

TONGASS

OVERVIEW

STATEMENT OF
G. LYNN SPRAGUE, DEPUTY REGIONAL FORESTER
ALASKA REGION
FOREST SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

Before the
Resources Committee
Alaska House of Representatives

January 14, 1988

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

Thank you for the opportunity to update you on several activities of particular interests. Specifically, I will bring you up to date on the two long-term timber sale contracts on the Tongass National Forest. I will also discuss the possible effects upon the people of Southeast of pending legislation. In my printed material are other items that I believe are of interest to this committee, but that were not specifically requested. I would be happy to expand on these other topics should time permit.

LONG-TERM SALE STATUS

There are two existing long-term (50 year) timber sales in the Alaska Region. Both are on the Tongass National Forest. Both sales required the construction and operation of a pulp mill. One mill was established at Sitka, and one at Ketchikan. The contract for the mill at Ketchikan runs until the year 2004, and the contract of the Sitka mill, until 2011. The average annual volume that can be harvested is 105 million board feet for the Sitka contract, and 193 million for the Ketchikan contract -- a total of 298 million board feet per year.

Harvest volumes on these contracts for the part five fiscal year have been: FY 83, 174 MMBF; FY 84, 177 MMBF; FY 85, 131 MMBF; FY 86, 201 MMBF; and FY 87, 219 MMBF. The contractors expect to harvest about 320 MMBF in 1988.

The Forest Service makes timber available to the contractors through the use of 5-year operating plans. The present 5-year plan for the Sitka sale runs from January 1, 1986 through December 31, 1990. The present 5 year plan for the Ketchikan sale runs from March 1, 1984 until February 28, 1989.

A new 5-year operating plan for 1989 to 1994 for the Ketchikan sale is now being prepared, and a draft environmental impact statement on that plan is to be published about the end of March this year.

Operations on the Sitka sale under the 1981-1986 operating plan are the subject of litigation in the U.S. District Court, and the Government has been prevented from awarding road building contracts on the Game Creek road near Hoonah, and the Port Camden road on Kuiu Island. The Forest Service is currently preparing a supplemental environmental impact statement on this plan. We hope to complete that work by May, 1989. My decision on the 1986-1990 operating plan is under administrative review by the Chief of the Forest Service.

There are no litigative or appeal actions regarding the present 5 year plan for the Ketchikan sale.

The Alaska Pulp Corporation has filed a claim for \$37 million in the U.S. Claims Court for alleged breach of contract during the 1981-1986 operating period.

PENDING LEGISLATION

During the first session of the 100th Congress, several bills significant to southeast Alaska were introduced. HR 1516 and its Senate companion bill, S 708, called the Tongass Timber Reform Act, was introduced by Representative Mrazek and Senator Proxmire. They would require "...annual appropriations of funds to support timber management and resource conservation on the Tongass National Forest."

Another bill HR 3556, also introduced by Representative Mrazek, calls for the termination of the two long-term sales contracts on the Tongass National Forest.

OVERVIEW OF THE EFFECT OF PASSAGE OF HR 615 AND S 708

The bills would repeal section 705(a) of Alaska National Interest Land Conservation Act (ANILCA) thus making timber management programs on the Tongass National Forest subject to an annual appropriation. It would also repeal the reference to the 4.5 billion board feet timber supply per decade goal. The bills would also repeal section 705(d) thus making timber harvest subject to section 6(k) of National Forest Management Act (NFMA) (marginal lands limitations), and expand the scope of the biennial 706(b) report.

The central theme of the proposed legislation is the annual fund appropriation. The annual funding provision of these bills is unnecessary as demonstrated in the recently passed Federal budget. This budget includes a provision that makes Tongass funding and targets for fiscal years 1988 and 1989 subject to the normal appropriation process. Removal of the statutory timber availability level for resource conservation purposes is unnecessary at this time as the Tongass timber offer and harvest levels are well below the limits set in ANILCA. Further, the Forest Plan revision will soon evaluate the opportunities and effects associated with adjustments in the 10-year, 4.5 billion board feet level.

We believe that a major change in management direction by Congress is not appropriate or necessary at this time. Current statutes will make the Tongass program subject to the annual appropriation process through FY 1989. Other major provisions of S. 708 can, and will, be more comprehensively examined in the draft Forest Plan scheduled for release in December 1989. We, therefore, believe it would be best to wait for updated, comprehensive information and analysis of resources, markets, and the perspective of different publics before considering legislative changes.

OVERVIEW OF THE EFFECT OF PASSAGE OF HR 3556

HR 3556 would require termination of the two long term contracts. Termination of the contracts would result in only one sure effect: to obligate the United States Government for all of the costs associated with the unilateral default of its contractual commitments. Beyond this, the effects become much more problematical and depend on the outcome of a complex set of future public and private policy choices. It may be useful to consider two scenarios that may bracket the probable range of possibilities.

SCENARIO I

Under this scenario, termination of the two 50-year contracts could have virtually no effect beyond the default costs to the Government. The scenario is premised on at least three assumptions.

The first assumption is that the Congress, through the appropriations process, would continue its commitment to maintaining an available timber supply to support industrial employment in southeast Alaska.

The second assumption is that at least the current land base, or its equivalent, would remain available for the production of timber.

The third assumption is that both of the former contract holders would choose to continue doing business in Southeast Alaska and, most importantly, choose to continue the operation of both pulp mills.

If all three of these assumptions proved to be true, the effect of terminating the two 50-year contracts would probably be minimal.

SCENARIO II

Under this scenario, the three basic assumptions of the previous scenario would change in one or more significant respects. The first assumption is that the Congress would choose to significantly reduce funding of the Tongass timber program. The second assumption is that the land base available for timber production would be significantly reduced. The final assumption is that both of the pulp mills would close.

If all of these assumptions proved to be true, the effects on the economy of southeast Alaska, at least in the near term, would be devastating. The most critical factor relates to continued operation of the mills--a factor which without the limited protection provided by the contracts would be much more

difficult to influence or predict. The reason that continued operation of the mills is critical relates to the composition of the Tongass timber base.

Tongass National Forest timber is a mixture of approximately 50 percent sawtimber and 50 percent pulp-grade material. A major provision of the contracts requires the development and operation of the pulp mills. Continued operation of these mills or equivalent capability of using low quality wood is necessary to southeast Alaska's timber industry. It would not be possible or acceptable to harvest only the sawtimber and to simply leave the pulp grade material in the forest. The contracts assure the continuation of an outlet for the pulp grade material; thus, the opportunity to harvest, process and market the more valuable sawtimber.

Without operation of the mills, or some as yet unidentified alternative, the timber industry contribution to the economy of southeast Alaska, as we know it today, would cease. Job loss could exceed 2,000 employees with extensive economic dislocations throughout the economy. This high job loss would occur if no alternative way was found to use the lower quality material now being used for pulp.

Timber harvest on the Tongass would be reduced to salvage operations and very small sales in limited areas where pulp-grade material makes up only a small portion of the timber stands. This would be an undesirable outcome from the standpoint of the economy of southeast Alaska and natural resource management.

This concludes the information specifically requested by the committee, Mr. Chairman. With your permission, I would like to quickly brief the committee on this years appropriation for the Tongass National Forest.

IMPACT OF FY 1988 FOREST SERVICE APPROPRIATIONS ON SOUTHEAST ALASKA

The FY 1988 Forest Service appropriations in southeast Alaska are reduced by \$3,729,000 when compared with what was actually spent in FY 1987. Related to the funding reduction is a personnel reduction of about 60 person years of Forest Service employment. Funds appropriated for the Tongass are \$9.6 million below the Administrations proposed budget.

While the overall funding and Forest Service employment is down, there were bright spots in the overall picture. Funding for the recreation program has increased \$1,269,000 from FY 1987. Funding for our wildlife and fish program has increased by \$411,000 as compared to last fiscal year. Also, the minerals program received a small increase of \$299,000 from FY 1987.

Timber related activities received the greatest reductions. Preparation of new timber sale offerings has been reduced to 266 million board feet compared to the 378 million board feet prepared in FY 1987. The effects on the southeast Alaska economy will not be felt until 1989 or 1990 when reduced timber volumes will be offered for sale. If the reduction in preparation dollars does not exceed one year, we believe we will be able to minimize the impacts on the timber industry.

The reforestation account was slightly reduced. The final appropriation eliminated any new thinning acreage on the Tongass. Therefore, the

approximately 200-500 individuals who work on thinning contracts each field season will only have the remnants of contracts already awarded to supply employment this field season. The effects of this reduction will also be minimized if funding for new contracts becomes available in FY 1989.

Road construction activities will be approximately the same, overall, as they have been. If harvest by the timber industry continues to increase as it has over the last few months, there is the possibility of increased road construction activities by timber purchasers. Increased timber harvest activity would lead to increased employment in both logging and related road construction next field season.

The proposed administrative budget included facilities construction at Craig and Hoonah. These were eliminated. Employment related to these projects will, therefore, not occur next summer.

In summary, while total funding and employment have been reduced, the negative effects on Southeast Alaska are related to those dependent on the timber and building construction programs for employment. The effects will be felt both in private industry and in Forest Service employment. Other Forest Service resource programs have received some program increases which will contribute to support the tourism, commercial fishing and mining industries.

Mr. Chairman, this concludes my statement. I would be happy to answer any question you or the committee may have concerning the topics already covered or other Forest Service activities in Alaska.

OVERVIEW OF THE 1987 ANILCA STATUS REPORT AND THE GAO REPORT ON THE TONGASS

Section 706(b) of ANILCA requires that the Forest Service prepare a report on the status of the Tongass National Forest biennially. The second status report was to incorporate information through 1987. The reports are to be prepared in coordination and cooperation with the State of Alaska, the southeast Alaska Native Corporations, the timber industry, the Southeast Alaska Conservation Council, and the Alaska Land Use Council.

The status reports are to cover the timber harvest since passage of ANILCA; the impact of the Wilderness designations on the Tongass on the timber, commercial fishing, and tourism industries; the measures instituted to protect fish and wildlife; and, the status of the small business set-aside timber sale program. Additional subjects may be added as deemed appropriate. The draft of the first four chapters dealing with the core requirements was distributed to the cooperators identified in ANILCA and other interested parties in early November. A draft of an additional chapter dealing with the Forest Service research program on the Tongass was distributed to the cooperators this week. Comments from all parties are due in mid-February. Our intent is to have the report submitted to Congress by April.

The Government Accounting Office was requested by Senators Stevens and Proxmire to review the Forest Service's use of the Tongass Timber Supply Fund. After a number of months of review of the Tongass timber program and the use of the funds made available to operate the program, the draft report was submitted for review in late November. For the Forest Service, the key point of the report was that the review found that expenditures made were proper, but that we had reacted too slowly to the extended downturn in the markets for timber produced from the Tongass. The result was that, from the perspective of the reviewers, expenditures were made earlier than was necessary for the management of the timber program. The Government Accounting Office is currently reviewing the comments received on the draft report and will be working with the two Senators to finalize the report for their use and release.

Prepared by committee staff

HOUSE RESOURCES COMMITTEE
OVERVIEW OF TONGASS NATIONAL FOREST ISSUES
January 14, 1988

During the formation of the Alaska National Interest Lands Conservation Act several provisions were included to protect the Tongass National Forest timber industry in light of the wilderness designation given to some of the forest.

Section 705 of the Act establishes the Tongass Timber Supply Fund which requires the federal government to spend at least \$40 million on the Tongass timber program each year to supply 4.5 billion board feet of timber per decade or 450 million per year. This fiscal year's budget is \$52 million, the Forest Service had requested \$62 million.

The Forest Service is presently engaged in 50-year timber contracts with two regional pulp mills, Louisiana Pacific/Ketchikan (LPK) and Japanese-owned Alaska Pulp Corporation in Sitka (APC). The two mills are automatically guaranteed 300 million board feet out of the "450" goal each year. LPK's contract expires in the year 2004 and APC's expires in 2011.

The Tongass is the only national forest which has a guaranteed entitlement of at least \$40 million each year. It is also the only national forest with a timber supply goal written into law.

The Tongass Timber Reform Act (S.708/H.R. 1516) would repeal ANILCA Section 705, returning the Tongass timber program to annual Congressional appropriations review, the same process applied to every other national forest in the U.S. It would also return the level of timber supply to a function of market conditions and other forest management considerations such as habitat protection.

The Alaska Timber Contract Modification ACT (H.R. 3556) would terminate the 50-year contracts and put LPK and APC on the same competitively bid, short-term timber sale basis as other timber operators.

The legislation is pending in Congress.

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

OFFICE OF
MANAGEMENT & BUDGET

SEP 11 1987

September 4, 1987

GOVERNMENTAL
COORDINATION

Mr. Michael A. Barton
Regional Forester
Forest Service
U.S. Department of Agriculture
P.O. Box 1628
Juneau, AK 99801

Dear Mr. Barton:

I am writing to thank you for briefing me and members of my staff recently regarding national forest issues in Alaska. The Forest Service presentation to the House Committee on Interior and Insular Affairs during the August 15 ferry trip to Sitka was also informative, as were the other presentations.

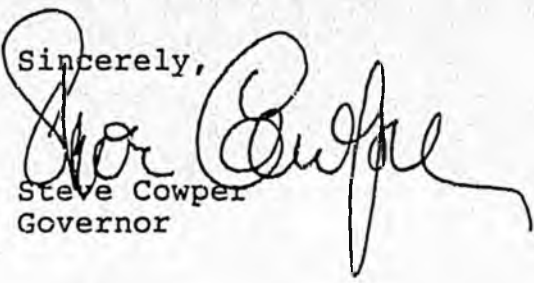
As you know, I have opposed amendments to the Tongass provisions of the Alaska National Interest Lands Conservation Act (ANILCA) because I have been informed that administrative remedies are available to the Forest Service which could resolve many Tongass issues. Another reason is I do not want to risk reopening ANILCA to the possibility of undesirable changes. According to members of my staff, revision of the Tongass Land Management Plan (TLMP) has the potential to help correct many long-standing problems of Tongass Forest management. I understand that the Forest Service is moving forward with the process of revising TLMP and has recently published a work plan which will help guide your agency's efforts.

Concerned state agencies will participate in the TLMP revision process within the limits of their respective resources. Direct exchanges of technical information between individual state agencies and the Forest Service are appropriate and should continue. Beyond the technical level, however, I have asked the Division of Governmental Coordination to coordinate our participation in the Forest Service TLMP revision process. I have also asked them to ensure that the state's interests and concerns with management of the Tongass are communicated to the Forest Service in a unified manner.

September 4, 1987

I encourage the Forest Service to consider the revision of TLMP as an opportunity to substantively explore, without arbitrary constraints, all reasonable alternatives to the current status of the Tongass Forest. The Forest Service should also identify any specific legislative remedies for issues which cannot be resolved by administrative means. The Forest Service has the opportunity to take the lead in finding creative solutions to the many problems which have been identified. I wish the Forest Service well in this important endeavor.

Sincerely,



Steve Cowper
Governor

cc: Commissioner Judith Brady
Department of Natural Resources
Commissioner Don Collinsworth
Department of Fish and Game
Commissioner Mark Hickey
Department of Transportation
and Public Facilities
Commissioner Dennis Kelso
Department of Environmental
Conservation
Commissioner Jim Sampson
Department of Labor
Attorney General Grace Schaible
Department of Law
Commissioner J. Anthony Smith
Department of Commerce
and Economic Development
John Katz, Office of the Governor
Robert Grogan, Division of
Governmental Coordination

TESTIMONY OF ERIC S. LASCHEVER
BEFORE THE HOUSE SUBCOMMITTEE ON
ENERGY AND THE ENVIRONMENT
December 10, 1987

Mr. Chairman and Members of the Subcommittee:

My name is Eric S. Laschever. I am the Associate Director for Fisheries and the Environment in Governor Steve Cowper's Washington, D.C. Office, and I will present testimony today on behalf of the State of Alaska.

The State is opposed to H.R.3556 for the following reasons: First, we believe that it could adversely affect the people employed by the two pulp mills which are parties to the long-term federal timber sale contracts and people employed by other components of the Alaska timber industry. Second, H.R.3556 could disrupt the regional economy and stability of several communities in southeast Alaska. Third, the cost to the federal government of compensating the corporations for contract damages could be quite high. Finally, the legislation overlooks non-legislative alternatives which could address the problems identified in the findings of the bill with less impact on the people of southeast Alaska.

IMPACT ON PEOPLE EMPLOYED IN SOUTHEAST ALASKA'S TIMBER
INDUSTRY

Alaska Pulp Company and Ketchikan Pulp Company, the holders of the timber sale contracts which H.R.3556 seeks to cancel, directly employ as many as 1100 workers. Taken together these mills are Alaska's sixth largest private employer. Although no one knows with certainty how the two corporations would actually respond to the contract cancellation proposed in H.R.3556, the state is concerned that such action could result in cut-backs in employment or the closure of either or both of the pulp mills operated by these companies. Pulp production is an essential part of the timber industry in southeast Alaska because much of the low grade timber, unsuitable for lumber and other manufactured products, would otherwise be wasted.

Pulp mill closures, if they occurred, would also impact other components of the timber industry, including sawmills and logging companies, which employ up to another 1800 people. Although H.R.3556 is premised upon the assumption that contract cancellation would promote competition and allow free market mechanisms to operate, it is unclear whether this would result in a loss of or increase in employment in other components of the industry.

As we will discuss below, the economy of southeast Alaska consists of relatively few sectors. Opportunities for

workers who lose their jobs as a result of cut-backs or closures by the contract holders would be limited even if the Congress provided funds for retraining. For example, while the fishing industry is an important sector of the Alaska economy, it provides largely seasonal employment and it is a lifestyle and job for which many are just not suited. Entry into the fishing industry is limited by state law to the existing level of commercial fishing permits. Tourism, while a large and growing sector of the economy, is also highly seasonal and may not be capable of absorbing many of the dislocated workers. It would be overly optimistic to assume that the contracts could be cancelled without the possibility of dislocating those whose jobs in the timber industry depend directly or indirectly on the continued operation of the two pulp mills.

IMPACT ON THE REGIONAL ECONOMY

The private sector economy of southeast Alaska is dominated by three major industries: fishing, tourism and timber. These industries in turn support a number of secondary businesses including construction companies, air and water transport businesses, and retail and service businesses. Disruption of one of the major industries is likely to result in the loss of jobs in the support industries. As many as 1,000 people may be employed in secondary industries that serve the timber industry. This disruption would come at a particularly bad time. As a result of recent budget cutbacks at both the state and federal levels, public sector employment as well as construction employment associated with public works projects is depressed.

CONTRACT DAMAGES

The subject of contract damages is one which is best left to the corporations to discuss, as they are in the best position to assess the effects of contract cancellation on their operations. However, it should be noted that these costs to the federal government could be quite high.

MITIGATION OF IMPACTS TO AFFECTED COMMUNITIES

Cancellation of either long-term contract could result in major social and economic impacts on the communities of Ketchikan and Sitka and, to a lesser degree, on several other southeast Alaska communities. H.R.3556 provides no mitigation for these impacts. Although the state doubts that the impacts could be fully compensated for given the limitations imposed by the structure of the regional economy, we believe that mitigation should be an essential component of contract cancellation.

In 1978, the 95th Congress added approximately 48,000 acres of privately owned land to the Redwood National Park.

Congress recognized that its action could seriously harm the timber industry in the Humbolt and Del Norte Counties of California, and would cause an estimated 1,368 people directly employed in the industry to lose their jobs.

Congress concluded that it was incumbent upon the federal government "to mitigate identified employment and other adverse economic impacts on public and private segments of the local economy" beyond the compensation to the owners of the property which was acquired.

Provisions of the Redwood legislation which may be relevant include: preferential hiring of displaced workers for vacancies within the federal government, training of displaced workers for public or private sector jobs, maintenance of displaced employees' rights and benefits such as insurance and pension benefits, severance pay for dislocated employees, and reimbursement to the local government for lost tax revenues. While this list does not exhaust the types of mitigation which the federal government should provide, it is clear that there could be significant costs to contract cancellation.

CONSIDERATION OF ALTERNATIVES

Congressional cancellation of the contracts is an extreme action which should not be used because other nonlegislative alternatives have not been exhausted.

For example, a reason for cancelling the contracts stated in the findings of H.R.3556 is the anti-trust violations which occurred in the early 1970's. These offenses were prosecuted conclusively at that time, and there have been no further documented transgressions by the two pulp companies since 1975. If new problems arise, the Forest Service and the Department of Justice can seek appropriate judicial remedies.

Similarly, the bill finds that air and water quality violations at the pulp mills justify contract cancellation. We believe that compliance problems can be addressed through administrative and judicial avenues without cancelling the contracts. The state is working with the U.S. Environmental Protection Agency and the two companies to achieve compliance with water and air quality standards. It should be noted that the pulp mills were constructed in an era of much different environmental awareness and public expectations. Major capital investments have been made by both companies in air and water pollution abatement controls over the years, and more investments may be necessary.

Finally, if the Congress believes that the regional economy and the national interest may be better served by altering the structure of the southeast timber industry which depends

on National Forest timber, it should instruct the Forest Service to fully address this issue in the current Tongass Land Management Plan (TLMP) revision or similar planning process. The TLMP revision process, which will involve public participation throughout southeast Alaska, could allow the federal government to determine through an objective analysis whether cancellation or major changes of the contracts are justified. A final draft of the revised TLMP is scheduled to be available in December 1989. If the Congress believes that the issues involved exceed the technical expertise of the Forest Service or the scope of the TLMP revision, then another analytical process which allowed local participation could be created. The process would also result in a better understanding of the impacts of these modifications upon the timber industry and the regional economy and would help in designing appropriate approaches to minimize the adverse effects.

To conclude, there is much that is unknown about the dynamics of the southeast Alaska economy. We don't know and you don't know what the actual consequences of H.R.3556 would be. The state is concerned about the adverse impacts on the individuals and communities of southeast Alaska which could result from this action. Administrative and, if necessary, judicial mechanisms exist which can be utilized to correct contract problems. Therefore, the state opposes H.R.3556.

August 15, 1987

STATE OF ALASKA
BRIEFING PAPER FOR THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

H.R. 1516-TONGASS TIMBER REFORM ACT

INTRODUCTION

The timber industry in southeast Alaska was established through early efforts of the U.S. Forest Service. As a matter of federal policy initiated more than 40 years ago, Tongass timber was conceived as the commodity resource base for a primary processing industry (wood pulp and cants) which could bring increased economic diversification and employment stability to southeast Alaska. Federal appropriations provided under Section 705 of the Alaska National Interest Lands Conservation Act (ANILCA) were intended to ensure that a continuing timber supply from the Tongass Forest would be available to maintain historic levels of employment in the established industry when 5.5 million acres of wilderness was set aside in 1980.

SUMMARY

- ° The State of Alaska does not support the Tongass Timber Reform Act which would amend Section 705 of ANILCA at this time because:
 1. Administrative remedies are available to the Forest Service which, if adopted, may resolve many problems that have been identified with implementation of Section 705 of ANILCA, and the Tongass Land Management Plan (TLMP).
 2. ANILCA was an extremely difficult compromise to achieve. In view of the administrative remedies available, the state does not want to risk reopening the broader debate which an amendment of Tongass provisions might precipitate.
- ° Final results of the General Accounting Office (GAO) investigation of Section 705 implementation should be available to Congress and the general public before any action is taken to amend Section 705. The investigation report is expected this winter.
- ° Section 705 and other Tongass provisions of ANILCA so profoundly influence the people of southeast Alaska that the state urges Congress to conduct local hearings before taking further action to amend Section 705.

STATE CONCERNS WITH TONGASS FOREST MANAGEMENT

Alaskans residing in many communities of southeast Alaska are, to a high degree, directly or indirectly dependent on the natural
(OVER)

resources (timber, fish, wildlife, minerals, soils, and water) which are managed by the Forest Service or which may be affected by management of the Tongass Forest. Because of this dependency, the State of Alaska will continue to have a high degree of interest in Forest Service implementation of ANILCA, and the management decisions affecting the resources and residents of this coastal region.

This spring, the state testified on H.R. 1516 before the Subcommittee on Energy and the Environment of the Committee on Interior and Insular Affairs. The attached letter to Chairman Udall summarizes the state's position. A summary of the state's concerns is also attached.

We are concerned with the interpretation of ANILCA's timber supply requirement, the funding provided by Section 705, the implementation of TLMP, the effectiveness of experimental techniques, and subsistence evaluations of federal activities. The state informed the subcommittee that the Forest Service had recently modified some of its current policies and practices in the Tongass Forest. These modifications have been somewhat responsive to concerns raised by members of Congress, the State of Alaska, and others. We are hopeful that additional progress can be reported in the future.

CONCLUSION

Although Section 705 is considered by some to be an imperfect means to accomplish Congressional objectives in the Tongass National Forest, the State of Alaska believes that amendment is premature until administrative remedies have been exhausted. If Congress moves ahead this fall with changes to Section 705, we will participate fully and constructively in the legislative process to ensure that the State of Alaska's concerns are addressed in balancing the interests of the state and the nation.

END

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

May 18, 1987

OFFICE OF
MANAGEMENT & BUDGET

MAY 26 1987

The Honorable Morris K. Udall
U.S. House of Representatives
1324 Longworth Office Building
Washington, DC 20515

GOVERNMENTAL
COORDINATION

Dear Congressman Udall:

Thank you for your recent letter requesting the State of Alaska's attendance and testimony at hearings on legislation (H.R. 1516) to repeal Sections 705(a) and 705(d) of the Alaska National Interest Lands Conservation Act (ANILCA).

I am opposed to reopening ANILCA to change. As you know, passage of ANILCA came at the end of a long and exhaustive deliberative process which I would not want to repeat. In the case of the Tongass National Forest, Congress acted to simultaneously satisfy the national desire for the protection of large acreages of wilderness and maintain employment in the existing timber industry which depended on federal timber supplies.

Last year, the State of Alaska participated with others in evaluating the Tongass National Forest and Forest Service implementation of Section 705 of ANILCA. The state identified and described a number of problems with Forest Service implementation of ANILCA and with the Tongass Land Management Plan (TLMP) which was adopted in 1979. As you will recall, TLMP was a major source of information and assumptions used during ANILCA deliberations.

The State of Alaska believes that repeal or amendment of Section 705 is premature. Members of my administration have advised me that many of the problems which have been identified could, with cooperation from the Forest Service, be corrected without changing ANILCA. If there are other problems which arise from erroneous TLMP assumptions or poorly understood economic, social, or biological relationships, the revision of TLMP in 1989 should provide the basis for additional remedies. The General Accounting Office (GAO), moreover, is currently conducting an investigation of Forest Service implementation of Section 705. I understand that the GAO's report, which may be germane to your committee's deliberations, will not be available until sometime next winter.

Hon. Morris K. Udall

-2-

May 18, 1987

I request that your committee conduct hearings in southeast Alaska, preferably after fishing and logging seasons have ended, before any action is taken to change Section 705, or other Tongass provisions, of ANILCA. The state will present testimony to your committee next week and would appreciate your consideration of my request for hearings in Alaska.

Sincerely,

John W. Katz for

Steve Cowper
Governor

cc: Senator Ted Stevens
Senator Frank Murkowski
Congressman Don Young

August 15, 1987

SUMMARY OF STATE CONCERNS
WITH THE
IMPLEMENTATION OF SECTION 705, ANILCA
AND THE TONGASS LAND MANAGEMENT PLAN

1. The Meaning of Timber Supply

The state believes that the Forest Service continues to misinterpret the timber supply requirement of Section 705(a) of ANILCA: that is, the Forest Service apparently believes that it fulfills the ANILCA timber supply objective by offering timber for sale to the dependent timber industry which no prudent purchaser can afford to harvest, and that the marginality of commercial timber stands is fixed at one point in time.

2. ANILCA Funds

The state has expressed concern with the adequacy and use of federal funds provided under Section 705(a) and the failure over the past 7 years to implement the loan program of Section 705(b).

Timber Supply

With increased Congressional interest in the Tongass Forest, the Forest Service has begun scheduling more of its road investments in areas planned for timber harvest in the near future. Partial federal augmentation of purchaser built roads on short-term sales has also been recently announced by the Forest Service. These are positive steps which the state applauds. We believe that there are additional opportunities available to the Forest Service to meet the Congressional objective of maintaining employment in the dependent timber industry.

Fish and Wildlife Protection Measures

ANILCA funds are also intended to be utilized to mitigate the effects of timber harvesting and associated activities on fish and wildlife populations and their habitats, and on water quality. The state has seen some recent indications that the Forest Service is dedicating more resources to these measures, although we believe that considerably more effort is needed in this area.

3. TLMP Implementation

Congress utilized the information and assumptions developed by the Forest Service in the 1979 Tongass Land Management Plan (TLMP) during the drafting of Section 705. TLMP should be considered a contract with the American people for the management of the Tongass Forest, subject to periodic revision with public participation.

Many of the state's recommendations in the 1985 report to Congress were directed at problems with Forest Service implementation of TLMP. The Forest Service itself recognizes many of these implementation problems, and some progress has been made in solving some of them. The state will continue to work with the Forest Service, both in seeking improved implementation of the current TLMP, and in the plan's forthcoming revision.

4. Experimental Techniques and Research

The Forest Service is conducting a variety of research projects in the Tongass National Forest, and is trying experimental techniques to mitigate the effects of its forest management activities on fish and wildlife and their habitats, and on water quality. The state wholeheartedly endorses these efforts, but continues to insist that experimental measures not be construed as being effective until such effectiveness has been demonstrated and limitations have been identified.

5. Subsistence

The Forest Service prepares subsistence evaluations required by Section 810 of ANILCA for many of its management activities, based on guidelines endorsed by the Alaska Land Use Council (ALUC). The ALUC has also looked into the development of standards and criteria for federal subsistence evaluations but has not yet endorsed any standards or criteria. The state continues to seek cooperation from the Forest Service in coordinating the accumulation and synthesis of appropriate data for subsistence evaluations. Changes have also been proposed by the state in the data requirements, analysis methods and cumulative impacts assessment.

vh87081401clh

H.R. 1516
TONGASS TIMBER REFORM ACT

TESTIMONY OF THE STATE OF ALASKA
BEFORE THE SUBCOMMITTEE ON ENERGY AND THE ENVIRONMENT OF THE
--- - COMMITTEE ON INTERIOR AND INSULAR AFFAIRS
U.S. HOUSE OF REPRESENTATIVES MAY 21, 1987

Mr. Chairman, members of the committee, my name is Craig Lindh. I am employed by the Division of Governmental Coordination, Office of the Governor, and will present testimony on behalf of the State of Alaska.

In May 1986, the State of Alaska testified before this committee at Tongass National Forest oversight hearings held in conjunction with the reporting requirement of Section 706(b) of the Alaska National Interest Lands Conservation Act (ANILCA) of 1980.

One of the most difficult issues which faced Congress during ANILCA deliberations in 1980 was to simultaneously satisfy the national desire for protection of large acreages of wilderness in the Tongass National Forest while maintaining employment in the existing timber industry which depended on federal timber supplies. Section 703 of ANILCA designated 5.5 million acres of the Tongass National Forest as wilderness. Section 705 specified a timber supply of 4.5 billion board feet per decade for the dependent industry and provided a continuing appropriation of no less than \$40 million per year to the Forest Service in order to make the timber supply available. Section 705 reaffirmed the

Forest Service's longstanding social objective of creating and maintaining year-round employment and community stability based on the timber resources of the Tongass National Forest.

The state believes that the accomplishment of this goal has been hindered by incomplete implementation of Section 705, although the Tongass Timber Supply Fund has somewhat cushioned the effects of declining markets and the reduction of the federal timber base on local economies. The timber base was reduced when 1.65 million acres of commercial forest land, including 173.6 thousand acres of higher volume (30 thousand board feet or more per acre) old growth stands were placed in protected wilderness status. Until the provisions of ANILCA Section 705 and the Tongass Land Management Plan (TLMP) are fully tested and found to be deficient, the state cannot support any substantive alteration of Section 705. The state, however, continues to be interested in seeing that the provisions of Section 705 are properly implemented by the Secretary of Agriculture and the Forest Service.

We believe today as we did a year ago: repeal or amendment of Section 705 is premature. We therefore oppose enactment of HR 1516, or its companion S 708 at this time.

Congressional action to change Section 705 is premature for several reasons:

1. The General Accounting Office (GAO) is currently investigating Forest Service implementation of Section 705 of ANILCA. The State of Alaska looks forward to reviewing a thorough and objective analysis by the GAO. Such an analysis would include the use of funds provided to the Forest Service since 1980 for the Tongass Timber Supply Fund, and the degree of success in achieving the Congressional objectives of Section 705, including consideration of the assumptions and information of the 1979 Tongass Land Management Plan (TLMP) which were utilized by Congress in its deliberations. We believe that the findings of such an investigation could help lead to the implementation of ANILCA Section 705 as intended by Congress. For those who have already concluded that amendment or repeal is justified, the GAO report could provide Congress with a better basis for the consideration of legislative alternatives.

2. The Secretary of Agriculture is required by Section 706(b) to report again to Congress this year on the status of the Tongass National Forest. This report, which will again involve the participation of the State of Alaska and others, should describe any changes which have occurred since the 1985 report was completed. All parties interested in the Tongass National Forest should have this information available before considering changes to Section 705 of ANILCA.

Last year the state recommended that the Forest Service modify some of its policies and management practices to improve implementation of Section 705 and TLMP. Although "the jury is still out" on Forest Service adoption of many of those recommendations, we are aware of some positive steps. For example, we understand that the Forest Service will work with the dependent timber industry to schedule preroadng expenditures in the areas where timber harvest is planned.

Increased attention to management area analysis (a level of planning more detailed than TLMP) in the three administrative units of the Tongass National Forest reflects increased understanding of TLMP by Forest Service employees. Some life-of-the-sale and life-of-the-rotation planning, an important part of the addressing long-term cumulative effects of the Tongass timber program, has been accomplished recently by the Forest Service. Prescriptive management of fisheries habitat areas has recently been incorporated in operating plans for long-term timber sales, although the state is not aware of any actual on-the-ground implementation yet. Attached to this testimony is a more detailed assessment of Forest Service responsiveness to the state's concerns expressed in last year's 706(b) report.

3. The Tongass Land Management Plan (TLMP) was adopted by the Forest Service in 1979 and became an important source of

information and assumptions available to Congress during its ANILCA deliberations. The State of Alaska participated in the TLMP planning process. In the closing hours of that process, the Forest Service modified the plan unilaterally and departed from some of the understandings and recommendations developed through the state's participation in the interdisciplinary planning team. The forest plan has, nevertheless, served as a useful depiction of legislative and administrative allocations of land use. TLMP has been available to provide general guidance for management of the Tongass over the past 7 years. TLMP is scheduled for revision, a periodic requirement of the National Forest Management Act, in 1989. We understand that the Forest Service has already begun the TLMP revision process, although the state has not yet been given the opportunity to formally review the Forest Service's work plan. The State of Alaska intends to participate in the public process of revision, and will provide available statistical data, as well as analyses and recommendations regarding state resources and interests affected by federal land management decisions. TLMP was a key source of information and assumptions during ANILCA deliberations, and if well done, new information and understandings developed during the revision process can provide a sound basis for further Congressional consideration of the Tongass.

4. Section 705 deals exclusively with public land and resources in southeast Alaska. More than thirty communities

exist in or near the Tongass National Forest. About one-fifth of Alaska's population resides in these communities and in rural settings throughout the region. The State of Alaska believes that it is essential to conduct Congressional hearings in southeast Alaska before taking legislative action which would affect the Tongass National Forest. No Congressional hearings have been held in this region of Alaska since HR 39 testimony was taken more than nine years ago.

The State of Alaska urges this committee to schedule public hearings in Ketchikan, Sitka and Juneau, as well as in at least two smaller communities such as Craig or Klawock on Prince of Wales Island and Tenakee Springs on Chichagof Island. These communities represent a broad cross-section of the region's diverse economy, culture and lifestyles. You would have the opportunity, first-hand, to hear how Alaskans living within the Tongass National Forest, and dependent upon its many resources, feel about current management of the Tongass National Forest, the consequences of ANILCA's passage in 1980, and the legislation which has been introduced this year.

In conclusion, the State of Alaska believes that changing ANILCA Section 705 by eliminating the funding and timber supply provisions is premature. We believe that administrative remedies exist which may correct many of the problems that the state and others have identified. We solicit your continued interest in

the Tongass National Forest and in monitoring Forest Service implementation of Section 705.

Thank you for your attention. The State of Alaska would be happy to respond to any questions that members of the committee might have, either at this time, or in writing before the hearing record is closed. Thank you very much.

ASSESSMENT OF FOREST SERVICE ACTIONS TO REMEDY PROBLEMS
IDENTIFIED BY THE STATE OF ALASKA
IN 1985 ANILCA SECTION 706(b) REPORT

Last year, the State of Alaska listed 26 recommendations which, if adopted by the Forest Service, would enable the state to determine how well the provisions of Section 705 of ANILCA, and the Tongass Land Management Plan (TLMP) are working.

The Forest Service recently provided the state with its responses, dated April 20, 1987, to the state's recommendations of last year. We have not yet been able to independently determine the validity or merits of each of the Forest Service responses. However, the State of Alaska can offer the following assessment based on its own observations.

The state's recommendations to the Forest Service in last year's 706(b) report fall into five categories of concern:

1. THE MEANING OF "TIMBER SUPPLY": interpretation of the timber supply requirement of Section 705(a).

Although there has been considerable dialogue between the state and the Forest Service about the meaning of the term "timber supply" as used in Section 705(a), we do not agree

that Congressional intent is being properly interpreted by the Forest Service. The Forest Service has not changed its interpretation of timber supply. For example, timber which is offered to the timber industry, even if no one can afford to buy it, is considered by the Forest Service to be supplied pursuant to Section 705(a). Timber released for harvest under the two long-term timber sale contracts, even if the purchasers can't afford to harvest it, is also considered by the Forest Service to be supplied to industry.

The economic viability of individual timber stands varies over time with market conditions, costs, and logging technology. A stand that was economically viable in 1980 may be economical marginal today. The Forest Service apparently believes that only timber stands which were marginal in 1980 can be considered marginal today, ignoring the economic realities that the industry faces every day, as well as statements contained in TLMP.

TLMP states on page 185: "In some years, when markets are good, the remaining value [after logging and manufacturing costs, profit and risk allowances are subtracted from end-product selling values, the remaining value of the timber is available to the purchaser for road construction and stumpage] is high and public investment may be at a lower level. However, in periods of poor markets -- when

the available residual values are insufficient to cover the full cost of road construction -- government investments can be substituted to facilitate construction of the roads." Congress based its decision regarding timber supply and varying funding needs over time on such Forest Service assumptions. The State of Alaska is hopeful that the current GAO investigation will thoroughly examine this issue, and provide the basis for clarifying the Forest Service's obligation to supply timber to the dependent industry in southeast Alaska.

2. ANILCA FUNDS: the adequacy and use of federal funds provided under Section 705(a), and activation of the loan program in Section 705(b).

The Forest Service has announced several changes in its use of ANILCA funds in the past year or more. For example, the Forest Service has indicated that it will work with the timber industry to schedule preroadng expenditures in areas where timber harvesting is planned. This is partially responsive to one of the state's recommendations (# 3).

We believe that the Forest Service can take another positive step to properly implement Section 705. Preroadng expenditures should be scheduled, as envisioned by TLMP, whenever a timber sale appraisal indicates that purchaser credits will

be ineffective in reimbursing a timber sale purchaser for contractually required roads. As these roads are constructed, they become capital assets of the federal government.

For the record, we are submitting a copy of a state letter to the Alaska regional forester, dated January 16, 1987, which discusses this issue in more detail. This letter refers to information supplied by the Forest Service to Senator Ted Stevens' office. It suggests a possible reversal of Forest Service policy regarding what timber volume is considered available. Although the Forest Service has not formally responded to this observation in our January 16th letter, we understand that this apparent reversal as an official agency position may have been unintentional.

In addition to improving the economics of timber harvesting in the Tongass, ANILCA funds are to be utilized to mitigate the effects of timber harvesting and associated activities on fish and wildlife populations and their habitats, and on water quality. These protective measures are identified in TLMP and described in various published Forest Service handbooks and professional papers. We have seen some indications that the Forest Service is dedicating more resources to these measures, although we believe that considerably more effort is needed in this area.

The loan program of Section 705(b), seven years after the passage of ANILCA, has still not provided any funds to the dependent timber industry. The industry has stated that it needs this program, and in last year's ANILCA 706(b) report, noted that the Forest Service had been directed to implement the program, and requested that it do so without further delay.

3. TLMP FOLLOWTHROUGH: Forest Service implementation of the TLMP: Forestwide employee understanding; interpretation of key elements such as retention, etc.; specific management practices; monitoring of the effectiveness of mitigating measures and the impacts of timber harvesting and associated activities; step-down planning (MAA); etc.

The previous discussion dealt with the Forest Service interpretation of its obligation to supply timber to the dependent industry, and the amount and usage of funds provided under Sec. 705(a). Congress utilized the information and assumptions developed by the Forest Service in the Tongass Land Management Plan (TLMP) during the drafting of Section 705. Consideration of TLMP, and its implementation, are therefore essential in evaluating the success of ANILCA implementation in the Tongass National Forest.

The state's recommendation number 8 addresses the need for adequate funding for an increased level of implementation and monitoring of measures to protect fish and wildlife resources. The state is aware, for example, that the Forest Service has decided to purchase an automated geographic information system (GIS) and to develop and maintain a forest-wide "living" map data base which may aid Forest Service efforts to monitor the changes in fish and wildlife habitat. To date, however, we have not seen significant improvement in the level of implementation and monitoring of fish and wildlife protection measures and their effects on fish and wildlife populations.

Another state recommendation (number 12) called for life-of-the-sale and life-of-the-rotation planning. The Forest Service included life-of-the-sale planning in the revised 1984-89 Operating Plan for Ketchikan Pulp Company's (KPC) long-term sale and, to a limited extent, the 1986-90 Operating Plan for Alaska Pulp Corporation's (APC) long-term sale. The Forest Service has also begun to document the cumulative impacts of timber harvesting on fish and wildlife resources. The state looks forward to working with the Forest Service toward continued improvements in forest planning.

The state has seen increased implementation of Management Area Analysis planning in all three administrative areas of the Tongass National Forest. We believe this is a key level of planning which fills the sometimes large gap between project level planning and the much broader forest level planning. We believe that this increased effort by the Forest Service is an indication of increased understanding of TLMP by Forest Service employees (recommendation 6).

The Forest Service now proposes to analyze the effects of continued deferral of logging on high value fish and wildlife areas identified by the Alaska Department of Fish and Game as part of TLMP revision, scheduled for completion in 1989 (recommendation 14). The state is pleased to hear this announced intent, but it must be noted that this is the third time that the requested analysis has been put off by the Forest Service to a future document.

TLMP, scheduled for revision in 1989, may include a forest-wide transportation plan. The recent interim updating of TLMP did include a regional transportation map. We are not aware however, that the Forest Service has conducted any actual evaluation of transportation alternatives, or their associated impacts (recommendation 16).

Important recreational fishing areas are acknowledged by the Forest Service in its timber sale planning efforts, but there has been no noticeable increase in protection of aesthetic values for these areas (recommendation 19).

The state recommended that the Forest Service monitor and document the status of a number of forest management activities (recommendation 22). The state anticipates that the geographic information system (GIS) should allow the Forest Service to monitor and account for retention acreage, fish and/or wildlife habitat management units, availability of various types of fish and wildlife habitats, the distribution, juxtaposition and ages of second-growth stands, etc. To what extent the full capability of the GIS will be utilized is still unknown and no current monitoring, record keeping or removal of retention areas from the timber base is being done to our knowledge.

There has been progress towards prescriptive management for Fisheries Habitat Management Units (FHMU) with the adoption of the Fisheries Habitat Management Unit Handbook. It was used partially in the RPC 1986-90 document and is being used in the KPC 1989-94 document. We are not aware that on-the-ground implementation of prescriptive management in FHMUs has been evaluated by the Forest Service.

Management Indicator Species (MIS) were selected for the Tongass and Chugach National Forests based largely on results of a recent interagency workshop involving the Alaska Department of Fish and Game, the Forest Service and other federal resource agencies. To our knowledge, however, habitat management requirements have not been developed nor has any monitoring been initiated by the Forest Service.

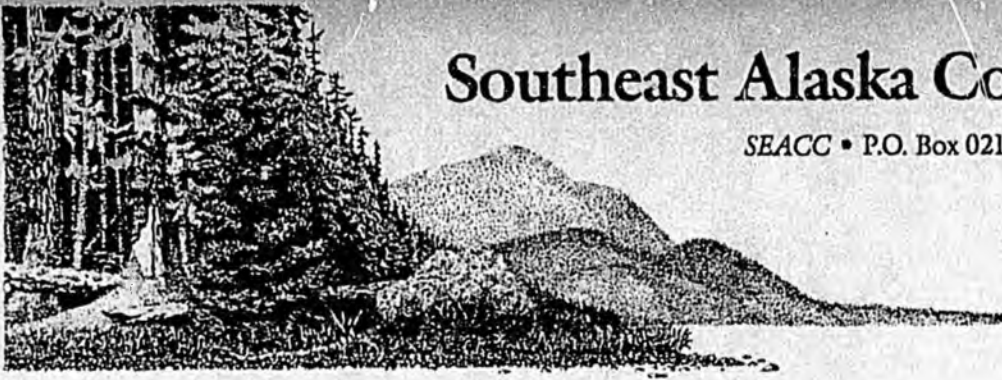
4. EXPERIMENTAL TECHNIQUES AND RESEARCH: characterization of research in progress, and of research findings; experimental mitigation techniques and findings.

The Forest Service is conducting a variety of research projects in the Tongass National Forest, and is trying experimental techniques to mitigate the effects of its forest management activities on fish and wildlife and their habitats, and on water quality. The state wholeheartedly endorses these efforts, but continues to insist that experimental measures not be construed as being effective until such effectiveness has been demonstrated and limitations have been identified.

5. SUBSISTENCE: adequacy and consistency of subsistence analyses required by Section 810 of ANILCA.

The Forest Service has developed an internal handbook to guide its employees in preparing subsistence evaluations required by Section 810 of ANILCA. The handbook is based on guidelines endorsed by the Alaska Land Use Council (ALUC). The ALUC has also looked into the development of standards and criteria for federal subsistence evaluations but has not endorsed any standards or criteria . The state has been unsuccessful so far in getting the Forest Service to cooperatively develop standards and criteria for subsistence evaluations. The Subsistence Division of the Alaska Department of Fish and Game has proposed changes in the data requirements, analysis methods and cumulative impacts assessment. The state continues to seek cooperation from the Forest Service (recommendation 26).

bs87051301clf



Southeast Alaska Conservation Council

SEACC • P.O. Box 021692 • Juneau, Alaska 99802 • (907-586-6942)

STATE OF ALASKA
HOUSE OF REPRESENTATIVES

RESOURCES COMMITTEE

OVERVIEW OF TONGASS NATIONAL FOREST ISSUES PENDING IN CONGRESS

JANUARY 14, 1988

BRIEFING PACKET

100TH CONGRESS
1ST SESSION

H. R. 1516

To require annual appropriations of funds necessary to support timber management and resource conservation on the Tongass National Forest.

IN THE HOUSE OF REPRESENTATIVES

MARCH 10, 1987

Mr. MRAZEK (for himself, Mr. UDALL, Mr. VENTO, Mr. KILDEE, Mr. GEJDENSON, Mr. MURPHY, Mr. MABKEY, Mr. LEWIS of Georgia, Mr. DEFazio, Mr. KOSTMAYER, Mr. GREEN, Mr. DELAY, Mr. DOWNEY of New York, Mr. MARTINEZ, Mr. ANDREWS, Mr. MORRISON of Connecticut, Mr. OWENS of New York, Mr. WEISS, Mr. DURBIN, Mr. MACKAY, Mr. HOCHBRUECKNER, Mr. KOLTER, Mr. MOAKLEY, Mr. BUSTAMANTE, Mr. BATES, Mr. RODINO, Mr. FRANK, Mr. TOWNS, Mr. MOODY, Mr. SOLARZ, Mr. ATKINS, Mr. BELLENSON, Mr. HOWARD, Mr. DELLUMS, Mr. EDWARDS of California, Mr. ROYBAL, Mr. CLAY, Mr. GRAY of Pennsylvania, Mr. PRICE of Illinois, Ms. KAPTUB, Mr. ECKART, Mrs. COLLINS, and Mr. SYNAB) introduced the following bill; which was referred to the Committee on Interior and Insular Affairs

A BILL

To require annual appropriations of funds necessary to support timber management and resource conservation on the Tongass National Forest.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the "Tongass Timber Reform
5 Act".

1 SEC. 2. ANNUAL APPROPRIATIONS FOR TIMBER MANAGE-
2 MENT AND RESOURCE CONSERVATION ON THE
3 TONGASS NATIONAL FOREST.

4 Section 705(a) of the Alaska National Interest Lands
5 Conservation Act (16 U.S.C. 539d(a)) is hereby repealed, ef-
6 fective October 1, 1987.

7 SEC. 3. IDENTIFICATION OF LANDS UNSUITABLE FOR TIMBER
8 PRODUCTION.

9 Section 705(d) of the Alaska National Interest Lands
10 Conservation Act (16 U.S.C. 539d(d)) is hereby repealed.

11 SEC. 4. REPORT ON ADEQUACY OF TIMBER SUPPLY.

12 The second sentence of section 706(a) of the Alaska Na-
13 tional Interest Lands Conservation Act (16 U.S.C. 539e(a))
14 is hereby repealed.

15 SEC. 5. STATUS OF TONGASS NATIONAL FOREST.

16 Section 706(b) of the Alaska National Interest Lands
17 Conservation Act (16 U.S.C. 539e(b)) is amended—

18 (1) by striking out "and (4)" and inserting in lieu
19 thereof "(4)"; and

20 (2) by striking out the period at the end of such
21 section and inserting in lieu thereof ", and (5) the
22 impact of timber management on subsistence resources,
23 wildlife, and fisheries habitats."

○

November 30, 1987

QUESTIONS AND ANSWERS ABOUT THE TONGASS TIMBER REFORM ACT

The Tongass Timber Reform Act, S. 708, was introduced March 10, 1987 by Senator William Proxmire. The Act seeks to place the Tongass National Forest under the same management laws as every other national forest in the United States. Following are some commonly asked questions and answers.

Q: Where is the Tongass National Forest?

A: As the raven flies, the Tongass stretches approximately 500 miles, incorporating most of the spectacular archipelago that makes up Alaska's southeastern panhandle. Encompassing nearly 17 million acres, it is America's largest national forest.

Q: What kind of forest is it?

A: It is a magnificent coastal rain forest, comprised of huge Sitka spruce and western hemlock that have taken hundreds of years to attain maturity. Younger trees flourish under the sheitering canopy of giants, forming a steady-state mosaic of old growth forest, unchanged since the Ice Age. Ancient and dynamic, the Tongass represents the last refuge of old growth forest that once extended from northern California to Alaska.

Q: How is the management of the Tongass different than other national forests?

A: As part of the 1980 Alaska Lands Act (ANILCA), the Tongass was provided with an automatic annual appropriation of at least \$40 million and an annual timber supply goal of 450 million board feet under Section 705 of the Act. The Tongass is the only national forest with a timber cutting goal written into law and timber expenditures shielded from Congressional oversight.

Q: Who logs on the Tongass?

A: The majority of logging on public lands is done by two companies, both of which hold 50-year contracts with the U.S. Government that guarantee them billions of board feet of timber. Many small, independent operators have been driven out of business because of the competitive edge given the two long-term contract holders. Additionally, 50 percent of the logging in southeast Alaska is done on private land by Alaska Native corporations.

Q: Who owns the two pulp mills?

A: The mill in Sitka is owned by Alaska Pulp Corporation, a wholly-owned Japanese company. The Ketchikan mill is owned by Louisiana Pacific-Ketchikan.

Q: Who wants change in the management of the Tongass National Forest?

A: S. 708 is supported by southeast Alaska's major commercial fishing organizations, subsistence users, independent loggers, hunting groups, recreationalists, tourism operators and conservationists. Sixteen communities in southeast Alaska have passed resolutions against the provisions of Section 705. Native corporation loggers have testified in Congress that Section 705 impedes their ability to compete in the timber market. National support comes from groups as diverse as the National Taxpayers Union, the American Forestry Association, the United Paperworkers International Union, and the National Audubon Society. Within Congress, reform has garnered support from nearly one-third of the members, including many conservatives.

Q: What is the net affect of S. 708 on the U.S. Treasury?

A: From 1982 to 1986 the U.S. Forest Service spent \$287 million on Tongass timber, but received only \$32 million in receipts. This represents a loss of over \$50 million per year on timber sales. S. 708 will allow the U.S. Forest Service to set the annual harvest level in response to market demands rather than an inflexible directive. Currently, the Forest Service is building roads to access timber that can't be sold because there is no market for it. These roads cost approximately \$150,000 per mile.

Q: Under Section 705, how much money has been spent preparing timber sales that have not sold?

A: Under current management constraints, in the last six years the Forest Service has prepared and offered 1.7 billion board feet more timber than has actually sold. Between 1980 and 1984, this practice caused average annual losses exceeding \$8 million for the costs of sale preparation, road design, and road construction for timber sales that remain unsold.

Q: Has Section 705 accomplished its stated goals?

A: Despite this infusion of millions of dollars into the Tongass, the number of Tongass timber jobs has plunged from a high of 3500 in 1980 down to 1400 last year. In 1981, only a year after the passage of ANILCA, the two contract holders were both found guilty of violating anti-trust laws, creating a virtual monopoly on Tongass timber and driving small operators out of business through collusion and price-fixing. In addition, both of the mills have recently broken their labor unions, bringing in outside laborers during strikes. Clearly these massive subsidies are doing nothing to promote regional economic stability.

Q: Wasn't Section 705 part of a "delicate compromise"?

A: Over a four year period, the Alaska Lands Act had more mark-ups in the Senate than any legislation since the Civil Rights Act of 1964. Section 705, however, was drafted behind closed doors in a lame duck session of Congress and never had a single public hearing. The people this most affected, other users of the forest, were not consulted.

Q: Isn't Section 705 the price of wilderness?

A: Some argue that the mandated timber supply and the automatic appropriation is just compensation for removing certain areas from timber harvesting. In fact, the vast majority of the best timber in Alaska is outside of designated wilderness areas. Of the 5.4 million acres of wilderness in the Tongass, only three percent contains commercially viable timber. Additionally, ANILCA provided substitute timber of equal value to the two pulp mills for any contracted timber put in wilderness.

Q: Will passage of S. 708 ruin the timber industry in southeast Alaska and have devastating effects on the local economy?

A: The Tongass Timber Reform Act will merely make the timber program accountable and cost-effective. Money will still flow for timbering operations, but it will be subject to Congressional review as are the operating funds of every other forest in the nation. At previous hearings held on this proposed legislation, both of the pulp mills have chosen not to testify, proclaiming that the Act will not affect their operations.

Q: What is the net effect of S. 708 on the revision of the Tongass Land Management Plan(TIMP)?

A: S. 708 will free up the Forest Service to manage the Tongass under true multiple use directives. With the mandated timber cut in law, the Forest Service will feel obligated in the TIMP revision to continue offering 450 million board feet per year, despite its inability to sell that much. Other uses of the forest, such as commercial fishing, tourism and subsistence will continue to play second fiddle until S. 708 is passed.

Q: But isn't a "deal a deal"?

A: The Alaska Senators and the two pulp mills claim that ANILCA was "a deal" that should not be broken. These same Alaska Senators, however, introduced legislation in 1982 - only two years after the passage of ANILCA - to change the land status of more than 20 million acres of Alaska national park lands to preserves in order to permit sport hunting within the boundaries. Moreover, the so-called "deal" provided for a five year review of the status of the Tongass. This report, presented to Congress in 1986, revealed Section 705's widespread failure.

Passage of S. 708 will restore a much-needed measure of accountability to the Tongass National Forest. It will remove the Tongass Timber Supply Fund and the 4.5 billion board feet per decade timber supply goal that has caused excessive road building and clearcutting. It will save American taxpayers billions of dollars while protecting an ecosystem of inestimable value.

100TH CONGRESS
1ST SESSION

H. R. 3556

To amend the Alaska National Interest Lands Conservation Act to terminate 50-year timber sale contracts in the State of Alaska, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 27, 1987

Mr. MRAZEK introduced the following bill; which was referred to the Committee on Interior and Insular Affairs

A BILL

To amend the Alaska National Interest Lands Conservation Act to terminate 50-year timber sale contracts in the State of Alaska, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Alaskan Timber Contract
5 Modification Act".

6 **SEC. 2. FINDINGS.**

7 The Congress finds the following:

- 8 (1) Long-term contracts for the sale of timber in
9 Alaska antedate the Multiple-Use and Sustained-Yield
10 Act of 1960, the Wilderness Act, the National Envi-

1 ronmental Policy Act of 1969, and the National Forest
2 Management Act of 1976.

3 (2) The Secretary of Agriculture has not revised
4 Alaskan long-term timber contracts to be consistent
5 with the guidelines and standards provided for in the
6 Forest and Rangeland Renewable Resources Planning
7 Act of 1974 despite the requirements of the National
8 Forest Management Act of 1976.

9 (3) The Alaskan long-term timber contracts have
10 been used to manipulate the market and to eliminate
11 competition, as has been found in the case entitled
12 Reid Bros. Logging against Ketchikan Pulp Company
13 (No. C75-165SR (W.D. Washington 1981), aff'd., 699
14 F.2d 1292 (9th Cir. 1983)) where antitrust violations
15 under sections 1 and 2 of the Sherman Act were
16 found, among other items, to have resulted in the
17 elimination of existing independent mills and the pay-
18 ment of artificially low prices to loggers, thus eliminat-
19 ing the independent businessmen.

20 (4) The existence of these contracts has created
21 an economic context in which the holders of these con-
22 tracts are able to violate compliance orders and con-
23 sent decrees relating to atmospheric emission standards
24 of the State of Alaska and Federal water quality stand-
25 ards on effluent discharge.

1 (5) The purpose of Alaskan long-term timber con-
2 tracts, signed prior to the admission of Alaska to the
3 Union, was the achievement of social goals, including
4 stable Alaskan employment, settlement of the last fron-
5 tier, and the enhancement of national security. The
6 conditions under which those contracts were signed
7 have now changed, as evidenced by the emergence of a
8 native timber industry, the diversity of Alaska's econo-
9 my, and Alaska's admission to the Union as a State.
10 These contracts no longer further their original goals
11 and their continued existence damages other Alaskan
12 industries dependent on access to natural resources.

13 (6) Alaskan long-term timber contracts have inter-
14 fered with normal free market mechanisms and are
15 barriers to competition. The termination of these con-
16 tracts will not impede any timber operator from com-
17 peting for timber supplies from National Forests locat-
18 ed in Alaska.

19 (7) The existence of these Alaskan long-term
20 timber contracts impairs the ability of the United
21 States, the State of Alaska, and other responsible par-
22 ties to properly manage nontimber resources in Alaska.

23 (8) The continued existence of Alaskan long-term
24 timber contracts is contrary to the national interests of
25 the United States.

1 SEC. 3. TERMINATION OF 50-YEAR TIMBER SALE CONTRACTS
2 IN ALASKA.

3 Title V of the Alaska National Interest Lands Conser-
4 vation Act (94 Stat. 2398) is amended by adding at the end
5 thereof the following new section:

6 "SEC. 508. TERMINATION OF 50-YEAR TIMBER SALE CON-
7 TRACTS IN ALASKA.

8 "Not later than 90 days after the date of enactment of
9 this section, the Secretary of Agriculture shall terminate all
10 50-year timber sale contracts applicable to national forest
11 lands in the State of Alaska."

○

QUESTIONS AND ANSWERS ABOUT THE
ALASKAN TIMBER CONTRACT MODIFICATION ACT

The Alaskan Timber Contract Modification Act, H.R. 3556, would cancel 50-year timber contracts for two pulp mills operating on the Tongass National Forest. This legislation complements the Tongass Timber Reform Act, H.R. 1516, which seeks to reform management of the Tongass. Following are some commonly asked questions about the Act:

Q: What are the 50-year contracts?

A: In the late 1950's the U.S. Forest Service succeeded in attracting two companies to log the Tongass National Forest in southeast Alaska by offering 50-year contracts for timber. Louisiana-Pacific built a pulp mill in Ketchikan, while the Japanese-owned Alaska Pulp Corporation constructed a mill in Sitka. Approximately two-thirds of the commercial forest land on the Tongass National Forest is obligated to these two companies until the beginning of the next century.

Q: How well have the contracts worked?

A: The contracts' primary purpose was to promote stable employment for southeast Alaskans. The attempt has been a failure.

Employment in the pulp industry and related logging operations has undergone wild fluctuations along with the timber market. For example, Tongass-dependent timber employment dropped from 3100 to 1400 between 1980 and 1986. 40% of the timber industry employees are not residents of Alaska (AK Dept. Labor, 1987). Over the last few years both mills have had serious labor problems which ended with union-busting actions and hiring of scabs. Logging under the contracts also threatens successful Alaskan industries like tourism and commercial fishing.

Q: Why cancel the 50-year contracts?

A: By themselves, these contracts prevent rational, modern management of the Tongass National Forest and obligate the Forest Service to a single-purpose use -- pulp timber production.

The 50-year contracts predate the Wilderness Act of 1964, the National Environmental Policy Act of 1969, the Multiple-Use and Sustained Yield Act of 1960, the National Forest Management Act of 1976, and the Alaska Lands Act of 1980. In 1976, Congress directed the Forest Service to bring these contracts into compliance with modern planning laws. They have never done so.

Q: Does Congress have the authority to cancel the contracts?

A: Congress always has the authority to modify or cancel any contracts between itself and private companies, as long as the action is in the public interest. Furthermore, there is solid evidence that the pulp mills have breached the contracts.

Q: Won't this be a timber buyout similar to Redwood National Park?

A: No. In Redwood National Park, the U.S. Government bought private lands to create a park. The purchase of private lands and subsequent loss of logging jobs necessitated compensation to affected companies and workers. On the Tongass National Forest, the land and timber are entirely government-owned. The pulp mills will still be able to buy ample timber supplies on a competitive, free-market basis.

Q: Would the government be liable for any damages?

A: Most likely not. Congress has the authority to decide. Cancellation under these circumstances does not require compensation because timber will still be available. But in some cases where the Congress has cancelled timber contracts, compensation was offered voluntarily, only for the higher cost of replacement timber. Under this scenario, the government could give the mills up to \$150 million.

However, according to the Department of Agriculture, the timber companies have violated several provisions of their 50-year contracts and have defrauded the U.S. Government out of \$60-80 million. In addition, the pulp mills were found guilty of anti-trust violations in 1981. Under these circumstances, any compensation given to the mills for contract cancellation would likely be offset by their record of abuse of the 50-year contracts.

Q: Who benefits from the 50-year contracts?

A: Primary beneficiaries of the current contracts are the pulp mills. They have used the monopolistic contracts to dominate and control potential competitors, the Forest Service, and the small communities of southeast Alaska.

But the Forest Service, too, has been a beneficiary. A large Forest Service bureaucracy has been created to service these contracts. Cancellation of the contracts would require the Forest Service to streamline its operations.

Q: How will contract cancellation affect employment on the Tongass?

A: Contract cancellation will not necessarily affect employment on the Tongass. Timber will still flow to the pulp mills from competitively bid, short-term timber sales, just as is now done on the other 155 National Forests. There is a real possibility that increased competition will help industry employment through expansion.

Q: Will cancelling the 50-year contracts put the pulp mills out of business?

A: No. The bill only changes the way timber is provided to the mills. In fact, the mills would still have access to millions of board feet of short-term Tongass timber sales which are currently considered "backlog" (offered but not sold). The only way this bill could threaten the pulp mills is if they cannot operate profitably under free-market rules or they lack a serious business commitment to southeast Alaska.

Q: Will cancelling the 50-year contracts hurt the other, independent timber operators?

A: No. The bill will substantially improve their bidding and bargaining position relative to the pulp mills. The federal courts, the Justice Department, and even the Forest Service agree that the 50-year contracts themselves provide a monopolistic, special advantage to the pulp mills.

Q: Do Alaskans support cancelling the 50-year contracts?

A: Yes. Many Alaskan communities, businesses, organizations and individuals support replacing the 50-year contracts with a system of short-term, competitively bid timber sales.

For example, five southeast Alaska communities have specifically called for cancellation of the 50-year contracts. So have the United Fishermen of Alaska and the Alaska Trollers Association, Alaska Discovery Inc. and the Tongass Tourism and Recreation Business Association, pulp mill union laborers, independent loggers, and Alaskan conservationists. Even Sealaska Inc., an Alaska Native corporation in the logging business, has repeatedly questioned the wisdom of continuing these outdated 50-year contracts.

Q: Will cancelling the 50-year contracts be breaking a deal?

A: In light of the pulp mills' conspiracy and fraudulent actions, in the words of former Congressman John Seiberling, "their conduct... has long ago eliminated any moral claim they had for the continuation of [the contracts]." The mills have broken the deals first. For similar reasons, Congress has recently cancelled contracts with defense industry suppliers who cheated the government.

Besides, whenever the government enters into a contract it always reserves the right to pass subsequent legislation in the public interest. The government never bargains away its duty to serve the public first and its contractees second.

Q: What happens if the 50-year contracts aren't cancelled?

A: Of the 155 National Forests, only one, the Tongass National Forest, operates with contracts like these. The 50-year contracts give logging first priority in all Forest Service management decisions and give two multinational timber companies a virtual monopoly over a vast resource and region. As long as these contracts exist the Tongass will never be managed for multiple-use.

Under current logging plans, most of the commercially valuable timber in the Tongass will be liquidated by the pulp mills before their contracts expire. Independent loggers will never be able to compete against the pulp mills. Fish and wildlife populations will suffer substantial declines, and tourism will ultimately suffer. But the real losers will be the southeast Alaska residents and subsistence users that rely on the Tongass for survival and the citizens of the United States to whom the Tongass really belongs.

NEWS from Southeast Alaska Conservation Council

SEACC • P.O. Box 021692 • Juneau, Alaska 99802 • (907-586-6942)

12/30/87

c/o National Audubon Society • 801 Pennsylvania Avenue, S.E.

FOR IMMEDIATE RELEASE

Washington D.C. 20003 • (202-547-0141)

Contact: Bart Koehler 586-6942

Congress Sets Precedents: '88 TIMBER FUNDING CUT, TIMBER SUPPLY LEVEL CAPPED

A spokesman for the Southeast Alaska Conservation Council (SEACC) today called recent Congressional actions on funding the timber management program for the Tongass National Forest, "a definite improvement, plus a good first step towards bringing a more balanced multiple-use program to the Tongass and establishing Forest Service accountability."

"Improvements were made and important precedents were set. For the first time since ANILCA passed in 1980, the previously untouchable Tongass Timber Supply Fund was reduced from a requested level of \$45 million to \$37 million for FY 1988. More than \$8 million was chopped from the Tongass Timber Supply Fund request," said Bart Koehler, executive director of SEACC.

The Forest Service requested a total FY 1988 budget of \$61 million for all Tongass programs. Congress appropriated \$52 million of new funding, and allowed the carryover of \$5.7 million of unused FY 1987 road building funds.

"Although SEACC had hoped for a larger cut from the Timber Supply Fund, Congress did increase funding for fish, wildlife and recreation programs for 1988. Sadly, even with these increases, the fish, wildlife, and recreation programs amount to less than 15% of the total Tongass budget," Koehler added.

Also, for the first time since ANILCA, Congress capped the 1988 timber supply level at 350 million board feet, 100 million board feet less than ANILCA's "450" timber supply goal. Congress further directed that no more than 266 million board feet of new timber could be prepared for sale in FY 1988. The remainder must come from unsold timber sales prepared in prior years. "This action will reduce pressure on key fish and wildlife areas from new cutting and road building for 1988, and will help pull the reins in on the Forest Service's waste of federal funds," Koehler said.

Koehler believes the Congressional Conference Committee sent a strong message to the Forest Service. The Committee language stated: "The purpose of this action is to bring the volume of timber offered on the Tongass in line with actual demand. The Forest Service was not responsive to changes in the timber market between 1981 and 1986 and, as a result, prepared and offered more timber on the Tongass than was sold."

The Tongass timber program will again be subject to Congressional appropriations review for FY 1989, as a result of language inserted in a separate budget bill. After 1989, the Tongass timber program will revert to automatic funding of at least \$40 million to the Tongass Timber Supply Fund, unless Congress passes the Tongass Timber Reform Act (H.R. 1516/S. 708).

----- more -----

"The timber industry's forecast of doom has been proven wrong," emphasized Koehler. "This recent Congressional action clearly shows that annual appropriations review will not spell the end of the Tongass timber program. Such actions simply make the Forest Service more accountable and responsible in the long run. The vote was an important first step, but only a temporary measure."

Koehler noted that passage of the Tongass Timber Reform Act is still needed. This measure would repeal Section 705 of ANILCA, thereby permanently returning the Tongass timber program to annual Congressional appropriations review. It would also eliminate the mandated 4.5 billion board foot per decade timber supply goal (known as the "450"), thus allowing the public planning process and the laws of supply and demand to direct the future harvest levels on the forest. As the "purpose clause" of the pending legislation states, it would "require annual appropriations of funds necessary to support timber management and resource conservation on the Tongass National Forest." Congress is expected to take further action on the Tongass Timber Reform Act in early 1988.

-- end --

Southeast Alaska Conservation Council
P.O. Box 021692
Juneau, Alaska 99802