taking the lead on it for industry.

It is important to get these matters resolved as soon as possible because of the major expenses involved in retrofitting log transfer facilities and building new transfer facilities would have to the industry. This is a key priority item with the Task Force.

2. The Alaska Coastal Zone Management Program has increasingly involved itself in timber harvesting matters. Consistency determinations are now playing an important role in deciding what is and what is not permitted. We have found that there has been in the past insufficient liaison between those administering the Program and those upon whom the Program is being administered. Accordingly at page 26, the Task Force recommended that there be in-the-field workshops to narrow the gap between parties. We would urge that sufficient funds be made available within the budget to accommodate this important need. We urge your continuing assistance in nominating forestry as a use of State concern.

E. Infra-Structure Matters. At pages 33 and 34, the Task Force report discusses log hauling on public highways. The Task Force recommended the State consider amending the Alaska Administrative Code to provide for regulation of log hauling on designated routes. At our meeting State Representatives reported to the Task Force that the regulation changes proposed in the Report could not be made until 1986. This is a matter of great urgency within the industry. Therefore, the Task Force requests that your administration consider emergency regulations for the 1985 logging season.

I wish to thank you again for the excellent cooperation we have received from your administration. The Task Force continues to believe that its other recommendations are valuable and important suggestions. However, the Task Force thought it would be helpful to you to prioritize our concerns in order to provide a realistic program for moving a number of these suggestions along.

The Task Force will meet again on April 16 to continue to work for implementation of its recommendations. Thank you again for all your assistance.

Yours Very Truly,

James F. Clark

cc: Congressional Delegation  
Regional Forester Mike Barton

# STATE OF ALASKA

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

### OFFICE OF FOREST PRODUCTS

BILL SHEFFIELD, GOVERNOR

Juneau

Pouch D  
Juneau, Alaska 99811  
Phone: (907) 465-2094

Ketchikan

111 Stedman, Suite 204  
Ketchikan, Alaska 99901

February 20, 1985

Mr. Bill Beardsley  
Director, Office of Forest Products  
Dept. Commerce & Economic Development  
Pouch D  
Juneau, Alaska 99811

Dear Bill:

This memorandum is submitted to you for the purpose of outlining my observations and conclusions regarding marketing activity that this office can engage in to help renew the vigor in our Southeast Alaska forest products industry and to bring about the development of our forest lands in Southcentral and interior Alaska. The heavier penetration of the rail belt dimension lumber market and other spin off benefits will begin to be realized if we are able to proceed with these recommendations.

This communication is not intended to be a polished product prepared after months of study and in depth market analysis. We do not require, or have the luxury of time for, a major study to identify a group of problems that has laid our industry low. The basic direction of my recommendations has been dictated by the recent state timber task force convened by the Governor.

The existing industry leaders are thin in numbers and have few resources available for joint efforts and market research. We can relate to them but must keep in mind they are in a crisis mode and individually concerned with survival. They will eventually provide more quality leadership and participation, but we should not expect too much too soon from them in these difficult times.

During the past six weeks, I have spent the majority of my time reviewing the Governor's Timber Task Force report, conducting interviews with large and small timber industry operators, reviewing the current status of the timber industry in Alaska's rail belt, holding discussions with the University of Fairbanks timber lands research people, and in general talking timber with any one knowledgeable, involved or concerned with Alaska's

Mr. Bill Beardsley  
February 20, 1985  
Page 2

forest products. I have not been able to meet and talk with every major Alaskan player; however, my exposure has been extensive and representative of a cross section of the industry. I have also drawn on my past eight years experience in the Alaska forest products industry.

The main thrust of my interviews, discussions, and meetings attended was to try and determine in a general way the current status of marketing activity, market needs, and market potential of the Alaskan forest products industry. My concern was less with hard data, not that much was available, but with an overview based on current economic activity and trends as reported by private owners and government officials involved directly and daily in forest products.

Historically, Alaska's forest products have not required significant marketing effort or coordination primarily due to the fact that our two major production facilities were constructed and operated by investors that had captive markets for all or most of their product. However, as time passed, sales of high quality spruce and hemlock cants became a growing contributor to the operational efficiency of the Southeast Alaska production companies. Also, changes in ownership and competitive position began to erode the market advantage they had enjoyed.

These changes were further complicated by a major shift in the Alaska land ownership patterns with large volumes of timber land being turned over to the State of Alaska and numerous private native corporations. These new owners were unprepared and inexperienced in timber land management, marketing, and production. No state wide strategy was developed or implemented to minimize the impact of round logs on the market for Alaskan cants.

A third set of developments in the area of the international economy added to the changes and contributed to our current industry economic problems and limited marketing capabilities. High interest rates, coupled with rising forest product demand with peak prices reached in 1979 and 1980, were followed by a major drop in demand, and price, and remaining depressed with assistance the past two years by a strong U.S. dollar and a continuing moderate demand for lumber in the world market. This sequence of events, dating back to the founding of Alaska's modern forest products industry in the early 1950s, has contributed to an absence of a significant marketing effort or coordination of common goals and aspirations for Alaska's forest products. Some operational common causes have been dealt with in the past by the industry, and very effectively. However, marketing, industry interfacing with government and public affairs for the common economic good of the state and the industry has not been addressed by the state or the private sector.

Mr. Bill Beardsley  
February 20, 1985  
Page 3

The state has a triple function in the Alaska timber industry. First: overseer of the economic well being of all its citizens through job and economic activity in forest products. Second. regulatory responsibility to assure our future citizens that this renewable resource is managed properly. Third: As a major timber landowner, manage and participate in the industry to assure economic viability to the forest products flow and stable landowner benefits.

The international forest products market has developed over the past forty years into a sophisticated and rapidly changing market with several major players. There are in existence today numerous coordinated and well thought out plans by well funded area organizations that provide the necessary fact gathering, decision making forum to give their constituents a decided advantage in this highly competitive volatile market. We are significantly behind in timberland planning and market strategy when compared to all of our major buyer groups and most of our seller competition.

The Alaska forest products industry nor the State of Alaska has not expended significant resources to achieve common marketing goals. The buying and selling aspects of a successful marketing operation, however, is often as expensive as production or transportation of goods.

We can not continue to ignore this factor of the industry and expect to economically benefit in this increasingly competitive market. With our timber stands access problems and/or high production cost, we must develop a fine tuned market strategy, market research, communications, and close internal cooperation of all members of our forest products industry, including governmental agencies and private owners and operators. Both the underdeveloped interior forest and our suffering Southeastern forest products industry have need of such an effort. The basic tools required will be the same, however, priorities and programs will vary to fit the geographic and economic circumstance of the two forest areas.

Our ultimate goal should be to see a well staffed and managed non profit association functioning to service these marketing and related needs. Small nor large firms can not afford to individually persue marketing research and analysis, product promotion, educate themselves in better production methods, work with numerous governmental agencies, develop and maintain product standards, collect and disseminate industry data, and provide some kind of governmental liaison and public affairs program. Most of what I am recommending can and should eventually be handled by such an association or quasi governmental organization run and funded by its members with significant leadership and financial participation by state government in certain areas of their activity.

To make our first move in improving Alaska's forest product marketing, I suggest the following initial activity:

1. COMMUNICATION EQUIPMENT  
Establish a tel-a-copy system in Tokyo, Seoul, Juneau, Ketchikan and Vancouver, B.C. Existing teletype can assist but not perform this function.
2. MARKETING INTELLIGENT STAFF  
Retain the services of qualified people on contractual bases to act as agent for our office concentrating on gathering and transmitting data and developments of current concern in market analysis and decision making.  
  
Tokyo 1/2 person  
Seoul 1/2 person  
Vancouver 1/4 person  
Anchorage 1/2 person
3. MARKETING INFORMATION COORDINATOR  
Obtain clerk or administrative assistant in Juneau office to function as clearing house for receiving, organizing, reviewing, filing, and transmitting information on to interested agencies and private firms.
4. STANDARDS AND QUALITY CONTROL  
Retain an individual in the rail belt area that can start the process of establishing and maintaining industry lumber quality standards. With a little luck and persistence in selection of this individual, this person could also handle the Anchorage market communications function. This effort should also be expanded into Southeastern Alaska later.
5. ESTABLISH AND MAINTAIN CONTACT WITH KEY ORGANIZATION AND GROUPS that can provide U.S. marketing information and state of the industry reports. Some of these groups are governmental, some private associations. Many are forest product user groups. Membership dues, service fees, telephone and personal contact expense must be anticipated. Examples are:

National Forest Products Association  
Japan Log and Lumber Importers Association  
Western Wood Products Association  
International Trade Administration  
Export Council of Alaska  
Finnish Foreign Trade Association  
Foreign Agricultural Service, U.S.D.A.  
Alaska Loggers Association  
Rayon Producers Groups  
University of Alaska  
U.S. Consulates and Embassies  
(any many more)

6. DEVELOPMENT OF GENERIC MARKETING PROGRAM that will be of assistance to market analysis for the interior forest resource development and the marketing activity of Southeast Alaska. This will require about three months of my time, spread over a six month period commencing March 1, 1985. Travel and related costs will occur in reviewing similar efforts being made by some of our competitors. No need to reinvent the wheel, but perhaps we can improve on its efficiency. Final product must be reviewed and worked out with the private sector because, to be successful, the program must take its lead from private marketing expertise with joint government/private resources. Travel and related costs here can be shared with some of my other activities.
7. MARKETING SALES TOOLS are required such as wood samples, audio/video presentations, and printed material with some degree of professionalism evident in their format and presentation.
8. PARTICIPATION IN MARKETING MEETINGS that are held periodically with exposure to concentrations of top quality people in the field is important. Symposiums, conferences, and similar information exchange meetings must be attended and the concepts, current trends, and hard data brought back to Alaska and disseminated to our industry. With our limited staff time, we may want to provide travel and attendance cost to people from the private sector and let them garner the information and report back to the Alaska industry through our office communications system. Two person teams of state and private sector people attending these would be very helpful and speed up the process of educating our industry in the facts of life in forest product marketing. The state could help this process happen by paying out of pocket cost for the private sector representatives.
9. BASIC MARKET RESEARCH to help determine the financial feasibility of harvesting the interior hardwood forest and the feasibility of converting one or both Southeast pulp mills to kraft paper mills would be desirable. The mill conversion effort could only be accomplished effectively with the existing mills' assistance. A joint effort of the state and the two mills would provide the best results. I also suggest we start now in providing seed money to the University of Alaska to have them do long term market research. Our office and the private sector would provide part of the information via our intelligence system system and travels. The University would perform the heavy duty analysis and relate the information to our timber base.

Mr. Bill Beardsley  
February 20, 1985  
Page 6

10. TRAVEL INTO MAJOR POTENTIAL NEW OR GROWTH MARKETS will be a necessity if we are to begin the task of bringing back new potential customer lists and market development information requested by our industry. Much of the travel will be multiple purpose, and it will be time consuming until good solid contacts and agents have been established. Pre trip preparation and available travel time will be the major limiting factor if a reasonable travel budget is provided.
11. Provide a small entertainment budget for use overseas. I recognize that state government activity using funds for entertainment must be carefully controlled; however, reasonable authority and a small budget item to provide for the cost of occasional meals and light weight entertainment is a necessity to present ourselves properly to existing and potential wood product users. To do otherwise is to maintain unnecessary hurdles to normal marketing practice and procedures. Properly applied entertainment can extend the work day through lunch and into the early evening, and to an overseas travel budget the efficient use of time is crucial.

SUMMARY:

The program outlined above is just that, an outline! When marketing be prepared to make changes in your plan to accomodate the new information you acquire daily. To suggest or do otherwise will assure an absence of success.

This program is conservative in scope and will not achieve our ultimate goals. This will permit us to start building some communication tools, begin educating ourselves and the industry in international forest product markets, develop a generic market plan for our Alaskan timber base and help our existing industry begin to communicate more quickly within their own group and with existing markets. With luck, the proper application of the telephone and shoe leather we may turn up a few new customers to help with current markets. However, that will not be our real or most meaningful service to the industry. Few, if any, immediate marketing problems can be successfully addressed by state government.

Regulation harassment, policy indecisiveness, environmental overkill and, most of all, state government officials and employee attitude can and should be delt with by state government to provide some immediate relief to the timber industry. The best marketing program in the world can not sell what is not available. However, my instruction and the content of this letter deals only with marketing.

The final aim of this office activities should be for most of our tools and functions developed in the ensuing two year period to be rolled over into a state wide forest products association or council that will be supported and led by private sector leaders with financial participation and related assistance coming from the Alaska State Department of Commerce and Economic Development. For that, as well as other reasons, I suggest this program be funded as a two year capital budget item covering the time period July 1, 1985 through June 10, 1987. By that time, we will need to review the entire activity and hopefully the private sector will be ready, willing, and able to take on the leadership position of Alaska forest product marketing.

I list below my estimates of cost for each of the numbered activities outlined earlier in this letter. These are not actual, but estimated figures covering two years.

Office of Forest Products - Marketing Development Project  
Two Year Capital Project Cost Estimate

1. Communication Equipment .....\$ 18,000.00
2. Marketing Intelligence Staff .....\$220,000.00  
(1 3/4 people plus expenses)
3. Marketing Information Coordinator .....\$ 65,000.00
4. Standards and Quality Control .....\$ 80,000.00  
(1/2 person plus expenses)
5. Contact with Organizations .....\$ 25,000.00
6. Develop Generic Marketing Program .....\$ 1,500.00  
(Does not include significant necessary travel)
7. Marketing Sales Tools .....\$ 15,000.00  
(Figure could go higher)
8. Participation in Marketing Meetings.....\$ 20,000.00  
(Staff and private participants)
9. Basic Market Research .....\$ 30,000.00  
(Does not include pulp mill conversion study)

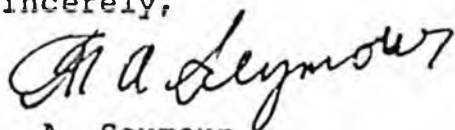
Mr. Bill Beardsley  
February 20, 1985  
Page 8

- 10. Travel Overseas and out of State .....\$ 29,300.00  
(Includes only one person)  
(95 days at \$150 per day plus transportation)  
(No in state travel included)
- 11. Entertainment Budget .....\$ 4,500.00
  
- Total Two Year Program Cost Estimate.....\$508,300.00

Most of the budget items listed are tied to one or more of the others and should not be arbitrarily cut out or decreased without considering the multiple consequences.

The above does not provide for administrative and on going existing cost items in the current office budget. My knowledge of overhead cost incurred by the State is limited, and I did not attempt to deal with or include them. These figures represent my best estimate of actual out of pocket contractual and operational costs the state could usefully incur to achieve the marketing program activity I have outlined. A likely project name "Operation Spruce Seed."

Sincerely,



F. A. Seymour  
Senior Marketing Specialist

FAS/mjh

ADDENDUM TO: Letter to Bill Beardsley - February 20, 1985

SUBJECT: Alaska Forest Products Marketing Program

DATE: February 20, 1985

The Following list includes most but not all of the reference publications, interviews and discussions I initiated and or participated in/over the time period January 10 through February 16, 1985 in preparation for the attached letter with marketing recommendations. Most discussions lasted one and one half to two hours. Those indicated with an \* totaled four hours or more.

Individual or group in person meeting

- Mel Mountain, General Manager - Louisiana Pacific Ketchikan
- \* George Woodbury, Chief Forester - Louisiana Pacific Ketchikan
- Don Brown, Mud Bay Logging
- Roger Snippen - Shee Atika Corporation
- \* Don Bell, General Manager - Alaska Loggers Association
- Bill Ellison - Sealaska Timber Corporation
- Richard Creighton, Vice President - Cape Fox Corporation
- Jim Rynearson, Vice President - Alaska Lumber & Pulp
- \* Frank Roppell, Executive Vice President - Alaska Lumber & Pulp
- Jim Clark, Legal Counsel - Alaska Lumber & Pulp
- Robert Loscher - Sealaska Timber Corporation
- Steve Seley - Seley, Incorporated
- Alan Cronk, Land Consultant - Doyan Corporation

Gary Lee - Doyan Corporation

Pat Johensue, Forester - Kootznoowoo

Jerry Flodin - Northland Woods

John Daly - Alaska World Trade Corporation

Richard Lenahan, U.S. Department of Commerce

\* John Sturgeon, State Forester - (with Staff)

\* Les Fortune, District Forester - Interior (with staff)

Richard Hall - Rustic Alaska Log Homes

Bob Paigh - 4-Star Lumber

Tom Ogawa - Ataka Lumber Company

Dick Tsuru - Alaska Pacific Trading company

Steve Laroe - Interior Loggers Association

Tony Gasbarro, Extension Forester - University of Alaska

James V. Drew, Dean of School - University of Alaska (with staff)

Richard Werner, Research Entomologist - U.S.F.S. Institute of Northern Forestry

Joe Henry - South Central Timber Development Incorporated

Bill Coghill - Alaska Railroad

Calvin Kerr - Consultant in Forest Management

Patrick Burden - Economic Consultant

Frank Wannamaker - Alaskan Woods

Dick Evans - United Lumber

Willima Price - Managing Consultant

\* Industry meeting reviewing Task Force recommendations. Also numerous brief (thirty minutes or less) discussions in person and on the telephone.

§

Main Resource Reading

ALASKA TIMBER TASK FORCE REPORT - Governors Task Force

WOOD PRODUCTS INDUSTRY DEVELOPMENT - State Division of Forestry

WESTERN WOOD PRODUCTS ASSOCIATION - various publications

PULP AND PAPER - monthly magazine

NATIONAL FOREST PRODUCTS ASSOCIATION - various publications

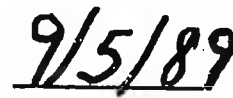


# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

  
Signature of Camera Operator

  
Date