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Alaska State Legislature

HOUSE OF REPRESENTATIVES
COMMITTEE ON RESOURCES

POUCH V
JUNEAU, ALASKA 99811
(907) 465-3715

March 26, 1986

Representative Al Adams
Chairman, House Finance Committee
P.O. Box V
Juneau, AK 99811

Dear Mr. Chairman:

Please accept this letter as it accompanies CSHB 306 (Res) to the Finance Committee and include it in your members files.

In addressing HB 306 in subcommittee it became evident that the present administration has both the ability and the willingness to assist in building a stronger Alaska forest products industry.

To that end, what started out as a bill establishing a forest marketing institute was reduced to an appropriation bill to allow the existing Office of Forest Products to take more aggressive action in helping to expand Alaska's timber industry and associated economies.

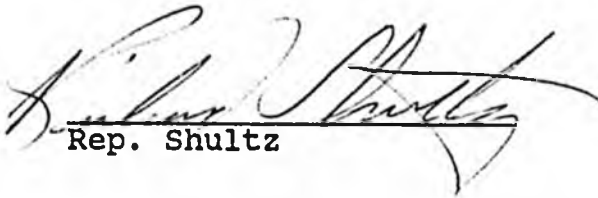
Last year the railbelt area of our state alone used an estimated 120 million board feet of dimensional wood, and 55 million square feet construction grade plywood and composition board. Unfortunately 95% of these products were brought in to our state from other areas.

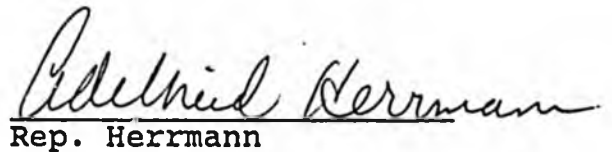
The funding provided in this bill will permit the current process of state and private sector marketing efforts to move more rapidly and more efficiently. This effort will be coordinated by the Office Of Forest Products (Department of Commerce) in concert with the already established Advisory Forest Products Market Committee comprised of industry members.

As a pledge of good faith private industry has agreed in principle to the raising of at least \$50,000.00 to be used in addition to the dollars appropriated through this legislation.

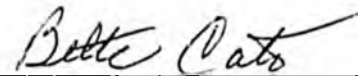
The Resources Committee supports the administration and the private sector in their efforts to expand the forest products industry in Alaska and as a result would encourage a favorable consideration of this legislation.

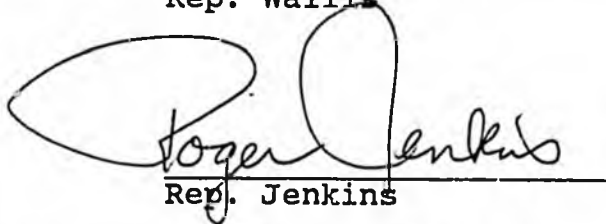
Respectfully submitted,


Rep. Shultz

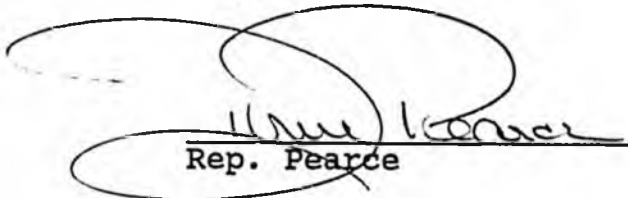

Rep. Herrmann

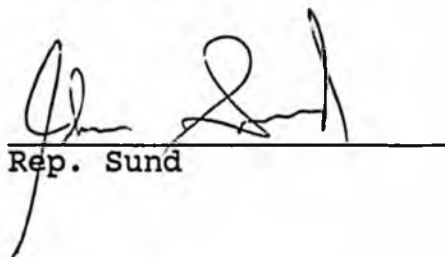
Rep. Wallis


Rep. Cato


Rep. Jenkins


Rep. Miller


Rep. Pearce


Rep. Sund


Rep. Thompson

CS for House Bill No. 306 (Resources):

"An Act making a special appropriation to the Department of Commerce and Economic Development for the promotion of forest products and providing for an effective date."

Department Position Statement: The Department of Commerce and Economic Development supports the Committee substitute for House Bill 306, making a special appropriation to the Office of Forest Products for the promotion of Alaskan forest products. This bill responds to the broadly recognized need for a statewide forest products market development program. During this time of declining oil revenues, it is more important than ever to promote the economic development of our timber resources.

Background: The Office of Forest Products was formed in September 1984 as an advocacy office for the forest products industry within the economic development arm of the department. The office operates with a staff of two and budget of under \$200,000. Objectives of the office include:

- * To act as a facilitator in market development for Alaska's wood products.
- * To promote a business climate which affords an economically viable industry with a competitive market position.
- * To aid industry in forming a statewide forest products association and market development strategy.
- * To promote better knowledge and understanding of Alaska's forest industry and the products produced.

Last Spring, the office formed a Market Advisory Committee consisting of private operators statewide. The committee has functioned to determine areas of marketing activity that can be pursued for the common good of the industry and plan how industry can better organize in order to deal with market development, communications, and government relations. The committee has also defined specific market development activities in which they would like the Office of Forest Products to participate.

Program: The Market Advisory Committee would serve as an important advisory ingredient in the planning and implementation of the market development and promotion program.

The program would include activities such as:

- Initiation of a program to establish a certified lumber grading system.
- Generic advertising.
- Publication and translation of technical species and product brochures.
- Sample shipments of wood products to new potential markets.
- Trade Show participation.
- Communication and contact with architects, contractors, municipalities, State agencies, and other users.
- Facilitate and participate in trade missions.
- Economic research of the markets.

Benefits: The State has two major reasons for being involved in supporting the timber industry through these kinds of activities. The first relates to the State's interest in the social and economic well-being of the State as enhanced by economic diversification. The chart below shows the direct employment benefit per million board feet.

The second reason relates to the State's role as a major timberland owner. The revenue generated in the form of stumpage fees from State timber sales can be significant.

Conclusion: The State has an important role to play as an active participant and facilitator in the development of Alaska's timber resources. A dedicated resource base for timber production and a market development program provide the organized process needed to move us toward our goal to strengthen and expand a statewide forest products industry. The department fully supports the appropriation provided in HB 306 to help attain this goal.

Jobs Created Per Million Board Feet

	<u>Workers per MMBF</u>
Logging	2.4
Sawmilling green lumber	1.2 to 1.7
Sawmilling cants	1.0
Sawmilling dried lumber	2.0 to 2.3
Remanufacturing lumber	7.9 to 8.3
Pulp	2.4
Plywood	5.2

The figures are from U.S. Forest Service employment studies.

Loren H. Lounsbury

Loren H. Lounsbury, Commissioner
Department of Commerce & Economic
Development

Date: 3/28/86

Thyes Shaub

Thyes Shaub, Director
Office of Forest Products

Date: 3/28/86

COMMITTEE REPORT
HOUSE

(9)

FURTHER: FINANCE

4/26/85

Date: March 26, 1986

The Committee on RESOURCES 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 HB 306 (Resources) same title new title

and recommends do pass

AND attaches a "Letter of Intent" New Fiscal Note

reports it back without recommendation Zero Fiscal Note Attached

referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Shultz

Dick Shultz

Cato

Bette Cato

Jenkins

Roger Jenkins

Pearce

John Pearce

Sund

Al Sund

Thompson

David W. Thompson

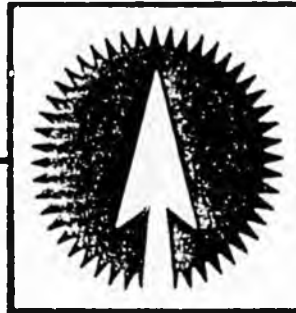
MEMBERS HAVING
OTHER RECOMMENDATIONS:

Walter Herrmann No Rec

Kay Wallis No Rec

Dick Shultz
Co-CHAIRMAN Shultz

Alaska Loggers Association, Inc.



111 STEDMAN, SUITE 200
KETCHIKAN, ALASKA 99901
Phone 907-225-6114

PRESENTED AND SUBMITTED
BY
ALASKA LOGGERS ASSOCIATION

DRAFT

March 12, 1986

Letter of Intent:

Regarding the Appropriation of \$500,000.00 to the Office of Forest Products in the Department of Commerce and Economic Development for the 1987 Fiscal Year.

The Alaska forest products industry in Southeast Alaska has been experiencing difficult times in their participation in the international markets for an extended period and the results have been highly detrimental to employment and the general economy of that portion of the State also the new land ownership patterns now unfolding in Southcentral and Interior Alaska clearly indicate the new owners are interested in bringing the commercial forest they now or soon will own to the market as soon as markets, economic access, and owner needs dictate, and that about half of that forest is owned by the State of Alaska.

The International Pacific Rim off shore market is currently strong and rising for hardwood and it is projected and reasonable to expect that the softwood demand will increase over the next ten years.

The railbelt of Alaska is currently consuming an estimated 120 million board feet of dimensional wood, and 55 million square feet of construction grade ply or composition board per year and this imported wood represents 95% of the total consumed and these facts clearly indicates that Alaskans need to be developing and using our natural resources to generate employment and economic activity in and for Alaska.

With the international forest products markets for the next decade projected at a slow steady growth in wood demand with a real price improvement during the next few years, and a reasonable assumption that in existing and future wood markets Alaskan forest products can be competitive in domestic and overseas markets if we proceed now to renew and develop our timber industry in an orderly and prudent manner. We must move ahead with our government/industry effort to assure a healthy economic benefit from our timber resource.

SERVING ALASKA'S TIMBER INDUSTRY

Alaska Loggers Association, Inc.

Letter of Intent - March 12, 1986 - Page 2.

The State of Alaska for the reasons mentioned above has several good and valid reasons for proceeding to embark upon a program to initiate the first coordinated market development activity for our current and future forest products industry.

The funds being appropriated in (Bill #) will permit this process of state and private industry to begin to deal with a cooperating effort on a relatively small scale and build on this effort from year to year to help with current industry problem areas but most importantly prepare ourselves for the timely and prompt entrance into the future markets. This effort will be directed by the Office of Forest Products with Assistance and input from an Advisory Forest Products Market Development Committee composed of up to ten appropriately qualified industry persons. This committee will be structured and operated under the direction of the Office of Forest Products with periodic review by the Commissioner of Commerce and Economic Development.

The main functions and uses for these funds will be:

1. For the good and general purposes of "Market Development of our Alaskan Forest Products".
2. That said market development activity shall include any reasonable and prudent function that will aid and assist in relating and bringing the potential and existing Alaska timber resource to the markets including, but not limited to, market research, new product development, generic advertising of Alaskan wood products, quality control and grading of wood products, technical publications and translations, sales aids, trade mission participation, customer identification and education, and similar related pursuit of new and expanding markets.

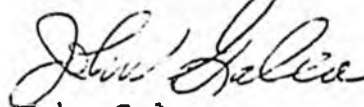
Alaska Loggers Association, Inc.

Letter of Intent - March 12, 1986 - Page 3.

The private industry as represented in part by the members of the committee has agreed in principal that they shall make a special effort to raise a minimum of \$50,000 in cash and in-kind services as their participation in this 1987 FY market development activity and they expect to participate on a larger percentage in future years, and that it is clearly understood and as stated herein that a coordinated market development effort is necessary if Alaskans are to be a beneficial participant in and profit substantially from the forest products industry in the next decade and that this effort will take several years and the combined leadership and resources of industry and government.

END OF DRAFT

Respectfully submitted,



John Galea
General Manager

JG/jmg

Original sponsors: Taylor and Sund

Funding Information

General Fund	\$500,000
Other Funds	- 0 -
	<u>\$500,000</u>

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR FOR HOUSE BILL NO. 306 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Commerce and Economic Development for the
8 promotion of forest products; and providing for an
9 effective date."

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

11 * Section 1. The sum of \$500,000 is appropriated from the general fund
12 to the Department of Commerce and Economic Development, office of forest
13 products, for the marketing and promotion of forest products from the
14 state.

15 * Sec. 2. The unexpended and unobligated portion of the appropriation
16 made by this Act lapses into the general fund June 30, 1987.

17 * Sec. 3. This Act takes effect July 1, 1986.

House Bill No. 306: An Act relating to the promotion of the marketing of forest products.

Department position statement: The Department of Commerce and Economic Development supports the concept of the bill which addresses the serious need for generic marketing of Alaska timber products. However, the department is not in favor of HB 306 in its present form. The department feels this function could more effectively be served within the existing Office of Forest Products rather than creating a new and separate institution for this purpose. A pilot program within the Department of Commerce and Economic Development with advisory direction from a market development advisory committee would perhaps be a more appropriate way to start.

Bill Summary: HB 306 proposes a forest marketing institute not unlike ASMI (fisheries). It establishes a public corporation with an industry board appointed by the Governor and a mechanism for a small staff. The board would plan and implement a statewide generic marketing effort. Funding would come from a self-imposed assessment (tax) of from .001 to .004 of the value of forest products purchased by forest producers which would be voted on by processors. Revenue would be deposited in the State's general fund. The Legislature could then make appropriation to the department to support the institute including "appropriate" additional money beyond the assessment collected.

Analysis:

1. HB 306 responds to the broadly recognized need for a statewide forest industry marketing program. It has opted for a public corporation rather than a direct agency marketing effort or State support to a predominantly private effort.
2. HB 306 proposes a self-imposed tax or assessment on the purchase of timber products by processors. Unfortunately, pulp mills bear the brunt of this tax and benefit the least as their markets are very few in number and highly institutionalized and, hence, don't lend themselves to generic marketing. Conversely, round log exporters benefit from generic marketing, yet bear little tax. There is no simple solution to this inequity.
3. Given the financial distress of the timber industry the timing is poor for a new assessment.
4. Limiting the assessment to businesses purchasing forest products in the State valued at \$50,000 or more would eliminate many of the small portable sawmill operators in the Interior, leaving much of the Interior industry outside the assessment system.

In general the bill is a first and important step toward a coordinated State/private market development effort for forest products. However, there are several approaches which could be used to address this problem. For instance, the current Market Development Advisory Committee within the Office of Forest Products has proposed a market development fund be set up within the Office of Forest Products. Proposed activities include in part, generic marketing, market research, trade mission participation, publication of technical brochures on Alaska tree species and wood products, and general public education activities.

Department Proposal: The department believes the bill could be overhauled and made more equitable and responsive to industry needs. The department would work with the sponsors and members of the industry to accomplish this restructuring.



Loren H. Lounsbury, Commissioner

Date: 1/30/86

MEMORANDUM

State of Alaska

TO: Loren H. Lounsbury, Commissioner
Department of Commerce & Economic
Development

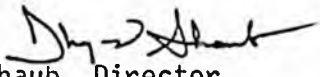
DATE: January 16, 1986

FILE NO.:

THRU:

TELEPHONE NO.:

SUBJECT:

FROM: 
Thyes Shaub, Director
Office of Forest Products
Department of Commerce & Economic
Development

The Alaska Loggers Association Legislative Committee asked the Office of Forest Products Market Development Advisory Committee to establish a plan for an increased advocacy and market development program.

The committee met late in November. The basic plan agreed upon was to build up the advocacy and market development activities within the Office of Forest Products and, at some point in the future, pass over a majority of that function to a nonprofit private organization concerned with a statewide forest products industry. This would occur in a stairstep fashion over a period of 3-5 years.

The committee voted to draft a resolution regarding the establishment of a special market development fund in the Office of Forest Products. If appropriated, this fund would be administered by the Office of Forest Products with direction of an advisory committee of statewide representation such as currently exists.

It is anticipated that by the end of five years the private sector would be providing 30-40% of the funds and the State 40-50% with the balance coming from federal sources to assist with the overseas market development.

The resolution is attached.

TS/cw0154A
11686a
Attachment
cc: Greg Baker

Committee Resolution
Market Development Advisory Committee
Office of Forest Products
November 22, 1985

ESTABLISHING A MARKET DEVELOPMENT
FUND IN THE OFFICE OF FOREST PRODUCTS

WHEREAS the Alaska forest products industry in Southeast Alaska has been experiencing difficult times in their participation in the international markets for an extended period and the results have been highly detrimental to employment and the general economy of that portion of the State;

WHEREAS the new land ownership patterns now unfolding in Southcentral and Interior Alaska clearly indicate the new owners will and are interested in bringing the commercial forest they now or soon will own to the market as soon as markets, economic access, and owner needs dictate, and that about half of that forest is owned by the State of Alaska;

WHEREAS the railbelt of Alaska is currently consuming an estimated 120 million board feet of dimensional wood, and 55 million square feet of construction grade ply or composition board per year and this imported wood represents 95% of the total consumed and does clearly indicate that Alaskans need to be developing and using our natural resources to generate employment and economic activity in and for Alaska;

WHEREAS the international forest products markets for the next decade are projected at a slow steady growth in wood demand with a real price improvement during the next few years, and that in existing and future wood markets Alaskan forest products can be competitive in domestic and overseas markets if we proceed now to renew and develop our timber industry in an orderly and prudent manner; and,

WHEREAS the State of Alaska has several good and valid reasons for proceeding to embark upon a program to initiate the first coordinated market development activity for our current and future forest products industry, said reasons include, but are not limited to, those listed above.

NOW, THEREFORE BE IT RESOLVED BY THIS ADVISORY COMMITTEE:

The appropriate State governmental bodies and agencies, including the State Legislature, Governor's Office, Commissioners of Commerce and Economic Development, Natural Resources and such others as may be involved to take steps to accomplish and acknowledge the following:

1. Appropriate and authorize the expenditure of \$250,000 for the 1987 fiscal year by the Office of Forest Products for the good and general purposes of "Market Development of our Alaskan Forest Products." These funds to be spent generally in the following manner:

- 50% For International Market Development Activity
- 30% For Market Development in Alaska
- 20% For Participation Assistance to Industry Associations

2. That said market development activity shall include in these formative years any reasonable and prudent function that will aid and assist in relating and bringing the potential and existing Alaska timber resource to the markets including, but not limited to, market research, new product development, generic advertising of Alaskan wood products, quality control and grading of wood products, technical publications and translations, sales aids, trade mission participation, customer identification and education, and similar related pursuit of new and expanding markets.

AND BE IT FURTHER RESOLVED:

The private industry as represented in part by the members of this committee does agree and concur that they shall make a special effort to raise a minimum of \$50,000 in cash and in-kind services as their participation in this 1987 FY market development activity and they would expect to participate on a larger percentage in future years, and that it is clearly understood and as stated herein that a coordinated market development effort is necessary if Alaskans are to be a beneficial participant in and profit substantially from the forest products industry in the next decade and that this effort will take several years and the combined leadership and resources of industry and government.

RESOLVED THIS 22ND DAY OF NOVEMBER, 1985
by the MARKET DEVELOPMENT ADVISORY COMMITTEE
Members Present -
Steve Seley, Greg Bell, Gerry Engel, Terry Brady

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

Section 1 is the findings of the legislature for a marketing institute for forest products in the state.

Section 2 lists seven purposes for establishing an institute.

Section 3 adds a new chapter to AS 41 setting up the framework of the Alaska Forest Products Marketing Institute as an independent public corporation in the executive branch as follows:

(a) An 18 member board of directors is appointed by the governor of which 12 are member affiliated with processors, five are persons engaged in harvesting and one is a member not involved in the industry. Members serve three year staggered terms at the pleasure of the governor, and may be reappointed. Ten members are required for a quorum for meetings of which there must be at least one a year. Meetings are at the call of the chair or when requested in writing by two members. Members receive per diem but no compensation. Employment and compensation is provided for institute staff.

(b) Eleven powers and four duties are listed.

(c) An assessment is provided for not less than .001 or more than .004 of the value of forest products in the state if the assessment is approved by at least 51 percent of the eligible processors. The director of elections approves the election procedures used by the institute and certifies the results. The commissioner

Representative Jack McBride
Page 2
February 29, 1984

of revenue may terminate an assessment if a petition signed by at least 25 percent of processors who voted in an election approving the assessment, is approved by at least 51 percent of the eligible processors. As in the approval election, the institute must follow certain procedures in termination. The section provides for collection of the assessment by the Department of Commerce and Economic Development and deposit in the general fund, as well as appropriations of additional money by the legislature to finance the institute. There is a provision for the enforcement, determination of forest product value and processor eligibility and a definition portion that defines critical words in the bill.

Section 4 adds a new paragraph to AS 39.25.110 providing for the executive director and employees of the institute to be in exempted service classification.

Section 5 adds the institute to entities in AS 39.50.200 who must comply with conflict of interest laws.

Section 6 makes provision for temporary appointments to the board of the institute to accomplish the staggered terms of members.

RCF:ojb
J4/025

Sponsors
for back-up

DNR
FISCAL NOTE
POSITION PAPER
TESTIFY

Resolving not testifying

Introduced: 3/20/85
Referred: Labor & Commerce,
Resources and Finance

1 IN THE HOUSE

BY TAYLOR AND SUND

2

HOUSE BILL NO. 306

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

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

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

9 * Section 1. FINDINGS AND PURPOSES. (a) The legislature finds that a
10 cooperative effort by the state and private industry to stabilize and
11 develop the forest products industry of Alaska, promote quality control
12 within the industry, and foster expansion of the market for Alaska forest
13 products throughout the state, nation, and world is in the public interest
14 and is a valid public purpose. The legislature further finds that a co-
15 operative effort would benefit the forest products industry in Alaska and
16 that, therefore, some of the cost of maintaining the effort should be borne
17 by the industry. The legislature further finds that the assessments that
18 forest product processors may levy upon themselves under this Act are
19 intended to reimburse the state for the industry's rightful share of the
20 forest products marketing effort, while reserving the legislature's right
21 under the state constitution to spend the money so collected for any pur-
22 pose. The legislature further finds that public financing of this program
23 in excess of the amounts realized from the assessment during the develop-
24 ment phases of the program is appropriate.

25 (b) The purpose of this Act is to

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

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

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

4 (4) enable the forest products industry in the state to stimu-
5 late consumer identification of Alaska forest products to increase the use
6 and consumption of forest products harvested and processed in the state;

7 (5) stabilize and diversify the distribution of forest products
8 processed and harvested in the state by encouraging consumers to purchase
9 Alaska forest products;

10 (6) provide for the reimbursement to the state, through assess-
11 ments made on forest products processors, of a part of the financial assis-
12 tance provided by the state to maintain the forest products marketing
13 effort provided for under this Act; and

14 (7) create an effort that will be financed jointly by the state
15 and by forest product processors.

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

17 CHAPTER 47. ALASKA FOREST PRODUCTS MARKETING INSTITUTE.

18 Sec. 41.47.010. ALASKA FOREST PRODUCTS MARKETING INSTITUTE
19 ESTABLISHED. There is established the Alaska Forest Products Market-
20 ing Institute. The institute is a public corporation of the state in
21 the Department of Commerce and Economic Development with separate and
22 independent legal existence.

23 Sec. 41.47.020. BOARD OF DIRECTORS. (a) The governing body of
24 the institute is a board of directors consisting of 18 members ap-
25 pointed by the governor. In making appointments to the board the
26 governor may consider nominees presented by persons engaged in forest
27 product processing, the financing of forest product processing, or the
28 harvesting of forest products.

29 (b) Twelve members of the board shall be affiliated with forest

1 products processors; eight of these members shall be affiliated with a
2 forest products processor that has an annual payroll in the state of
3 \$1,000,000 or more; four of these members shall be affiliated with a
4 forest products processor that has an annual payroll in the state of
5 at least \$50,000 but less than \$1,000,000. Five members of the board
6 shall be individuals engaged in harvesting forest products. One
7 member of the board shall be an individual not involved with the
8 forest products industry.

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

11 Sec. 41.47.030. TERM OF OFFICE. Members of the board serve
12 three-year staggered terms and may be reappointed. A member appointed
13 to fill a vacancy holds office for the balance of the term.

14 Sec. 41.47.040. REMOVAL AND VACANCIES. A member of the board
15 serves at the pleasure of the governor. A vacancy on the board occur-
16 ring other than by expiration of a term shall be filled in the same
17 manner as the original appointment.

18 Sec. 41.47.050. QUORUM. Ten members of the board constitute a
19 quorum for the transaction of business and the exercise of the powers
20 and duties of the board.

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

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

27 Sec. 41.47.080. EMPLOYMENT OF PERSONNEL. The board may employ
28 and shall establish the compensation of an executive director. The
29 executive director may, with the approval of the board, employ and

1 establish the compensation of additional staff as necessary.

2 Sec. 41.47.090. POWERS. The board may

3 (1) have a corporate seal;

4 (2) adopt and change bylaws;

5 (3) sue and be sued;

6 (4) adopt regulations governing the exercise of its powers;

7 (5) cooperate with a public or private board, organization,
8 or agency engaged in work or activities similar to the work or activi-
9 ties of the institute, including entering into contracts for joint
10 programs of consumer education, sales promotion, quality control,
11 advertising, or research relating to the production, processing, or
12 distribution of forest products;

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

16 (7) receive contributions of money from persons;

17 (8) establish offices in the state and otherwise incur
18 expenses incidental to the performance of its duties;

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

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

24 (11) establish bank accounts for the transaction of the
25 institute's business.

26 Sec. 41.47.100. EXECUTIVE BUDGET ACT. The operating budget of
27 the institute shall be prepared and submitted under AS 37.07.

28 Sec. 41.47.110. DUTIES. The board shall

29 (1) conduct education, research, advertising, or sales

1 promotion programs designed to accomplish the purposes of this chap-
2 ter;

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

6 (3) develop market-oriented quality specifications for
7 Alaska forest products for developing a high quality image for Alaska
8 forest products in world markets, and adopt and distribute recommenda-
9 tions for harvesting and marketing forest products; and

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

12 Sec. 41.47.120. PROHIBITED PROMOTIONS. The board may not pro-
13 mote or enter into a contract that promotes forest products by

14 (1) geographic origin other than from the state generally;

15 (2) geographic region of the state; or

16 (3) specific brand name.

17 Sec. 41.47.130. FOREST PRODUCTS MARKETING ASSESSMENT. (a) A
18 processor who buys forest products in the state valued at \$50,000 or
19 more during each calendar year shall pay an assessment of not less
20 than .001 or more than .004 of the value paid by the processor.

21 (b) An assessment may be levied or collected under (a) of this
22 section only if the assessment is approved by eligible processors
23 under AS 41.47.140.

24 Sec. 41.47.140. ELECTION TO APPROVE OR TERMINATE ASSESSMENT.

25 (a) The institute shall conduct an election under this section after
26 the director of the division of elections approves

27 (1) the notice to be published by the institute;

28 (2) the ballot to be used in the election; and

29 (3) the registration and voting procedure for the approval

1 or termination of the assessment.

2 (b) The assessment is levied under AS 41.47.130 on the effective
3 date stated on the ballot if

4 (1) it is approved by at least the number of eligible
5 processors who together purchased at least 51 percent of the total
6 value of forest products purchased in the state during the 12 months
7 immediately preceding the month of the election under this section;
8 and

9 (2) the election results are certified by the director of
10 the division of elections.

11 (c) The institute shall adopt the following procedures for an
12 election under this section:

13 (1) The institute shall hold at least one public meeting
14 not less than 30 days before the date that ballots must be postmarked
15 to be counted in the election to explain the reason for the proposed
16 assessment and to explain the registration and voting procedure to be
17 used in the election. The institute shall provide notice of the
18 meeting by

19 (A) mailing the notice to each eligible processor;

20 (B) publishing the notice in at least one newspaper of
21 general circulation in each judicial district in the state at
22 least once a week for two consecutive weeks before the meeting.

23 (2) The institute shall mail a ballot to each eligible
24 processor not later than 45 days before the date ballots must be
25 postmarked to be counted in the election.

26 (3) The ballot shall

27 (A) ask the question whether an assessment shall be
28 levied under one of the following assessments:

29 (i) .001;

1 (ii) .002;

2 (iii) .003; or

3 (iv) .004;

4 (B) provide an effective date for the levy of the
5 assessment; and

6 (C) indicate the date returned ballots must be post-
7 marked in order to be counted.

8 (4) The ballots shall be returned by mail and shall be
9 counted by the director of elections.

10 (d) The director of elections shall certify the results of an
11 election under this section if the director determines that (a) and
12 (c) of this section have been complied with.

13 (e) A ballot of a corporation is presumed valid under this
14 section and AS 41.47.150 if the ballot is signed by an officer of the
15 corporation and imprinted with the corporate seal.

16 (f) Except as provided in AS 41.47.150(b)(2), an election to
17 terminate an assessment shall be conducted under (a), (c), and (d) of
18 this section.

19 Sec. 41.47.150. TERMINATION OF FOREST PRODUCTS MARKETING ASSESS-
20 MENT. (a) An assessment levied under AS 41.47.130 may be terminated
21 by the commissioner of revenue if an election is held under AS 41.47.-
22 140 and termination of the assessment is approved by at least the
23 number of eligible processors who together purchased at least 51
24 percent of the total value of forest products purchased in the state
25 during the 12 months immediately preceding the month of the election
26 under this section.

27 (b) An assessment shall be terminated by the commissioner of
28 revenue under (a) of this section following an election if

29 (1) a petition is presented to the director of the division

1 of elections requesting termination of the assessment that is signed
2 by at least 25 percent of processors who voted under AS 41.47.140 in
3 the election approving the assessment;

4 (2) eligible processors who together purchased at least 51
5 percent of the total value of forest products purchased in the state
6 during the 12 months immediately preceding the month of the election
7 under this section cast ballots for terminating the assessment; and

8 (3) the institute provides notice of the election under
9 this section within two months after receiving notice from the direc-
10 tor of the division of elections that a valid petition under (1) of
11 this subsection has been received.

12 Sec. 41.47.160. COLLECTION OF ASSESSMENTS AND DISPOSITION OF
13 PROCEEDS. (a) A processor shall collect and remit to the Department
14 of Revenue by April 1 of each year the total amount of an assessment
15 owed on the value paid for forest products by the processor in the
16 previous calendar year.

17 (b) The forest products marketing assessment collected under
18 AS 41.47.130 - 41.47.170 shall be deposited in the general fund. The
19 legislature may make an appropriation based on collections of assess-
20 ments remitted to the Department of Commerce and Economic Development
21 for the purpose of providing financing to the institute and may appro-
22 priate additional money beyond the assessment collected under this
23 section as need is demonstrated by the institute.

24 Sec. 41.47.170. ENFORCEMENT OF ASSESSMENTS. AS 43.05 and
25 AS 43.10 apply to the enforcement and collection of the forest prod-
26 ucts marketing assessment.

27 Sec. 41.47.180. DETERMINATION OF VALUE AND ELIGIBILITY. When
28 requested by the director of elections or the institute's board of
29 directors, the commissioner of revenue shall determine

1 (1) the total value of forest products purchased in Alaska
2 during any calendar year;

3 (2) whether the eligible processors approving the levy or
4 termination of an assessment together purchased at least 51 percent of
5 the total value of forest products purchased in Alaska during the 12
6 months immediately preceding the month of election under AS 41.47.140;
7 or

8 (3) whether the eligible processors petitioning for an
9 election under AS 41.47.150(a)(1) are at least 25 percent of proces-
10 sors who voted in the election approving the assessment; or

11 (4) the eligibility of a processor under this chapter.

12 Sec. 41.47.200. DEFINITIONS. In this chapter,

13 (1) "assessment" means the forest products marketing as-
14 sessment;

15 (2) "board" means the Board of Directors of the Alaska
16 Forest Products Marketing Institute;

17 (3) "forest products" means timber and timber by-products
18 resulting after harvesting of timber;

19 (4) "harvesting" means removal of timber for sale;

20 (5) "institute" means the Alaska Forest Products Marketing
21 Institute;

22 (6) "processor" includes a person or firm who engages in
23 milling and chipping;

24 (7) "value" means the actual price paid for the forest
25 product resource by the forest product business, including indirect
26 consideration such as fuel, supplies, or machinery, whether paid at
27 the time of purchase of the forest product resource or tendered as a
28 deferred or delayed payment, except that "value" means the market
29 value of the forest product resource if the harvesting of the forest

1 product resource is done by company-owned or company-subsidized log-
2 ging firms operated by employees of the forest product business or by
3 logging firms that are operated under lease or other arrangement.

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

5 (23) executive director and employees of the Alaska Forest
6 Products Marketing Institute.

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

8 (48) Alaska Forest Products Marketing Institute (AS 41.47.-
9 010).

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

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

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

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



Logger Letter

Vol. XXII No. 12

December 1985

Promoting Alaska Timber in the Pacific Rim

The new State of Alaska representative in Taiwan is attorney Chen-nan Wang who is located in the city of Taipei. He has been in contact with Frank Seymour, State of Alaska Office of Forest Products' marketing specialist, regarding Alaska timber resources and their potential uses.

Alaska's Korean representative in Seoul, K. S. Yang, has met with Mr. Kim Nak Dong, Managing Director of Korea Lumber Industrial Cooperative, and presented him with copies of "Alaska Commercial Forest Resource", a booklet which was prepared by the Alaska Department of Commerce and Economic Development and translated into Korean. Mr. Yang reported that information from this booklet will be used in the February edition of the "Timber Bulletin", published monthly by the Cooperative. Mr. Yang will also be traveling with Mr. Kim Nak Dong to

Inchon Nest to promote the Alaska Timber Import of Ssangyong Company. Mr Yang reports that the Korean government has lowered the timber import quota for 1986. He says, "Therefore, we need more intensive marketing activities in the future".

Kaz Hayashi, Alaska's representative in Japan, is seeking memberships in foreign associations such as the Japanese Rayon Association to be able to better promote Alaska wood products and to establish a network of information coming back to Alaska for industry's use.

Meanwhile the market development efforts by the industry and the State are progressing here on the home front. A sample shipment of wood from the Interior of Alaska is being prepared and Frank Seymour will be traveling overseas in January to prepare the way for an ALA delegation to visit China in March.

Worker's Comp

This one went right down to the wire. All members of Alaska Timber Insurance Exchange were pleased to learn their company has obtained reinsurance and will be writing 1986 workmen's compensation policies. The ability to write the coverage was in question for awhile but Corroon & Black notified the Alaska Timber Insurance Management Committee on December 30 that the reinsurance had been placed.

ATIE is in business and will be serving its members in 1986.

Associate Member Project

Once again, ALA Associate Members held a hospitality room for Alaska delegates at the Pacific Logging Congress. Here officers Dale Sanregret of Mack Trucks and Tom Winter of Six Robbles man the refreshment center.



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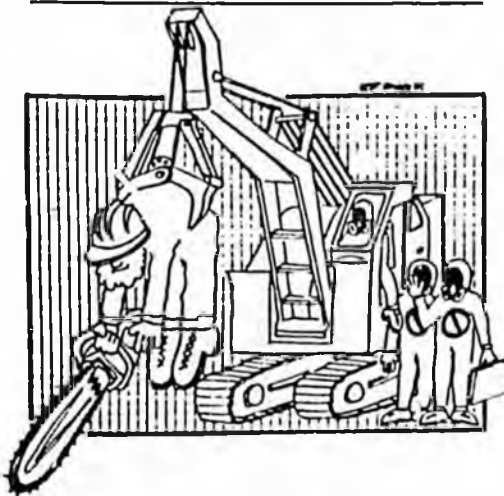
January 9, 1985

Alaska's Ailing Timber Industry: What Next?

Southeast Alaska's timber industry has been ravaged by a slump in the world market and rising production costs. Sitka and Ketchikan, Southeast Alaska's mill towns, have suffered the greatest economic loss, with intermittent closure of Louisiana-Pacific Ketchikan (LPK) and Alaska Lumber & Pulp (ALP) mills. Environmental Protection Agency (EPA) standards for water quality have to be taken seriously by the industry, argue the environmentalists, and Louisiana-Pacific Ketchikan has recently decided to compromise with the EPA over those standards, rather than continue on in a long and expensive court battle. The people of the small logging towns who are losing jobs and being dislocated find it hard to accept water quality and fish and game habitats as the reason they are unemployed.

Alaskan environmental groups do not find the timber industry's plight such a terrible thing. They simply advocate cutting less timber, and they have come out against the practices employed by the Forest Service, Alaska Lumber and Pulp and LPK. They would like to see long-term contracts let by the Forest Service in the 1950's terminated, or at least scaled down. They want the logging industry returned to the small operators, out of the hands of LPK and ALP, the two large companies that hold the contracts.

Bart Koehler, Executive Director of the Southeast Alaska Conservation Council (SEACC), said that SEACC, the environmental group who most closely watches the timber industry, is



putting together a management proposal for Southeast Alaska that "will balance as fast as we can the various economic uses, to make sure that there is a viable timber industry, that it is not dominating other resources, and that the other existing economies survive and prosper..."

SEACC came out with a study of cutting practices in the Tongass National Forest in mid-December, at the same time the Governor's Timber Task Force handed down its final report. The SEACC study condemns the level of timber available for harvest (the 450-cut), the Forest Service's management policies, and accuses the Forest Service of giving special treatment to industry at the expense of small companies and the residents of Alaska.

Jim Clark, Chairman of the Governor's Timber Task Force and a lobbyist for Alaska Lumber and Pulp,

rebutted some of the environmentalists charges in a December radio interview with Juneau reporter Laury Roberts.

"I view that report and some of the things in there as unreasonable and unfair ... for two reasons. The notion of doing away with the 450 million board feet and the ANILCA funding provisions is one-half of an agreement that was reached at the time the D-2 lands bill was put together. There were two objectives that Congress was trying to meet. It wanted to maximize the wilderness in the Tongass National Forest and it wanted to preserve the industry. So to say that we're just going to unilaterally cancel one half of the deal now that the land has been put into wilderness really is not a realistic alternative ... it's not even a ballpark proposal." Clark said he hoped the environmentalists would be given a seat on the Task Force in the future.

Industry/Government Solutions

On December 13, the Governor's "Alaska Timber Task Force" presented its hefty package of suggested remedies for the ailing timber industry. Sheffield created the 14-member industry/government group in October and directed it to come up with recommendations in four areas: marketing, rules and regulations, infrastructure, and finance.

According to Jim Clark there are several reasons for the decline of the timber industry including a soft market for pulp, the strong U.S. dollar, and competition from cheaper foreign competitors.

(Continued on page 7)

Timber...

(Continued from page 1)

The Task Force would like to expand Pacific Rim markets and research domestic markets, and advocates the use of generic advertising to promote the Alaska product. The industry feels that it can work with biologists to solve fish and wildlife habitat problems. They want more specific guidelines on population goals for deer, and the report of the Task Force states that the major difficulty faced by the industry with the agencies responsible for protecting fish habitat "is an understanding of their missions. Even though fisheries are a renewable resource, such agencies seem to see their mission as preserving all fish..."

The Task Force tried to keep new programs to a minimum, but did recommend several state studies be performed and that funding be made available through several existing programs. Alaska Industrial Development Authority should be authorized to purchase loans for the development of roads, camps, and other short-use logging facilities. The state Commercial Fishing and Agriculture Bank should increase its participation in the Alaska timber industry, and the Small Business Loan Fund should be funded, the loan limits raised above \$500,000, and a specific portion of the funding dedicated to forest operations.

Another financing incentive suggested by the Task Force would be to enact a special investment tax credit for the timber industry as was done in 1984 for the oil and gas industry. Other suggestions included industrial property tax exemptions for timber facilities, study by the industry of using regional resource development authorities in timber producing regions, establishment of a bonding program for small operators to obtain performance and payment bonds for Federal and State timber sales, and establishment of an Alaska Export-Import Bank capitalized by tax exempt bonds to provide a secondary market for loans made by private banks collateralized by contracts for international sales of timber.

In the area of marketing, the group recommended a concerted push to expand markets for Alaska pulp and timber among Pacific Rim nations, and endorsed Sheffield's recent policy statement on foreign trade. It recommended the state take advantage of the U.S. Trade Representative's

Office and the Alaska Asian Office in Tokyo to help publicize and pave the way for increased foreign sales. The group also recommended that the industry establish an Export Trading Company to promote trade with the People's Republic of China, that instate markets should be developed, if feasible, and that the Forest Assistance Program in the Dept. of Natural Resources be expanded to provide more management and marketing assistance to small operators.

In the area of rules and regulations the Task Force recommended the following measures:

—a State/Federal/Industry review of fish habitat protection measures be undertaken and that industry take what steps it can now to mitigate the impact of timber harvest on deer.

—continuation of the U.S. Forest Service's emergency utilization program in the Tongass whereby logging companies can leave in the woods material less than 30 board feet.

—increasing the size of clearcuts to reap the corresponding economic benefits of increased production and reduced costs, but not entering new areas until the appropriate research is completed to determine environmental impacts.

—elimination of the "Alaska Proviso" to the National Forest Management Act, which would authorize small operators to have the Forest Service build roads for them.

—seeking assured access across State-owned uplands and tidelands for loggers.

—recognizing forestry as a "use of State concern"

—changing U.S. Forest Service accounting procedures to charge the cost of roads over all entries in an area, rather than just the first.

—reducing road standards to make timber entry less costly.

—implementing a more flexible timber appraisal system.

—a determination as to whether the U.S. Army Corps of Engineers may be exceeding its jurisdiction over wetlands.

—that the Dept. of Environmental Conservation waive certification of certain activities already certified by the Army Corps of Engineers to speed up the process.

Infrastructure suggestions include:

—use of the maximum amount of ANILCA funding possible for roads and other facilities, to be used for secondary roads, landings and other

(Continued on page 8)

Legislature...

(Continued from page 4)

political action committee. Dec. 30, charging Marrou with perjury, he asked Lt. Governor McAlpine to certify the election and declare him the winner in that race.

--Senator Paul Fischer (R-Soldotna) will be investigated by APOC about failure to report \$8,500 in loans in 1981. On Dec. 18 he was ordered to answer questions about his resignation from his previous job.

--Dec. 16 Senator Mitch Abood (R-Anchorage) announced plans to hold hearings in State Affairs to "straighten out the mess" with the APOC. Outgoing State Affairs Chairman Vic Fischer (D-Anchorage), as one of his last official actions, proposed a major rewrite of political financial laws, from an opposite perspective.

--Dec. 17, the Senate coalition claimed it will do away with controversial leadership funds, following the House's lead, and revitalize the Legislative Council and Legislative Research.

--Dec. 20 a House committee picked Mobile Video of Juneau as the low bidder for the contract to provide TV coverage of the House in 1985. Owner Bob Poole beat out the only other bidder, Roark-Harmon of Juneau, with a bid of \$265,000. The Senate has yet to make a decision.

--Dec. 22 Rep. Virginia Collins (R-Anchorage) announced she would introduce a bill to prevent legislators from voting themselves large pay raises without voter approval.

--Dec. 26, freshman Democrats Pat Pourchot and Katie Hurley of Anchorage announced plans to seek repeal of the payraise legislators voted themselves in 1983.

--The Ethics Committee will review an \$85,000 state contract to the Alaska Business Development Center, in which Rep. Walt Furnace (R-Anchorage) holds a majority interest.

--Dec. 30 the Supreme Court agreed to expedite handling of the outgoing House coalition's lawsuit over confirmation of Sheffield's appointees in 1983.

--Senator Rick Halford (R-Anchorage) has prefiled a bill (SB 44) that will substantially change laws governing condo's and common property.

--A State Senate committee (HESS) heard testimony in early January from irate residents along the railroad about careless use of herbicides.

UNDERSTANDING LOG EXPORTS

by Jay Gruenfeld

Jay Gruenfeld is a forest resources and management consultant in Seattle, WA. He was formerly Manager of Timber and Log Sales for Weyerhaeuser in Tacoma, WA, and Vice President of Lands and Forestry for Potlatch Corporation in Lewiston, ID.

A commonsense look at the facts and fictions, pros and cons of this complex and often misunderstood issue

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A DEEP WATER PORT in Japan seems as journey's end for a shipload of American-grown logs. Such logs, harvested from timberland in Washington and Oregon, are the focus of a developing controversy over the log-export policies of the United States. On one end of the disagreement are those who would favor a total ban on log exports; on the opposite end are people who hold the belief that a free market is in the best national interest. And, as is typical of most controversies, there is a vast middle ground of circumstances and opinions that will affect the ultimate decisions.

The major purpose of this article is to acquaint the reader with the basics of the log-export issue. The issue is complex; many knowledgeable people simply don't know what position to take. Individual economic and forestry beliefs certainly have an effect on personal opinion. Perhaps, as pressures mount for either/or decisions, the perspectives offered in this article can help the reader to form a considered opinion.

Pro and Con Arguments

Arguments *against* exports include: 1) log exports cause a log shortage, which increases prices to local consumers and decreases employment. An emotional statement of this argument goes: "We are exporting jobs while running a tree farm for Japan." 2) We need to preserve our trees for future use.

Arguments *for* exports include: 1) logs should be allocated by the forces of a free market. In the long run, consumers benefit from free trade that forces uncompetitive industry to either change or go out of business. 2) Even if log exports were banned, Japan and other nations would purchase logs from other countries and then buy lumber and other products from the lowest-cost supplier, which, in most cases, would not be the United States. 3) The more profitable wood-growing is, the greater the volume of wood that will be grown. Reducing the value of

Hemlock and white fir await export to Japan from a dock in Everett, WA. Pen stuck in identifying tag of largest log gives scale

of four other fuels as they were priced in Morgantown, WV, in May of 1981. These costs are for fuel only and do not include the cost of a furnace or other fixed costs. They are applicable to the homeowner who already has one of these four heating systems in place and wishes to compare its cost with a wood heating system, including the purchase of a stove. If one is deciding what type of system to install in a new home, or if one is replacing the entire system in an older home, the initial cost of any system should be prorated over the expected life of the system.

By selecting an appropriate wage rate it was possible to estimate a break-even point between wood and

each of the other fuels. For example, if the alternative fuel was oil at \$1.20 per gallon, and if a value of \$4.00 per hour was placed on time, we could afford to cut and haul wood from about 17 miles away; at distances greater than 17 miles the \$4.00/hour curve for wood heat lies above the line representing the cost of fuel oil. On the other hand, with natural gas available at \$.40 per therm, a \$4.00 per hour value on our time means that gas heat is decidedly more economical; no matter what the hauling distance the \$4.00/hour curve for wood heat is above the line representing the cost of natural gas. Wood heat is competitive with coal only if zero value is attached to one's time,

and then only if the hauling distance is 17 miles or less. It should be recognized, however, that the use of coal demands some time for furnace tending. The cost of coal in Fig. 3 includes fuel only.

Home heating with wood is obviously a labor-intensive activity, and the cost of wood heat depends heavily on the value an individual places on his or her time.

A more detailed account of the West Virginia study, together with a method of estimating your own cost of heating with wood, is available in *The Cost of Heating With Wood*, P. 680, Cooperative Extension Service, West Virginia University, Morgantown, WV 26506. ■

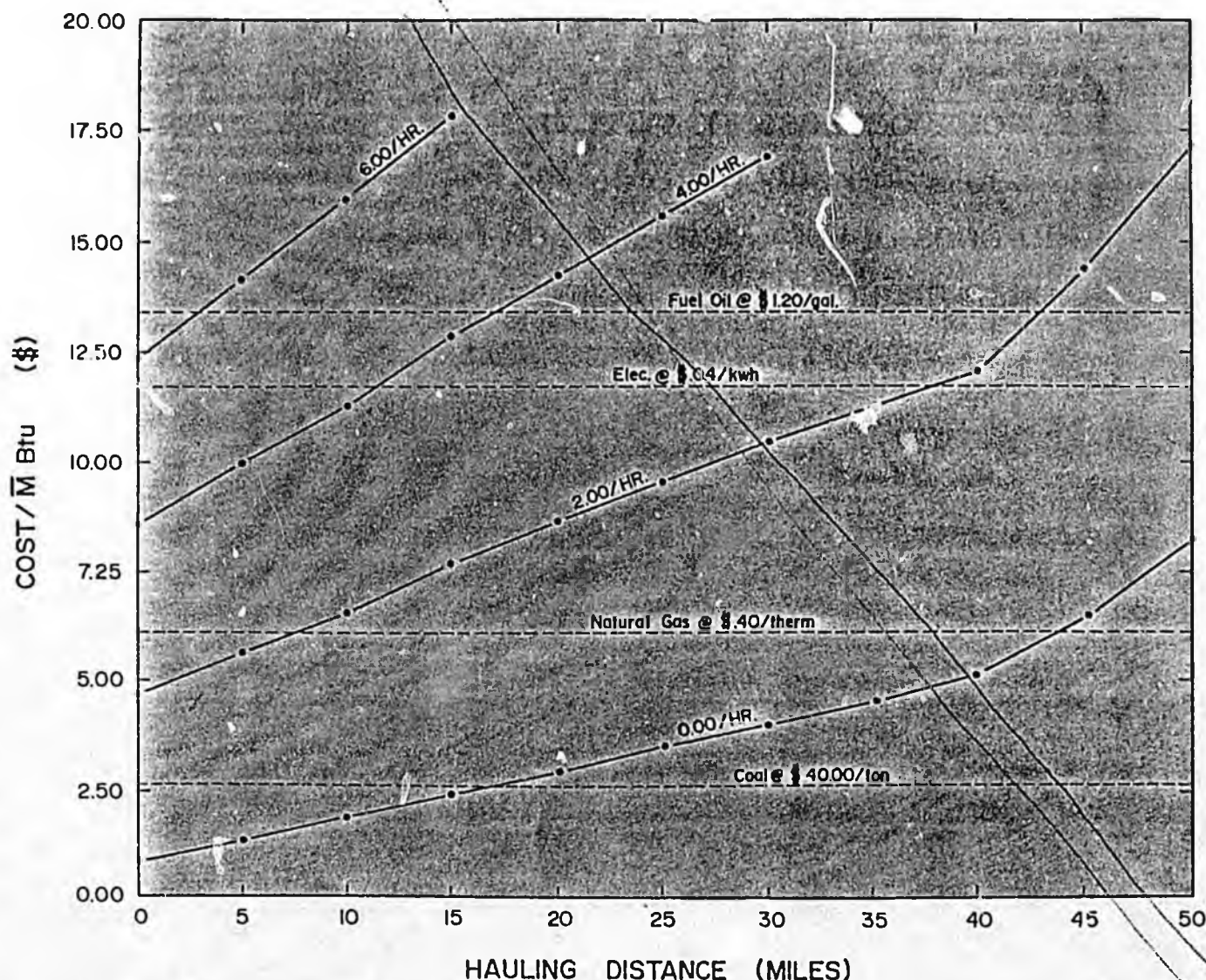


Fig. 3 Cost per MBtu for wood heat, by wage and hauling distance, and comparison with cost per MBtu of other fuels

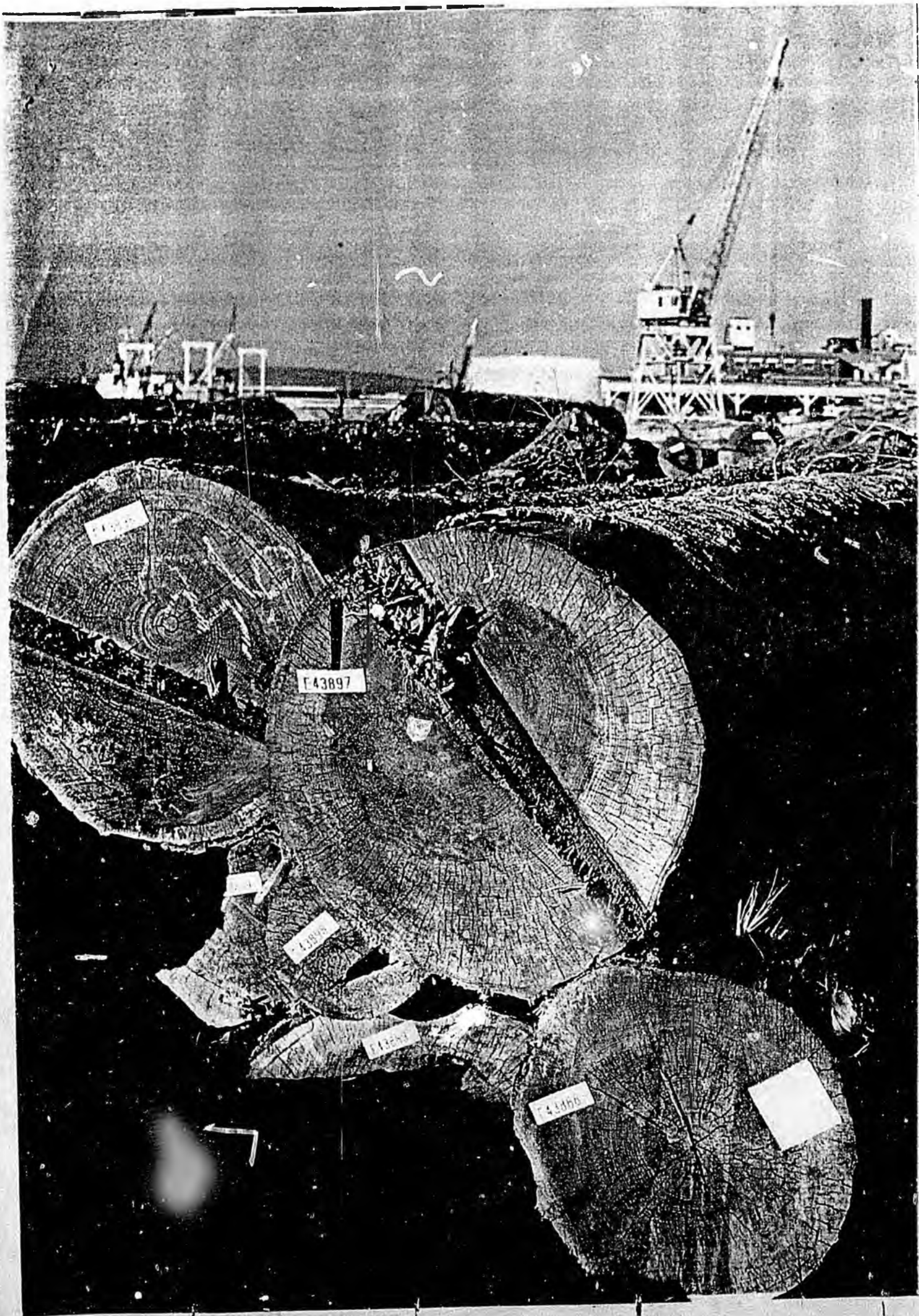


TABLE I
SOFTWOOD LOG EXPORTS FROM WASHINGTON AND OREGON

Selected Years 1965-1980

Year	Billion Board-Foot Scribner Scale	% to Japan
1965	.9	95 (Author estimated)
1970	2.2	96
1975	2.2	90
1980	2.6*	90

* Equals 92.8% of total softwood log exports from U.S. Is 19% less than in 1979.

Source: Forest Policy Project, Washington State University

The author estimates that about 80% of the exports were from Washington, principally from private land.

Below: author inspects Orient-bound Sitka spruce on Afognak Island, Alaska

Jay Greenfeld



TABLE II
JAPAN SOFTWOOD LOG IMPORTS FROM NORTH AMERICA (1978)
 (Almost entirely from U.S.)

Species	Volume (In thousands of cubic meters*)	Percentage
Hemlock	4748	45.0
Douglas-fir	4380	41.8
Spruce	513	4.9
Red cedar	269	2.5
White fir	245	2.3
Subtotal	10155	96.3
Other species	381	3.7
Total	10536	100.0

Source: Japanese Log Importer's Assn.

* 1 cubic meter equals 35.3 cubic feet

wood by restricting markets will in turn reduce the level of forestry as currently practiced. 4) The national interest requires more exports to improve the balance of payments. Despite log exports, the U.S. is the world's largest importer of forest products.

Economists have disagreed over the effects of various degrees of export bans. For example, it is argued that a log-export ban would divert Canadian lumber and plywood from current U.S. markets to Japan. This could increase the price of those products in the U.S.

Obviously, those who have the most to gain from log exports are the tree growers and sellers. Those who would gain directly from a ban on log exports are those companies, usually small and medium size, who are heavily dependent on purchasing logs and timber on the open market.

The national interest, as usual, is not clear.

Who Imports?

The major issue involves the export of coniferous (softwood) logs, principally from the states of Washington and Oregon. Japan is the major buyer—in 1980 it received 90 percent of logs exported from the two northwestern states. (Table I summarizes softwood log exports

from Washington and Oregon from 1965 to 1980, and Table II summarizes Japanese softwood imports from North America in 1978.)

A large volume of wood is being exported. The 2.8 billion board-feet exported from Washington and Oregon in 1979 was about 20 percent of the total wood harvested and is enough wood to build about 280,000 three-bedroom homes.

Foreign purchasers (including mainland China, which in 1980 became a major importer) obtain American logs by the simple fact of being the highest bidder. American timber companies are in the business to make a profit; that objective, along with the belief that a free market is in the best national interest, determines the selling motive.

Who Exports?

Currently, the larger timber companies in the states of Washington and Oregon are the primary exporters. Weyerhaeuser Company is the largest, with Crown Zellerbach, ITT Rayonier, Georgia Pacific, and others also involved. Weyerhaeuser is by far the dominant exporter—a log-market analyst was quoted this year in the Wall Street Journal as saying, "The Japanese think of Weyerhaeuser as a separate country. They trade with the United States, with Russia, and with Weyerhaeuser."

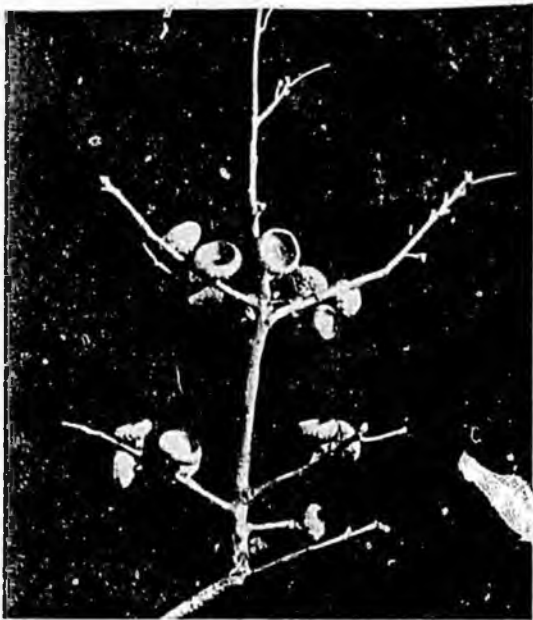
The state of Washington forest lands have an annual cut of about 800 million board-feet, and the great majority of this timber is exported by the purchasers as logs. Revenues from these timber sales (163 million in 1980) are used principally for public education. In March of this year, a bill was introduced that would phase out such export. Many educators are concerned. Most sawmillers are pleased.

What Part Will Alaska Play?

Alaska has recently become a major source of export logs. Under terms of the Alaska Native Claims Settlement Act, which was part of the Alaskan Statehood Act, natives can select over 40 million acres of federal land. This land is then considered to be privately owned and is exempt from the log-export prohibition on logs from federal and state lands in Alaska.

Old-growth timber on the exempt land is of great interest to the Japanese. Although no definite figure is available on the amount of timber that would be eligible for export, it will probably be at least a couple of hundred million board-feet annually. Alaskan log exports in 1980 increased 24 percent over 1979 to an all-time high of 160 million board-feet. Some new contracts with Japanese importers have been

(Turn to page 54)



(1) Little cups that hold nutlike fruit identify this hardwood tree, renowned for furniture, construction, and fireplace fuel.

W _____ O _____



(2) Nutlike fruit, about the size of peas, dangle from twigs far into winter on this symmetrical tree.

B _____



(3) Sharp barbs, curled tendrils, and dark blue berries cling to green stems throughout the winter.

G _____ B _____



(7) The fluffy parachute seeds are gone, but dry pods remain.

M _____



(8) Furry twigs and bright red tassels identify these winter twigs.

S _____ S _____



(9) Seed balls decorate twigs on this tree that sheds bark patches as well as leaves during the fall.

S _____

Know Your Twigs?

by Don Shiner

Outdoor Photographers League photos by the author

able timber," he said.

The Forest Service is not happy about the loss, either. In fact, in its recent analysis of the timber situation in the United States, the Forest Service acknowledged the problem squarely. Pointing out that the heaviest mortality occurred in the Douglas-fir region, the agency explained that the high mortality "is related to the concentration of timber volumes and the high proportion of overmature timber characteristics of old-growth stands." The agency went further to say that half of the nation's timber mortality occurs on National Forests and that "nearly all of the mortality on the National Forests occurs in areas that are unroaded and inaccessible for trucks and tractors.

"At this time, with the existing technology, the location of processing plants, and current product prices, salvage of such mortality is not economically feasible in most forest stands, including those in roaded areas," the Forest Service analysis states.

Regardless of the old-growth problem, the pressing need is to regenerate the areas of nonstocked forest, which amounts to about 2.6 million acres in the Rocky Mountains and 3 million in the Pacific Coast. Again, almost half (46 percent) is in National Forests, largely in the Rocky Mountain region. It will cost about a billion dollars to regenerate the nonstocked acreage in the West and much of the regeneration must take place on private lands.

In California the possibility that private landowners can accomplish the task looks promising. In the 1980 report of the California Forest Improvement Committee, the group identified one-fourth of the state's 16 million acres of commercial forest lands as prime forestland. Although these four million acres comprise a small percentage of the total, they carry 49 percent of the total potential for timber growth in the state. But here's the bottom line: 65 percent of all prime land is in private ownership. What's more—and listen closely because good news isn't that plentiful these days—most of the privately owned forestland in California is owned by those with more than 500 acres. Not many scattered small tracts here. And most of these owners live near their timber, not farther away than the next county, according to the report.

This is encouraging because California has its share of regeneration to accomplish. Because of past selective logging, where only the good trees were taken, some 1.8 million acres of private lands are in disrepair. Unstocked private acreage totals about two million acres.

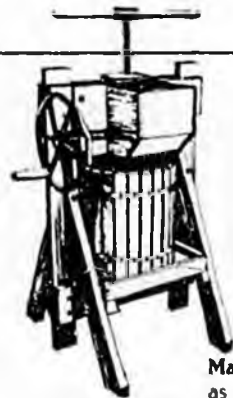
As more than one forestry leader has stated, "we know how to do the job of growing and harvesting trees while providing the other forest resources and without harming the environment. Let's do it." If proper planning was all there was to it, the timber would be grown, nurtured, and harvested without a doubt. But the active ingredient in the formula is people and their attitudes. Southern forests are nice to look at, but western forests are paintings of majesty, breathtaking in their grandeur. Let a woodsman in their life? Not on your life! Landowners' attitudes will determine if harvests are made on private lands and on what scale. The public's attitude will determine how much timber is harvested from federal lands (and on private lands where legislation has dictated regulations).

The same attitudes will determine how much more public land will be dedicated to wilderness, parks, or other uses. In California, wilderness areas already total 2.8 million acres, 57 percent of which is forestland.

Someone once said that if it weren't for people, there would be no public relations problems. Of course, there would be no need to grow timber either, except that some species of wildlife have fared better in most areas with proper forest management than in the virgin timber.

Some people uninitiated in forestry develop chills and the ague when trees are cut, but ruin trees themselves when left to their own devices. Del Brown, assistant state forester of Colorado, shakes his head in wonderment. "People are using their forested lands more intensely while often not knowing how or why trees should be managed. We see them build a cabin on 10 acres of forest land and unintentionally cut half the roots of trees chosen to frame the view. They pave over the root zone of other trees and their roads cause erosion," he said. It's understandable that he feels "the main forestry problems of the West are people problems."

Tough questions? Of course, be-



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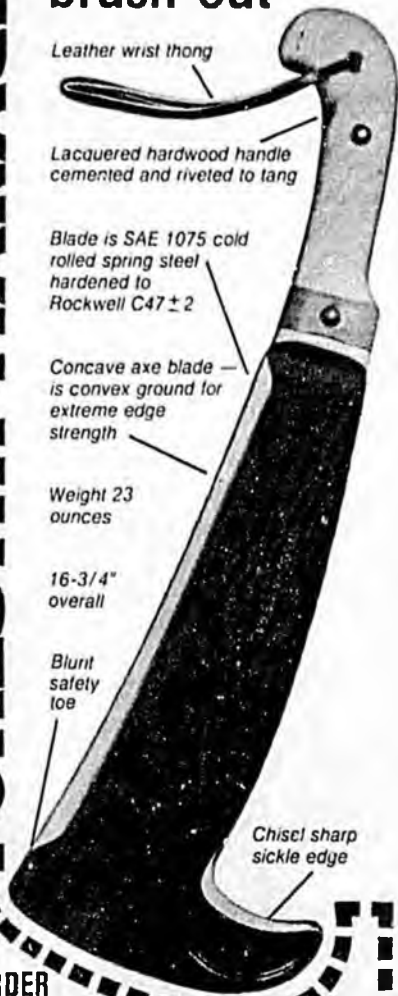
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cause the entire problem has to be solved in a fishbowl. Few industries' operations stand the chance of affecting so many other important values of American life. Harvests of trees can improve water quality or ruin it, depending upon how and where it takes place. Indiscriminate harvesting in Colorado, for example, cannot be allowed. The state is the headwaters of five major rivers. What the people have to decide, and soon, is how to match the needs with the solutions.

But lest we forget, forest production in the West is not only a people problem, it's *the people's problem*.

Understanding Log Exports (From page 19)

negotiated, and others are pending. Alaska's importance as a log source will increase sharply if any restriction is put on exports of state of Washington timber.

Alaskan natives are naturally interested in receiving income from their lands, so some logs will continue to be exported. However, a domestic wood-utilization industry, rather than log exporting, is attractive because it can provide more jobs and income per unit of wood volume. Therefore, some of the revenue will doubtless be used in forest management and to develop a wood-processing industry in Alaska.

The fact remains, however, that local sawmills, plywood plants, and other manufacturing facilities are not profitable if the cost of their logs is calculated as the value of those logs if they were sold export. This is the principal reason that logs are exported from the United States, as well as from other countries such as New Zealand, Chile, and the Soviet Union. Log-export profitability takes precedence over national preferences for processing logs at home. Homeprocessing would provide increased employment opportunities and greater final product values. It will be interesting to see how Alaska balances these two needs.

Regulations

Basic to understanding the export issue is some knowledge of current regulations affecting log exports from the West Coast. The following somewhat oversimplified summary gives the basic regulatory information. In a few cases, there are provisions that logs can be exported if declared surplus to industry needs, but

California is predicting a six-percent drop in timber harvests during the next 20 years. David E. Pesonen, director of the California Department of Forestry, sums up the future for the entire West in one sentence. Unless future supplies can be increased, he said, Californians can expect "higher prices, lower quantities, reduced quality, increased imports or any combination of these."

Commercial forests cover only 15 percent of the land area in the West. Forestry leaders in the region don't feel that dedication of the acreage primarily to timber use is an unreasonable request.

this affects an insignificant volume.

The export of timber in log form is prohibited from state-owned lands in California, Oregon, Alaska, and British Columbia.

On federally owned lands, export of logs west of the 100th Meridian (which cuts the 48 states on a line through North Dakota to Texas) is almost entirely prohibited. A 1968 act, often referred to as the Morse Amendment, limited exports from federal lands to 350 million board-foot (12.5 percent of the 1980 exports of 2.8 billion board-foot); however, more recent regulations essentially make it illegal to export logs from federal land.

Privately owned timber, therefore, has the pivotal role in exports. A 1977 study of Washington state log exports showed that in 1976, 69 percent of Washington exports (by far the largest of any state) came from private land, compared to 25 percent from state land.

Clearly, any sizable reduction of log exports by regulation would have to be the result of new regulations affecting either or both private and state forest harvest allocations.

The Japanese Log Market

Japan will increase its domestic production of softwoods over the next two decades, but will continue to import huge volumes of logs and chips. Over 23,000 sawmills depend primarily on imported conifers to supply the needs of their customers.

The reason Japan is able to pay more for logs than the domestic mills in the U.S. is complex, and includes many economic and socio-political factors. For instance, Japanese sawmills recover a much higher per-

centage of a log in the form of lumber than do domestic mills. U.S. mills put greater emphasis on production speed, thereby producing more low-value byproducts such as chips and sawdust. The 23,000 sawmills in Japan, mostly very small, are not only supplying customers with exactly what they need in sizes and grades of finished products, but also are a potent political force. The Japanese government naturally favors imports of raw material to keep employment at high levels, and will encourage log imports over milled wood imports if the economics are at all favorable.

Market Competition

There most assuredly is international competition for the Japanese log market. U.S. suppliers are concerned that further bans on log exports will force Japan to turn to other suppliers.

The Soviet Union now provides most of the competition for U.S. logs in the Japanese log market, but other countries such as Chile have begun substantial shipments to Japan. Chile exports Radiata logs to Japan despite the 10,600-mile distance, about double that from Seattle to Tokyo. New Zealand was one of the first countries to export fast-growing exotic conifers to Japan. (Usually this is *Pinus radiata*, called Monterey pine in the U.S., where it is native, and Radiata pine in New Zealand.)

Fiji is the latest entry into the exportation of fast-growth exotic coniferous species to Japan. In July 1980, I watched the first cargo of plantation-grown Caribbean pine logs (*Pinus caribaea*) being loaded for shipment to Japan.

Indonesia and the Philippines supply Japan with the large-diameter logs that sell as Philippine mahogany. And Taiwan supplies cypress in five to six feet and even larger diameter logs (often split lengthwise). Larch, pine, and true fir logs arrive at Japanese ports from Siberia.

The Protagonists

Self-interest puts people on different sides of the issue. If a U.S. company is primarily a processor of purchased wood, its profits are hurt because log exports decrease the supply of logs and drive the price up. If a company, individual, or agency is a round-wood producer, it is more likely to favor log exports because

they increase the profit on what it sells and increase the value of its trees and land.

Employees whose jobs are either threatened by a ban on log exports or enhanced by a continuation of the status quo tend to take opposing positions.

Preservationists generally prefer to see less timber harvested rather than more, so they usually oppose

log exports.

Forest managers tend to favor anything that encourages more intensive and more profitable forestry operations, so they choose the higher profit route.

Facts and Fictions

Any complex issue has an element of fiction that obscures facts and interferes with the ideal decision-



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making process. Before we get into the arguments for and against log exports, it will be helpful to throw some light on these misconceptions:

• **Fiction:** Log exports are not really a problem, because generally what goes overseas are low-grade or other logs not suitable for domestic use.

• **Fact:** Simply not true. In fact, the opposite generalization is more correct. The photos accompanying this article show logs typical of a large percentage of exports; such logs are also in great demand by U.S. users.

• **Fiction:** All we have to do is ban log exports from the Northwest and the Japanese and others will then

have to buy our manufactured products.

• **Fact:** Not true. Japanese importers would expand the purchase of logs from other suppliers, which include the Soviet Union, Chile, New Zealand, and Alaska. And they would buy lumber, plywood, and other products from the lowest-cost supplier. Historically and currently, the major supplier tends to be British Columbia rather than the U.S.

• **Fiction:** The Japanese buy our logs in the Northwest, then make them into lumber and sell the lumber back to us.

• **Fact:** Not true. Nearly 100 percent of the hemlock, Douglas-fir,

and other West Coast log volume never returns to this country in solid wood form. Some does come back as paper or packaging, and a small volume is used in musical instruments and toys that are sold here. For example, some of the faces on Japanese guitars are made from Sitka spruce.

Predictions

From this matrix of national and international economics and politics, I am unable to predict a specific outcome. However, here are three predictions about what will happen to log exports in the '80s. These are primarily political observations, and the reader can add his/her own economic and forestry beliefs.

There will not be a ban on the export of logs from private lands. The Reagan Administration interprets its mandate as favoring less regulation, not more. Therefore, those forest products companies hurt by log exports, and the environmentalists proposing a total log-export ban, are not going to generate much support from the top levels of the Administration. In addition, preservation of private property rights is now popular, and it's hard to imagine that Southerners and other champions of private property rights would support such restrictions.

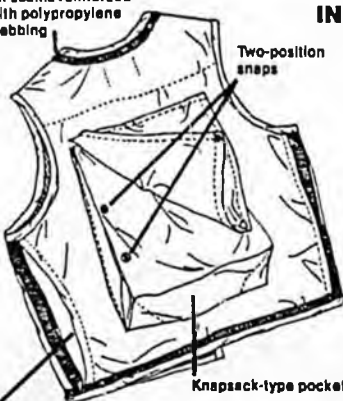
There will be a continuing major effort to ban the export of logs from the state forest lands of Washington. Emotion will have at least as much to do with the resolution of this issue as will facts. If those in favor of a ban are successful in convincing people that "exporting logs means exporting jobs," and that "the state of Washington is a tree farm for Japan," then they may prevail. The most effective arguments for proponents may also be those that provoke emotion; for example, "there are too many regulations already," "the consumer benefits most from freer trade," and "better markets make better forestry."

The Japanese are politically as well as economically astute, so in addition to log imports, they will probably increase purchases of American lumber and plywood to help forestall additional restrictions on log exports.

Debate is sure to continue, and it's likely that log-export policy will stay between the extremes of total prohibition and free trade. Log exports will continue to be an issue. ■

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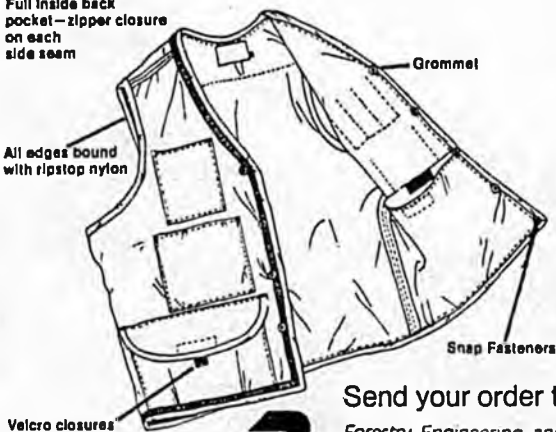


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February 7, 1984

Mr. John Sturgeon
State Forester
Alaska State Dept. of
Natural Resources
Pouch 7-005
Anchorage, Alaska 99510

Dear Mr. Sturgeon,

Recently my office has received and responded to a State survey being conducted by your office regarding the problems with the forest industry in the State of Alaska and seeking suggestions of what might be done by the State to restore the economic viability of this industry.

After filling out and mailing in the survey, I thought about the subject further and regreted not taking additional time to express our thoughts and concerns in greater detail. Therefore, this letter is being forwarded to you. I am taking the liberty of providing a copy of this letter to other officials in the hope that my thoughts might be of some small value to them as we deal with this serious economic problem. Indeed, perhaps our single largest problem is that it has taken so long for us to realize that the timber industry in the State of Alaska is in serious jeopardy. All of us in a leadership position in the private and public sectors have helped to contribute to the current problem through non-action or acquiescence to public pressures. I can assure you that the problem extends beyond and to a greater depth than those factors created by the current economic recession. The timber industry in Alaska is in danger of dropping to significantly lower levels than we have experienced and remain there for an indefinite and lengthy period of time.

The current closures of sawmills will be followed by the closure of pulp mills; the closure of pulp mills will be followed by a shutdown of logging activity. Each of these will be followed by massive lay-offs, unemployment and industry wide economic depression. From the point of view of the timber industry the economic depression was achieved in 1981 and continues. And there is no indication that it will recover in the near future. It is highly probable that the economy of the timber industry in Alaska will be much worse before it gets better.

MR. JOHN STURGEON
STATE FOESTER
FEBRUARY 7, 1984

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The question at hand and directed to us in the industry is what can the State Government do to help correct this situation? Our response follows.

The State of Alaska has with only rare and minor exceptions approached and dealt with the Alaska timber industry in its regulatory functions. the State Forestry Service has been under staffed, under funded, and almost exclusively concerned with regulatory and fire fighting functions. Our fires are few to none and our regulatory offerings abound. This attitude and approach in it's concerns with the timber industry by the State of Alaska has contributed to our economic problem. The State is a land owner with large timber assets to be managed to the advantage of all of our citizens. "Your in Business"! The State should be aggressively encouraging and cooperating as a member (owner of large timber assets) of that industry.

The State and Federal Government has adopted and implemented laws that authorize, if not direct, government officials to regulate the industry in such a manner that not one fish, not one deer, not one egg or inch of ground, will be relinquished to the advantage of economy for the growing and harvesting of timber. At the same time millions of trees and millions of acres of private and public forest land are sacrificed to enhance the harvesting of fish and the preservation of wilderness area, and this is within designated public and private timber harvest areas. There has developed a gross distortion and disproportionate application of environmental restraints on each individual timber development "site specific". This irrational lopsided process must stop!

Permit me to restate this important point - Economy in the growth and harvest of trees is not a factor that is considered in the implementation of laws regulating the use of land and intertidal areas. This needs to be changed immediately!

To help relieve the cash drain from near empty accounts we suggest the state waive all easement and tideland lease fees for five years on all lands that are being used primarily for timber industry production purposes.

There is a desperate need for improved statewide communications within the far-flung reaches of the timber industry in Alaska as well as a need for the industry to communicate with government in an orderly and constructive manner. The State needs to play a much larger role in industry communications and research.

MR. JOHN STURGEON
STATE FOESTER
FEBRUARY 7, 1984

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There are needs and opportunities for reduction in the cost of converting trees to logs and bringing them to shipside or pulp mills. This could be achieved with little or no sacrifice on the part of our environment. As a Forester I am sure that you recognize that the timber industry is a captive of the laws of economy of scale. There is a great difference in the ability for cost to be absorbed depending on the size of the operation. Inexpensive beaver slide log dumps is a good case in point. The industry has been prohibited from the use of free fall beaver slides for the last few years except for beaver slides previously in operation. For the smaller operations that are dumping 30 mmbf a year or less a beaver slide dump is an economic advantage that should not only be authorized but encouraged. The additional cost for bringing into place and operating a non-violent log transfer facility is unwarranted and without justification. Certainly any log transfer facility is going to have some negative impact on the current environment in the immediate area. However, those negative impacts are temporary and occur infrequently - in Southeast Alaska one per 100 miles of shoreline (average) or less.

The State of Alaska should take the lead, with representatives from the private sector in the establishment of an "Alaska Forest Products Association". This association would have as it's primary function the promotion of Alaska forest products throughout the international market place. An important second function would be communications between the private sector of the timber industry and public bodies, particularly the State and Federal Governments. In addition, the role of economic analysis and economic data input regarding regulatory law needs a well staffed and broad based professional voice. Such an association would, by necessity, be funded principally in its initial years by State funds; however, it could and should be structured so that over a period of - say five years the State's participation decreases and the private sector participation increases. In such an association the State of Alaska as well as the Federal Government should participate in part from the point of view of a large land owner.

There are inequities in State law that places timber owners such as Cape Fox Corporation at an unfair disadvantage to those timber land owners outside organized boroughs. The problem is we are required to absorb property tax cost for services which our timber land is not a beneficiary and our competitors are not taxed. In the 100 to 150 year Alaska timber growth cycle this circumstance jeopardizes the ability of owners of large timber tracts in organized bor-

MR. JOHN STURGEON
STATE FOESTER
FEBRUARY 7, 1984

-4-

oughts to retain ownership of that property. We suggest the State assumes the perogative of taxing of timber lands when and if such taxes are necessary and can be justified.

In summary, we suggest that the largest single problems that we have even more that the market place, is an attitude on the part of State as well as Federal and local government and general public in their dealings with the timber industry. There has been over the past decade a systematic erosion of the economic footings that sustained the industry. Requests for relief have been for the most part totally ignored by government and the public. A majority of the timber industry operators have been complacent during the high market period enjoyed in the 70's. Many people have already suffered the consequences of these attitudes and complancencies. With each passing month additional businesses collapse, millions of dollars are lost and our economy is disturbed. It is time to move out of the discussion and analysis stage and start taking concrete action along several fronts if we are to correct this very serious circumstance.

Thank you very much for the opportunity to submit the earlier material and this letter to you.

Sincerely,

CAPE FOX CORPORATION

F.A. Seymour,
Executive Vice President

cc: William Sheffield,
Governor of Alaska

Robert Ziegler,
State Senator

Jack McBride, ✓
State Represenative

Ron Wendte,
State Represenative

Don Bell,
Alaska Loggers Association

Richard Lyon,
Commissioner of Commerce and
Economic Development

MR. JOHN STURGEON
STATE FORESTER
FEBRUARY 7, 1984

-5-

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John Sandor,
U.S. Forest Service

Win Green,
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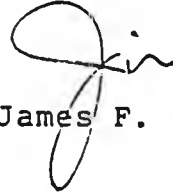
March 20, 1985

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:sd
Enclosure

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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.

The Honorable Bill Sheffield
March 20, 1985
Page 3

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.

E. 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
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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

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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
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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 1985 LEGISLATIVE SESSION

FISCAL NOTE

Revision Date: _____

REQUEST No.1 page 1 of 3

FISCAL DETAIL

Bill/Resolution No.: HR 306

Agency Affected: Commerce & Econ. Dev.

Title: Marketing of Forest

Program Category Affected: _____

Products _____

Sponsor: Taylor & Sund

BRU, Program or Subprogram(s) Affected: _____

Requestor: _____

Date of Request: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
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				
500 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
300 MISCELLANEOUS						
TOTAL OPERATING		343,000	350.0			
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

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: Loren 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	ORG. 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.	Type of Continuation				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		89,090		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. Match 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 _____

No. 1 HB 306
 Page 2 of 3
 Revised Date _____

FY 86

1.	POSITION TITLE Clerk III			RANGE/STEP 8A	ORG. 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			ADDITION	JUSTIFICATION				
4.	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	01		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 _____

HB 306

No. 1

Page 3 of 3

Revised Date _____

FY 86

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date 3-27-85

REQUIREMENT

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
OPERATING						
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-
TOTAL OPERATING	-0-	4.0	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-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-
TOTAL	-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
<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>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: ^{RWE} Robert Elliott
 Division: Revenue - Research Section

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

Approved by Commissioner: [Signature]
 Agency: [Signature]

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