

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

5004

HRES

SB 112



AS 41.17.500 - 41.17.580.

5-0567P  
Bradley  
5/3/88

Original sponsors: Jones and Sturgulewski

1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 112 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to forest management agreements."

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

8 \* Section 1. INTENT. It is the intent of the legislature that the  
9 commissioner provide timber opportunities for small [independent] operators  
10 within and near an area that may be subject to a forest management agree-  
11 ment.

12 \* Sec. 2. AS 36.30.850(b) is amended by adding a new paragraph to read:  
13 (14) agreements for the management of state timber under  
14 AS 41.17.500 - 41.17.640.

15 \* Sec. 3. AS 41.17 is amended by adding new sections to read:

16 ARTICLE 3A. FOREST MANAGEMENT AGREEMENTS.

17 Sec. 41.17.500. PURPOSE. (a) The purpose of AS 41.17.500 -  
18 41.17.640 is to authorize the commissioner to enter into forest man-  
19 agement agreements that may include provisions for the development of  
20 a forest products plant and facilities or services such as refor-  
21 estation, road construction and maintenance, recreation improvements,  
22 and fish and wildlife habitat protection, monitoring of activities  
23 under a forest management agreement, and the enforcement of terms,  
24 conditions, and laws protecting other beneficial uses of state land.

25 (b) A forest management agreement must provide for consideration  
26 of other existing beneficial uses of forest land in an agreement under  
27 AS 41.17.500 - 41.17.640.

28 (c) A forest management agreement may

29 (1) relieve the state of some of the administrative

1 responsibility of developing and managing a timber sale;

2 (2) provide for the long-term management of state timber,  
3 creating stability for the forest products industry, and incentives  
4 for the responsible use of state timber; and

5 (3) provide an operator with a stable source of timber from  
6 a designated area on the basis of successive renewals of contractual  
7 rights.

8 (d) The provisions of AS 41.17.500 - 41.17.640 do not affect the  
9 obligation of an operator to comply with state laws or regulations on  
10 environmental conservation, timber practices, fish and game, or any  
11 other resource or use of a resource.

12 Sec. 41.17.510. FOREST MANAGEMENT AGREEMENTS. (a) The commis-  
13 sioner may, with concurrence of the commissioners of environmental  
14 conservation, fish and game, and commerce and economic development and  
15 consultation with affected municipalities, enter into an agreement for  
16 the management of the forest resources of the state under AS 41.17.-  
17 500 - 41.17.640.

18 (b) A forest management agreement is subject to each applicable  
19 state and federal law and regulation in effect on the effective date  
20 of the agreement and to all laws and regulations adopted after the  
21 effective date of the agreement.

22 Sec. 41.17.520. PLANS. (a) A forest management agreement  
23 entered into under AS 41.17.500 - 41.17.640 must be consistent with  
24 the Alaska coastal management program, an area and a management plan  
25 adopted by the commissioner under AS 38.04.065, and a land classifi-  
26 cation adopted by the commissioner under AS 38.05.300. A management  
27 plan that allows forest management agreements must include

28 (1) an inventory of human uses and renewable and nonrenew-  
29 able resources in the area;

- 1           (2) location, type, and duration of access for forest  
2 management;
- 3           (3) operable timber base areas that may be harvested;
- 4           (4) annual allowable cut as determined by the commissioner;
- 5           (5) silvicultural prescriptions;
- 6           (6) possible facility development;
- 7           (7) area-specific management practices or prescriptions  
8 needed in addition to forest practices regulations and best management  
9 practices to protect or enhance fish and wildlife habitat and harvest,  
10 public recreation, water quality, and other significant public or  
11 private resources and uses of the area.

12           (b) Before the commissioner enters into a forest management  
13 agreement, a bidder selected under AS 41.17.560 shall submit a master  
14 plan for implementation of the proposed forest management agreement, a  
15 five-year operating plan and an annual harvesting plan for the first  
16 two years of operation. The commissioner shall prepare a plan for  
17 administrative oversight of the forest management agreement in consul-  
18 tation with other affected state agencies. The master, operating,  
19 harvesting, and administrative plans are subject to agency and public  
20 review under AS 41.17.570.

21           (c) Each year the operator shall prepare and the commissioner  
22 shall review and <sup>shall</sup> ~~may~~ approve, reject, or require a revision of an  
23 annual harvesting plan. During the term of a forest management agree-  
24 ment the operator shall annually update the master plan and five-year  
25 operating plans subject to the approval of the commissioner.

26           Sec. 41.17.530. NOTICE OF INTENT TO DEVELOP AN AGREEMENT. After  
27 meeting the planning requirements under AS 41.17.520(a) and before a  
28 forest management agreement is offered for bid under AS 41.17.560, the  
29 commissioner shall publish notice under AS 38.05.945 of the intention

1 to consider a forest management agreement for an area. The commis-  
2 sioner shall provide written notice to private property owners within  
3 and adjacent to the proposed agreement area and shall hold public  
4 hearings in affected communities.

5 Sec. 41.17.540. REQUIREMENTS OF FOREST MANAGEMENT AGREEMENT.

6 (a) A forest management agreement for the harvest of state timber  
7 under this section must provide for

8 (1) the term of the initial agreement, not to exceed 20  
9 years, and the conditions for an extension of the term under AS 41.-  
10 17.600;

11 (2) the stumpage prices to be charged for the timber and a  
12 periodic review and, if appropriate, adjustment of the stumpage  
13 prices;

14 (3) the penalties for the violation of the terms of the  
15 agreement and provisions for termination of the agreement under (d) of  
16 this section;

17 (4) an annual update of the master and operating plans;

18 (5) public use of state land involved in the forest manage-  
19 ment agreement, except that the commissioner may limit access in an  
20 area that is being harvested or where hazardous conditions exist;

21 (6) the protection of multiple uses, such as mining,  
22 recreation, and fish and wildlife habitat and harvest;

23 (7) performance and payment bonds from the purchaser to  
24 protect the interests of the state;

25 (8) specific mitigating measures and monitoring plans to  
26 protect water quality;

27 (9) protection of state-owned land within a minimum of 100  
28 feet of rivers, lakes, or streams to provide soil stability, protect  
29 fish and wildlife habitat, water quality, and other important uses

1 although more state land may be protected as determined in the master  
2 plan, the five-year operating plan, or the annual harvesting plan;

3 (10) provisions to protect or enhance areas of high public  
4 value other than timber;

5 (11) the maximum annual allowable cut as determined by the  
6 commissioner;

7 (12) the maximum and minimum development requirements as  
8 determined by the commissioner;

9 (13) the preclusion of a contractor under a forest manage-  
10 ment agreement from bidding on timber sales of 5,000,000 board feet or  
11 less under AS 38.05.115;

12 (14) the preparation of reports required by the commission-  
13 er; and

14 (15) other terms, conditions, and limitations determined to  
15 be in the public interest by the commissioner.

16 (b) The commissioner shall establish by regulation the require-  
17 ments of a forest management agreement for access, development, har-  
18 vest, management, the contents of plans required under AS 41.17.-  
19 520(b), and ~~forestation~~ <sup>re-forestation</sup> of timber.

20 (c) A forest management agreement may require the purchaser to

21 (1) enter into a reimbursable services agreement with the  
22 state for monitoring and enforcement of the terms and conditions of  
23 the agreement and applicable state law;

24 (2) compensate the state for the scaling services required  
25 to account for the timber sold;

26 (3) construct and maintain roads required for the harvest  
27 of timber by the agreement; and

28 (4) designate a percentage of the timber volume to be  
29 subcontracted to a small operator; the commissioner shall make the

1 final designation from areas included in the operating plan.

2 (d) A forest management agreement entered into or extended under  
3 AS 41.17.500 - 41.17.640 must contain a requirement that the operator  
4 comply with the terms of the forest management agreement and AS 41.-  
5 17.500 - 41.17.640 and must contain conditions under which the agree-  
6 ment may be terminated or subject to other penalties including a cease  
7 and desist order, a fine, a reduction in the allowable cut, location  
8 or cutting periods, or other remedies as determined by the commis-  
9 sioner on a finding that the operator has not complied with the terms  
10 of the agreement or with state law.

11 Sec. 41.17.550. CREDITS. (a) In a forest management agreement,  
12 the commissioner may provide for contractor credit against future  
13 stumpage payments due under the forest management agreement. A credit  
14 against future stumpage is not transferable between contractors or  
15 between sales and may not be paid in cash. A credit may not exceed  
16 the value owed to the state. A credit against future stumpage pay-  
17 ments may be granted for the

18 (1) loss of roads and drainage structures that

19 (A) have future value to the state; and

20 (B) are lost through an act of God not due to negli-  
21 gence on the part of the contractor;

22 (2) construction that

23 (A) does not directly contribute to the management or  
24 harvest of timber resources such as recreation improvements;

25 (B) was not included in the initial agreement or its  
26 extensions; and

27 (C) is reviewed by affected agencies and authorized in  
28 advance by the commissioner; or

29 (3) additional silviculture treatments beyond those

1 required in the agreement reviewed by affected agencies and authorized  
2 in advance by the commissioner.

3 (b) The commissioner shall provide public notice under AS 38.-  
4 05.945 before granting a credit under (a)(2) or (3) of this section.

5 Sec. 41.17.560. MOST QUALIFIED BIDDER DETERMINED. (a) The  
6 commissioner shall determine the most qualified bidder for a forest  
7 management agreement based on minimum qualifications established for  
8 bidders in regulations and in a multiple variable bid process. In  
9 reviewing bids received the commissioner shall consider

10 (1) the stumpage payments proposed by the bidder;

11 (2) the amount of the investment in plant and facilities  
12 proposed by the bidder;

13 (3) the forest resource utilization standards proposed by  
14 the bidder;

15 (4) the number of jobs to be provided by the bidder;

16 (5) road construction, reforestation, and recreation im-  
17 provements requested by the commissioner;

18 (6) measures proposed by the bidder to maintain, enhance,  
19 or mitigate the effects on other beneficial uses or resources of  
20 forest land; and

21 (7) other items requested by the commissioner or offered by  
22 the bidder.

23 (b) Before requesting bids or accepting applications, the com-  
24 missioner shall adopt regulations detailing the bidding procedure and  
25 the method of determining the most qualified bidder.

26 Sec. 41.17.570. REVIEW AND PUBLIC NOTICE. Before the commis-  
27 sioner enters into or extends an agreement or makes a finding under  
28 AS 41.17.580, the proposed agreement, the proposed best interest  
29 finding under AS 41.17.580, and each plan prepared under

1 AS 41.17.520(b) and (c) shall be reviewed by the commissioners of  
2 environmental conservation, fish and game, and commerce and economic  
3 development and by affected municipalities. The commissioner shall  
4 provide public notice under AS 38.05.945 before adopting the best  
5 interest finding, the proposed agreement, the master plan, the five-  
6 year operating plan, and the annual harvesting plan and shall hold  
7 appropriate public hearings.

8 Sec. 41.17.580. BEST INTEREST FINDING. Before the commissioner  
9 enters into or extends an agreement, the commissioner shall issue a  
10 written finding that the proposed agreement or extension is in the  
11 best interest of the state. The finding shall include an analysis of  
12 the social, economic, and environmental effects of the proposed agree-  
13 ment or extensions.

14 Sec. 41.17.590. INCREMENTAL VOLUME AVAILABLE. If allowed in an  
15 agreement, at any time during an agreement the commissioner may make  
16 incremental volume available to the contractor if the commissioner  
17 determines that forest management by the contractor has increased the  
18 annual allowable cut consistent with the other objectives of the  
19 agreement.

20 Sec. 41.17.600. EXTENSIONS OF FOREST MANAGEMENT AGREEMENT. (a)  
21 Each five years of the agreement, either during or after the initial  
22 term of the agreement, the commissioner may extend the forest manage-  
23 ment agreement if

24 (1) the term of the extension does not exceed five years;

25 (2) the contractor submits a proposed operating plan for  
26 the next five years of operation and amends the master plan for the  
27 forest management agreement, as the commissioner considers necessary;  
28 and

29 (3) the commissioner, after review of existing and proposed

1 operations and concurrence of the commissioners of environmental  
2 conservation, fish and game, and commerce and economic development,  
3 and consultation with other affected agencies and municipalities finds  
4 that the operator has complied with AS 41.17.500 - 41.17.640 and the  
5 terms of the forest management agreement.

6 (b) Before extending a forest management agreement, the commis-  
7 sioner shall

8 (1) adopt a best interest finding under AS 41.17.580; and

9 (2) provide public notice under AS 38.05.945 and hold  
10 appropriate public hearings.

11 Sec. 41.17.610. ACCOUNTING. The commissioner of administration  
12 shall separately account for money received under this section that  
13 the Department of Natural Resources deposits in the general fund. The  
14 annual estimated balance in the account may be used by the legislature  
15 to make appropriations to the department to carry out the purposes of  
16 AS 41.17.500 - 41.17.640.

17 Sec. 41.17.620. OTHER AUTHORITIES UNAFFECTED. The provisions of  
18 AS 41.17.500 - 41.17.640 do not affect the authority of

19 (1) the Department of Fish and Game, the Board of Fisher-  
20 ies, or the Board of Game under AS 16 or AS 41.99.010;

21 (2) the Department of Environmental Conservation under  
22 AS 46.03; or

23 (3) state agencies and municipalities under AS 44.19.-  
24 145(a)(11) and AS 46.40.100.

25 Sec. 41.17.630. EXEMPTION. Agreements for the management of  
26 state timber under AS 41.17.500 - 41.17.640 are exempt from AS 36.30.

27 Sec. 41.17.640. DEFINITIONS. In AS 41.17.500 - 41.17.640

28 (1) "annual harvesting plan" is a site specific plan that  
29 identifies on maps locations of roads and harvest units, gives

1 estimated volumes by species, miles of road to be constructed, facili-  
2 ties to be constructed and mitigating measures for protection of other  
3 associated resources, and provides details of management such as  
4 engineering, silviculture, enhancement projects for fish and wildlife  
5 habitat, and protection of water quality in a forest management agree-  
6 ment;

7 (2) "area plan" means a regional land use plan adopted  
8 under AS 38.04.065 that is developed to provide management direction  
9 for the multiple-use of the forest resources of the state, prepared by  
10 the department, and involves interagency and public participation;

11 (3) "five-year operating plan" is a description of manage-  
12 ment and harvest activities over a five-year period that may include  
13 the general location of units, roads, volumes to be harvested, and  
14 necessary improvements in a forest management agreement;

15 (4) "management plan" means a regional land use plan adopt-  
16 ed under AS 38.05.065 that makes more detailed allocation decisions,  
17 gives more detailed guidance for management than an area plan, is  
18 prepared by the department, and involves interagency and public par-  
19 ticipation;

20 (5) "master plan" means a general resource use plan to  
21 provide direction for the harvesting of timber and management of other  
22 resources in a forest management agreement; and

23 (6) "small operator" means a timber business that

24 (A) employs an average of 25 or fewer full-time equiv-  
25 alent employees;

26 (B) is not owned, in whole or in part, by the operator  
27 under a forest management agreement; and

28 (C) is not controlled by contract or agreement by the  
29 timber operator.

1 \* Sec. 4. AS 38.05.120 is amended by adding a new subsection to read:  
2 (b) The commissioner may also dispose of timber under AS 41.17.-  
3 500 - 41.17.640.  
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# Alaska State Legislature

Please enter into the record my testimony to the House Resource  
 committee name  
 committee on SB 112, dated 4/26/88  
 bill/subject

Mr. Chairman,

The Wasilla Chapter of SVA finds several serious flaws in the FMA bill, especially as it might affect DNR timber proposals for the Susitna Valley.

First, the bill has no requirement for sustained yield harvest strategy.

In addition, the commissioner is not required to demonstrate that activities under a FMA are even economically feasible.

The bill does not require equal consideration of other existing uses, according to p.1, lines 15-16.

In the same vein, the bill does not require concurrence of the resource conservation agencies, namely ADF+G and ADEC for any aspect of a FMA.

cont →

Signed: Michael J Bernas

Testifier

Wasilla Chapter of Susitna Valley Assoc.

Representing (Optional)

PO Box 2176

Address

Palmer, AK 99645 376-3642

Phone No.

Finally, the bill grants inadequate protection of surface waters. On page 4, sentence 9, cutting can occur within 100 feet of streams and lakes if the commissioner determines that the affect of cutting on the water is not important enough to worry about.

In brief, the bill grants too much discretion to the commissioner in disposing of public timber resources with too little requirement for accountability to the public. We suggest that the committee hang onto the bill until these deficiencies <sup>can be</sup> ~~are~~ corrected.

Thank you.

A M E N D M E N T

Offered in the HCUSE

TO: HCS CSSB 112 (Resources)  
(4/30/88 draft)

Page 3, line 19, after "review":

Delete "may approve"

Insert "approve, reject or revise"

A M E N D M E N T

Offered in the HOUSE

TO: HCS CSSB 112 (Resources)  
(4/30/88 draft)

Page 4, line 18, after "protection of":

Delete "compatible or incompatible" and  
Insert "multiple"

A M E N D M E N T # 3

Offered in the HOUSE

TO: HCS CSSB 112 (Resources)

(4/30/88 draft)

Page 5, line 6:

Insert a new section "(13) a provision precluding the holder of a forest management agreement from bidding on timber sales under AS 38.05.115 of five million board feet or smaller."

Renumber remainin sections accordingly.

A M E N D M E N T #4

Offered in the HOUSE

TO: HCS CSSB 112 (Resources)  
(4/30/88 draft)

Page 5, line 13, after "and":  
Delete "regeneration" and  
Insert "reforestation"

A M E N D M E N T

Offered in the HOUSE

TO: HCS CSSB 112 (Resources)  
(4/30/88 draft)

Page 5, line 29, after "terminated":

Insert "or subject to other penalties including but not limited to cease and decess orders, fines, or reduction of allowable cut, location or cutting periods, or remedies as determined"

A M E N D M E N T

Offered in the HOUSE

TO: HCS CSSB 112 (Resources)  
(4/30/88 draft)

Page 6, line 18, after "supplements;":

Insert: "and"

A M E N D M E N T

Offered in the HOUSE

TO: HCS CSSB 112 (Resources)  
(4/30/88 draft)

Page 8, line 7, after "contractor":

Delete "at the same or at a reduced rate"

A M E N D M E N T

Offered in the HOUSE

TO: HCS CSSB 112 (Resources)  
(4/30/88 draft)

Page 10, line 16:

Delete all material and insert the following:

"(A) employs an average of 25 or fewer full-time  
equivalent employees;"

A M E N D M E N T

Offered in the HOUSE

TO: HCS CSSB 112 (Resources)  
(4/30/88 draft)

Page 10, line 19 through line 20:

Delete all material and insert the following:

"(C) is not required to sell the timber to the operator of the forest management agreement."

SB 112: A Bill for an Act Entitled  
"An Act relating to forest management agreements"

A review and Recommendations  
for the House Resources Committee  
Rep. Sam Cotten  
Rep. Adelheid Herrmann  
Co-Chairs

by  
Theodore G. Smith  
Box 1026  
Willow, Ak. 99688

January 8, 1988

## SUMMARY OF RECOMMENDATIONS

SB 112 as it passed the Senate is a flawed container for a good idea. It aroused a great deal of opposition in its present form and should be rewritten so that the good idea can be implemented. The good idea is the Forest Management Agreement and the Act to implement it should contain the following elements.

1. It should authorize the Commissioner of Natural Resources to enter into long term, end-result, stewardship contracts with private parties for cooperative management of the States' forest resources.
2. A method of operator selection other than high bid for volume removed should be authorized. A bid based on multiple variables is currently being developed by the Division of Forestry and may be the optimum method. Consideration should be given to the option of negotiations by the DNR subject to review and approval by an independent third party such as the Board of Forestry.
3. The Act should authorize price adjustments as an incentive for intensive forest management practices.
4. The use of the so-called "Evergreen Clause" should be authorized. This clause requires a review each 5 years of a contract's duration. At that review, the contract is either cancelled for noncompliance or extended for another 5 years.
5. The Act should direct a public review process for five year management plans, the 5 year review, and amendments to the plans or stewardship agreement.

6. Because of the evergreen clause and the planning process, a new procedure should be adopted for ensuring public participation in the decision-making process leading to the award of an FMA. The procedure should parallel the process used in granting concession contracts rather than the land disposal procedures in order to emphasize the fact that the FMA is directed toward mutually beneficial management of a continuing resource rather than termination of the States' interest in that resource.

7. Since the stewardship contract would be essentially a trusteeship relation between the State and the operator, there should be substantial bonding requirements as well as penalties for malfeasance.

#### BACKGROUND

One of the earliest proposals for Forest Management legislation was made by Paula Easley, then Executive Director of the Resource Development Council in a speech to the Council of Western State Foresters at Girdwood, Alaska on June 25, 1985. She suggested adoption of an FMA system such as the one in effect in Ontario, citing as benefits the generation of revenue through taxes and the reduction of expenses by transferring management costs to the private sector.

SB 112 was introduced by Senator Lloyd Jones of Ketchikan in the 1987 session of the Legislature. The bill stated that an FMA "shall be used to foster the development of the states' forest products industry". Testimony by James Clark on behalf of the Alaska Loggers Association said that the bill "would increase the sale of timber in the Interior of Alaska" and that such an increase "could increase the size of the industry and thus increase the number of jobs associated with timber harvesting." He summarized by saying "The overall effect of this legislation then is to take the lid off the industry in the Interior and give it the opportunity to produce more jobs.

The costs of providing these jobs will not be a cost to the State but be borne by the industry."

The bill was passed by the Senate and arrived in the House as CSSB 112 (RES)am. It authorized the Commissioner of Natural Resources to "enter into an agreement . . . for the sale of timber from state land" without regard to A.S. 38.05.110-.120, (all the current statutes dealing with sale of timber) and A.S. 38.05.300 (requiring classification before sale of land or resources.) It authorized adoption of regulations governing harvest and regeneration of timber. It authorized the Commissioner to provide for a number of contract items in any agreement including "timber harvest to be at a volume in excess of that permissible under the nondeclining even-flow method of calculating sustained yield". It listed several items to be considered by the Commissioner in entering into an agreement, and required consultation with other state or federal agencies. It required that the Commissioner request proposals under the bill within one year of the effective date of the Act.

The DNR provided the House with a zero fiscal note on the grounds that "An agreement with a timber operator could provide savings to the State and reduce manpower needs, while at the same time providing a long term commitment of timber to private enterprise."

The bill aroused a great deal of opposition on a variety of grounds. A major one was that although it was touted as a revolutionary management approach for state forest lands, the permissive language made it nothing more than authorization for long term negotiated timber sales. Waiving the existing laws and regulations granted the Commissioner unprecedented authority to negotiate for sale of state resources. The requirement that the Commissioner only "consult" with other agencies bothered many - they wished for a more positive

recognition of other agencies authority. The authorization to harvest in excess of the nondeclining even-flow method of calculating sustained-yield was seen by many as unconstitutional. Personnel of the Division of Forestry and others protested that the zero fiscal note coupled with the one year time-line for RFP's was totally unrealistic. Lack of protection for independent loggers was also a problem for many. After teleconference hearing on May 6, 1987, House Resources Co-Chairman Sam Cotten announced his intention to hold the bill over to the next session in order to do some work on it during the interim. This report is the result of some of that work, conducted by the author under contract to the House Resources Committee.

#### METHOD OF STUDY

The author, the first Director of both the Division of Forestry and the Division of Parks, conducted a number of interviews with parties who had expressed interest in the bill through prior comments or other means. The following is a synthesis of those interviews, information from research, and knowledge gained from over twenty-five years of Alaskan experience.

#### ISSUES AND RECOMMENDATIONS

One of the first questions is whether the bill is necessary. Clearly it is not, because other long term timber sales have been made and the State is currently advertising a twenty year, three hundred million board foot sale in the Susitna Basin. Parenthetically, that advertisement has made it difficult to discuss the benefits or drawbacks of the FMA idea - respondents reply on the merits of the sale rather than the merits of the FMA concept.

The corollary question of whether FMA authority is desirable hinges on two issues - will it help the economy by providing

added jobs and economic activity, and will it reduce state expenditures for forest management. Obviously, any answer to these questions involves a lot of guess work - following, for example:

1. The economic activity issue: There is currently a very large portion of the allowable annual cut of timber on state lands that is unutilized. What logging is done provides basically house logs, rough green lumber, and firewood. All of these are fairly low value products. In order to maximize benefits of the harvest, value should be added to the product by local manufacturing. Previous state efforts to require primary manufacture of timber harvested in Alaska were found unconstitutional by the U.S. Supreme Court. Careful construction of an FMA might avoid the constitutional problem while still assuring plant investment. For the proposed sale, the state feels that the problem will be overcome by making plant construction one of the number of variables in the bid process. The existence of a long term assured supply of timber should also have a beneficial effect on the financing of a manufacturing facility. The Alaska market for wood products is very small because of the small population. Therefore a plant sized for efficient production of products such as plywood, oriented-strand board, chip board and similar items, will have to look to export for the bulk of the market. The existence of an assured supply of raw material may be a factor in developing that market, but it is not the key. The real question is whether or not such items can be produced at a price that will be competitive on the world market. Cost and market studies will have to be conducted for any plant proposed, but the existence of the authority for an FMA will remove one possible constraint.

2. The management issue: Most state forest lands in the Interior are over-mature, i.e. they are decaying faster than they are growing. Intensive management of the forest would

undoubtedly increase their volume and the allowable annual cut, and probably improve the quality. State timber sale contracts have routinely included provisions such as slash reduction and scarification intended to assist regeneration. The State Division of Forestry has maintained a nursery - primarily with Federal assistance - and has done some replanting. Even though A.S. 41.17.300 establishes a State Land Reforestation Fund and authorizes appropriating 25% of the receipts from timber sales for activities such as planting, fertilizing, spraying, etc., no appropriations have been made to the fund, nor have any direct appropriations been made for those purposes. Because of a lack of those "tending" activities, many state timber sales have been taken over by grass and/or brush. Requiring those activities as part of an FMA would ensure a healthier forest and help to comply with the State Constitution mandate for sustained yield management of renewable resources. There would of necessity be contract administrators on the state payroll to ensure that contract provisions were followed. There would probably be little if any reduction in direct state expenditures, but the benefits received for those expenditures would be substantially increased.

**RECOMMENDATION:**

While FMA authority may not be required in order to make long term timber sales, there are enough potential benefits to make the idea worth trying.

Under current law, timber is basically sold by high bid. The value of the standing timber is estimated by either comparing it with other sales in the area or by working back from the end value of the product. This value becomes the minimum bid. In a competitive situation, an operator may bid more than the value of the sale, which makes him tend to cut corners on the road building, stream protection and other cost items. At the other end, an appraisal that is too high results in no bids

and the loss of the time and effort put into the sale by state personnel. In sales with a low end product value (such as firewood), the appraisal process may indicate a loss. This may tend to be more true if the appraisal is for an FMA because of the expensive long term management requirements. The Province of Ontario solves this problem by saying those expenses are government responsibility and paying the operator for them. Their stumpage price to the operator is relatively high. Nevertheless, the ratio of government payments to receipts is about 5:1. Alberta takes the opposite approach, requiring the cost of management activities to be borne by the operator, and receiving very little for stumpage. Both provinces have a provision for legislative review of negotiated FMA's. British Columbia relied on an after the fact audit, one of which resulted in a minister of forest being found guilty of accepting a bribe in connection with an award of a tree farm license. Negotiation is generally not utilized in Alaska where sale of public assets is involved, and any negotiation authorized in connection with FMA legislation would probably have to be severely limited in order to achieve public acceptance. The proposed Susitna Basin sale anticipates a bid system based on multiple variables. Potential purchasers will be asked to bid on price per thousand board feet, dollar amount of plant investment, number of jobs created, volume of timber used, and other items.

**RECOMMENDATION:**

Award of an FMA should be based on factors other than or in addition to the amount paid for timber removal. The multiple variable system under development may prove to be the optimum method of purchaser selection. If negotiation is authorized, it should be subject to review by an independent third party such as the Board of Forestry or the legislature, or both.

As noted above, methods of valuing standing timber can differ widely in their application. The Alberta example would seem to have the most merit for Alaska, given the historic reluctance to make investments in forest management. This would result in little direct income to the state, but the state would benefit from increased economic activity and better management of its resources. Other financial incentives may prove to be necessary, ranging from tax breaks to state investment in infrastructure. Such incentives should probably be considered separately from the FMA authorization, except for pricing of the stumpage. The management activities of the operator will result in an increase in the allowable annual cut. He should be permitted to utilize that increase and a reduction in the stumpage for the increase could be an incentive for more intensive management activities.

**RECOMMENDATION:**

FMA legislation should authorize price adjustments as an incentive for intensive forest management practices.

A key feature of an FMA is the "evergreen clause". This provides that, while the agreement is for a specified term, (usually 15-20 years) it is subject to review every 5 years. If the operator is performing satisfactorily at that time, the agreement can be extended for another 5 years. If he is in noncompliance with the terms, the agreement can be cancelled. This provision has little or no opposition.

**RECOMMENDATION:**

FMA legislation should include a requirement for a planning process and public and agency review of the plans and amendments thereto.

Most of the procedures under which the state land and resources are disposed of arose from the frenzy of land sale activity in the late 1970's and early 1980's and are designed

to deal with the permanent alienation of state interest in the land. The preliminary decision and final finding which precede the notice of sale seem to be redundant if the planning and classification process precede a decision to enter into a management agreement. In addition, the continuing involvement of the State and the public through the evergreen clause and the planning process means that the decision can be changed much easier than can a sale of fee title.

**RECOMMENDATION:**

A new method of incorporating public input into the decision-making process should be adopted for forest management agreements. This process would recognize that the states' interest in the land and resource is not being alienated, but that the stewardship responsibilities are being assigned to a private operator.

The success of an FMA will depend on the operators ability to make a profit. If the profit margin declines, the management activities will be the first to suffer. If the margin declines enough, bankruptcy will ensue and the management activities will cease. The state could very well be left with substantial work undone and the need for action to prevent erosion, windthrow, or other loss of resources.

**RECOMMENDATION:**

An FMA agreement should carry a fairly high bond conditioned on the faithful performance of the operators stewardship functions, as well as penalties for his mis or malfeasance.

Several other issues were mentioned during interviews as requiring legislative attention. These included the need for road-building authority in the Department of Natural Resources; the need for authority for forestry field employees to be able to issue citations for theft of timber; and the need for an accepted log and lumber grading system for Alaska.

lie outside the issue of Forest Management Agreements and should be considered separately.

Addendum: List of interviews and meetings.



# Matanuska-Susitna Borough

P.O. BOX 1608, PALMER, ALASKA 99645-1608 • PHONE 745-9642

ASSESSMENT DEPARTMENT

## MATANUSKA-SUSITNA BOROUGH - TODAY

The Matanuska-Susitna Borough has been long recognized as the alternative lifestyle of Anchorage and a bedroom community for the state. Its economy has been based on real estate and residential construction which is why, two years ago, a re-assessment of priorities resulted in redirection. The following helps to explain how and why. (Appendix A)

- I. Over half of our tax base is investment in land for future use. The '86 Federal Tax Reform Act changed the rules for investors regarding interest rate deduction and capital gains treatment. This has had most severe effect on local revenues through tax base.
- II. As a bedroom community for Anchorage and slope oil and gas production employees we are impacted more severely by economic reversal because of the Valley's traditionally lower housing costs and attraction of the first to be transferred or terminated employees. The more transient of the boom were attracted to Valley housing economy, hence the present number of foreclosures are not unexpected, (5% of improved properties).
- III. Basic economy of the MSB has been that of provider of developed land, housing, retail-commercial services, schools, and other governmental services. While we have endured real shock (unopened new schools) in the past year, the demand for '86 level of services has not declined substantially due to the attraction of the generally less affluent population from Anchorage. This fact is demonstrated in lower rents, comparatively little school enrollment variation, and even a developing competitiveness for "institutionally owned" residential housing due to speculative attraction and lowered qualifying standards by lenders.
- IV. We live in the backlash of Anchorage economics which attracts city emigrants seeking something else. They and locals crv for local employment which is the basis of the Borough's impetus to develop permanent jobs. Locally we have demonstrated the capacity to develop and put construction work on the street, although our resources and abilities are very spent in expectation of greater future return dependent on state actions (i.e., Port, Timber, Tourism and Export).

Well over a year ago the Matanuska-Susitna Borough Assembly recognized the symptoms of economic change. Internal actions led to cost containment in budgets of general government (Appendix C). Very bold and aggressive action resulting in a two million dollar appropriation for economic development was directed toward:

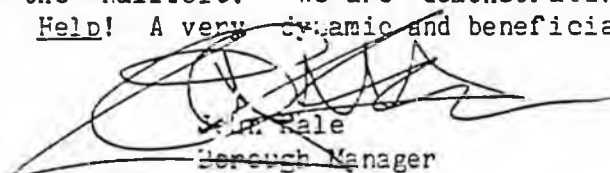
1. Port Development
2. Timber Management
3. Hatcher Pass Development
4. Export Market Development (Finland & Korea)
5. Susitna River Drainage Tourism Development
6. Local employment
7. Local Land Management Opportunity

A weighed risk in committing to economic development involved departure from a financial strategy which would have resulted in property tax stabilization through fiscal year '88-'89. The risk was well managed as foreign markets have been identified, timber has been established as a marketable commodity, coal export has been announced to commence in 1991, all weather access is provided to a viable port site, and a major tourism destination is likely at Hatcher Pass. Downside of these positive expectations is a substantial local tax rate increase in 1988-89 (see Appendix E).

Within the past two years community and citizen involvement in these jobs objectives include formation, encouragement and support of:

1. Regional Economic Development Corp. - citizens
2. Mat-Su Visitors and Convention Bureau - citizens
3. Foreign Trade Zone Application - Borough
4. Community Port Development Committee - citizens & Borough
5. Local Mayors Economic Development Council - elected officials
6. Encouragement of local opportunity identification - citizens

These efforts combining public and private concerns have had preliminary results with favorable economic impact. This is why we appeal to the Governor and Legislature to help see fruition of efforts to diversify the most severely unemployed municipality of the Railbelt. We are demonstrating collective Borough and citizen goals. Help! A very dynamic and beneficial process is operating, now!

  
J. M. Hale  
Borough Manager

- Appendix A: Municipal Comparisons  
Appendix B: '88-'89 Preliminary Budget  
Appendix C: What have we done

APPENDIX A

1987 COMMUNITY TAX BASE COMPARISONS

	<u>MOA</u>	<u>MSB</u>
<u>Tax Base 1987</u>		
Real Property	\$10,189,955,476	\$2,366,953,891
Personal	1,492,800,000	171,798,809
AS43.56 oil & gas	<u>61,094,970</u>	<u>4,199,140</u>
	\$11,743,850,446	\$2,542,951,840
1988 tax base loss	-13%	-21%
Estimated '88 taxable	\$10,239,000,000	\$2,005,707,710
Structure Assessed	N/Available	46% of RP
Land Assessed	N/Available	54% of RP
Personal Property	12.7%	6.8% of Tax Base
Total Parcels	80,201	57,597
Residential Use	70%	29% of parcels
Commercial	7%	3% of parcels
Vacant	23%	68% of parcels
Oil & Gas State Assessed	.52%	.17% of Tax Base
Population	248,263	44,280
Mill Rate		
Schools	5.41	4.134
Local Gov't.	<u>1.51</u>	<u>1.166</u>
Total Areawide	6.92	5.3

APPENDIX B

1988-89 PRELIMINARY BUDGET

Real & Personal Tax Collection

1987	2.538 Billion @ 5.3 Mills	\$13,451,400
1988	2.005 Billion @ 5.3 Mills	<u>10,626,500</u>
	Loss	(\$ 2,824,900)

'88 Mill rate to equalize '87 revenues - 6.7 Mills (\$13,451,400)

Assumptions:

1. No change in Budgets
2. No change in State Revenue distributions
3. No change in other revenue sources

Preliminary

Budgets:	<u>'87-88 Actual</u>	<u>1989 Preliminary</u>
Local Gov't	\$14,152,599	\$13,756,690
School Budget	53,454,622	54,369,794
School Debt	24,254,622	24,343,969
Capital Projects & tsfs to non-lapsing funds	<u>-0-</u>	<u>\$ 2,594,000</u>
	\$91,861,843	\$95,064,453

<u>Local Levy</u>	<u>18,788,044</u>	
Total Taxable	2,005,717,700	= 9.4 Mills

APPENDIX C

WHAT HAVE WE DONE

1987-88

1. Cut back to essential statutorily required services.
2. Early Retirement Program
3. Layoffs
4. Wage Freeze
5. Roll back executive salaries through change of administration.
6. Two tier salary system
7. Fund balance allocation \$9,474,110
8. Volunteer, student hire, and Voc-Rehab program use
9. Utilizing Corrections Dept. Inmate Community Custody Program

1988-89

1. Privatization of facilities consideration
2. Economic diversification emphasis
3. Cutting local capital improvement projects
4. Cutting staff through attrition to the point of affecting required services
5. Hiring temporary employees on as needed basis where possible.
6. Fund balance allocation \$6,771,198

Remarks on the Procedure  
for a REQUEST FOR PROPOSAL  
on the Southcentral Alaska Forest Resource

HOW FAR IS BACK?  
WHERE IS SQUARE ONE FROM "GO"?

The most immediate concern of proponents for a large scale Susitna-Tyonek long-term timber harvest must be resolution of a semantic problem that has been created to confuse the situation. In February, Governor Steve Cowper announced that the Susitna-Tyonek timber proposal must be returned to "Square One". Some reporters who picked up on the phrase at the press conference have assumed that "Square One" essentially meant going back and looking at ALL of the trees and ALL of the animals. (And some state employees may also be under this impression.)

However, taking into account preceding studies of the forests, the trees (the animals and streams therein) and the reams of resulting publications, this conclusion by the mass media did not seem logical. It seemed desirable to clarify gubernatorial intent. Therefore, on Friday, Feb. 26, I asked Gov. Cowper -- in person-- for clarification of his intent in revising the timeframe and details of a preliminary finding of a Request for Proposal on the Susitna-Tyonek timber harvest. In brief, his comments were that the "RESOURCE base is not in question. It is a satisfactory answer to concerns of VALLEY citizens which must be addressed".

*more*

Literally hundreds (perhaps thousands) of public opinion messages have been beamed to Juneau and the reported preponderance have expressed concerns to the timber project. However, there remains a question as to whether the opposition is primarily to the timber harvest proposal, or rather to the timber harvest as offered in a document which officials now admit could have been more explanatory.

#### HOW MUCH STUDY IS ENOUGH STUDY?

One of Anchorage's major newspapers ran an editorial on March 23 taking the state to task for finally budgeting \$100,000 for research and impact studies within the timber harvest area. The editorial was based on a story by one of the paper's reporters, and implied that the Division of Forestry has done little basic research in the timber area. It was a story which state forester John Galea said contained inaccurate information. The supplemental funding request, he said, was destined for administrative expenses of compiling, printing, and publishing results of hearings and public comments from the first public hearings and preparing a second public document for comment.

More importantly, compilation of a bibliography demonstrates nearly 98 pertinent studies have been completed within recent years about timber and other resources which relate to the Susitna Valley environment. Indeed, some of the specific studies are bound in more than one volume. To mention a few titles, there is a Soil Survey, Matanuska Valley; Soil Survey, Susitna Valley, Alaska; Susitna, Vegetative Class Tables; Procc., Proced., to Control Pollution from Silviculture; Streamside Management Zone, Statutes and Ordinances; Susitna Area Plan; Willow Sub-Basin Plan; Timber & Vegetative Resources Susitna Basin; USDA Investigations & Analyses, Susitna River Basin, Summary; Timber Resource Statistics, Beluga Block; Timber Resource Statistics, Talkeetna Block; Timber Resource Statistics, Upper Susitna; Timber Resource Statistics, Willow Block.

If these studies -- either specific or pertinent to the state's proposed large-scale timber harvest area -- were calculated at an average cost of \$50,000 per study, then the expenditure to date would total \$4,900,000.00. Considering the studies already gathering dust, it seems only reasonable that, rather than throw more money into studies, the state should follow its original intent. In effect, an RFP would say to private industry, "give us your best estimate of today's market value, outline your industrial process to add value, and keep in mind that neither side is obligated to consummate a contract". Any additional state studies can be performed to gather needed

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An important point is that the forest resource has a value and the people of Alaska own the resource. WE HAVE A RIGHT TO KNOW ITS ECONOMIC VALUE. And the RFP procedure seems the most feasible method of determining market value. Revision of the preliminary plan should be completed within the next six months and specific industry responses should be in hand.

*RUE*  
An analysis by the  
COALITION FOR BOREAL FOREST DEVELOPMENT  
6821 Sherwood Avenue  
Anchorage, Alaska 99504

4/4/88



# Matanuska-Susitna Borough

BOX 1608, PALMER, ALASKA 99645 • PHONE 745-9661

## DEVELOPMENT SERVICES DEPARTMENT

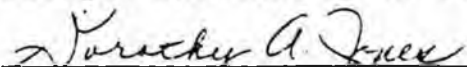
December 10, 1987


Steve Cowper, Governor  
Office of the Governor  
P.O. Box A  
Juneau, AK 99811-0101

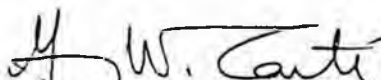
Dear Steve:

The undersigned elected officials, strongly support the Susitna Basin timber sale, that the State Division of Forestry is offering. We not only support this sale, but respectfully request that the sale be expanded to include all commercially viable forest areas within the Susitna Basin and, if possible, the Matanuska Basin along with portions of the Kenai Borough. This expanded sale will allow private industry to identify those forest areas that they wish to bid on, based on their economy of scale. We are willing to work with these industries in the develop and diversification of our forest products industry in southcentral Alaska.


The undersigns also respectfully request the sale not be delayed and that if at all possible it be expedited.

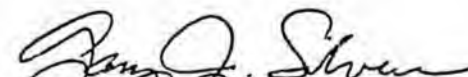
  
Dorothy Jones, Mayor  
Matanuska-Susitna Borough

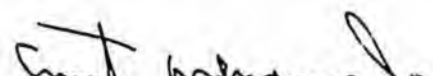
  
Mayor John Stein  
City of Wasilla

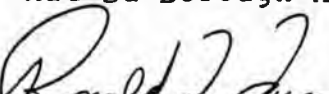
  
Mayor George Carte  
City of Palmer

\_\_\_\_\_  
Mayor Don Gilman  
Kenai Peninsula Borough  
(see letter attached)

  
Mayor ~~Tom~~ Tom Fink 1/5/88  
Municipality of Anchorage

  
Gary Silvers, Deputy Mayor  
Mat-Su Borough Assembly

  
Representative Curt Menard

  
Representative Ron Larson  
Support the Concept

Introduced by: Development Services  
Prepared by: John Duffy

MATANUSKA-SUSITNA BOROUGH

Resolution Serial No. 88-032

"A RESOLUTION OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY  
ADOPTING THE POINT MACKENZIE MARINE PORT DEVELOPMENT PLAN."

WHEREAS, the development of a marine port at Point MacKenzie will diversify natural resource development within the Matanuska-Susitna Borough and Interior Alaska; and

WHEREAS, a marine port at Point MacKenzie will make the Matanuska-Susitna Borough a more competitive location for industry and commerce and therefore aid in the establishment of a stable economy; and

WHEREAS, the Matanuska-Susitna Borough Planning Commission, Port Development Subcommittee and Assembly have taken initial steps towards the development of a marine port at Point MacKenzie; and

WHEREAS, it is important that the development of a port at Point MacKenzie proceed in a timely manner; and

Reso No. 88032

MATANUSKA-SUSITNA BOROUGH  
ASSEMBLY

ASSEMBLY MEMORANDUM

Meeting of: March 15, 1988

Date: March 8, 1988

ITEM TITLE: Point MacKenzie Marine Port Development Plan

Submitted by: Ric Davidge, Director Development Services  
Prepared by: John Duffy, Chief of Planning

Background

The Planning Division was directed by the Borough Assembly and Planning Commission to create a concept development plan for a marine port at Point MacKenzie. The purpose of this plan is to evaluate several possible alternatives in the areas of: transportation, land use, port management and dock siting and construction and then to recommend a preferred set of alternatives. The preferred set of alternatives would then be implemented by Assembly, Planning Commission and/or administrative action or through a series of more detailed plans.

The plan was developed by utilizing a host of associated plans previously written for the Borough and obtaining comments from the private sector, government agencies and individuals. Well over three hundred draft and revised draft plans were distributed for review and comment. Three formal public hearings were held before the Planning Commission: November, 1987; February, 1988 and March, 1988. Comments received since November, 1987 are attached, those received prior to November were incorporated within the revised draft. The plan has also been discussed at several meetings of the Port Development Subcommittee.

Overview of Plan

The Point MacKenzie Marine Port Development Plan is a conceptual plan, that is, it describes a preferred set of alternatives for the following categories: 1) land use, 2) transportation, 3) port management, and 4) dock or port siting and construction. Should the plan be adopted it would be implemented by developing

FISCAL ACTION (TO BE COMPLETED BY FINANCE)		FISCAL IMPACT? <u>YES</u> /NO
AMOUNT REQUESTED \$ <u>-0-</u>		FUNDING SOURCE <u>Already in FY 88 Budget</u>
FROM ACCOUNT # _____		PROJECT # _____
TO ACCOUNT # _____		PROJECT # _____
VERIFIED BY: <u>R. W. Davidge</u>		CERTIFIED BY: _____
DATE: <u>3/8/88</u>		DATE: _____

separate plans for land use and transportation and by Assembly, Planning Commission and administrative actions for port management and port/dock siting and construction.

The plan sets forth a series of goals, objectives and policies for the port and considers a minimum of three alternatives in each of the aforementioned categories. In evaluating land use options the alternatives considered included: no land use regulations, land classifications and leasing, performance zoning and exclusionary zoning. Limited and phased land use regulations are recommended because it is critical that a suitable amount of land be available for industrial and commercial development and that incompatible uses be separated from one another. Performance zoning is recommended as the preferred alternative because it provides the best balance between flexibility and control. The plan also recommends that performance zoning occur in phases with those areas most likely to be developed first being considered first for zoning.

After evaluating transportation alternatives recommendations are made for air, rail, marine and road facilities. The recommendations regarding route alignments rely heavily on previous studies, especially the varicus Knik Arm Crossing studies. In addition, the Alaska Department of Transportation and Public Facilities and the Alaska Railroad were consulted with about transportation alternatives.

The management options considered included: new administrative unit within the existing Borough government, port commission, and port authority. The original plan considered the possibility of having an Economic Development Authority (EDA) manage the port but this alternative was dropped because an EDA is unlikely to be created in the near future. The recommended alternative is to create a new administrative unit within the existing Borough government because it is believed to be most amendable to Planning Commission and Assembly oversight and imposes a modest increase in costs. This method was used by the Port of Anchorage with success.

The plan does not recommend a specific port or dock site. Rather, the plan calls for the marketing of all potential sites and allowing the private sector to choose the preferred site. This alternative is recommended because it allows the Borough to maximize its opportunities by remaining open to various options and proposals. In addition, the plan recommends that the dock be built in phases, starting with a barge handling capabilities and proceeding to ocean going shipping as demand warrants.

Introduced by: Planning Division  
Prepared by: John Duffy

MATANUSKA-SUSITNA BOROUGH

Resolution Serial No. 88-19

"A RESOLUTION OF THE MATANUSKA-SUSITNA BOROUGH PLANNING COMMISSION RECOMMENDING THAT THE BOROUGH ASSEMBLY ADOPT THE POINT MACKENZIE MARINE PORT DEVELOPMENT PLAN."

WHEREAS, the development of a marine port at Point MacKenzie will diversify natural resource development within the Matanuska-Susitna Borough and Interior Alaska; and

WHEREAS, a marine port at Point MacKenzie will make the Matanuska-Susitna Borough a more competitive location for industry and commerce and therefore aid in the establishment of a stable economy; and

WHEREAS, the Matanuska-Susitna Borough Planning Commission and Assembly have taken initial steps towards the development of a marine port at Point MacKenzie; and

WHEREAS, it is important that the development of a port at Point MacKenzie proceed in a timely manner; and

WHEREAS, it is vital that port development proceed in an orderly manner so that financial, real estate and manpower resources are used properly; and

WHEREAS, the Planning Commission and Assembly have requested that a marine port development plan be created to help guide development at Point MacKenzie; and

WHEREAS, the Point MacKenzie Marine Port Development Plan recommends specific actions be taken regarding

# STATE OF ALASKA

## DEPARTMENT OF FISH AND GAME

STEVE COWPER, GOVERNOR

333 RASPBERRY ROAD  
ANCHORAGE, ALASKA 99518-1599  
PHONE (907) 344-0541

January 21, 1988

RECEIVED

JAN 25 1988

PLANNING  
DEPARTMENT

Mr. John Duffy  
Chief of Planning  
Development Services Department  
Matanuska-Susitna Borough  
P.O. Box 1608  
Palmer, AK 99645

Dear Mr. Duffy:

The Department of Fish and Game has reviewed the revised draft of the Matanuska-Susitna Borough's Point MacKenzie Port Development Plan. This department was an active participant several years ago in the development of the borough's draft Point MacKenzie Area Meriting Special Attention (AMSA) management plan. Although adoption of the AMSA plan was deferred by the borough, the port development plan appears to be a closely related component of that comprehensive planning effort.

Development of a port is an ambitious project that will benefit from close coordination between borough, state, and federal agencies. Representatives from the Environmental Protection Agency, U.S. Fish and Wildlife Service, and our department met with you and Ric Davidge in late May 1987 to express our interest in participating in the port development planning process. We appreciate this first opportunity to review the plan. However, there is additional resource information that should be included and issues that should be addressed in the plan. All projects identified under the alternatives discussed in the plan will require state and federal permits. Providing more opportunities for state and federal agency participation in the planning stage will ultimately facilitate the permit review process.

We are concerned that, for a project of this magnitude, the port development plan fails to fully consider existing and potential uses and activities of the Point MacKenzie area in addition to the proposed port and ancillary facilities. Ancillary development in the Point MacKenzie area may include roads, airports, railroads, industrial storage and

## APPENDIX

### DEPARTMENT OF FISH AND GAME COMMENTS

#### ON THE REVISED DRAFT OF THE PORT DEVELOPMENT PLAN

##### Maps

The symbols for the Point MacKenzie and study area boundaries appear to be reversed on Figure 2. The study area boundary is also incorrectly symbolized on figures 3, 5, and 11.

None of the maps identify the boundaries of the two state game refuges in the Point MacKenzie area: Susitna Flats and Goose Bay. The Goose Bay State Game Refuge is entirely encompassed by the Point MacKenzie area boundary delineated on Figure 2. The port development plan should recognize the specific land management authorities that currently apply in these refuges by delineating their boundaries on Figure 2.

Figure 3, Land Ownership, contains several inaccuracies. The parcel of land in the southwest corner of the study area is incorrectly identified as borough lands. This parcel is actually state-owned, mental health land within the Susitna Flats State Game Refuge. State-owned tidelands are delineated by a stippled pattern that is not identified in the key to Figure 3. These inaccuracies should be corrected.

On Figure 4, Wetlands and Topographical Features, wetland areas are not clearly shown and no source of information is provided. A better quality map should be used and it should include a reference. The U.S. Fish and Wildlife Service, National Wetlands Inventory Project, has mapped wetlands in much more detail on Point MacKenzie. We recommend that the U.S. Fish and Wildlife Service maps be used to delineate wetlands in the study area.

##### Land Ownership and Existing Land Use - page 5

"No refuges exist within the study area."

This statement is inaccurate and should be deleted. Most of section 31 and all of section 5 in the southwest corner of the study area are part of the Susitna Flats State Game Refuge.

Air Facilities - pages 44, 53, and 54

The plan's resource inventory (Chapter 3) and port development alternatives (Chapter 4) discuss the benefits of, and three possible sites for, large-scale airport facilities in the study area. It is not clear where one of the three sites is proposed to be located. This site is identified as "the Borough controlled land northwest of the Point MacKenzie Agricultural Project" (page 33), "in the northwest area of Point MacKenzie Agricultural Project" (page 42), and in the center of the Goose Bay State Game Refuge (page 43). All of the area immediately to the west of the Point MacKenzie Agricultural Project is part of the Susitna Flats State Game Refuge. Locating a large-scale jet airport in a game refuge would probably be incompatible with existing uses and activities.

Furthermore, the evaluation of alternatives (Chapter 5) assessed the likelihood of any large-scale airport in the Point MacKenzie area, concluding:

Due to the close proximity to Anchorage International and Elmendorf Air Force Base obtaining FAA approval is unlikely; or, at the very least, it will be difficult and time consuming. . . . It is unlikely that [the already existing Goose Bay airport] could be expanded to accommodate jet aircraft. (page 44)

However, the final port development recommendations were:

A commercial jet airport should therefore be built near the Point MacKenzie area. The best location would be northwest of the Point MacKenzie Agricultural Project [presumably in the Susitna Flats State Game Refuge]. (page 53)

. . . the Goose Bay airport should be upgraded in phases to handle additional small engine aircraft and then at a latter date large propeller driven cargo aircraft (e.g., C-130s). (page 54)

The final recommendation appears to conflict with the conclusion of the evaluation of alternatives. The port development recommendations should be consistent with the plan's evaluation that any large-scale airport facility is unlikely in the area.

the Point Mackenzie Airport would need to be able to demonstrate that it would attract a significant number of small general aviation aircraft including precision approach training flights away from Anchorage International Airport (AIA).

Your draft report indicates that a 3,000 - 4,000 foot runway is needed for medium size commercial jets. We would generally consider a runway length of 5,000 to 6,000 feet the minimum length needed for medium size commercial jets and 8,000 to 10,000 feet for large commercial/cargo jets. The operational area minimum service level criteria under AASP guidelines for a "Transport" category airport are:

- Runway - 5,000' by 100'
- Apron - 120,000 square feet

The use of FAA funding to improve Goose Bay Airport or to develop a new cargo airport in the Point Mackenzie area would need to be justified based on demonstrated existing demand for aircraft operations at an activity level which warrants the improvements.

Ferry Service (Page 52)

Your draft plan indicates that the most promising method of crossing Knik Arm between Anchorage and Point Mackenzie is to establish a ferry service as an extension of the Alaska Marine Highway System (AMHS). The primary mission of the AMHS is to provide a highway link for general travel between communities which are not connected by a road. Since the proposed port is expected to be connected to the road system and most of the transport requirements would be primarily related to cargo movements, it would appear that the proposed service would be more appropriate as a commercial cargo transport rather than as part of AMHS. If you wish to discuss the provision of this service by the AMHS in more detail, I would recommend contacting:

George Davidson  
 System Director  
 Alaska Marine Highway System  
 Department of Transportation and Public Facilities  
 P.O. Box R  
 Juneau, Alaska 99811  
 Telephone: 465-3950

If you have any questions on our comments, please contact me or Roger Maggard, Area Planner, at 266-1653.

Sincerely,

*William R. Snell*  
 WILLIAM R. SNELL  
 Regional Director

*He should  
 talk to his  
 Commission*

RM/cn

cc: George Davidson, System Director, AMHS, DOT&PF



# MATANUSKA ELECTRIC ASSOCIATION, INC.

P.O. BOX 2929

PALMER, ALASKA 99645-2929

TELEPHONE  
(907) 745-3231

January 25, 1988

RECEIVED

... 27 1988

PLANNING  
DEPARTMENT

*Duffy*  
*Please note*  
*changes*  
*R*

Mr. Ric Davidge, Director  
Development Services Department  
Matanuska-Susitna Borough  
Post Office Box 1608  
Palmer, Alaska 99645

Dear Ric:

SUBJECT: Point MacKenzie Port Development Plan

On December 9, 1987, we acquired from the Borough a revised Figure 7 (Utilities within the Point MacKenzie Area) of its Point MacKenzie Port Development Plan. This revised Figure 7 does not incorporate the corrections from our October 19, 1987, comments (copy attached) on the September 18, 1987, Revised Draft of the Plan. Also, the revised Figure 7 shows additional incorrections:

A "220 kV" line was added feeding a "CEA Transmission Substation" northeast of Lake Lorraine (just above the Borough's proposed East Port). This is a 230 kV line feeding a CEA 230 kV Switching Station. This station simply enables the switching between 230 kV underwater cables that cross Knik Arm at that location. It is not a substation, and we understand CEA has no intention of making it one, which is quite logical.

Attached is a correct Figure 7 for easy reference. It shows the electric utility information that MEA would like to see displayed. Three key features are:

- X The statement which says THIS AREA IS WITHIN MEA'S ELECTRIC SERVICE TERRITORY.
- X The display of MEA's distribution lines in the area.
- X The label which identifies a FUTURE MEA SUBSTATION being fed from CEA's transmission substation near the Borough's proposed South Port. Currently this is the most cost effective location (transformer is already in place). MEA has commitment from CEA for a supply from that substation.

Sincerely,

*James F. Palin*  
James F. Palin  
General Manager

WVL:bb

354.0122.1

Attachments

cc: Kenneth E. Ritchey, Manager of Engineering Services



MATANUSKA ELECTRIC ASSOCIATION, INC.

P.O. BOX 2929

PALMER, ALASKA 99645-2929

TELEPHONE  
(907) 745-3111

October 19, 1987

RECEIVED

OCT 27 1988

PLANNING  
DEPARTMENT

Mr. Ric Davidge  
Director  
Development Services Department  
Matanuska-Susitna Borough  
P. O. Box 1608  
Palmer, Alaska 99645

Dear Ric:

SUBJECT: Revised Draft Point MacKenzie Port Development Plan

It was a pleasure meeting with you on October 14, and I sincerely hope that we can work closely together in the future to the mutual benefit of our organizations. You indicated that MEA had not responded to the above-mentioned Plan. Please refer to our letter of September 25, 1987 (copy attached) on this subject. (In addition, we have previously provided comments to the Borough on port development plans.) It appears those comments on the first draft were somehow overlooked.

Matanuska Electric Association, Inc. (MEA) makes the request that the following two points be added:

1. A statement that the Point MacKenzie area is within MEA's service territory, and
2. Include our distribution system on the utilities' map of the Point MacKenzie area.

The distribution substation that exists in the area is 34.5 kV and not 115 kV.

It is recommended the phrase "the proposed Fairbanks - Anchorage electrical intertie" be changed to read "the proposed addition to the Fairbanks - Anchorage electrical intertie."

The 138 kV line coming from Point MacKenzie toward the Wasilla area has now been upgraded to 230 kV.

120,000 lbs per finished -

TO: Anchorage, Alaska

MEMO: FLUTING FACTORY/ALASKA

NEEDED:

Total volume of birch wood	15 MM <sup>3</sup>
Annual vol. chips of birch wood	400,000 t 625,000 M <sup>3</sup>
Area for industry with harbor	50 acres
Fresh water	8000 M <sup>3</sup> /d
Steam	2400 t/d
Electric power (1 MWh/t)	40 MW
Labor force at factory	200-300 persons
▪ in wood harvesting	200
▪ administration	50-100
▪ total	450-600
Investment (incl. harbor) approx.	\$250 M

PROPOSED:

Capacity of the factory, fluting 250,000 t/a  
 Revenue (about \$420/t) \$105 M/a  
 Location: Seward or equal  
 Partnership: American, Finnish, Japanese 30/30/40%  
 Marketing area: 60% Japan/40% world  
 Financing: American, Finnish, Japanese 30/30/40%

- TO BE STUDIED:
1. Harvest of the birch wood in the area of reasonable transport cost.
  2. Cost of birch chips at factory.
  3. Price of kWh of electricity.
  4. Cost of Labor a) skilled  
b) semi-skilled  
c) unskilled
  5. Agreeable location for factory.
  6. Soil testing of factory site.
  7. Resources of soft water.
  8. Environmental standards.
  9. Price estimate for product at factory.
  10. Willingness of partners.

*Take Forest Region - Fur Island -  
 Consultants had no surprise -*

*Should we borrow money or should we use  
 leverage? or should we use combination of the  
 two -*

*Real Estate and Wharfage - about 50-50. wrong -*

1. Ordinance No. 88-017(SUB) "AN ORDINANCE REAPPROPRIATING \$26,350 FROM THE ECONOMIC DEVELOPMENT RESERVE ACCOUNT (203-610) TO A PROJECT (G209) ENTITLED 'FORESTRY ENVIRONMENTAL ASSESSMENT' IN FUND 820." AM 88-064(SUB)

Assemblywoman Palmquist moved, Assemblyman Holmes seconded, for adoption of Ordinance No. 88-017. Discussion followed. Voting on the motion, it failed with Assemblypersons Palmquist, Levesque and Lloyd in favor.

- Passed*
2. Ordinance No. 88-018 "AN ORDINANCE REAPPROPRIATING \$10,000 FROM THE ECONOMIC DEVELOPMENT RESERVE ACCOUNT (203-610) TO A PROJECT ENTITLED "TIMBER EDUCATIONAL PROGRAM." AM 88-066

Assemblyman Barry moved, Assemblyman Silvers seconded, to rescind action on the granting of \$30,000 to REDCOR. Discussion followed. Voting on the motion, it passed with Assemblypersons Palmquist and Levesque opposed.

Mayor Jones opened the public hearing and Miss. Christina Breck came forward to express her support of the education program and opposition to the timber sale; Ms. Dana Olson came forward to express her support of the educational program; Mr. Mike McCrary came forward to oppose Ordinance No. 88-018; Ms. Eleanor Malapanes came forward to express her support for Ordinance No. 88-018; and Ms. Betty Breck came forward to express her support for timber education but her opposition to the timber sale. The public hearing was closed and discussion moved to the Assembly.

Assemblyman Barry moved, Assemblyman Levesque seconded, for adoption of Ordinance No. 88-018. Discussion followed. Voting on the motion, it passed with Assemblymen Cypra and Holmes opposed.

The Assembly recessed at 10:05 p.m. and reconvened at 10:16 p.m.

Ms. Dahl excused herself from the meeting at 10:16 p.m.

#### SUSPENSION OF THE RULES

Mayor Jones requested that Audience Participation be heard at this time. There were no objections.

Mr. Dave Ring came forward to express his thanks to the Assembly for building the Point MacKenzie Road and requested that the Assembly have a worksession to work toward the increased release of salmon so that Upper Cook Inlet fisherman could enjoy a fairer share of the catch.

Mr. Paul Carr came forward to inquire on the Coastal Zone Management Agreement.

Discussion followed. Voting on the motion, it passed unanimously.

## 2. HARRIS GROUP

Mr. Hale introduced Mr. Glen Lansing and Mr. Frank Walker from the Harris Group. Mr. Lansing and Mr. Walker gave a brief presentation to the Assembly of the functions of the Harris Group.

### CONSENT AGENDA

1. Ordinance No. 88-019 "AN ORDINANCE AMENDING TITLE 16 OF THE SUBDIVISION ORDINANCE AS APPROVED BY THE PLANNING COMMISSION." AM 88-070
2. Ordinance No. 88-020 "AN ORDINANCE REAPPROPRIATING \$10,000 FROM THE AREAWIDE ASSEMBLY RESERVE (101-102) TO WILLOW COMMUNITY CENTER CAPITAL PROJECT (FUND T84, PROJECT B009) FOR REPAIRS TO THE WILLOW COMMUNITY CENTER." AM 88-074

Assemblyman Silvers moved, Assemblyman Levesque seconded, to introduce Ordinance Nos. 88-019 and 88-020 and set for public hearing on April 5, 1988. Discussion followed.

Assemblyman Lloyd requested to divide the question.

Voting on introducing Ordinance No. 88-019 and set for public hearing on April 5, 1988, to motion passed unanimously.

Assemblywoman Palmquist moved, Assemblyman Levesque seconded, to send Ordinance No. 88-020 back to Administration for further refinement. Discussion followed. Voting on the motion, it passed unanimously.

### RESOLUTION

Assemblyman Silvers moved, Assemblyman Lloyd seconded, to waive the reading of the body of the resolutions. Assemblyman Silvers moved for unanimous consent. There were no objections.

1. Resolution No. 88-027 "A RESOLUTION SUPPORTING THE ESTABLISHMENT OF AN ALASKA DEVELOPMENT FUND."
2. Resolution No. 88-028 "A RESOLUTION SUPPORTING THE CREATION OF AN ALASKA DEVELOPMENT BOARD."
3. Resolution No. 88-029 "A RESOLUTION SUPPORTING THE COMMONWEALTH NORTH PERMANENT FUND EARNINGS PROPOSAL."

Assemblyman Silvers moved, Assemblyman Levesque seconded, for adoption of Resolution Nos. 88-027, 88-028 and 88-029.

### List of Task Force Duties

1. Develop a recommendation for a permanent governance system, e.g., port commission.
2. Develop a recommendation for a permanent administration and management of the port.
3. Develop an initial marketing plan.
4. Develop a land management plan, i.e., how will Borough lands be utilized?
5. Develop recommendations on land use regulations throughout the Point MacKenzie Port area.
6. Develop recommendations and priorities on transportation improvements.
7. Identify potential users.
8. Develop recommendations for financing port related improvements, e.g., dock, infrastructure, etc.

SB 112

MAT-SU LOGGERS ASSOCIATION  
BOX 111293  
ANCHORAGE, ALASKA 99511

May 5, 1987

Rep. Sam Cotten, Co-Chairman  
House Resources Committee  
Pouch V  
Juneau, AK. 99811

Dear Rep. Cotten:

The Cook Inlet Chapter of the Society of American Foresters sponsored a seminar on Forest Management Agreements last week which was very helpful in understanding SB 112, currently under consideration by your committee.

As we understand the term, a "Forest Management Agreement" is intended to make a long term supply of timber available to the wood products industry in exchange for industry participation in the active management of the resources on that land. Such a long term supply would require a large tract of land. The agreement would be a contract between the State and a private firm which would require the firm to undertake a range of management activities which might include the whole spectrum of forest management from regeneration to pest control to fire control to inventory to access development to harvest. Such an agreement would of necessity have to address other related activities such as private access for recreational or other purposes, minerals and materials development, processing sites or other non-forest land uses, etc. Implementation of such an agreement would require close and continuing co-operation between the parties to the agreement. The State would need to have experienced foresters available to monitor the agreement, either on staff or under contract. The private firm would need a substantial, conveyable interest in the state land and/or resources in order to obtain financing.

The Mat-Su Loggers Association takes no position on the desirability of the state having such a management tool available to it. The Canadian experience with this form of forest management indicates that we should approach such a decision with caution. We support further investigation in an effort to craft a bill which would meet the unique needs of Alaska.

We are very much opposed to SB 112 for two basic reasons: first, it does not do what it purports to do and second, it would be injurious to the existing wood products industry in the Mat-Su Valley.

1. SB 112 does not provide for forest management agreements as we understand the term. It is merely an authorization for negotiated long-term timber sales.

a. A forest management agreement should have a set of objectives which the agreement is designed to reach. SB 112 (at page 1, line 16) says that the only legislatively recognized purpose is to "foster the development of the state's forest products industry". While this is a very desirable goal, it is not in the best interest of the state as a whole to have this as the exclusive purpose governing the management of large tracts of public land.

b. SB 112 (at page 1, line 12) limits the subject matter of the agreement to "the sale of timber from state land". Sufficient law already exists to permit large scale, long term sales of timber from state land. If the scope of a management agreement is thus limited it amounts only to authorization for negotiation of large scale, long term timber sales. We believe public auction under existing law is more desirable.

c. One of the arguments in favor of FMA's that was expressed at the seminar referred to earlier, was that it would be a more bankable degree of title. It was said that timber sales are hard to finance, but that an agreement would be more acceptable as collateral. SB 112 is silent on that point. As indicated earlier, the existing language provides only for what is in essence a negotiated long term timber sale.

2. SB 112 would be injurious to the existing wood products industry in the Mat-Su Valley.

a. At the SAF seminar, one of the proponents of FMA's said the average size would be about 160,000 acres. The only areas of state forest land of this size which are not encumbered by existing timber sales are in the Matanuska-Susitna Valley and the Tanana Valley. Any proposed FMA would of necessity be located in one of those areas.

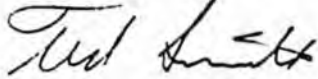
b. Under the Governors budget request, 1 1/2 man years are available for administering state timber sales in the Matanuska-Susitna Valley in the next fiscal year. We understand that the staffing situation is equally absurd in the Fairbanks area. In addition, the Senate version of the budget would cut another \$90,000 from this program, plus deleting \$50,000 from forest inventory. All of the currently available manpower in the Matanuska-Susitna Valley is devoted to administering existing small timber sales and preparing for a large bio-mass sale planned for this fall.

c. SB 112 requires (in section 2, page 2, line 26) that the commissioner request proposals for the management of state timber land within one year of the effective date of the act. With this mandatory timeline for implementation, a zero fiscal note on the bill is patently ridiculous. Drafting and adopting regulations alone would take at least six months. Collecting inventory data, defining the area of the FMA, and developing the terms of the agreement after the regulations were adopted would require devoting all of the available resources of the Division to the effort. This loss of manpower from the existing sales program plus the absence of a timber sales program by the Matanuska-Susitna Borough would deprive the members of our Association of the any dependable source of timber and destroy the existing wood products industry in the Valley.

In summary, while we do not oppose good legislation which would authorize forest management agreements, we are very much opposed to

SB 112 because: it authorizes negotiated long term timber sales; it fails to consider other beneficial land uses; it sets an unreasonable time line for implementation; it fails to recognize the cost of implementation; and it has an extreme negative impact on existing wood products industry. We urge that the bill be held for improvement during the interim. We would be pleased to work with you to redraft the bill to make it more acceptable to our Association.

Yours truly,



Ted Smith, Chairman  
Board of Directors

cc: Senator Kertulla  
Senator Szymanski  
Senator Jones  
Senator Sturgelewski  
Representative Larson  
Representative Menard  
John Hale, Manager, Matanuska-Susitna Borough  
Judy Brady, Commissioner, Department of Natural Resources



# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

JUDITH M. BRADY, COMMISSIONER  
POUCH M  
JUNEAU, AK 99811  
(907) 465-2400

PUBLIC AFFAIRS OFFICE  
3601 'C' ST. / POUCH 7-005  
ANCHORAGE, AK 99510  
(907) 561-2020

## MEDIA RELEASE

DIVISION OF:  
RELEASE DATE:  
SUBJECT:

CONTACT:  
PHONE:  
DNR NEWSLINE:

Deputy Commissioner Lennie Gorsuch announced today that the Department of Natural Resources would take a fresh look at the Susitna Timber sale. "The Public response has been enormous stated Gorsuch: we have heard from legislators, lodge owners, large and small timber operators, fishermen, property owners, local governments, and a variety of interested groups."

"We're not suprised by the public interest shown during the meetings and comment period. The Department recognized during the 3 year Susitna area planning process that the public uses state lands in the Susitna Valley in a variety of ways. As the state's land managers, we're pleased with public's interest in this area and intend to use the comments people have made to fashion a timber sale which will benefit the valley's economy while protecting other uses."

"We are going to form a multi-disciplinary agency team to review the comments and prepare a new proposal for public review. We recognize that this will take additional time, but it will be worth it if we can develop a self-sustaining timber industry which can operate side by side with other facets of the valley economy. I have appointed Assistant Commissioner Tom Hawkins to assemble this team."

MAT-SU LOGGERS ASSOCIATION  
BOX 111293  
ANCHORAGE, ALASKA 99511

May 5, 1987

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House Resources Committee  
Pouch V  
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Yours truly,



Ted Smith, Chairman  
Board of Directors

cc: Senator Kertulla  
Senator Szymanski  
Senator Jones  
Senator Sturgelewski  
Representative Larson  
Representative Menard  
John Hale, Manager, Matanuska-Susitna Borough  
Judy Brady, Commissioner, Department of Natural Resources

CONVERSION FACTORS FOR METRIC TO ENGLISH UNITS.

1 Hectare = 2.471 Acres

1 Cubic Meter = 35.31 Cubic Feet = 140 Board Feet Scribner

# The Forest 2000 Programme

## Guidelines for developing Finnish forestry and the forest industries

### *TIIVISTELMÄ: METSÄ 2000-OHJELMA*

The Forest 2000 Programme. Guidelines for developing Finnish forestry and the forest industries. Tiivistelmä: Metsä 2000-ohjelma. *Silva Fennica* 20 (1):35-44.

The Forest 2000 Programme is a long-term programme for forestry and the forest industries. It attempts to obtain a better integration of timber production and other forms of forest use. The total annual cut is to be increased by 15 mill. m<sup>3</sup> by the year 2010. This is almost one third greater than the level during the first few years of the 1980's. In order to achieve the cutting targets, the cut area will have to be increased by almost a third by the turn of the century. The area of thinnings will experience the greatest increase. Considerable changes are proposed in silvicultural and basic improvement work. According to the programme, the growth of the raw-material base and the consumption of the wood-based products will permit an annual increase of about 3 % in the production of the forest industries as a whole until the end of the century. This would be the same as the target growth rate of the GNP.

---

Metsä 2000-ohjelma on metsä- ja puutalouden pitkän aikavälin ohjelma. Siinä pyritään sopeuttamaan entistä paremmin toisiinsa puuntuotanto ja metsien muut käyttömuodot. Vuoteen 2010 mennessä on tavoitteena metsien vuotuisen hakkuumäärän suurentaminen 15 milj. m<sup>3</sup>:llä eli lähes kolmanneksella 1980-luvun alkuvuosiin verrattuna. Hakkuutavoitteiden saavuttamiseksi on hakkuupinta-aloja suurennettava. Voimakkaimmin kasvaa harvennushakkuiden ala. Metsänhoito- ja perusparannustöihin esitetään huomattavia muutoksia. Ohjelman mukainen raaka-ainepohjan kasvu ja metsäteollisuustuotteiden käytön kehitysnäkymät mahdollistavat arvion mukaan koko metsäteollisuuden tuotannon nostamisen vuosittain noin 3 prosentilla vuosisadan loppuun saakka. Se olisi sama kuin yleisesti tavoitteeksi asetettu bruttokansantuotteen kasvuvauhti.

Key words: Timber production, cutting targets  
ODC 905.2:72:83:916

Correspondence: University of Helsinki, Department of Forest Products Marketing,  
Unioninkatu 40 B, SF-00170 Helsinki, Finland  
Approved on 26. 2. 1986

## The task and organization of the programme

The Forest 2000 Programme sub-committee was appointed by the Economic Council on the 21st of February 1983. The task of the sub-committee was to draw up a long-term programme for forestry and the forest industries. The sub-committee consisted of a group of executive representatives from various important interest groups, as well as a working

committee subordinated to it. Working groups for silviculture and forest management, for timber procurement, for the development of the forest industries, and for the multiple-use of forests were set up by the sub-committee to procure the information for drawing up the programme.

## The elements of the programme

Alternative analysis was used in defining the cutting and timber production targets of the programme, and in determining the development prospects of the wood-processing industry. This meant that the most important environmental factors, such as trends in the demand for products of the forest industries and the overall effect of the multiple-use of forestry, could be taken into account in the

profitability calculations carried out for the comparison. The goals of the Forest 2000 Programme were finalised on the basis of the results of the alternative calculations. As well as defining the goals, an attempt was made to develop the economic, industrial and forest policy instruments needed to achieve these goals.

## Methods

A modified version of the MELA forest calculation programme, recently developed by the Finnish Forest Research Institute and the Department of Forest Mensuration (University of Helsinki) was used in designing the cutting and timber production programme. In the first stage, MELA simulated the management options for the stands, and the development of the stands when managed accordingly. In the second stage, the programme assembled from these management alternatives a cutting and timber production programme implementing the cutting removal or other targets set for the management of the forests.

When preparing the different options available to the Forest 2000 Programme, the forest calculation programme was used both for defining the combination of measures de-

signed to produce the desired removal, and for determining the development of the growing stock and the removal achievable through a particular combination of measures. At the same time, an attempt was made to ensure that the achieved solution was also economically optimal.

The analysis of the cutting and timber production options also included a profitability comparison of the different alternatives. Cost-benefit analysis was used in the comparison. The result showed that as the cutting removal increased, the profitability only improved if industry was able to utilize all the roundwood which became available. At least this was the case when sustained yield management was practised, i.e. where the cutting potential did not decrease in the future.

## The objectives of the programme

The starting point when practising a forestry and wood-based economy is to increase the prosperity of society through the exploitation of the forests. The most important aims of forest policy are: 1) support for the general targets of economic policy, 2) balanced development of the different forms of forest use, 3) complete utilization of the productive capacity of forest land, 4) economic viability of the measures applied, 5) matching the timber assortment structure and volume of timber utilized with the cutting potential, and 6) the creation of conditions favourable for viable forest-based industries.

Considerable investments were made in silvicultural and basic improvement work in Finnish forestry during the 1960's and 1970's in order to increase timber production. As a result, the annual cutting potential has increased since the middle of the 1950's by 13–14 mill. m<sup>3</sup>. At the same time, the use of

wood as fuel and the export of roundwood have considerably decreased. Timber imports have correspondingly increased. Although industrial wood raw material consumption has more than doubled, the overall trend in the annual cut has slightly decreased. An increasing proportion of the cutting potential has remained unexploited since the middle of the 1960's. The difference between the annual allowable cut and total removal, mainly in the form of large-dimensioned spruce and non-coniferous cordwood, has over the years been about 10 mill. m<sup>3</sup>/a. This is equivalent to a good 15 % of the potential cut.

Following the objectives and factors outlined above, the main emphasis in the Forest 2000 Programme is directed at increasing the level of cuttings. At the same time, attention is paid to the role of silvicultural and basic improvement work in increasing timber production.

## The multiple-use of forests

The programme attempts to obtain a better integration of timber production and other forms of forest use. The total value of all the subsidiary forest products was, at the beginning of the 1980's, approximately 10 % of the value of the timber cut annually along long-distance transport routes. The area of forest land reserved mainly for protection and recreational use totals 1.7 mill. ha. This area is expected to increase by only about 0.1–0.2

mill. ha by the year 2000.

Multiple-use applications are expected to decrease the annual cutting potential by a total of 2.2 mill. m<sup>3</sup> (3–4 %) by the year 2000. The programme notes that more attention should be paid to the needs of multiple forest use, in addition to timber production, both in planning and in the measures employed in forestry.

## Cutting and timber production targets

The removal targets of the Forestry 2000 Programme, i.e. the targeted amounts of roundwood harvested from the forests, are presented in Table 1 and Fig. 1.

The total annual cut is to be increased by 15 mill. m<sup>3</sup> by the year 2010. This is almost one third greater than the level during the first few years of the 1980's. Achieving this

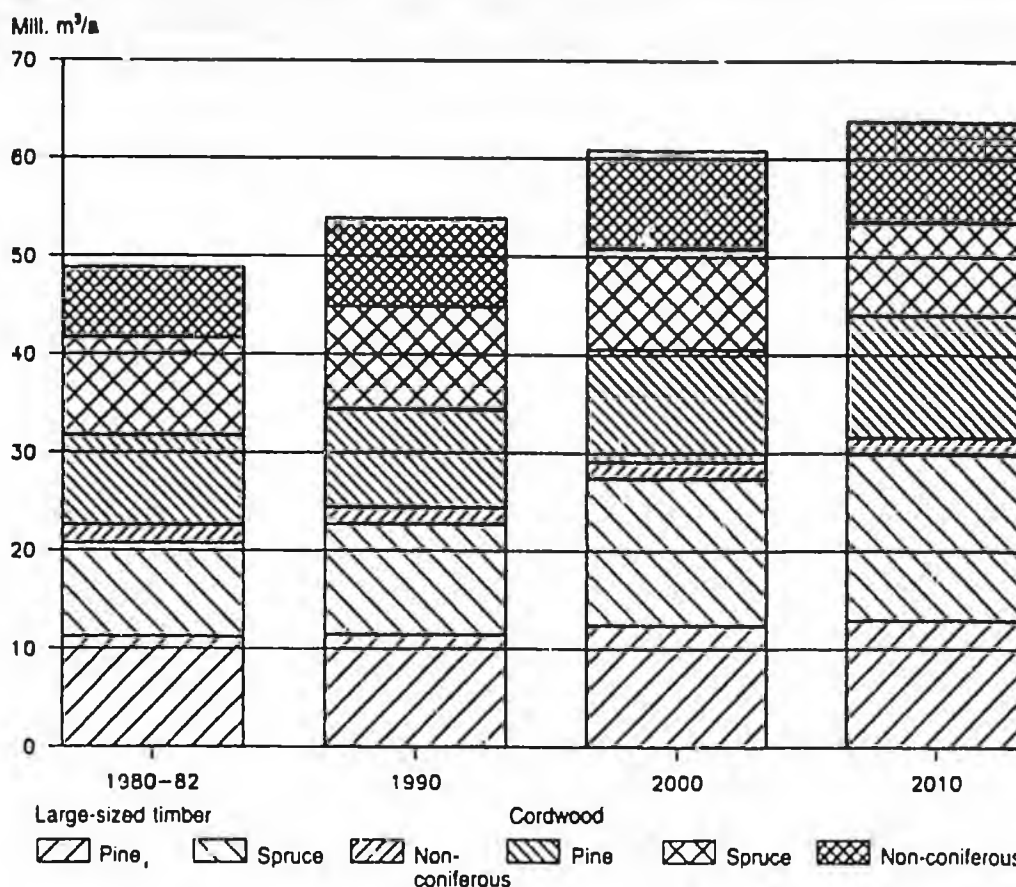


Fig. 1. The removal targets of the Forest 2000 Programme. The cut can be increased annually by 650 000 m<sup>3</sup> until 2000. Almost half of this increase is large-sized spruce logs, and a third pine and non-coniferous cordwood.

Table 1. The removal targets of the Forest 2000 Programme.

Type	Implemented 1980-82	Targets		
		1990	2000	2010
mill. m <sup>3</sup> /a				
Total	48.8	54.0	61.0	64.0
Pine	20.5	21.5	24.0	25.5
Spruce	19.4	21.8	25.3	26.5
Non-coniferous	8.9	10.7	11.7	12.0
Of which:				
Large-sized timber	22.6	24.5	29.2	31.7
Pine	11.3	11.5	12.5	13.0
Spruce	9.5	11.3	15.0	17.0
Non-coniferous	1.8	1.7	1.7	1.7
Cordwood	26.2	29.5	31.8	32.3
Pine	9.2	10.0	11.5	12.5
Spruce	9.9	10.5	10.3	9.5
Non-coniferous	7.1	9.0	10.0	10.3

goal presupposes that the cutting potential is exploited to a greater extent than was the case during the 1970's and 1980's. Half of the increase in cuttings would be large-sized spruce logs and a fifth deciduous cordwood. Cuttings of these timber assortments have decreased during the past few years. The cutting targets of other timber assortments, apart from large-sized hardwood logs, are also to be increased. In order to achieve the cutting targets, the area cut will have to be increased by almost a third by the turn of the century (Fig. 2). The annual area of thinnings will experience a considerable increase (70 %).

Considerable changes are proposed in silvicultural and basic improvement work (Figs. 3 and 4), e.g. the proportion of natural regeneration will be increased in forest regeneration work. A start has already been made on this part of the programme. Site preparation and the cleaning of regeneration areas will

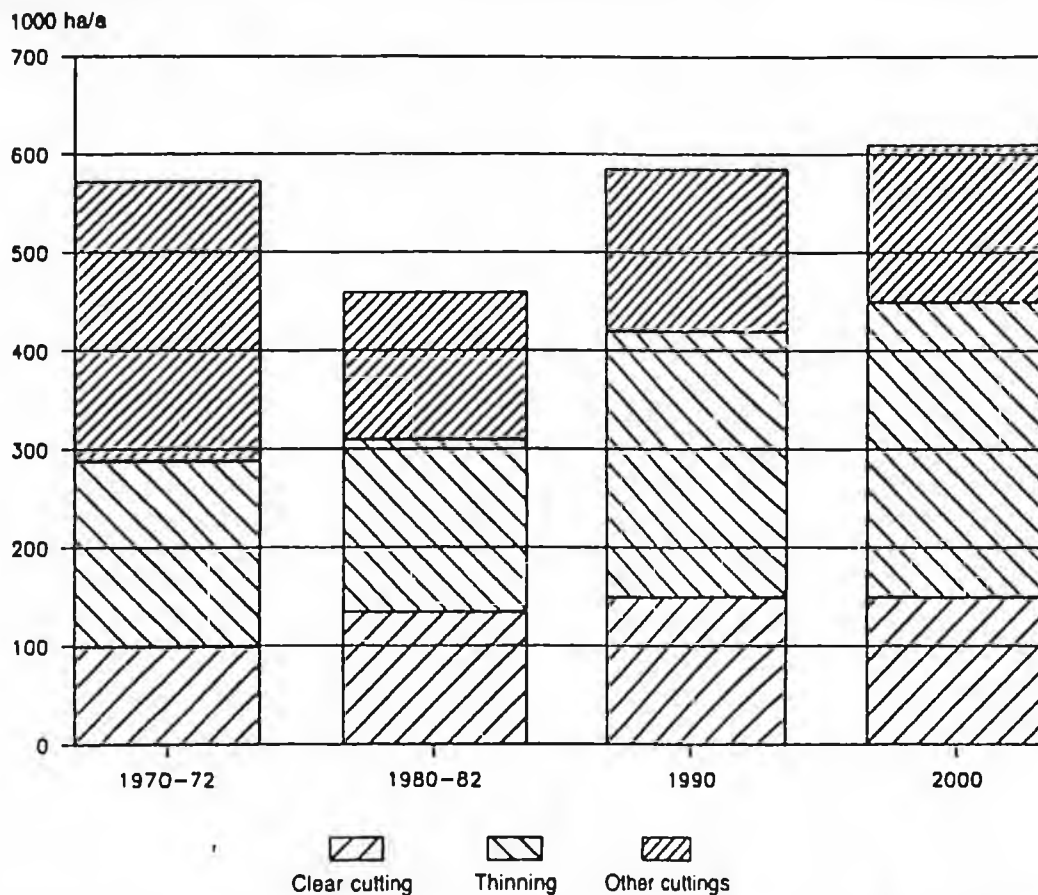


Fig. 2. The cutting areas of the Forest 2000 Programme. The area of the annual cut will increase by almost a third from the present level. The main emphasis is on thinnings, but the area of regeneration cuttings will also increase.

increase to some extent; a technology less harmful to the environment will be used on these sites. Artificial regeneration will see a slight shift from planting to sowing. The greatest changes will occur, however, in basic improvement work. All new drainage work is to be completed before the end of the century. The amount of redrainage, which includes ditch cleaning and supplementary drainage, should triple by the year 2000. The level of forest fertilization is expected to double. It is also proposed that the pruning of standing trees be increased.

The calculations indicate that the programme will lead to a 20–30 % increase in the costs of silvicultural and basic improvement work by the end of the century, and an in-

crease of about 10 % in state-funded forest improvement work.

If the targets of the programme can be implemented in their proposed form, then the volume of the growing stock will increase by about 10 % and the annual increment by about 20 % by the year 2020 (Fig. 5). The growing stock will change from its present composition to one that is more pine dominated.

The fact that the cutting and timber production targets are also presented in the programme by area (by forestry board district) will presumably assist in the planning the implementation of the programme on a regional basis.

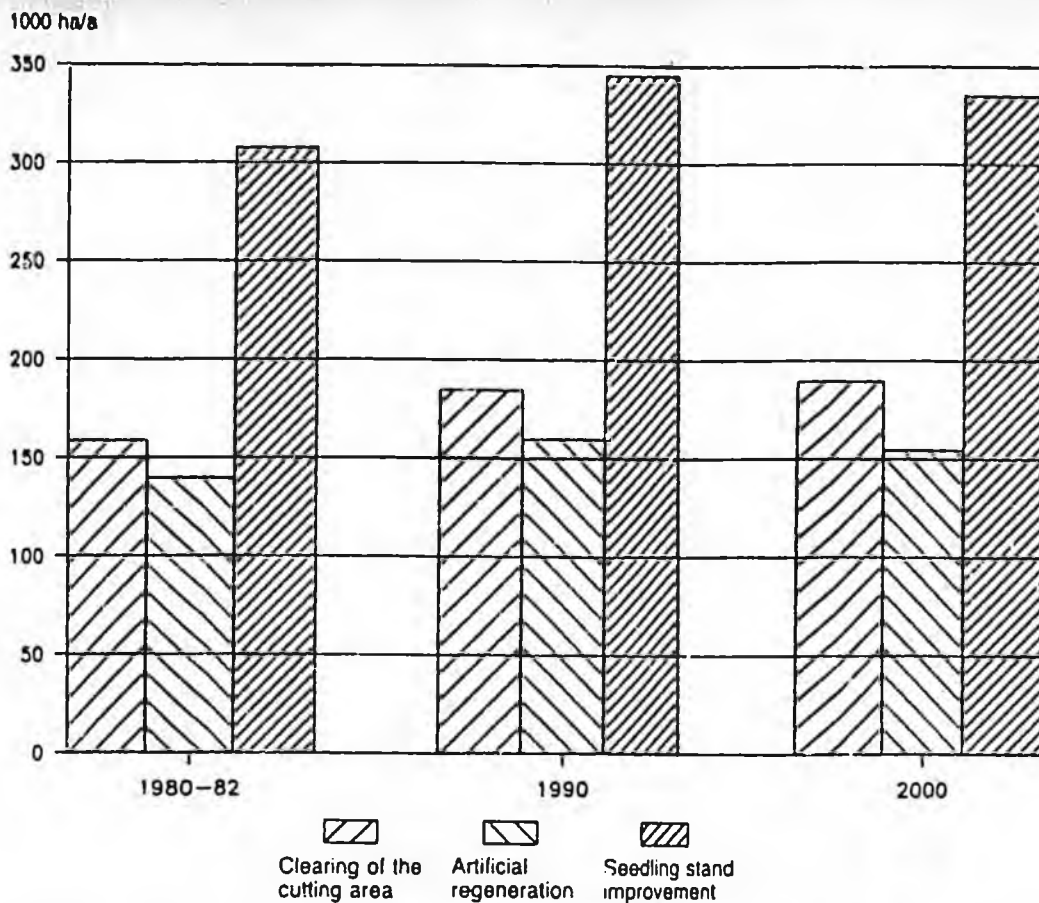


Fig. 3. The silvicultural targets of the Forest 2000 Programme. The need for silvicultural work will increase slightly from the present level.

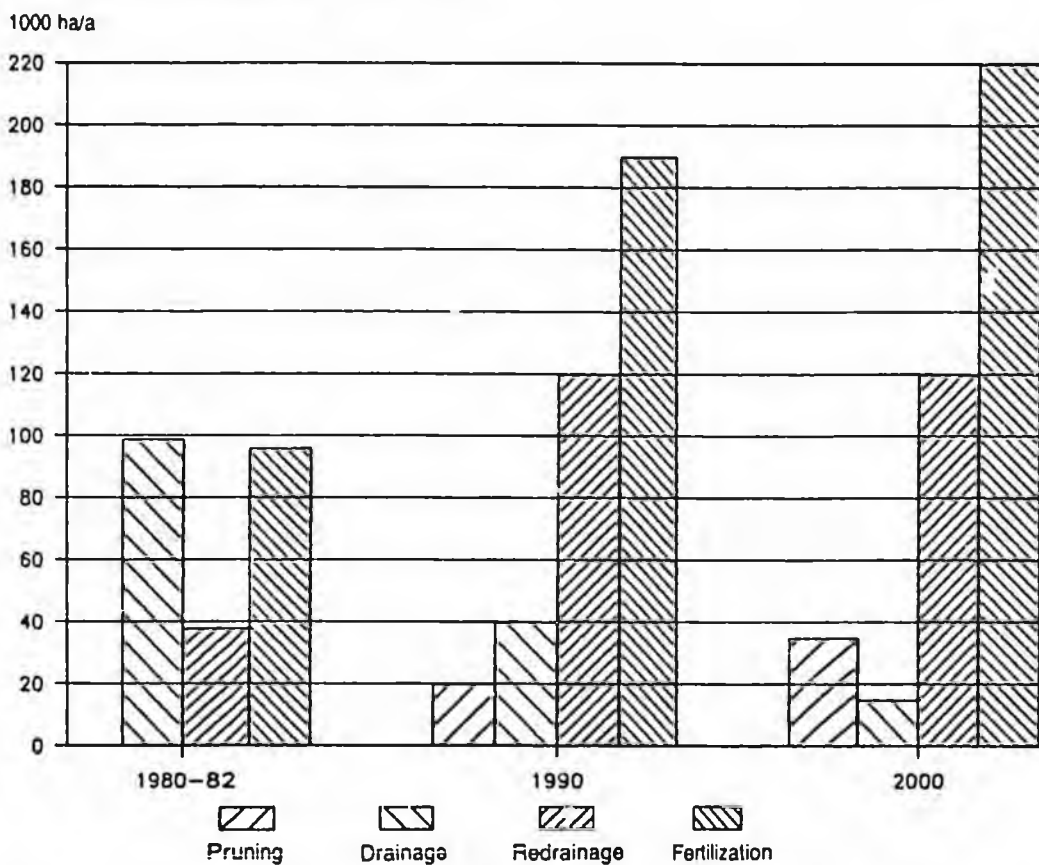


Fig. 4. The forest improvement targets of the Forest 2000 Programme. Drainage of new areas will fall sharply and, in practice, cease completely by the turn of the century. The need for redrainage will correspondingly increase. It is recommended that pruning of standing trees be made eligible for forest improvement funding. It is also recommended that the annual level of forest fertilization be increased to that prevailing at the beginning of the 1970's.

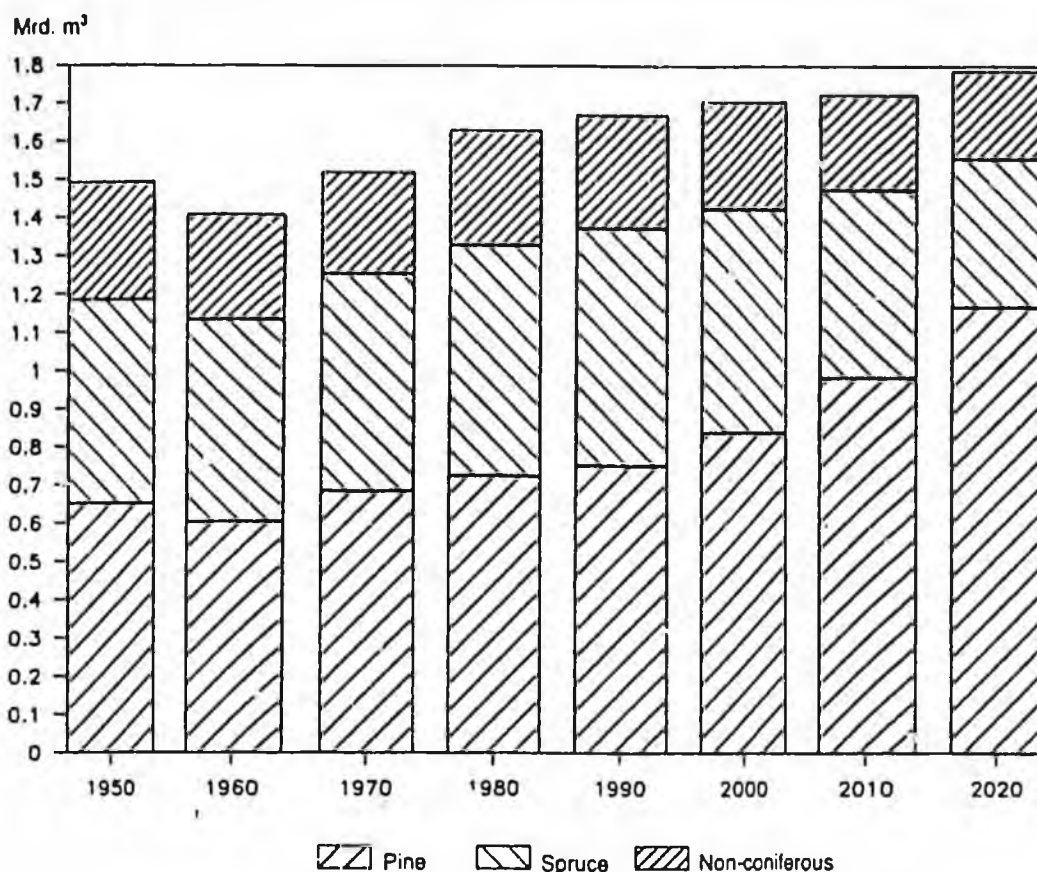


Fig. 5. Development of the growing stock volume. The cutting targets have been set at a level below the annual increment. This means that the growing stock volume will increase by 10 % from its present level by the year 2020. The proportion of pine in the growing stock will considerably increase.

## The development possibilities of the forest industries

The development possibilities of the forest industries up to the year 2000 are examined in the programme by taking the cutting targets as the starting points. The predictions indicate that the consumption of the most important groups of products will grow during the period 1980–2000 as follows:

Product group	Annual growth %	
	Whole world	Western Europe
Sawnwood	1.1 ... 1.5	-0.7 ... 0.7
Wood-based panels	2.2 ... 4.7	2.4 ... 4.6
Paper	3.3 ... 3.7	2.5 ... 2.8
Paperboard	2.8 ... 3.5	2.0 ... 2.8

According to these estimates, the total demand for forest industry products, weighted by the present structure of Finnish exports, will grow at a rate of about 3 % a year until the end of the century.

According to the targets of the programme, the raw material base of the forest industries will increase annually by 650 000 m<sup>3</sup>. Almost half of this amount will be large-sized spruce logs, and a third pine and non-coniferous cordwood. It appears that products based on kraft pulp will remain sufficiently competitive, consequently there will continue to be a demand for them in the future. A clear structural change has taken place in Europe dur-

ing the past few years in the supply of spruce sawnwood and non-coniferous pulp. Pulp production based on extensive forest plantations has appeared in Continental Europe, especially in Spain and Portugal. New sawmill capacity has also been built in Continental Europe. This production is, on the basis of its location, already more competitive on the European market than its Finnish equivalent. It is clear that in the coming years the Finnish forest industries will have to make greater investments in product development and marketing.

It can be assumed on the basis of past developments that the proposed cutting targets can be achieved as long as competitive production can be ensured:

	Implemented	Forest 2000
	1960-80	1980-2000
	Annual growth %	
Forest industries		
- volume of production	+ 4.4	+2.6...+3.3
- wood consumption	+ 2.3	+1.2
- consumption of non-coniferous pulpwood	+11.2	+2.4
- consumption of large-sized spruce logs	+ 3.0	+2.5

Four development alternatives for the forest industries, which differ from each other with regard to the volume of the spruce logs used, are analysed in the programme. The results are presented in Table 2 and Fig. 6.

It appears that the raw material situation for the sawmill industry will remain satisfactory for the rest of the century. The production of pine sawnwood could be increased slightly compared to the level at the beginning of the 1980's, and that of spruce sawnwood considerably increased if the product is made competitive on the international markets. However, if the cutting targets are to be met, it will probably be necessary to direct an increasing proportion of large-sized spruce logs to the pulp industry, mainly for the production of mechanical pulp. This means that, of the presented alternatives, III and IV are the most realistic.

Owing to unfavourable competition in the market for particle and fibreboard, significant increases in the production of these products will be unlikely. The future production of plywood depends on whether the proportion of spruce in the product can be increased.

Growth in the forest industries will seemingly take place almost entirely in the pulp and paper industry. The potential annual

Table 2. The development possibilities of the primary forest industries according to the Forest 2000 Programme.

Product group	Implemented 1980-82	Production possibilities in 2000			
		Alternative			
		I	II 1000 m <sup>3</sup> /a	III	IV
Coniferous sawnwood	8 522	11 900	10 600	9 500	8 500
- pine	5 106	5 700	5 700	5 700	7 700
- spruce	3 416	6 200	4 900	3 800	2 800
Plywood	613	770	770	770	770
Particle and fibreboard	970	1 000	1 000	1 000	1 000
			1000 mt/a		
Pulp	7 101	10 400	10 800	11 400	12 200
- mechanical	2 387	4 100	4 500	5 100	5 900
- chemical	4 714	6 300	6 300	6 300	6 300

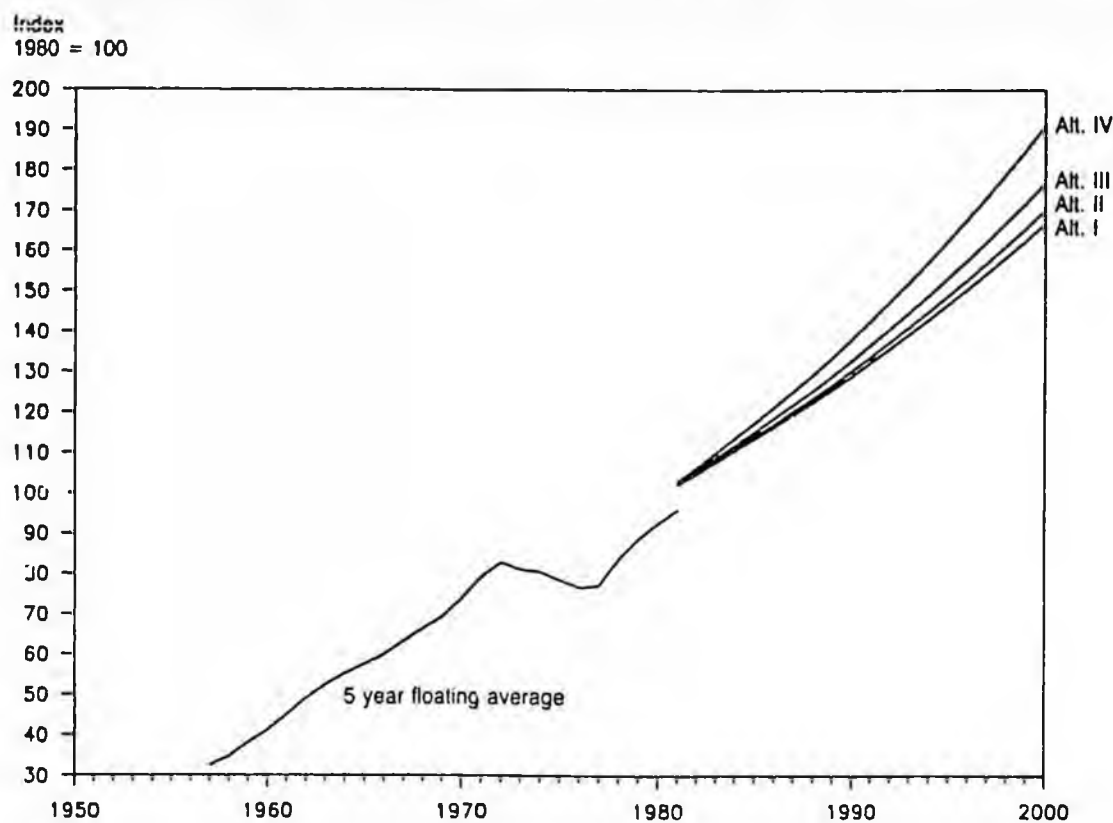


Fig. 6. The development prospects of the forest industry. The production volume of the forest industries as a whole can be increased by about 3 % a year. This corresponds to the estimated long-term increase in the demand for forest industry products.

growth in the production of pulp until the end of this century is 2–3 %, for chemical pulp 1.5 %, and for mechanical pulp 3–5 %. Production in the paper and paperboard industry could grow annually by 3.5–5 %.

According to the programme, the growth of the raw material base will permit a 3 % annual increase in the production of the forest

industries as a whole up until the end of the century. This would be the same as the target growth rate the GNP. However, the increased production presupposes that the functioning, competitiveness and raw material supply of the forest industries is maintained, and that their wood consumption structure is adapted to the structure of the cutting targets.

## The means available for achieving the targets

The targets of the programme are ambitious and demanding. The measures, as presented, will presumably not be enough. It will be necessary, therefore, to devise additional measures to supplement the programme while it is being carried out.

The most important of the means available for increasing timber supply are forestry

planning and an increase in the advice and services directed at the forest owners. By the beginning of the 1990's, individual forestry plans will have been drawn up for 90 % of the privately-owned forest area. Personal advisory services, and the execution of forestry plans, will have to be made more effective. All the forest owners, including those living out-

side the area where their holdings are situated, will have to be brought within the scope of the advice and service facilities. This will require a staff increase of about 50 in the district forestry boards, as well as in the number of staff needed by the local forestry associations.

Other means of increasing timber production proposed in the programme include the development of forest ownership, forestry legislature and forest taxation, increasing the

effectiveness of forest cooperation at the regional level, and improving the functioning of the roundwood markets. Active and constructive cooperation between the different interest groups is essential.

Economic, investment, energy and foreign trade policy, research and development work, and the effective marketing of wood-based products, all play a central role in strengthening the demand for timber.

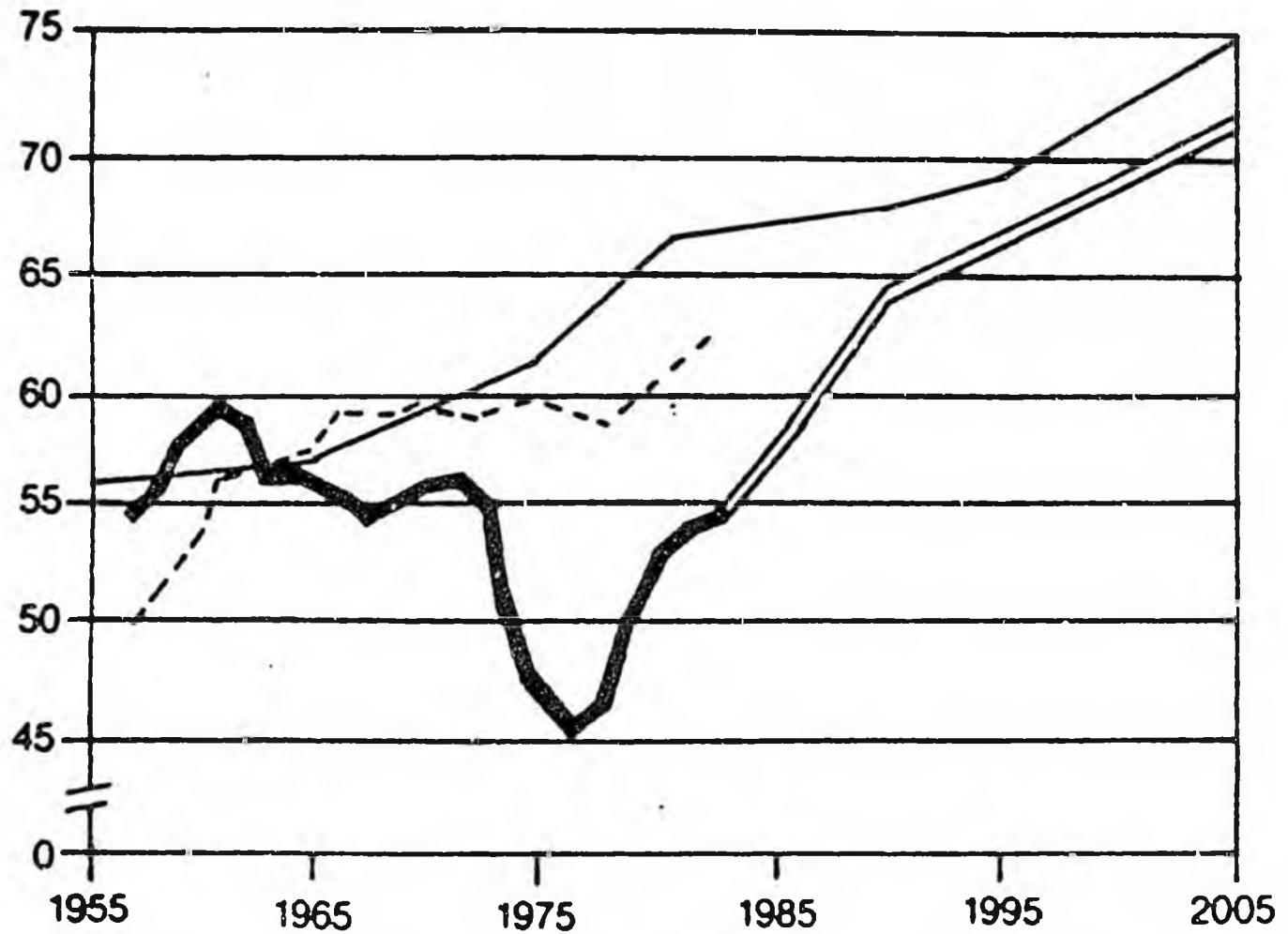
## Monitoring and updating the programme


Social development and environmental conditions, such as acid precipitation, can bring about relatively rapid changes in forest management and in the forest ecosystem. It is also difficult to predict the activities of the forest owners and forest industries. Implementation of the programme must be monitored continuously, and its targets and choice of means checked at least every 5–10 years. The continuity of the necessary re-


search work, data systems and data registers, as well as development of the planning models, must be ensured. Since the Forest 2000 Programme is a long term project, it must be supplemented, at fairly short intervals (about 5 years), with a programme in which the targets and measures are scheduled annually, and which are checked and continued each year.


# Growth and removal forecast

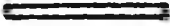
mill. m<sup>3</sup>/year



 implemented  
outturn and  
slash

 allowable  
outturn and  
slash

 growth forecast  
for forest in  
commercial use

 predicted  
outturn  
and slash

## Growing stock 1984

million m<sup>3</sup> solid volume incl. bark

	whole country	South Finland	North Finland
	1 660	1 171	489
	100%	71%	29%

**Tree species  
distribution by volume**

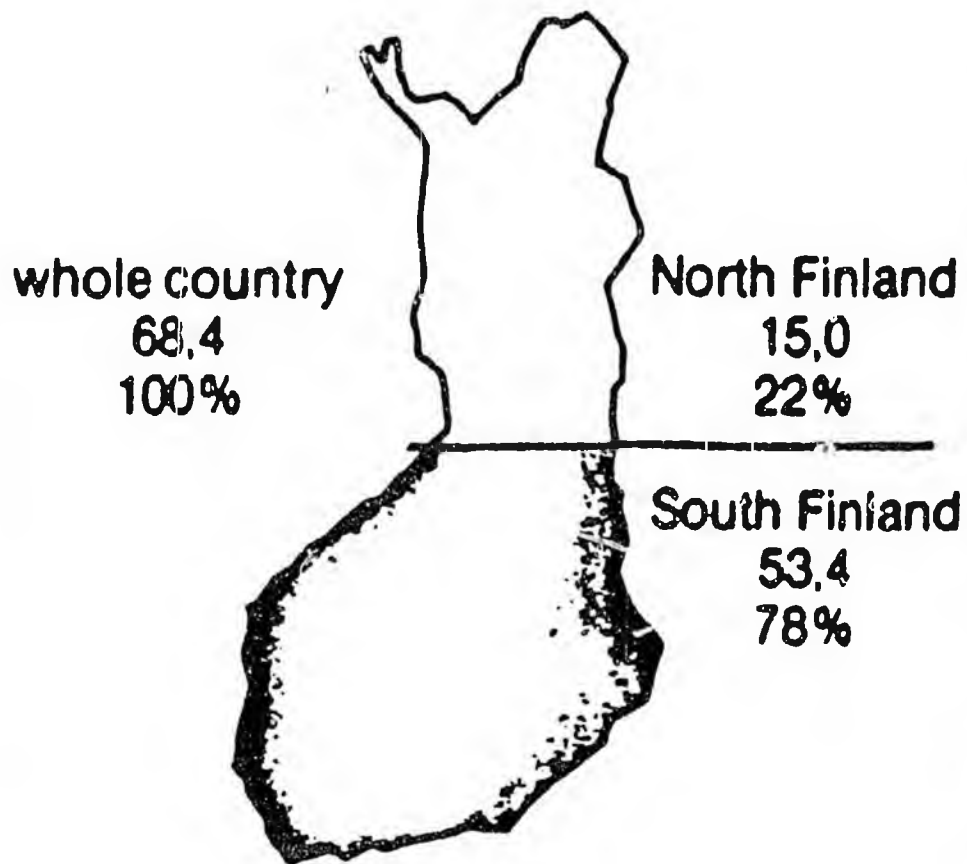
	whole country	South Finland	North Finland
pine	45	39	59
spruce	37	43	23
birch	15	15	17
alder and aspen	3	3	1
	100%	100%	100%

**Mean growing stock,  
m<sup>3</sup>/ha incl. bark**

	whole country	South Finland	North Finland
	81	101	54

## Annual Increment 1984

million m<sup>3</sup> solid volume incl. bark



Mean volume increment on forest land,  
solid volume incl. bark/ha

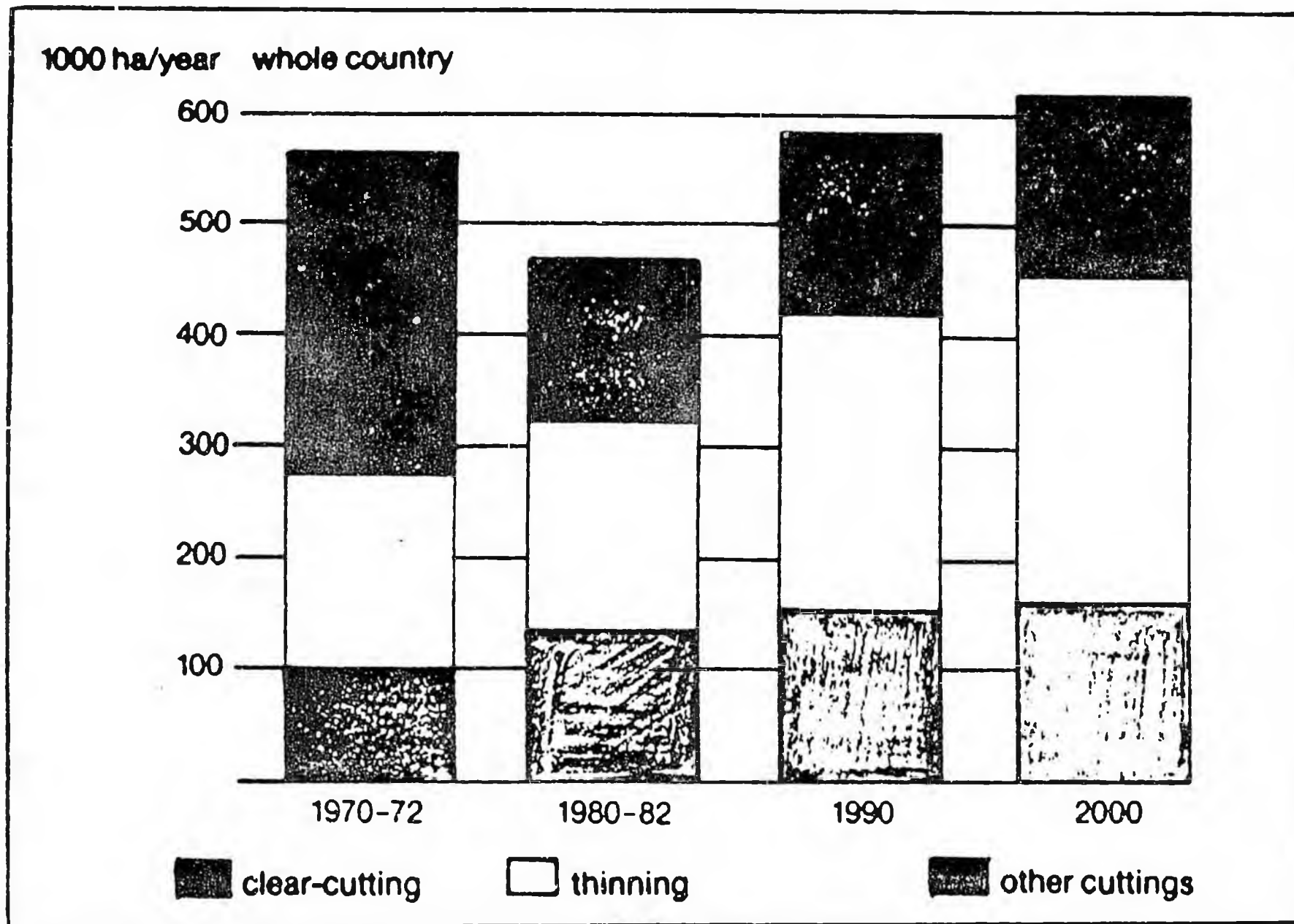
whole country	South Finland	North Finland
3,4	4,6	1,7

## Forest balance 1984

million m<sup>3</sup> solid volume incl. bark

	mean 1974-84	1984
allowable drain	61,3	65,1
total drain	49,7	52,3
forest balance	+ 11,5	+ 12,8

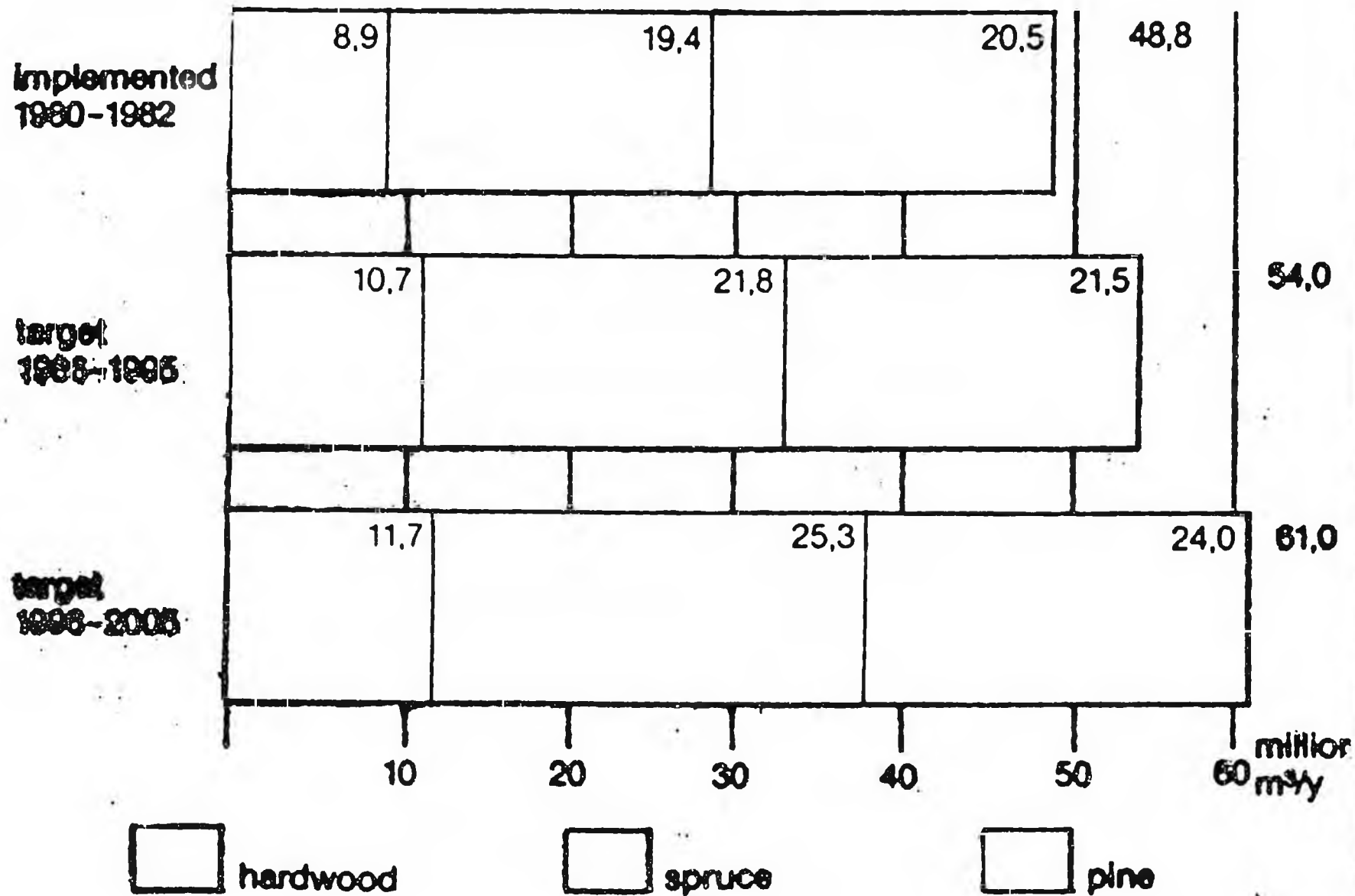
## The Forest 2000-programme: Felling area



## Silvicultural improvement work in 1985

	1985	2000 (Forest 2000 programme)
reforestation (seed- ing and planting)	129 000 ha	155 000 ha
young stand tending	279 000 ha	335 000 ha
pruning	6 300 ha	35 000 ha
fertilization	84 000 ha	220 000 ha
new drainage	70 000 ha	15 000 ha
supplementary drainage	3 900 km	120 000 ha
ditch cleaning	8 800 km	
forest roads	3 900 km	2 500 km

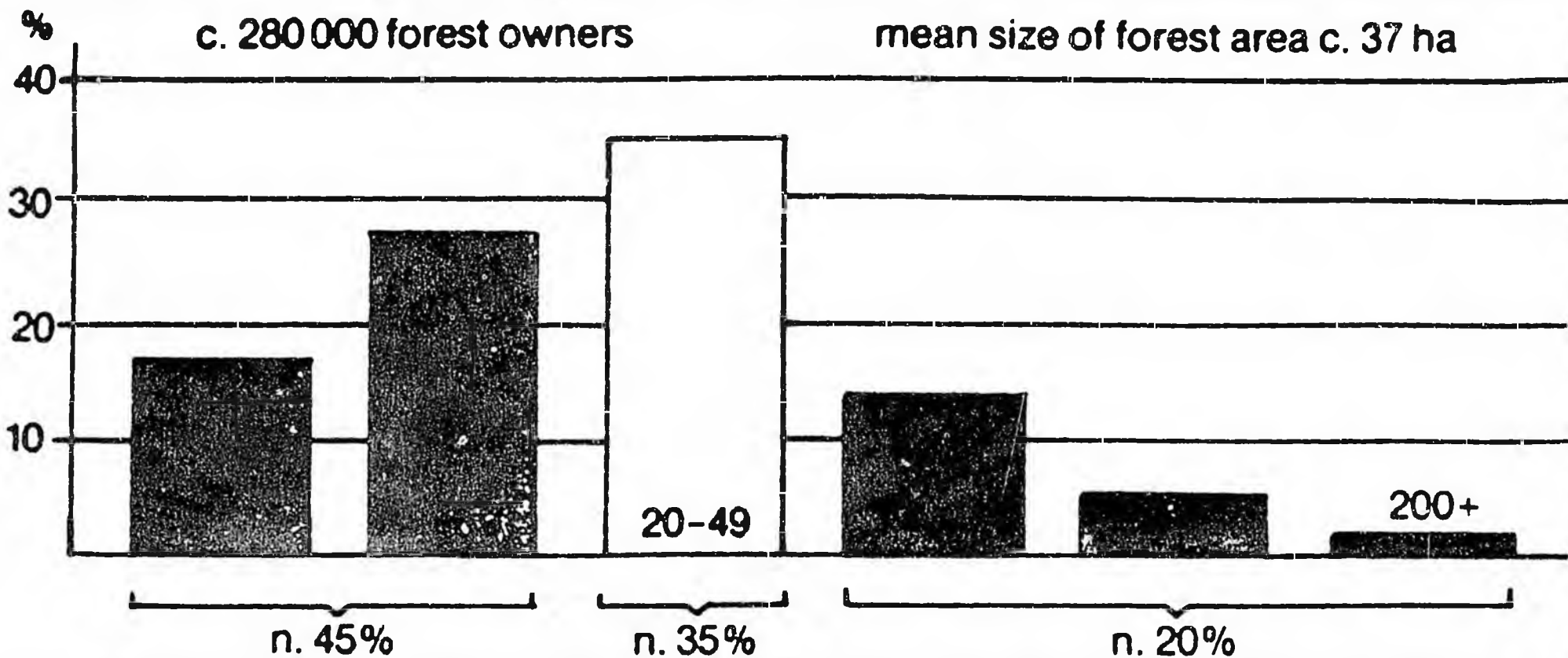
# The Forest 2000-programme: Targeted outturn by tree species



# Natural forest products 1985

commercial wood	43,6 mill. m <sup>3</sup>	
peat consumption and exports		
- fuel peat	3 992 000 tonnes	
- horticultural peat	1 067 000	"
lichen exports	585	"
sales of forest berries	4 970	"
sales of wild mushrooms	1000	"
sales of reindeer meat	3 000	"
forest game birds	155	"
field game birds	33	"
hares	1 109	"
elk and deer	11 506	"
fur pelts	336 000	no.

# Distribution of privately-owned forest holdings by size



# Protection areas 1987

## Established under the nature protection act:

	no.	total area 1000 ha
national parks	22	670
strict nature reserves	20	154
wetland protection areas	102	78
other protected areas	13	8
privately-owned nature protection areas	650	12
		<hr/>
		922

## Areas protected by official order:

special conservation forests	234
primeval areas	34
peatlands protected from drainage	63
	<hr/>
	331
	<hr/>
<b>Total</b>	<b>1253</b>

# The Finnish forest industry in 1986

## Mechanical sector

	no. of units	production	exports %
sawmill ind.	161 <sup>1)</sup>	7,1 mill. m <sup>3</sup>	64
plywood	25	0,6 ---	84
particle board	11	0,6 ---	40
wallboard	3	0,08 mill. tn.	57

1) in addition, c. 6000 local small sawmills.

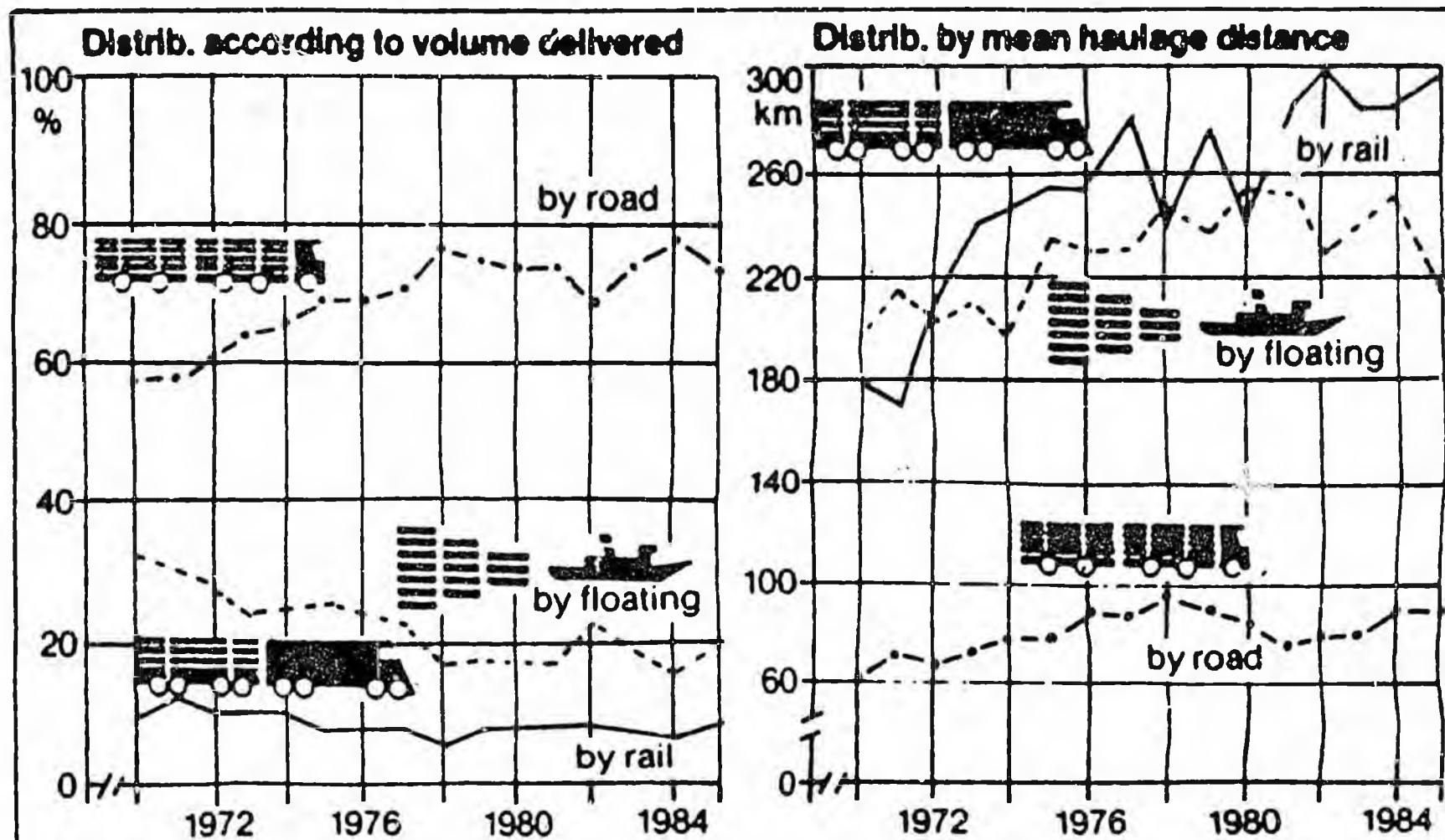
## Chemical sector

	no. of units	production	exports %
pulp	47	7,9 mill. ton.	19
paper	30	5,8 ---	82
paperboard	16	1,7 ---	79

## The forest Industry In Finland and the rest of the world, 1984

	conifer- ous sawn- wood	plywood	particle board	wood pulp total		paper and paper- board total	of which news- print	printing and writ- ingpaper
	1000 m <sup>3</sup>	1000 m <sup>3</sup>	1000 m <sup>3</sup>	1000 tn	of which chemical pulp 1000 tn	1000 tn	1000 tn	1000 tn
<b>Production</b>								
the whole world	338 581	43 960	43 467	135 350	93 957	187 683	28 916	48 835
Europe (excl. USSR)	68 986	3 160	22 524	33 701	20 727	55 433	6 898	18 000
Finland	8 146	582	541	8 031	4 568	7 318	1 878	2 970
<b>Finland's share (%)</b>								
in European production	2.4	1.3	1.2	5.9	4.9	3.9	6.5	6.1
	11.8	18.7	2.4	23.8	22.0	13.2	27.2	16.5
<b>International trade</b>								
the whole world's imports	69 123	7 180	6 382	21 369	18 562	39 451	13 567	9 989
Finland's exports	4 803	480	180	1 581	1 386	6 062	1 675	2 548
<b>Share of Finland's exports (%) in global imports</b>	6.9	6.7	2.8	7.3	7.5	15.4	12.3	25.6
<b>Imports of Europe (excl. USSR)</b>	25 481	3 160	4 853	11 378	10 064	19 696	3 834	5 808
Finland's exports to Europe (excl. USSR)	3 420	419	169	1 168	1 151	3 939	1 208	1 521
<b>Share of Finland's exports (%) in European imports (excl. USSR)</b>	13.4	13.3	3.5	10.3	11.4	20.0	31.5	26.2

# Wood transportation 1985



## Mean haulage performance/year

	1971-1976	1976-1980	1981-1985
by road	38%	44%	49%
by rail	18%	16%	18%
by floating	44%	40%	33%

FISCAL NOTE

REQUEST:

Revision Date: 3/5/87  
Title: An act relating to Forest Management Agreements  
Sponsor: Jones  
Requestor: House Resources

Agency Affected: Natural Resources  
BRU: Forest Management  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-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						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

An agreement with a timber operator could provide savings to the State and reduce manpower needs, while at the same time providing a long-term commitment of timber to private enterprise

Prepared by: James L. McAllister Phone: 465-7401  
Division: Forestry Date: 5/5/87

Approved by Commissioner: [Signature] Date: 1-12-88  
Agency: Natural Resources

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