

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672
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Three private non-profit hatcheries operated by regional aquaculture associations and other non-profit groups raise chinook or coho salmon or are permitted to raise these species:

Hatchery	Location
Eklutna	near Anchorage
Esther Lake	near Whittier
Solomon Gulch	near Valdez

In 1986, the private non-profit hatcheries had total permitted chinook egg capacities of 1.15 million and total permitted coho egg capacities of 3.1 million. Clearly, a large smolt production capability exists in both southcentral and southeast Alaska and this production is spread throughout each region. Hansen (1987) indicates that a number of hatcheries are constructed below lakes and water intakes in the lakes are placed at different depths so temperatures can be adjusted. This means juvenile growth rates and smolt timing can be manipulated to achieve release objectives.

2.5 Fish Feed

Currently there is fish feed production capacity in southcentral. However, capacity is limited and technologies employed in production are not as advanced as those in Europe, British Columbia or Washington State.

The main ingredients in commercial fish feeds are fish meal and fish oil. These are manufactured in the reduction process from whole fish or fish waste from the processing sector. Alaska's reduction industry is not well developed, despite the availability of significant quantities of fish waste. In addition the reduction plants in Alaska produce fish meal and fish oil which is unsuitable for fish feed. According to representatives of a fish feed manufacturer in Washington State, if a new feed plant were to be constructed, it would likely be constructed in tandem with a new reduction plant, both of which require significant capital investment. Alaska would more likely be supplied by fish feed manufacturers in Washington State or British Columbia since transport by barge to Alaska is not a significant cost.

2.6 Potential Development Areas

As discussed previously, certain areas of southcentral and southeast Alaska are not suitable for salmon culture given the presence of ice, icebergs and large river systems. Therefore, initial development would be expected to occur in suitable bays or shoreline areas (protected from high winds or waves) away from these areas and as close to transportation centers and processing/packing facilities as possible.

Small to medium-sized communities having airport and port facilities are distributed throughout both southcentral and southeast Alaska. The population sizes of coastal communities in the lower Cook Inlet, Kodiak Island and Prince William Sound areas are shown in Exhibit 2.4. Apart from the major airport in Anchorage, smaller airfields and port facilities are located throughout the area (e.g., Homer and Seward).

Larger airports and port facilities are situated along eastern southeast Alaska (Juneau, Petersburg, Wrangell and Ketchikan) and Sitka. As shown in Exhibit 2.4, these are also the major population centers. Ideally, new fish farms would want to locate within three to four hours by boat from logistic centers to minimize the amount of time that harvested fish are in transit prior to boarding flights to market areas. This would tend to create development in physically suitable areas along the eastern half of southeast Alaska (near Juneau, Ketchikan and Petersburg/Wrangell) and along the western side of Baranof Island (near Sitka), and in southcentral Alaska (near Kodiak, Homer, Seward, Cordova, Valdez and Whittier).

2.7 Summary

Large areas of southcentral and southeast Alaska are not suitable for salmon culture due to the presence of ice, icebergs and large river systems. Salinities are generally more consistent throughout the year in areas away from mainland waters, where blooms are also less likely to occur.

Smolt production capacity in both southcentral and southeast Alaska is likely adequate to meet potential demand from a salmon farming industry. Some fish feed production capability exists in southcentral, however fish feed would most likely be imported from Washington State or British Columbia because of more specialized production in these regions.

The following areas would be favoured for development in terms of their proximity to population centers, airports and processing plants:

- . along the eastern half of southeast Alaska near Juneau, Ketchikan and Petersburg/Wrangell;
- . along the western side of Baranof Island near Sitka;
- . in southcentral Alaska near Kodiak, Homer, Seward, Cordova, Valdez and Whittier.

Netpen operations in these areas would also be less likely to be affected by phytoplankton blooms. However, all areas are likely to be affected by predators.

EXHIBIT 2.4: POPULATIONS OF COMMUNITIES IN SOUTHCENTRAL AND
SOUTHEAST ALASKA (1980)

Southcentral		Southeast	
Keani/Cook Inlet		Juneau	19,528
Kenai	4,324	Sitka	7,803
Soldotna	2,320	Ketchikan	,198
Homer	2,209	Petersburg	2,821
Seldovia	479	Wrangell	2,184
Ninilchik	341	Metlakatla	1,056
Port Graham	161	Haines	993
English Bay	124	Skagway	768
Kodiak Island/Shelikof Strait		Hoonah	680
Kodiak	4,756	Kake	555
Old Harbor	340	Craig	527
Port Lions	215	Angoon	55
Ouizinkie	173	Klawock	118
Larsen Bay	141	Hydaburg	298
Akiak	105	Saxman	273
Karluk	96	Pelican	180
Prince William Sound		Tenakee Springs	138
Valdez	3,079	Klukwan	135
Cordova	1,879	Meyers Chuck	50
Seward	1,834	Kupreanof	47
Whittier	198	Kasaan	25
Tatitlek	68		

Source: U.S. Census Population 1981 and 1982, cited in U.S. Department of the Interior 1984.

3.0 GROWTH AND CONVERSION RATES

3.1 Generalized Temperature Regimes

The temperature data reviewed in Section 2.1 (Physical Marine Conditions) have been used to develop four generalized temperature regimes (Exhibit 3.1) in which salmon culture might take place:

- . relatively cool winter temperatures and warm summer temperatures (that might occur in bays in southcentral Alaska and near Juneau);
- . relatively warm winter temperatures and warm summer temperatures (that might occur in bays near Ketchikan);
- . relatively warm winter temperatures and cooler summer temperatures (that might occur in the Frederick Sound/Petersburg area); and
- . relatively cool winter temperatures and cool summer temperatures (that might occur in the northern inlets of southeast Alaska close to iceberg areas).

Clearly, general good-case and poor-case growing conditions would be, respectively, warm winter/warm summer conditions and cool winter/cool summer conditions. Since specific conditions can vary from site to site and from year to year, extreme best case and worst case conditions would likely lie outside these general scenarios.

EXHIBIT 3.1: GENERALIZED MEAN MONTHLY TEMPERATURES AT 4 M DEPTHS

Month	Cool Winter/ Warm Summer	Warm Winter/ Warm Summer	Warm Winter/ Cool Summer	Cool Winter/ Cool Summer
January	.5	5.0	5.0	3.5
February	3.0	5.0	5.0	3.0
March	3.0	4.5	4.5	3.0
April	5.0	4.5	4.5	3.0
May	6.0	6.0	6.0	6.0
June	10.0	10.0	8.0	8.0
July	11.0	11.0	9.5	9.5
August	12.0	12.0	9.5	9.5
September	10.5	10.5	8.5	8.5
October	7.5	7.5	7.5	7.5
November	5.0	6.0	6.0	5.0
December	3.5	5.5	5.5	3.5

3.2 Growth Rates

Chinook would likely be preferable for net pen rearing in Alaska since they have shown greater survival rates than coho during the longer growout periods in British Columbia needed to attain market size (B.C. Salmon Farmers Association).

The fish sizes and growth rates obtained for chinook salmon at Little Port Walter and at five locations in British Columbia are summarized in Exhibit 3.2. These data have been used together with unpublished growth rate data from the Pacific Biological Station, Nanaimo, B.C. (R. Brett, H. Kreiberg, pers. comm.) and the mean monthly temperatures shown in Exhibit 3.1 to develop probable monthly growth rates for the south central portion of southeast Alaska. Estimated maximum growth rates for different fish sizes and the temperature range expected for marine growout sites in Alaska are shown in Exhibit 3.3. Seasonal growth scenarios for the generalized good growing temperatures and poor growing temperatures (Exhibit 3.1) are shown in Exhibit 3.4. As indicated in Exhibit 3.4, the approximate size of chinook after 26 months in saltwater is 3.5 kg under good growing temperatures and 2.5 kg under poor growing temperatures. With good growing temperatures, chinook could be expected to reach a harvestable size of two kilograms during the second winter in saltwater. Most farmed salmon is sold between October and April, during the off-season of the wild fishery. With poor growing temperatures, chinook would likely have to be held over until the following fall.

EXHIBIT 3.3: ESTIMATED MAXIMUM GROWTH RATES¹ FOR CHINOOK AT DIFFERENT WEIGHTS AND TEMPERATURES

WEIGHT (g)	TEMPERATURE ^o (C)						
	2	4	6	8	10	12	14
5	0.4	0.9	1.3	1.8	2.2	2.7	3.1
10	0.3	0.7	1.0	1.4	1.8	2.2	2.5
50	0.2	0.3	0.5	0.6	0.8	1.0	1.2
100	0.2	0.3	0.5	0.6	0.8	1.0	1.2
500	0.2	0.2	0.3	0.4	0.5	0.6	0.7
1000	0.1	0.2	0.2	0.3	0.3	0.4	0.5
2000	0.1	0.1	0.2	0.2	0.3	0.3	0.4
3000	0.1	0.1	0.1	0.2	0.2	0.2	0.3

¹ Percent body weight per day.

Sources: Brett, pers. comm.; Kreiberg, 1981a; 1987b; National Marine Fisheries Service, unpublished.

EXHIBIT 3.2: MEAN MONTHLY TEMPERATURES AND GROWTH RATES FOR CHINOOK SALMON AT LITTLE PORT WATER, ALASKA AND FIVE LOCATIONS IN BRITISH COLUMBIA

MONTH	LITTLE PORT WALTER			LITTLE PORT WALTER			NORTH B.C. COAST			SOUTH B.C. COAST (Gulf Islands)			SOUTH B.C. COAST (Sunshine Coast)			SOUTH B.C. COAST (Pacific Biological Station)			SOUTH B.C. COAST (West Coast of Vancouver Island)		
	1982 BROOD STOCK			1984 BROOD STOCK																	
	Temp.	Size	Rate	Temp.	Size	Rate	Temp.	Size	Rate	Temp.	Size	Rate	Temp.	Size	Rate	Temp.	Size	Rate	Temp.	Size	Rate
JUNE	-	-	-	7.3	5.0	1.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JULY	-	-	-	9.2	-	1.7	12.1	4.5	2.7	-	4.5	2.5	18.8	4.5	3.3	18.0	4.5	2.4	-	4.5	3.2
AUGUST	-	-	-	8.8	-	1.7	12.0	-	2.7	13.8	-	2.5	16.8	-	3.3	16.8	-	2.4	16.1	-	3.2
SEPTEMBER	-	-	-	7.7	-	1.7	8.8	-	2.7	12.6	-	2.5	15.1	-	3.3	14.4	-	2.4	13.2	-	3.2
OCTOBER	-	82	0.5	6.0	-	1.7	8.8	59	2.7	11.3	50	2.5	11.9	84.0	3.3	11.3	40	2.4	11.4	129	3.2
NOVEMBER	-	-	0.5	4.4	-	0.3	6.5	-	0.6	9.6	-	0.6	9.7	-	0.6	8.0	-	0.8	9.7	-	0.6
DECEMBER	-	-	0.5	5.2	-	0.3	5.0	-	0.6	-	-	0.6	6.7	-	0.6	6.7	-	0.8	6.9	-	0.6
JANUARY	-	-	0.5	4.8	-	0.3	5.5	-	0.6	-	-	0.6	6.7	-	0.6	7.8	-	0.8	7.2	-	0.6
FEBRUARY	-	-	0.5	-	-	0.3	5.1	-	0.6	7.3	-	0.6	7.6	-	0.6	7.1	-	0.8	7.5	-	0.6
MARCH	-	-	0.5	-	-	0.3	6.0	166	0.6	-	180	0.6	7.9	208	0.8	9.0	180	0.6	8.7	286	0.7
APRIL	-	-	0.5	4.7	150	0.3	8.0	-	0.6	8.5	-	0.5	9.0	-	0.8	10.2	-	0.6	8.6	-	0.7
MAY	-	276	0.5	5.8	-	1.0	8.3	232	0.6	-	246	0.6	11.8	391	0.8	12.0	250	0.6	10.0	442	0.7
JUNE	9.6	-	0.9	7.7	-	1.0	10.9	-	0.7	12.3	-	0.9	14.9	-	1.0	15.5	-	0.7	13.2	-	0.8
JULY	10.1	636	0.9	8.7	273	1.0	12.5	-	0.7	13.4	-	0.9	16.6	-	1.0	16.8	-	0.7	16.2	-	0.8
AUGUST	10.1	-	0.9	8.3	-	1.0	13.1	-	0.7	14.7	-	0.9	16.7	-	1.0	19.0	-	0.7	16.2	-	0.8
SEPTEMBER	9.3	-	0.9	8.1	591	1.0	11.5	-	0.7	13.8	-	0.9	15.8	-	1.0	15.9	-	0.7	14.5	-	0.8
OCTOBER	8.8	946	0.9	6.8	-	-	10.2	537	0.7	11.2	931	0.9	12.1	1302	1.0	13.2	630	0.7	11.9	1317	0.3
NOVEMBER	6.5	-	0.3	6.4	-	-	8.6	-	-	10.4	-	-	9.4	-	-	10.5	-	-	11.7	-	-
DECEMBER	5.2	-	0.3	5.8	-	-	7.0	-	-	9.0	-	-	7.7	-	-	9.3	-	-	8.7	-	-

EXHIBIT 3.2: (Cont'd)

MONTH	1982 BROOD STOCK			LITTLE PORT WALTER			NORTH B.C. COAST			SOUTH B.C. COAST (Gulf Islands)			SOUTH B.C. COAST (Sunshine Coast)			SOUTH B.C. COAST (Pacific Biological Station)			SOUTH B.C. COAST (West Coast of Vancouver Island)		
	Temp.	Size	Rate	Temp.	Size	Rate	Temp.	Size	Rate	Temp.	Size	Rate	Temp.	Size	Rate	Temp.	Size	Rate	Temp.	Size	Rate
	JANUARY	4.9	-	0.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FEBRUARY	5.0	-	0.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MARCH	4.6	-	0.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
APRIL	4.8	-	0.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MAY	5.4	1814	0.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JUNE	7.3	2198	0.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JULY	9.2	-	0.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AUGUST	8.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SEPTEMBER	7.7	3776	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

(ASF-313/5264P)

EXHIBIT 3.4: ESTIMATED GROWTH RATES FOR CHINOOK SALMON GROWN UNDER TWO
GENERALIZED MEAN MONTHLY TEMPERATURE REGIMES IN SOUTHEAST ALASKA

	WARM WINTER/WARM SUMMER				COOL WINTER/COOL SUMMER			
	Temp.	Approx. Size (grams)	Daily Growth Rate (%)	Food Conver- sion	Temp.	Approx. Size (grams)	Daily Growth Rate (%)	Food Conver- sion
June	10.0	13	2.2	1.5	8.0	12	2.0	1.7
July	11.0	25	2.1	1.5	9.5	24	2.1	1.7
August	12.0	49	2.2	1.5	9.5	45	2.1	1.7
September	10.5	92	2.1	1.5	8.5	79	1.9	1.7
October	7.5	125	1.0	1.7	7.5	108	1.0	1.9
November	5.0	149	0.6	1.7	5.0	125	0.5	1.9
December	3.5	174	0.5	1.7	3.5	133	0.2	1.9
January	5.0	197	0.4	1.7	3.5	142	0.2	1.9
February	5.0	222	0.4	1.6	3.0	146	0.1	1.8
March	4.5	243	0.3	1.6	5.0	165	0.3	1.8
April	5.0	266	0.3	1.6	5.0	165	0.3	1.8
May	6.0	301	0.4	1.6	6.0	187	0.4	1.8
June	10.0	406	1.0	1.7	8.0	237	0.8	1.9
July	11.0	570	1.1	1.7	9.5	323	1.0	1.9
August	12.0	851	1.3	1.7	9.5	439	1.0	1.9
September	10.5	1181	1.1	1.7	8.5	575	0.9	1.9
October	7.5	1512	0.8	1.9	7.5	736	0.8	2.0
November	6.0	1704	0.4	1.9	5.0	805	0.3	2.0
December	5.5	1870	0.3	1.9	3.5	830	0.1	2.0
January	5.0	1990	0.2	1.9	3.5	856	0.1	2.0
February	5.0	2104	0.2	3.0	3.0	881	0.0	2.1
March	4.5	2170	0.1	2.0	3.0	908	0.0	2.1
April	5.0	2236	0.1	2.0	5.0	936	0.1	2.1
May	6.0	2454	0.3	2.0	6.0	1027	0.3	2.1

Growth rates normally decrease as fish increase in size and maximum growth rates occur at a temperature optimum and are therefore lower at lower temperatures and at higher temperatures (Brett, 1979). Brett *et al* (1982) estimated the optimum temperature for juvenile chinook salmon fed a maximum ration to be 19°C and fish fed a 60% ration to be 15°C.

In addition to temperature, growth rates can be affected by other factors including the presence of stressing factors (e.g., densities, handling, and the presence of predators), feed quality and ration level. Consequently, under commercial production conditions, maximum growth rates are often not achieved. In fact ration levels are usually reduced deliberately to obtain more cost-effective feed utilization (e.g., at 70 - 90% of maximum rations). In general, if other factors were the same in British Columbia and Alaska, the mean winter growing temperatures expected for Alaskan waters indicate winter growth rates could be substantially lower than those occurring in British Columbia (cf. temperatures in Exhibit 3.2). Rates of digestion and feed consumption are highly reduced at low temperatures (1-5°C) resulting in growth rates that could be 20-40% of the maximum achievable at optimum temperatures (Brett, 1979).

3.3 Feed Conversion

Feed conversion rates are influenced by environmental variables (such as temperature, salinity, photoperiod, oxygen concentration) and operational variables (such as fish size, ration, food quality). Food conversion efficiency is normally greater for smaller fish sizes, decreasing as the fish grow (Brett and Groves, 1979). Over a given temperature range, on the other hand, food conversion efficiency usually reaches a maximum at a particular temperature and is lower at both lower and higher temperatures. Similarly, the optimum ration amount for maximum food conversion is normally lower than the maximum ration that the fish will consume. In turn, maximum conversion efficiency occurs at a lower ration quantity, as temperature is reduced below the optimum. Generally, optimum feed conversion efficiency for salmon appears to occur at temperatures between 10°C and 15°C at ration levels at 60-90% of maximum. Brett *et al*. (1982) found the temperature for maximum food conversion for juvenile chinook salmon fed a maximum ration to occur approximately 20-21°C but for salmon consuming 60% of the maximum ration appeared to occur at approximately 15°C.

Feed conversion rates for dry diets obtained at five farm locations in British Columbia are shown in Exhibit 3.5. For sites having similar temperatures and salinities to those in Alaska (e.g., the north B.C. coast site) similar conversion rates would be expected.

**EXHIBIT 3.5: FEED CONVERSION RATES AT FIVE MARINE SITES
GROWING CHINOOK SALMON IN BRITISH COLUMBIA**

TIME PERIOD	NORTH B.C. COAST			SOUTH B.C. COAST (Gulf Islands)			SOUTH B.C. COAST (Sunshine Coast)			SOUTH B.C. COAST (Pacific Bio- logical Station)			SOUTH B.C. COAST (West Coast of Vancouver Island)		
	5			2			3			1			4		
	Size	F.C.R.		Size	F.C.R.		Size	F.C.R.		Size	F.C.R.		Size	F.C.R.	
	St.	End		St.	End		St.	End		St.	End		St.	End	
JULY - OCT. 1985	4.5	59	1.3	4.5	50	-	4.5	84	-	4.5	40	2.1	4.5	129	1.3
OCT. 1985 - MAR. 1986	59	166	1.4	50	180	1.8	84.0	208	2.1	40	180	1.6	129	286	2.3
MAR. - OCT. 1986	166	537	1.0	180	931	-	208	1302	1.6	180	630	1.9	286	1317	1.7

Sources: Kreiberg 1987a; Kreiberg 1987b.

However, as previously described, potential locations in southeast Alaska will likely have winter temperatures lower than those experienced in British Columbia (i.e., less than 5°C). Food conversion rates under these conditions will be slightly poorer than for comparably sized fish grown at higher temperatures. Brett (1979) suggests that conversion efficiencies at relatively low temperatures (1-5°C) are 50% of the maximum efficiencies which, as discussed above, occur at higher temperatures (e.g., between 10°C and 20°C). Therefore, for lower mean winter temperatures (3-5°C) that might occur in Alaska growout waters, slightly poorer conversions can be assumed compared to fish grown in British Columbia.

The feed conversions obtained for dry feeds at British Columbia sites were mainly under conditions of moderate salinity (Exhibit 3.6). As previously discussed, similar conditions can be expected in areas of southeastern Alaska, particularly along the mainland side. However, along the western side, salinities could, on average, be higher. The feed conversion efficiency of dry feeds could be reduced at high salinities (greater than 25‰) given higher energy requirements for osmoregulatory functions (Shaw *et al.*, 1975; Brett, 1979).

EXHIBIT 3.6: RANGE OF MEAN MONTHLY SALINITIES RECORDED AT FIVE CHINOOK SALMON CULTURE SITES IN BRITISH COLUMBIA; JULY 1985 - DECEMBER 1986.

LOCATION	MEAN MONTHLY SALINITY RANGE
1	24.8 - 29.9
2	21.6 - 27.7
3	19.5 - 26.4
4	19.1 - 32.0
5	19.9 - 25.1

Sources: Kreiberg 1987a; Kreiberg 1987b.

Probable feed conversions for dry feeds utilized in southeastern Alaska for the two temperature regimes described in Section 3.1 are shown in Exhibit 3.4. These feed conversions have been adjusted to reflect a decrease in feed conversion efficiency as the fish increase in size, and decreases that might occur at seasonally lower temperatures.

Near surface salinities (4 m depth) at the Little Port Walter Research facility ranged from 26.8 to 32.6‰; these are similar to but, in general, slightly higher than the salinities occurring at sites in B.C. (Exhibit 3.6). Experiments at Little Port Walter suggest that fish grow at similar rates using a dry pellet (Icicle Seafoods, Sewall) and a semi-moist diet (Biodiet). Semi-moist and moist diets are preferred by some growers when salinities are high because they produce less physiological demand on the fish for osmoregulatory functions (Brett and Groves, 1979), compared to dry diets. However, dry diets are often preferred over moister diets, particularly in remote locations, because they are less expensive to transport and have longer storage times.

Summary

The area around Ketchikan is probably the best area for development of pen rearing of salmon in Alaska because of warmer summer and winter temperatures. Chinook could be expected to reach a harvestable size of two kilograms during the second winter in saltwater. However, the Ketchikan area would have lower growth rates and higher conversion rates

than in most areas of British Columbia where salmon farming occurs because of seasonally lower water temperatures.

We will assume that the growth of chinook in this area would approximate that of the warm winter/warm summer condition shown in Exhibit 3.4. In other words, a profile of a salmon farm can now be developed to allow comparison to costs in other supply regions. Costs for major inputs such as smolts, feed and labour will be estimated for this area.

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Susitna/Tyonek Proposal

Basis

Susitna River Basin Study	1981
Willow Sub-basin Area Plan	1982
Matanuska-Susitna Borough CMP	1984
Forestry Element Susitna Area	1984
Susitna Area Plan	1985

These documents assisted in the framework for allocation of resources by the planning process.

Forestry as a Primary and Secondary Use (Susitna Area Plan)

900,000 acres (60% are remote forest lands)
465,000 acres (Primary)
435,000 acres (Secondary)

All these lands to be managed for multiple use.

Implementation of planning process.

Example:

Recreation River Corridors	(240,000 acres)
Chijuk Creek	(25,000 acres Borough)
Hatcher Pass Ski Area	(212,000 acres)

This proposal step in implementation of planning process

General Area	500,000 acres all lands
	215,000 acres commercial forest potential
Project Range	61,000 acres - 101,000 acres harvested/20 years
Volume:	75-126 million cubic feet (14% or annual allowable cut)

Objectives of Proposal

1. Diversify the state's economy through long term private investment in developing the forest resources.
2. Bring the declining hardwood forests of Valley under management.
3. Provide access to remote forest lands within Valley.
4. Provide for additional jobs within Valley.

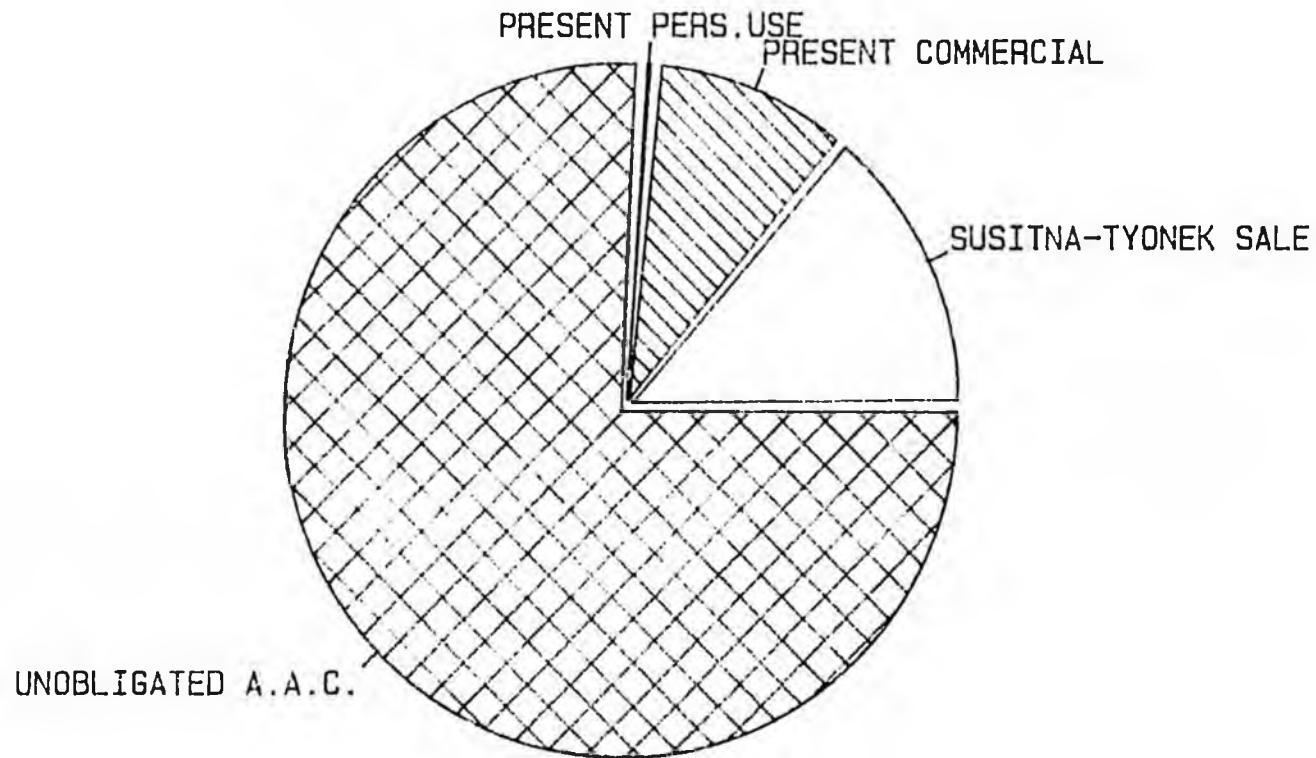
Proposal would have successful bidder;

1. Develop the management plan, five year operating and annual operating plans.
2. Layout the transportation and harvest unit systems.
3. Plan and implement the reforestation activities on harvest units.

The state will approve and administer all these actions and have appropriate bonding for activities.

Presently we are working to evaluate and respond to public and agency comment on this proposal. After evaluating comments, the Division will, in conjunction with other resource agency representatives, determine the type and scope of the project which will be presented to the public for review in the future.

ANCHORAGE/MAT-SU AREA
 ANNUAL ALLOWABLE HARVEST
 In Thousands Of Cubic Feet



SUSITNA--TYONEK CUT EXCLUDES AG SALVAGE
 FIGURES EXCLUDE WILLOW SUB-BASIN VOLUMES
 DATA BASED ON SUSITNA AREA PLAN INVENTORY

SUSITNA-TYONEK 2,765 PRESENT PER.USE 127
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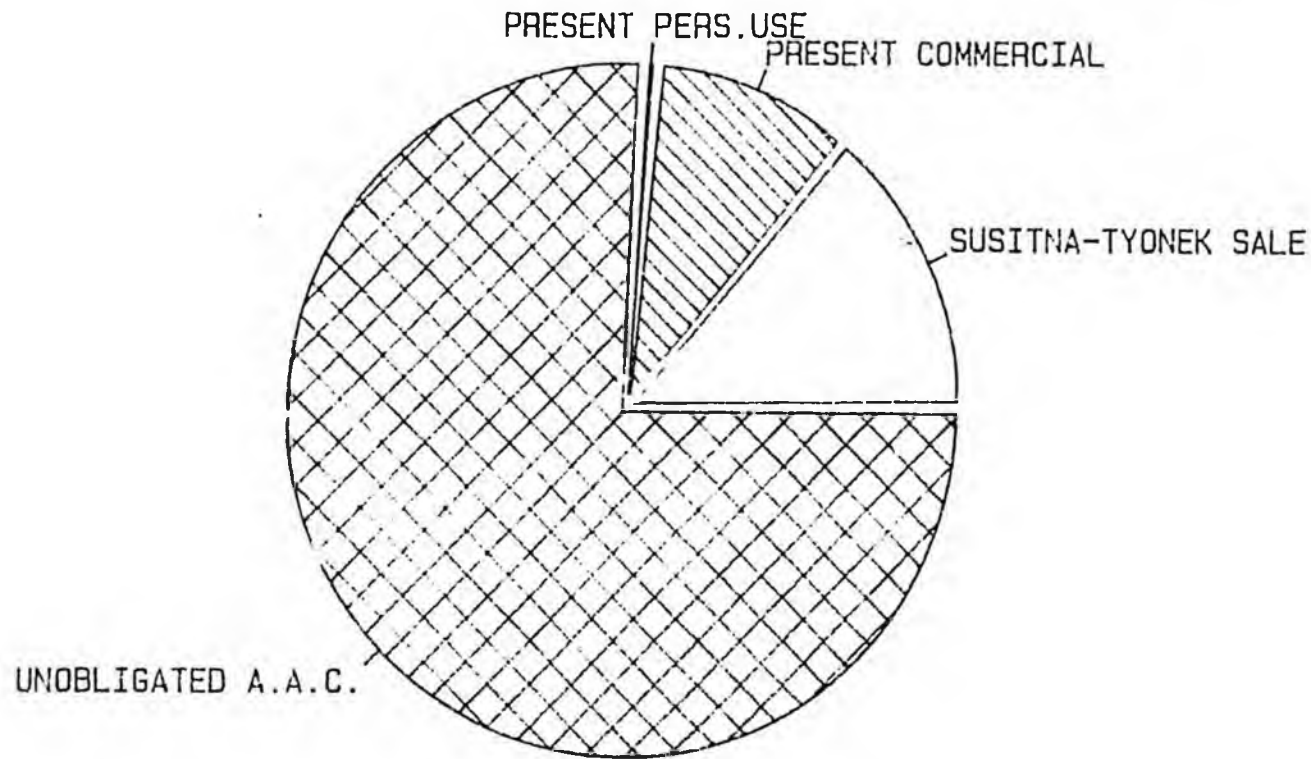
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WHY FOREST MANAGEMENT AGREEMENTS

John Galea
State Forester
State of Alaska
Department of Natural Resources
Division of Forestry

- * Alaska State Forest lands are estimated to be at 10.2 million acres. The annual allowable harvest on a sustained basis for these forest lands is at 300 million board feet per year. The average annual harvest on State lands is presently about 24 MMFF, or less than 10 percent of the potential annual allowable harvest.
- * The varied terrain, lack of infrastructure, distance to ready markets, and lack of instate markets for low end material have been major reasons why Alaska's interior forest lands have not been developed.
- * Today State forest lands available for forest management and timber development have been reduced to an area of approximately 3 million acres. The balance of the commercial forest lands has been disposed of for private ownership, public municipal expansion, set aside for parks, game habitat or other recreational purposes.
- * It has long been recognized that management of virgin forest lands requires large investments in the form of planning and inventory efforts. In addition are capital improvements relating to the development of a transportation network and costs associated with reforestation once a timber stand is harvested. Investments in forest lands have resulted in positive returns in the form of stumpage payments, development of multi-purpose access roads, improved recreation access opportunities, wildlife habitat improvement, and most important, provided significant local employment, payrolls and long term community economic stability.
- * Investments for the management of State forest lands can originate from two sources. Either the State or the purchaser of the timber resource. It is apparent that our State economy has been such where only little investments have been made towards long term forest management on State lands. This lack of investment in State forest lands has resulted in an area of over 15,000 acres that have been harvested or burned by wildfire that lack forest growth and require reforestation attention. In addition, over mature timber stands have reversed growth trends, resulting in annual incremental losses.

- * The introduction of forest management agreements, such as is used in Canada, may be the answer to encouraging the needed investments to be made on remote State lands. These agreements (concessions, or stewardship contracts) whereby private industry undertakes forest management practices, such as timber harvest, road construction and reforestation on State lands. All the included agreement terms and conditions are subject to State and federal laws with State administration of the agreement documents.
- * Expenses incurred by the private industry in performing what are basically State responsibilities, such as road construction and regeneration are either reimbursable or treated by the State as another form of revenue. Most important, the State is relieved of the necessity of providing upfront funding needed to manage our forest resource.
- * Besides the need for access roads to reach available State commercial forest lands, there is a need to develop end product values that would bring back greater returns than products that are presently being manufactured in our interior.
- * Recent new technology has been introduced that will allow the utilization of low value and small diameter tree species so common in our state's interior. Conversion to high value products such as veneer, laminated lumber, and flute material from presently unutilized forest will require relatively large investments for a plant possessing the latest wood conversion technology.
- * The State will of necessity have to provide some form of incentives in order to encourage private enterprise to make the necessary investments to introduce this new technology to Alaska.
- * Incentives to the private sector that would encourage their investments in plant facilities would include the assurance of a long term timber base that would allow amortization for the recovery of any investments.
- * Incentives in the form of purchaser credits where a purchaser would have stumpage payments reduced in exchange for constructing capital improvements for the benefit of the state.
- * Opportunities for the purchaser to have the agreement period extended in return for timber betterment work or for added private investments that would result in additional state benefit.

- * Extending the purchases sale area through negotiations for added employment opportunities in harvest of submarginal areas through introduction of new technology.
- * The State of Alaska can form a partnership with the private sector in growing the best forests and doing it with maximum efficiency. This objective can be met without any degradation of the environment. The concept of forest management agreements appears to provide that opportunity.



A Message from the The Honourable Vincent G. Kerrio Minister of Natural Resources

You've probably heard a lot about Forest Management Agreements lately – the new way of managing Ontario's forest estate which makes industry responsible for regenerating the areas they harvest.

You've probably heard how a recent five-year review of these agreements indicates that they are working.

Fully 63 per cent of all harvested lands can be rightfully classified as regenerated by forest companies – an increase of 12 per cent over the amount regenerated by the ministry in the five years before the inception of FMAs. The remaining 37 per cent, which is growing back naturally, will be assessed when the trees are big enough to survey properly.

Perhaps you also read the news that the amount of timber management activity has doubled since the companies became involved. On FMA lands, regeneration has increased 43 per cent, tending by 285 per cent and site preparation by 30 per cent.

Then there was the news about how the companies successfully fulfilled all their other FMA obligations.

But here's something you may not have heard – one of the reasons why this is happening.

It's really quite simple. Under the FMA program, Ontario has harnessed the skills of some very tough-minded, competitive business people in the forest industry.

They are specialists in innovation, cost cutting, operations streamlining and getting projects moving. They live by those skills, because the marketplace can be an unforgiving world – and good business managers love that challenge.

Ontario has a forestry partnership that unites ministry people and industry people who both care about growing the best forests, and doing it with maximum efficiency.

We think that's good for Ontario's forest estate, its future and the hundreds of businesses that depend directly and indirectly on forests.



Ministry of
Natural
Resources

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Mary Mogford
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Ontario

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SEP 22 '87 15:27

FOREST MANAGEMENT REPORT
AND
PRELIMINARY DECISION

FOR THE
SUSITNA VALLEY/TYONEK
SALE
SC1306M

September 23, 1987

Prepared by:
Bill Beebe
Area Forester

SEP 22 '87 15:27

INTRODUCTION:

The purpose of this report is to describe the specific conditions concerning the proposed Susitna Valley/Tyonek Sale, and to make the preliminary decision as to whether or not to offer this sale. A timber sale team consisting of Bill Latocha from the South Central Region, Jim Peterson from the Kenai Area Office, Jim Page and Bill Beebe (team leader) from the Anchorage/Mat-Su Area Office has been assigned to this proposed sale. The identification numbers assigned to this proposed activity are as follows:

Sale Number - SC-1306M
ADL Number - 223812

This proposed sale includes approximately 200.0 million cubic feet of timber presently standing on about 215.0 thousand acres.

OFFICE RECON AND PREPARATION

SECTION I. LOCATION

This proposed sale is located in two units, one containing one block near Tyonek and the other containing five blocks in the Susitna Valley. The unit and block names are as follows:

Susitna Valley
Susitna-Alexander

Tyonek
Tyonek II

Kahiltna River

Kashwitna

Peters Creek

Fish Creek

1. Legal Description - The legal description for these blocks are included in Attachment #1.
2. Nearest Community and Direction - The Susitna Valley unit lies generally west and northwest of Wasilla. The Fish Creek block, approximately 24 air miles west of Wasilla, is closest, while the Peters Creek unit located about 40 air miles northwest, is furthest from Wasilla. The community of Willow has blocks located to the south, east, west and northwest. The closest block to Willow is the Delta Islands, a portion of the Susitna-Alexander block which is located about 6 miles west of Willow.

The Tyonek unit is located approximately 38 miles west of Anchorage, just north of Tyonek. The entire unit boundary lies between the Beluga River (to the north) and the Chulitna River (to the south). Tyonek is about 4 miles southeast of the nearest portion of this unit.
3. Adjacent Landowners - Landowners with lands either adjacent to or within holdings in this sale are:
 - a. The Matanuska-Susitna Borough
 - b. University of Alaska
 - c. Cook Inlet Region, Inc.
 - d. Kenai Peninsula Borough
 - e. Tyonek Native Corporation
 - f. The Mental Health Trust

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In addition to these major landowners, several smaller privately owned tracts are either adjacent to or are completely surrounded by this proposed sale.

SECTION II. TITLE AND CLASSIFICATION

1. Title Status - All lands involved in this proposed sale are either General State Lands or are Mental Health Trust Lands. All lands located in the Tyonek unit are Mental Health Trust Lands while the lands in the Susitna Valley unit are General State Lands.
2. Land Classification - The Tyonek unit is classified Resource Management. The lands in the Susitna Valley unit are classified Forestry, Resource Management, Wildlife Habitat, Public Recreation, Private Recreation and Agriculture.
3. Restrictions on Timber Harvest - There are no known restrictions within the planned cutting units other than those imposed by good silvicultural prescriptions and the guidelines on buffers contained within the Susitna Area Plan.

SECTION III. LAND MANAGEMENT PLAN/COOPERATIVE AGREEMENT

1. Land Management Plan Use Designated for Sale Area - Most of the proposed sale is located on lands covered by the Susitna Area Plan and is designated for Forestry, Wildlife Habitat, Resource Management, Recreation and Agriculture or a combination of these uses. The remaining area is located within the Willow Sub-Basin Planning area and is designated Forestry and Wildlife Habitat or a combination of these uses.

2. Restrictions or Conditions on Harvest by Designated Land Use - The Fish Creek block is covered by the Fish Creek Plan. This plan was recently amended by both the State and the Borough to allow harvesting of the wood separately from the sale of the agriculture rights. No other restrictions or conditions except buffering requirements contained in both the Susitna Area Plan and the Willow Sub-Basin Plan are known.

SECTION IV. LEGAL ACCESS

1. Proposed Access to Timber Sale - Proposed access to and within the timber sale are on valid existing rights-of-way and section line easements. There are two proposed undeveloped transfer sites for the Tyonek block. These are the Granite Point site, south of the unit and the Ladd Landing site, east of the unit. Use of either of these sites will require development by the operator and may require right-of-way applications.

Proposed access to the Susitna Valley unit will utilize the Chulitna/Goose Bay Road, Oilwell Road, Fish Creek access and the Kashwitna/Willow Creek bridge. Transportation of raw material and of equipment to and from the Tyonek unit and the Susitna Valley unit may occur over the Chulitna/Goose Bay Road or over the ice road along the gas pipeline.

2. Rights-of-Way Easement Needed - A mainline through the Kashwitna block will be needed by 1989 while at least one possibly two mainlines will be needed through the Kahiltna River block by 1990 or 1991. The Mat-Su Area Office of the Division of Land and Water has already been contacted about these proposals. All of these proposed mainlines will tie into existing valid rights-of-way.

FIELD RECON AND SALE DESIGN

SECTION I. IMPACTS AND EFFECTS

1. Wildlife Habitat - Wildlife habitat, especially moose habitat, would be enhanced by this sale. In the Susitna Valley unit, small clear cuts, not exceeding 160 acres, each designed using the Matanuska Valley Moose Range Specifications concerning buffers, meanders and maximum widths, would create ideal moose habitat as well as habitat for other animals and plants that utilize forest edges and/or new growth. Bear and forest dwelling birds would benefit from the increased populations of moose and insects resulting after the young forests are established in the clear cuts. The buffers surrounding the clearings would provide adequate cover for moose and bear as well as for other species requiring such cover. Forest dwelling birds would also find adequate nesting sites in these buffers. Strip clear cuts in the Tyonek unit would also provide significantly increased browse for moose while ensuring adequate cover by buffering. The significant bear populations would be protected by these buffers, as well as by the increasing moose herd. Numerous eagles frequent the rivers near both units especially the Chulitna and Beluga River during the summer. However, these rivers will be well buffered from the logging operations and each nest tree will be protected by the Forest Resources and Practices Act requirements.
2. Fisheries Habitats/Water Resources - Sale layout, buffers and road construction would be designed to meet the requirements of the Forest Practices Act. No Adverse impacts to either the fisheries habitat or the water resources will occur as a result of activities connected to this sale.
3. Soils - Most of the logging will occur in winter when soils are frozen. Summer logging units will be carefully designed and selected to prevent both excessive compaction and erosion. Scarification will occur either as a product of logging or as a special project. This is necessary to induce regeneration. However, scarification will be designed to preclude erosion. Water bars and diversion ditches will be used as necessary. Some benefit to soils will result from introduction of organic materials through deterioration of slash and chipping piles and by mixing during scarification. Soil profiles will not be impacted which makes the sale amenable to future agricultural site developments.
4. Recreation: Both consumptive and non-consumptive recreational uses will be enhanced by this sale. Access constructed during harvesting operations will provide additional access for hunters, fishermen, hikers, campers, berry pickers and cross country skiers as well as horse riders, snowmachines and other off road vehicle users. The cutting units will be used by hunters and berry pickers for several years. They will also result in excellent places for photography, especially wildlife and wild flower pictures.

5. Visual Impact: The variety of colors created in the landscape from the new vegetation resulting in the clearings will create a pleasing view from both the ground and the air. View sheds will be enhanced for hikers, campers and other recreation users as a result of the clearings. There will be a period immediately after logging and prior to vegetative regeneration which will last for four to six weeks which some persons may consider as a negative usual impact. This will be a very short transition which will be eliminated by vegetative regeneration. Well designed cutting units will appear as natural openings when viewed from the air after regeneration.

SECTION II. SILVICULTURAL PRESCRIPTION

1. Type of Harvest System - Harvesting will be accomplished primarily by clear cutting, however other methods including shelterbelts, seed tree harvest, single tree selection and group selection may be used where necessary to ensure adequate regeneration. Clear cutting in the Susitna Valley unit will typically be patch clear cuts not exceeding 160 acres in size. They will be designed along the guidelines found in the Matanuska Valley Moose Range Plan to ensure utilization of regeneration by moose.

Clear cutting in the Tyonek unit will be strip cutting using strips approximately 300 feet wide. This is necessary to ensure spruce regeneration. Strips will meander and will typically not exceed 160 acres in size. Buffers between strips will be wide enough to ensure wind firmness an adequate seed source as well as a wildlife migration corridor.

2. Type of Cutting Scheme - Typically clear cuts of up to 160 acres in size with a minimum buffer of 100 feet between all units. A typical year would result in about 3000 acres harvested. Single tree selection may be allowed in the buffers if visual integrity is not compromised. Operator will provide an annual operating plan and lay out all units after approval of plan.

Approval of unit layout will precede actual harvest.

3. Silvicultural Intent - All cutting in the Tyonek unit will be designed to regenerate principally white spruce. Some regeneration of hardwoods is also anticipated.

Cutting in the Susitna Valley will be designed to regenerate a mixed forest of birch, white spruce, aspen and cottonwood. Principal species will be determined by on site evaluations prior to harvesting.

4. Regeneration - Regeneration will generally be accomplished naturally. Scarification by the operator will be required as necessary. Planting will be required when natural regeneration fails. Planting of lodgepole and/or Scotts pine may be authorized in some locations.

5. Cost of Artificial Regeneration - Estimated cost of any artificial regeneration requires is as follows:

Scarification - \$75.00 - \$100.00/acre

Seedlings at \$60.00/acre - \$152.00/acre

Labor for planting - \$150.00/acre

Total cost - \$377.00 - \$402.00 per acre

SECTION IV. ECONOMIC ANALYSIS/SUPPLY AND DEMAND

1. Benefit/Cost - The estimated stumpage which would be a direct payment to the State is about 90.0 thousand dollars annually for the duration of the contract. It is estimated to cost approximately \$20,000 to prepare this sale and about \$30,000 annually to administer it. The benefit/cost ratio for the State is about 2.87:1

The economic analysis of Forestry for the Susitna Area Plan indicates that the the total economic benefit from a sale such as this may reach \$2.83 million per year with from 31-64 people employed. It should be understood that the Susitna Area Plan - Forestry Element only analyzed fuelwood and sawtimber harvest. Harvesting biomass is likely to cause the cost/benefit ratio to improve due to better utilization.

2. Supply and Demand - The current demand for timber within the Anchorage/Mat-Su Area is about 4.0 million board feet a year for all species and products produced by the Alaskan Forest. The demand for products produced Outside, plus lumber, plywood and particle board, is considerably higher. Several parties have contacted the Division of Forestry requesting a sale such as proposed here. Anticipated markets are the local market for energy, plywood, of kiln dried lumber, as well as the export markets, being counted by the State at this time. Major investments in new milling facilities will not occur unless a dependable supply of wood is obtained. This sale should provide the raw material for a variety of operations. Dr. Marty Welborn, in the Susitna Area Plan - Forestry Element, estimated the annual yield for all State and Borough lands available for harvesting in the area covered by the Susitna Area Plan as about 93.0 million board feet (approximately 17.145 million cubic feet/year).

The Borough owns about 20% of the lands, assuming relatively even distribution. The annual harvest from State lands would be about 74.4 million board feet & approximately 13.716 million cubic feet per year. The Susitna Area Plan - Forestry Element does not include the wood in the Kashwitna block nor the wood in those portions of the Susitna-Alexander block known as the Susitna Corridor and the Delta Islands. Considering these areas, the yield could be as high as about 14.0 million cubic feet per year without violating the sustained yield method of forest management. Considering the existing harvest of about 4.0 million board feet (1.00 million cubic feet) the harvest for this sale should be held to no more than 13.0 million cubic feet per year of commercial timber. Utilization of tops and saplings will be encouraged, therefore, actual total volume removed could be as high as 28.18 million cubic feet per year without violating allowable harvest limits. Expansion of the existing operations will be encourage from efforts on Matanuska-Susitna Borough Forest lands, as well as privately owned lands.

SECTION III. TRANSPORTATION

1. Proposed Access in Relation to Ground Conditions - Although mainline access will be tentatively identified on the maps, actual location may vary somewhat due to ground conditions and multiple use requirements. Mainlines will be located primarily on the ridges to insure good bases, with grades being kept at or below 6%. All low water crossings of anadromous streams, for heavy equipment, will meet Title 16 Permit stipulations. Culverts and bridges will be used as necessary.

Winter roads will be located to maximize efficiency, while protecting areas of warm springs or other places in which the ice may not hold the average loads. Snow berms will be broken to allow recreational use, snow machine and dog teams, while logging is in progress, when it poses no safety hazard. These breaks will also allow egress and ingress areas for moose.

MATANUSKA-SUSITNA BOROUGH
COASTAL ZONE MANAGEMNET PLAN
PRELIMINARY CONSISTENCY REPORT

Pursuant to Paragraph 1, page 7-7 of the Matanuska-Susitna Borough Coastal Zone Management Plan, and considering Chapter 5 of that plan and 6 AAC 80.100 of the Alaska Administrative Codes, I find that the proposed action; the Susitna Valley/Tyonek Sale, SC-1306M:

- is consistent with the State of Alaska and the Matanuska-Susitna Borough Coastal Zone Plans.

- is not consistent with the State of Alaska and the Matanuska-Susitna Borough Coastal Zone Plans.

Area Forester

Date

PRELIMINARY DECISION

[] I find that the proposed action is not in the public interest
and is hereby rejected because _____

[] I find that the proposed action is in the public interest and is
hereby approved to proceed.

Area Forester

Date

LOCATION

1. LEGAL DESCRIPTION:

SUSITNA VALLEY UNIT, LEGAL LOCATION BY BLOCK

SUSITNA-ALEXANDER BLOCK

QUADS: TYONEK B-1, B-2, C-1, C-2, D-2 S.M.

T15N R7W	Sec 4,5 Between Susitna R, Alexander Cr Sec 6 E of Alexander Cr
T16N R5W	Sec 6-8, 18, 19, 30, 31
T16N R6W	Sec 1-36
T16N R7W	Sec 9, 15, 23, 27 E of Susitna R Sec 8, 16, 17, 21, 28 W of Susitna R Sec 6, 7, 18, 19, 30, 31 E of Alexander Cr Sec 1-5, 10-14, 20, 24-26, 29, 32-36
T17N R5W	Sec 7, 8, 17-20, 29-32
T17N R6W	Sec 4, 7, 8, 18 E of Susitna R Sec 1-3, 9-17, 19-36
T17N R7W	Sec 2, 11 W of Yentna R Sec 19, 30, 31 E of Alexander Cr Sec 3-10, 15-18, 20-29, 32-36
T17N R8W	Sec 1, 12, 13 E of Alexander Cr
T18N R5W	Sec 5-8
T18N R6W	Sec 11, 14, 15 E of Susitna R Sec 1, 12, 13, 22-27, 34-36
T18N R7W	Sec 7, 18, 20, 28, 34 W of Yentna R Sec 19, 29-33
T18N R8W	Sec 15, 23, 26, 35 E of Alexander Cr Sec 1-3, 10-14, 24, 25, 36
T19N R5W	Sec 3, 4, 16 W of Susitna R Sec 19 E of Susitna R Sec 5-8, 17, 18, 20-22, 27-34
T19N R6W	Sec 12, 13, 24, 25, 36 E of Susitna R Sec 1
T21N R4W	Sec 6, 7 W of Susitna R
T21N R5W	Sec 12, 13, 24, 25, 36 W of Susitna R Sec 1-3, 10, 11, 14, 15, 22, 23, 26, 27, 33-35
T22N R4W	Sec 30, 31 W of Susitna R
T22N R5W	Sec 24 W of Susitna R Sec 22, 23, 25-27, 34-36
T20N R5W	Sec 2, 11, 14, 22, 27, 34 W of Susitna R Sec 4, 7-10, 15-21, 28-33
T20N R6W	Sec 24, 25, 36

SEP 22 '87 15:37

SUSITNA VALLEY UNIT, LEGAL LOCATION BY BLOCK

KASHWITNA BLOCK

QUADS: ANC D-7; TKA MTS A-5, A-6 S.M.

T20N R3W	Sec 3-6, 7-10, 15-18, 19-22
T21N R3W	Sec 2-10, 15-22, 27-34
T22N R1E	Sec 6, 7
T22N R1W	Sec 1-12
T22N R2W	Sec 1-12, 18
T22N R3W	Sec 1-22, 27-36
T23N R1E	Sec 31
T23N R1W	Sec 31-36
T23N R2W	Sec 19-36
T23N R3W	Sec 1-36

SUSITNA VALLEY UNIT, LEGAL LOCATION BY BLOCK

PETERS CR BLOCK

QUADS: TALKEETNA A-2, B-2 S.M.

T24N R7W	Sec 6, 7, 17, 18	W of Kroto Cr
	Sec 19, 20, 29-32	
T24N R8W	Sec 1-16, 18, 24, 23, 36	
T24N R9W	Sec 2, 3, 11, 14	E of Kahiltna R
	Sec 1, 12, 13	
T25N R7W	Sec 31	W of Kroto Cr
T25N R8W	Sec 1-36	
T25N R9W	Sec 1, 2, 11-13, 24, 25, 36	
T26N R8W	Sec 3, 10, 14, 15, 22, 23	W of Peters Cr
	Sec 4-9, 16-21, 24-36	
T27N R8W	Sec 8, 9, 16-21, 28-30, 32, 33	

LOCATION

1. LEGAL DESCRIPTION:

TYONEK UNIT

T13N, R10W, S.M. That portion of township south of Beluga River in Sections 7-9, 16-21, 28-33.

T13N, R11W, S.M. That portion of township south of Beluga River in Sections 4-10, 14-36, excluding USS 3964.

T13N, R12W, S.M Sections 32-36.

T12N, R12W, S.M. That portion of township north of Chuitna River in Sections 1-15, 23, and 24.

T12N, R11W, S.M. That portion of township north of Chuitna River in Sections 3-10, 15-22, 27-29, excluding USS 4547.

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF BUSINESS DEVELOPMENT

STEVE COWPER, GOVERNOR

P.O. BOX EE
JUNEAU, ALASKA 99811-0800
PHONE: (907) 465-2017

December 31, 1987

Mr. Jesse B. Nichols
Wood Dynamics Corp.
P.O. Box 473
Woodstock, VT 05091

COPY

Dear Mr. Nichols:

On my recent return to my desk in the Juneau office of the Division of Business Development, I was both surprised and sorry to read your letter of December 22 to the Matanuska-Susitna Borough in which you advised them of your decision not to follow through with your intended initial fact-gathering trip to Alaska. I was also surprised and disappointed when I read further into your letter and encountered such strong negative statements and expressions of opinion on several major Alaskan issues.

During the course of our letter and telephone exchange dating back over a six-month period, I tried to make sure you were aware of the limited status of the current "forest products industry" in the railbelt area of Alaska. At the same time, I explained to you that the timber information base and the development resources of the State of Alaska were both limited due to historical circumstance and political decision made the past few years. I stated in my October 16 letter to you (copy enclosed):

"I trust you will understand that this office wants to do all we can to assist and encourage potential investors and processors such as you represent. Our current problem is a vast natural resource spread over millions of acres, inadequate inventory information, new landowners and managers, sophisticated markets and competitors and very limited development resources available."

Despite our shortage of time and money, this office made a preliminary decision in mid-December that we would exercise a special effort and make my time available to meet with you and travel and assist you the second week in January in reviewing the potential timber resource and development potential in the Kenai, Mat-Su and Fairbanks regions. Our final decision on my participation and direct assistance to you and your

project concept in this proposed fact-gathering trip was held in abeyance, waiting to receive from you the base line information about your development plan and your business credential references, as requested in my October 16 letter. As of today, we have not received your response to our request for the development plan information or your business references.

In our earlier correspondence, your conversation and comments regarding wood supply had led me to believe that your experience and expertise in the forest products industry were such that you could recognize the variables and difficulties in analyzing production cost and perceived market potential in the forest products industry. Professional developers recognize that, where little or no industry exists, the potential investor has no accurate economic benchmarks from actual local experience. As a result, the application of economic analysis is difficult, takes more time and is more expensive. A basic business principle is that the first developer to move into a new region or produce a new product expends extra time on research and development and takes the greatest risk. Later, if all goes well, that "first into the fray" business expects to reap the greatest profit. Preliminary investigation is normally carried out by the entrepreneur himself, usually in secret. A mandatory part of that investigation is, or at least should be, a personal on-site review of the standing timber supply, labor supply, utility and transportation costs and a few other basics. In addition, all potential market opportunities are normally investigated in the preliminary phase, and, again, in the later full feasibility study phase of the project.

Your procedure has been to review some of the written material mailed to you on the timber supply, which we advised you was not very extensive, and then you made inquiries by telephone. Based on that "research," you first made an announcement that you are going ahead and develop final plans for a new wood processing facility, and then a few short weeks later, without visiting Alaska or conducting any in-depth research, you announce that you are cancelling your planned new plant. All of this you did from Vermont.

I find it difficult to believe that a professional forest products industry person could express a rational business opinion on the potential of the development of the timber resources of a large undeveloped timbered region without the benefit of at least one on-site review of the timber. I recognize that you have visited Alaska, but, as you stated on the telephone, you have not visited commercial timber stands or visited Alaska with a business purpose.

In essence, Mr. Nichols, I am suggesting that your announcement on October 28, 1987 of your proposed new wood processing facility in Alaska and now your cancelling of that proposed new facility 55 days later were

both a bit premature. Your investigation was thin and your facts were sparse and manipulated on a desk 4,500 miles from the resource and 7,000 miles from several of the major potential markets. After 23 years in private development activity and three years as a public development person, I respectfully suggest many professional development people would describe your development style as strong on promotion and short in the qualities of proper procedure and prudence. Your actions would also lead one to suspect that you and/or your associates have a hidden agenda and goals that may not be consistent with your publicly stated purpose.

The need for your first business trip to Alaska is even more evident when I read in your letter of December 22 your comments of "locked up" and "take a financial blood bath" and "hope of creating jobs" in reference to your opposition to a substantial state acreage timber sale that is in the planning stage in the Mat-Su region. This proposed sale is in the planning stage and informed public comments are welcomed. The emotional flavor and totally negative comments in your letter reflect the inadequate and incorrect information base from you, sitting in Woodstock, Vermont, have elected to pontificate your opinions to the citizens of the State of Alaska.

Alaskan citizens are confronted on a day-to-day basis with a real need to diversify our economy and generate new and permanent year-round employment. Our tax base and government revenues, other than our rapidly depleting oil revenues, are thin and our economy much too dependent on government controlled expenditures. The vast majority of the people that commit to living and making a living in Alaska believe we deserve the right to use a reasonable portion of our land for the production of natural resources including the renewable timber resource. We have extensive federal, state and local laws and procedures that assure us we can use that land and that it will be used wisely. The constant interjection of poorly informed non-Alaskan experts' opinions, however well-intended, add difficulty and confusion to our decision burden. We, here in Alaska, frequently receive unsolicited advice and directives from Washington, D.C. and other east coast "experts," so I guess it is not to be unexpected that we occasionally receive some from Woodstock, Vermont.

Mr. Nichols, I understand that the accurate information you require to help substantiate the forest products industry opportunities in Alaska is not available in reliable reports, inventory and other printed formats. This shortcoming can be offset somewhat by personal exposure and in-depth private analysis and applied market expertise. I believe that several of your assumptions in your last letter are incorrect due, I suspect, to your inadequate information base. However, I agree with you that the infrastructure in the railbelt area of Alaska is inadequate and that development of a viable and permanent forest products industry in the railbelt will take several years and we will want to avoid being dominated by one large operator. At the same time, we need one or more users of the lower quality timber in the area before the industry can move into a reasonable-sized industry supporting, hopefully, several small or medium-sized businesses, such as the one you proposed.

Users of low grade timber must be large enough to utilize the benefits of economy of scale in harvesting and processing the low grade logs. This requires substantial investment capital which, in turn, requires a sufficient supply of timber to amortize that investment. A man with your apparent experience in the business on the east coast certainly recognizes this basic fact. Indeed, we discussed that same principle on the phone when we were reviewing the prospects of your investing in Alaska.

All of this office's preliminary review of the proposed sale of state timber in the Mat-Su region indicates that your fear of economic and/or environmental disaster is not well founded. The volume that the state is considering selling in that sale represents about 25% of the total volume of commercial forest in that region. May I suggest you take the time to personally review the area and the issues in greater depth, then submit to the Alaska State Division of Forestry your specific recommendations on how you believe the state timber should be offered in order to cause the orderly development of the forest products industry.

I find it necessary to add at this point that your comments in the December 22 letter regarding the Tongass National Forest are also, in my considered opinion, not correct. Your comments reflect a complete lack of knowledge of that industry, the history and the status of the land that is being harvested and the significant contribution of the forest products industry (about 30% of the Southeast Alaska economy) to the life style and livelihood of 10,000 women, men and children in Southeast Alaska. With the exception of government, this industry provides the only year-round employment for that region of Alaska. That may not be important to you in Vermont but it is very important to all the people of Alaska.

Mr. Nichols, over 50% of the land in Alaska has been set aside by federal, state and local government as wilderness, game refuges and other land reserves. In these extensive areas, many times the size of your home state, environmental considerations are given the highest priority. We also protect, with stringent environmental law, the remaining portion; however, Alaskans do require some of the remaining land on which to reside, harvest resources and provide improved opportunities to make a living by future generations. I trust you folks who live in Vermont will eventually rise up to our Alaskan standards for dedicating land and conserving the environment for our future citizens' benefit and use.

I hope you will accept this letter as a positive constructive response to your recent letter announcing the cancelling of your proposed processing facility in Alaska. I, perhaps better than most, can understand your frustration in trying to locate a handle on how you might go about accomplishing the development you have in your mind. Alaska, the past several years, has not been organized and receptive to any type of natural resource development, with the noticeable and successful exception of the fishing industry. We are now beginning to feel the economic

Mr. Jesse B. Nichols

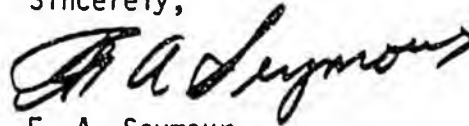
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December 31, 1987

pinch for that short-sighted policy. A policy generated and supported by a complacent constituency. We have begun to see some change in direction and adjustment in our dealing with development, but we still have a long, long way to go!

This office is prepared to be of further assistance to you if we can as you venture forth into the Alaska forest products industry. I must, of necessity, state once again that our staff resources and project funding are very limited and we still would like to receive your credential references for our use and files.

Sincerely,



F. A. Seymour
Senior Marketing Specialist

FAS/dg10567D
123187a

Enclosures: October 16 Letter from F. A. Seymour
December 22 Letter from Jesse Nichols

cc: John Galea, State Forester
Becky Gay, RDC
Larry Merculieff, Director, DBD
D. L. Finney, ALA
Mat-Su Borough, c/o Ric Davidge
Thyes Shaub, Project Manager, DBD
Terry Brady, Forestry Consultant
Tony Gasparro, University of Alaska - Fairbanks
John Williams, Deputy Commissioner, DCED
Kelley Hegarty, Assistant Commissioner, DCED
Joe Henri, Southcentral Lumber
Al Pagh, Four-Star Lumber

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF BUSINESS DEVELOPMENT

STEVE COWPER, GOVERNOR

P.O. BOX EE
JUNEAU, ALASKA 99811-0800
PHONE: (907) 465-2017

DATE: October 16, 1987

TO: Jesse B. Nichols, President
Wood Dynamics Corp.

FROM: Frank A. Seymour *FAS*
Senior Marketing Specialist
Division of Business Development

SUBJECT: Your Interest in Establishing a Wood Processing Facility in
Alaska

COPY

Your correspondence of September 30 and prior material we have received are very interesting and I have discussed your communications with some of my superiors in the department. As I explained to you on the telephone, we have very limited resources at this time that can be made available for specific and direct assistance to individual firms. However, because the concepts and scope of your potential activity appear to fit into our general development goals so well and because your firm appears to offer the production and marketing expertise that we need so desperately in Alaska, it has been suggested by my supervisor that I should investigate further your interest and intentions. If after reviewing additional information from you that I am requesting in this communication, I will be better informed to make recommendations to my superiors regarding how much direct effort this division can and/or should expend of our limited staff resource to assist you in your preliminary investigation activity.

To assist this office in determining what your highest and best options might be and how we may be of assistance to your effort, I request you please provide the following information on a proposed wood processing facility that you believe might be successfully located in the rail belt area of southcentral/interior Alaska. You do not need to go into a great deal of detail. What we are interested in is trying to understand the general scope and basic requirement of a project, such as you and I have discussed on the telephone. Naturally, basic background information about the prime movers of such a project will also be helpful as this office considers the amount of time and effort we can provide at this point in time.

To the best of your ability and as your time and information base will permit, briefly respond to as many of the following questions as you can:

1. What is the required annual volume of log supply (in Scribner long log scale if possible)? Give initial minimum annual volume requirement and potential annual volume desired with a later facility expansion. How many years of committed wood supply are necessary to justify the investment?
2. What timber species are preferred or required? What species can be used?
3. What are the log supply specifications? Please indicate preferred log and wood fiber characteristics.
4. Describe the primary basic wood processing activity and related equipment that are involved (such as debarking, heating, sawing, peeling, slicing, chipping, drying, pressing, stamping and/or other).
5. What is the basic product or products produced?
6. Is there any significant or potential by-product?
7. What wood waste and other processing residue remain to be disposed of after your product processing is completed? Do you have a suggested or proposed use or disposal technique for any product residue, including bark and waste wood fiber?
8. How much land will be required for an initial and for an expanded processing facility including all buildings, parking, supply yards, inventory storage and related activity? How much heated building space is required for processing and for administration use?
9. What is the projected utility requirement?
 - o Fresh Water
 - o Electrical Power
 - o Sewer
 - o Telephone
 - o Oil, natural gas and/or coal
10. What is the essential annual volume by gross weight of the product to be shipped to market? Is rail and/or highway transportation of the product possible?

11. What is the anticipated number of full-time employees that will be employed in the processing facility including management and marketing positions? What is the estimated annual payroll? Do you anticipate in normal operations working more than one shift per day?
12. Excluding the cost of land, buildings and acquiring control of the required timber supply, what is the anticipated investment capital necessary for this project? Does your corporation intend to invest or provide from non-Alaska sources all or a portion of the equity investment necessary for this project?
13. What is the general geographic area(s) of your intended market?
14. Please provide three or more business references (address and telephone number), including a financial institution with which your firm is currently doing business.

I trust you will understand that this office wants to do all we can to assist and encourage potential investors and processors such as you represent. Our current problem is a vast natural resource spread over millions of acres, inadequate inventory information, new land owners and managers, sophisticated markets and competitors and very limited development resources available.

Most of the week of October 18, I will be traveling. I should be able to review your response to this inquiry as early as the first of the following week, and then get back to you on the subject before the end of the month. I feel confident we will be able to offer additional assistance but just how much and when will require a little more evaluation of how our priorities should be lined up.

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101687a

WOOD DYNAMICS

Wood Dynamics Corporation
P.O. Box 473 • 5 The Green
Woodstock, Vermont 05091
802/457-3970

COPY

December 22, 1987

Matanuska-Susitna Borough
P.O. Box 1808
Palmer, Alaska 99645

Attn: Ric Davidge
Director, Development Services

Re: Wood Products Project

Dear Ric,

After considerable research, investigation and economic review, we have decided to cancel our plans for a hardwood products plant in the interior.

We have concluded that the necessary infrastructure needed for a plant of the type we have in mind does not yet exist and may not for several more years. In our opinion, large scale timber using operations in the Matsu Valley are neither practical or feasible at this time.

Our decision to withdraw is based on the fact that no logging or timber supply infrastructure now exists that could supply our proposed plant the 4 to 6 million board feet of logs we would require on an annual basis. Our research indicates it would be almost impossible to secure even 1 million board feet annually of the type of birch logs we require.

Until the port at Point MacKenzie has actually been built and is in operation, we do not see how our company or any other large scale forest products enterprise can operate a viable business in the Matsu Valley.

While it is essential that adequate timber supplies be made available to forest products producers considering locating in the Matsu Borough, we must go on record as being opposed to the proposed Tyonek/Susitna Valley Timber Sale in its current structure.

We believe that this state timber sale is neither economically or environmentally sound, nor in the best interests of the state, the people in the Matsu Valley, or forest products companies considering locating in this region.

There never has been large scale timber harvesting in the interior. Removing between 600 and 800 million board feet of timber from the region under consideration could have disastrous environmental, ecological and economic consequences.

The immense size of this sale borders on lunacy. There is no need or justification for selling such a gigantic volume of timber at one time, especially when there presently is no market for such a vast quantity of wood.

12/22/87 14121
Matsukora-Susitna Borough

2 902 457 2051 JESSE NICHOLS

03

December 22, 1987

page 2

Also the idea of selling such an incredibly large volume of wood to a single buyer who would have 20 years to harvest it reflects a total lack of judgement and business experience on the part of the state officials and bureaucrats who authorized this sale.

In this present scenario the total state timber resource in the Matsu Valley can be "locked up" by a single bidder. The smaller local loggers and mills are completely squeezed out of the bidding process by the magnitude and financial requirements of this huge sale. Wood products companies, wanting to locate in the Valley, would have to think twice since almost the total log supply would be in the hands of a single contractor who controlled the resource and therefore could "call all the shots".

Plain and simple, this is not good business and creates an environment more likely to discourage rather than encourage industrial development and new business.

From what I read in the papers and hear, the state plans to take a financial blood bath on this sale in the hope of "creating jobs". Relinquishing control and management of this 20 year sale to the successful bidder, is, in my opinion, a reckless and irresponsible decision that the state (and the Matsu Borough) is sure to regret at a later date.

It is my hope that the state will cancel the proposed Tyonek/Susitna Valley Timber Sale in its present form and instead offer a comprehensive program of smaller sales on a regularly scheduled basis over the next 10 years. This, in my judgement, would be a more practical, effective, and acceptable way to utilize the important and valuable timber resource of the Matsu Borough, both immediate and long term.

A conservative approach, especially in a land like Alaska has a greater chance for success than grandiose, untested large scale schemes that inherently carry a far greater risk. Anyone questioning this logic as it applies to forest products need look no further than southeast Alaska where the once magnificent Tongass National Forest, a national treasure, is being plundered and systematically destroyed by political edict and at taxpayer expense with little benefit to the local economy.

While we are cancelling our plans for a manufacturing plant, Wood Dynamics plans to become increasingly active in the marketing of wood products produced at existing mills in the Anchorage area, the Matsu Borough and the Fairbanks-North Star Borough. This program is now underway and trial shipments have been made in the past 30 days.

We appreciate the fine cooperation we have received from your office along with the support and interest that we have received from many others in the Matsu Borough. We wish you the best, especially in the development of the port at Point MacKenzie. This is a key element in attracting industry and maintaining a stable and growing economy in the Valley.

Because of our decision, I will not be coming up to Palmer and Wasilla in January, but expect to be visiting the area later in the year. Look forward to seeing you at that time.

Sincerely,


Jesse B. Nichols

Second thoughts on timber

Officials to rewrite Su Valley lease plan

By DAVID HULEN
Daily News reporter

State forestry officials, bombarded with complaints about their plan to open forests in the Susitna River Valley to large-scale timber harvesting, said Friday that they've decided to "take a fresh look" and rewrite the proposal in an attempt to satisfy critics.

The new plan will likely include a more detailed explanation of where cutting would be allowed, with an effort to stay away from rivers and streams, officials said.

But the officials stressed that they have no intention of dropping the idea of opening large blocks of land in the valley to a long-term timber lease, and said they were still hopeful it could be put up for bid sometime this spring.

The decision to redo the proposal was made after state offices in Juneau and Anchorage received hundreds of letters and telephone calls over the past month, the bulk of them opposing the plan.

See Back Page, TIMBER

TIMBER: Flurry of complaints sends officials back to try it again

Continued from Page A-1

"We're going to take a fresh look at the proposal," said Tom Hawkins, assistant commissioner in the Department of Natural Resources. "We'll take that pile of public comments, all the concerns that people have raised ... then sit down and see what can be learned from what people have told us." Once a new plan is written, another set of public hearings will be held before it is made final, he said.

Opponents of the plan, who multiplied quickly once word of the project spread among sport fishermen, homesteaders, lodge owners and others in recent weeks, are happy about the delay. But many of them remain skeptical that any large-scale timber harvesting can occur in the area without causing a variety of serious problems.

Critics fear clear-cutting forests and building access roads and bridges to get the wood out would spoil an area that's now mostly wilderness, and could threaten the region's booming sport-fish industry.

"There's a lot of things coexisting in that area now just fine," said Lois Reeder, an Anchorage woman with a summer cabin in the area who is acting president of the Susitna Valley Association, a

group formed to fight the plan.

"I don't see how you can have timber harvesting in there without hurting the others. In small areas close to roads maybe, but not out there."

The delay was announced by Lennie Gorsuch, the deputy commissioner who took charge of the project after DNR Commissioner Judy Brady removed herself because of a potential conflict of interest. Her former husband, Terry Brady, has been financially involved with several companies who could profit from the sale.

Gorsuch, who earlier said she wanted to move as quickly as possible with the sale in order to "kick-start" the Southcentral timber industry, said rewriting the plan "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."

As the state plan now reads, it would be the largest sale of timber ever in south-central Alaska, opening as much as 101,000 acres of land to harvest over a 20-year period.

The contract, known as a "forest management agreement," would be the first of its kind in Alaska. It would allow one company to choose

the land it would harvest from a half-million-acre block of state forest stretching from Tyonek to Trapper Creek. Companies would be invited to bid for the contract.

The region under consideration — mostly forest, swamp and rivers — has virtually no road access, and has become the most popular salmon-fishing area in Alaska not accessible by road.

The original plan was spelled out in a 14-page report, with many pages mostly blank and only six paragraphs devoted to the effects of timber cutting on wildlife, fish, soil, recreation and "visual impact." Hawkins and Joe Wehrman, an official in the state Division of Forestry, said they expected the new plan would be more extensive and said there has been talk of tougher standards that would keep harvest areas and roads away from popular waterways or wildlife habitats.

State foresters maintain that clear-cutting blocks of forest and increasing access would be good for wildlife, but biologists in the Department of Fish and Game have been critical of the plan, saying it wasn't specific enough to know what the effect would be.

No environmental impact statement is required because the land is not federally-

owned and doesn't involve federal agencies.

The new plan will be written by a "team" with representatives of DNR, Fish and Wildlife and the Department of Environmental Conservation, Hawkins said.

Questions also have been raised about the economics of the plan, although officials said Friday there are no plans for additional economic analysis. Under the old plan, the state would receive only about \$90,000 a year in revenue from the lease of the land.

State officials hope the sale will lure a large-scale wood processor who would want to build a plant in the region, establishing timber as a new industry in this part of the state. Several companies have shown interest in buying birch in the area, but none have definite plans and it's unclear whether any companies will bid on the land if it is eventually offered.

"The premise (in state government) is that we have a resource," said Hawkins. "We'll invite the industry in and say, 'Under these constraints with this opportunity, can you make a business here?' They're probably better judges of (whether cutting the wood makes economic sense) than the government."

"It seems like if you're in the business of attracting proposals to take advantage of that resource, it ought to be on real sound footing. We're going to take advantage of this public reaction we got," Hawkins said.

Last month, the head of a Vermont company that had been interested in building a birch processing plant in Southcentral wrote a letter describing the state plan as "bordering on lunacy," blasting its size and the fact that one company would get all the land in the sale.

Meanwhile, four officials from the Matanuska-Susitna Borough left for Finland this week, where they are to meet with executives of two Finnish-based multi-national wood processors that have been scouting the region for plants. They're accompanied on the trip by Terry Brady, whom the borough has hired as a consultant, and by a Wasilla-based sawmill operator. The trip is costing the borough \$14,000.

Despite widespread opposition among residents in the Susitna Valley, borough officials have been enthusiastic about the state plan, and say, if anything, it is not large enough. They think timber is a logical way to improve the economy in the borough, where unemployment stands at about 17 percent.

Letters to the Editor

The pros and cons

Dear Editor:

Generally I am in favor of more timber harvesting in the Mat-Su Valley. I'd like to see more state land here put into the multiple-use system of source management already used elsewhere in America.

Part of multiple-use includes forest and/or timber management. I can see both short-and long-term economic and biological benefits.

These "benefits" will not only come in the form of board feet or cubic feet of timber volume harvested. Nor will the attending economic ripple effects, brought on by the timber industry, be due just to wood products. Spin-off benefits due to an active forest management scheme the Division of Forestry has tried and again is trying to initiate here include the following: Wildlife habitat diversification, rejuvenation and regeneration of slow-growing, low-value forests for future greater timber products yield and wildlife habitat, increased recreational opportunities due to road construction, potentially higher populations of moose and other wildlife through habitat creation.

Wildlife such as the snowshoe hare, beaver, mice, spruce grouse and moose will generally benefit from properly managed and monitored timber harvesting. Such an effect can be believed by the active forest management policy the Division of Forestry is trying to initiate. Other wildlife such as fox, coyote, birds of prey and black bear will probably also increase indirectly timber harvest by the increase in prey species that should be the direct result of habitat created during and after a timber harvest.

Here in the Skwentna area, the moose are already (this early) having a very tough go of it. Some judiciously placed clearcuts that foster vigorous birch and cottonwood regeneration could be a factor in monitoring the moose through heavy snow in years such as this one.

As a resident of the Skwentna area, I am one of the very few in favor of even limited and restricted cutting in the proposed areas that affect us. I am totally opposed to any all-season road or permanent bridges that would span the Big Susitna, Yetna and Kahiltna Rivers and Lake Creek.

This is still the Bush. We have a stable sportfishing and Bush lodge industry out here worth millions of dollars a year already in place. Most of us don't



want roads. Better access would severely harm our Bush industry and lifestyle.

The saddest part of all this is the vague and sweeping presentation of this timber sale proposal. This essentially good idea may be killed because of its size and scale and its attendant lack of any description of public relations work or public education. It is very curious that the Mat-Su Borough Assembly is so suddenly in favor of forest management after they killed the state-proposed Susitna Forest that provided for multiple-use in the same area. What are you clones up to?

Fish and Game, disturbed by this from their deep tasks of sorting moose pellets and aging fish scales, are still talking out both sides of their face. And now we come to the Posey People (the Greenie Menace), those defenders of truth and little old ladies with bird books; authors of the court injunction and of chicken little "action alerts." Most of those bearded wonders wouldn't know a white

spruce from a white pine if it fell on them, but they're gonna save our forests.

Nice job fellas, one and all, nice job.

Glen Holt
Skwentna

Timber sale lunacy

Dear Editor:

We are among the "lodge owners and air taxi services" mentioned in a recent Anchorage Times editorial who are vehemently protesting the proposed clear cut of the Susitna Valley. There are many very good reasons for our protest, not the least of which is our economic livelihood. We, too, are talking about the creation and maintenance of jobs — not only pilot's jobs, but guides, lodge employees, boat operators and a multitude of hotel employees, waitresses, sporting goods and airline employees, virtually anyone who is affected by the

spin-off from sportfishing and tourism.

What does the state of Alaska get from this sale? \$90,000 per year — of which a measley \$30,000 is budgeted for the management of this project! This fact alone demonstrates how ill-managed this proposal has been. The \$30,000 won't pay for one manager and one desk at Juneau rates. Preposterous!

"Lunacy" describes this proposed sale succinctly. The obscure little notice in the newspaper, scheduling cursory hearings at Christmastime, obvious efforts to hurry it along as well as the complete failure to analyze environmental and economic aftershocks tells a sad tale of management. For those people not immediately affected by the sale, future plans will probably include the construction of a pulp mill at Point Mackenzie. Whew! Wake up, Anchorage. The next odor from this project may come on the gentle breeze from Point MacKenzie.

Hank Rust, President
Rust's Flying Service
Anchorage

Equal to the best

Dear Editor:

As the state meat grader, I found your article on Dec. 29, "Corrections' beef meets wholesale buyer resistance," of particular interest.

I was disappointed that your article did not point out that the Department of Corrections plans to sell a variety of grades of meat which range from grain-fed "Premium or Choice," to "Utility" or hamburger-type meats. Each grade fills a special niche.

By way of perspective, I also think it important that Alaska has in place a certified grading program based on national standards. This program identifies the full quality range of meats, all of which are produced in Alaska. The fact is Alaska, like other states, can and does produce high-quality meat.

In short, as a meat grader and also as a former Missouri livestock producer, I state without hesitation that Alaska can produce a meat equal to that produced in the Lower 48. Isn't the best test of this issue to present Alaska meat in an unbiased manner, and let the consumer decide?

Doug Warner
State Meat Grader
Palmer

News Jan 10, 1988

Drop timber sale

We own a cabin within the proposed Susitna Valley Timber Sale area, and are quite dismayed at the state's unresponsive attitude toward involved private property which individuals purchased from the state in previous state land dispositions. These properties include remote parcels, homesites, homestead tracts, etc.

The Department of Natural Resources was well aware of the desirability of a wilderness setting when it sold the properties, and we had every reason to believe the wilderness setting would be retained. If we had thought there was any real possibility of the state authorizing a timber sale that would result in clear cutting right up to our property or subdivision lines, we certainly would not have purchased the property. A massive timber sale such as this could hardly be considered a compatible use of adjacent land. If the sale proceeds as proposed, with no consideration for the hundreds of parcels of private land which the state itself has sold to individuals, we question who would want to invest in any future state land sales. The state will have severely damaged its own credibility.

According to DNR, the state is looking at potentially 1.4 million acres for local, future timber sales. The following sales would be to the west of the present proposal, around Mt. Susitna, and south along the west side of Cook Inlet, impacting many more state land dispositions.

The private property issue is only one of numerous concerns. This entire sale proposal is inappropriate and should be dropped.

— John and Lois Reeder

Stop timber proposal

I am appalled at the proposal by the Matanuska-Susitna Borough and Judy Brady, Department of Natural Resources commissioner, to clear cut large portions of the Susitna Valley. I feel in the long run this will be very detrimental to most residents and businesses. The Susitna Valley is a goldmine in the sense that the tourism industry relies heavily on it for sight-seeing, fishing, hunting, photography, rafting, etc., and contributes millions of dollars to local economies. The traditional uses such as hunting, fishing, sight-seeing, flight-seeing, photography, boating as well as some of the most important salmon spawning grounds that support the commercial fishing industry of the area will be destroyed in this lopsided trade off is allowed to take place.

I am going to donate 110 percent of my time to see that we defeat this insane idea. If politicians take a look throughout the state they will see that there is no viable market for timber. The figures I have seen show that the state will receive a \$60,000 net income a year for timber that is clear cut in Anchorage's front yard. This area will have in the initial phase, as I have been told, approximately 215,000 acres of clear cut. The clear cut will come within 100 feet of the major rivers such as: Alexander, Lake Creek, Kahlltna, Kashwitna, Yenta, Dershka and the Susitna which are all very important to sport fishing and recreational industries including tourism and commercial fishing. The plan seems to pit the Mat-Su Borough against Anchorage, which is self defeating, since most residents of the valley work in Anchorage.

This process must be stopped dead in its tracks, and the most effective way is for you the public to get involved and voice your opposition to this ludicrous idea. I urge you to review the maps, the minuscule environmental impact study, Senate Bill 112 and most importantly, call Mr. Rod Swope, Gov. Cowper's special assistant, and express your concerns regarding this matter. Please get involved!

News Jan. 8, 1988 — Dane K. Wagner

Timber sale a fiasco

"The Last Frontier" — Alaska's appeal to tourists! Does anyone in the Alaska government hear it anymore?

Alaska's biggest industry is tourism, fishing, hunting, our beautiful mountain ranges, the novelty of roadless communities, our grand forests and the wilderness experience.

The Tongass fiasco has the federal government dumping \$57 million into it to help pay for the losses. If it won't work with the good timber in the Tongass, it won't work with the bad timber in the Mat-Su Borough.

We hear of the 42 to 100 jobs this timber sale will create. What they don't say is that many times that figure will be put out of work with this same plan. In all areas of Alaska timber sales have failed and yet we are now told that we are going to do it again. There are millions of acres of timber away from the people, tourism, and communities that can be clear-cut. Leave the terrain intact for all to enjoy and retain the beauty for years to come. Clear-cutting will mar the area for a hundred years. Trees just don't grow quickly this far north! Alaska's greatest value is the wild wilderness as you fly over, boat through, and snowmachine in the winter. Many people from the Anchorage and Mat-Su Borough know what a great escape it is to come out and visit with us.

Don't be sold that this is a great plan. Once the trees are cut, roads and development will be put in and there will be no escape for anyone. Even the timber industry can be quoted as saying it is "pure lunacy!"

We are "The Last Frontier!"

— Norma Della

Timber sale information lack

I am very concerned about the state's proposed Susitna Valley timber sale management plan. The plan is simple: (1) Transfer nearly one-quarter of a million acres from state ownership to private contractor (2) Clear-cut a significant portion of the acreage as soon as possible.

How many local residents are informed about this sale? I would suggest that very few people (with the exception of a few vested interest groups) know anything about it. There is a woeful lack of information on the sale as there has been no economic or environmental assessment done.

How will this timber sale and clear-cutting affect the quality of life in the Valley? With little research available it is difficult to speculate, but one can assume that removing large tracts of timber within prime moose habitat and adjacent to major salmon rearing streams will certainly impact such things as tourism, hunting, sports fishing, and commercial fisheries.

No one will argue about the need for employment opportunities in the Valley. It appears, however, that the Susitna Valley timber sale has the potential to kill many long-term jobs (e.g., charter operators, lod owners, hunting guides, etc.). In exchange for a handful of low-paying temporary jobs. (The major lumber contractor is a foreign company and it is unlikely that local residents will receive any of the high paying jobs.)

I think we all need to know more before this sale occurs. This project has had the shortest public hearing process ever for a state land sale of this magnitude, and as a result some say that it reeks of political expediency.

— Joseph Nollin
Palm

News Jan 7, 1988

Jan 7 News

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. While these are issues deserving of attention, they seem to

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

Addendum: List of interviews and meetings.

Addendum to Report on SB 112: List of Meetings and Interviews

DATE	MEETING/PERSON	COMMENTS
Oct 2	Mat-Su Loggers	Adopted a position opposing use of Forest Management Agreements in the Matanuska-Susitna Valley. Suggested several items to be included in any legislation if FMA's were to be used elsewhere. (See written position paper.)
Oct. 12	John Dede, Ex. Dir. WEDCOR	Wasilla Economic Development Corporation (WEDCOR) had adopted a resolution favoring SB 112. Dede indicated their support was "generic" - in favor of anything that promoted more jobs and diversification.
Oct. 12	Becky Gay, Ex. Dir., RDC	Disclaimed expertise on the subject of FMA's, but felt that the Evergreen Clause was important for financing.
Oct. 14	WEDCOR w/ John Galea, State Forester	Stated that two essentials in SB 112 were the Evergreen Clause and negotiating authority. SB 112 not on priority legislation list submitted to Commissioner.
Oct.15	Randy Rogers, Exec. Director Northern Alaska Environmental Center	Any FMA legislation must 1. have clear benefits for existing local industry, 2. must protect public use and define required management activities, 3. must require reforestation, and 4. must provide for bonding to ensure management activities.
Oct. 15	North Star Borough Forest Management Task Force, including Rep. Mike Davis	FMA's not a major issue in Fairbanks area, might be of use in Stony River area. Concerns were for access to rest of Tanana State Forest, need for certified grading, better inventory, and co-operative management agreements with native corporations.
Oct. 20	Commissioner Judy Brady, DNR	"Not wedded" to FMA's, but would espouse any bill promoting forest development. Will not continue current "junk sales".
Oct. 20	Steve Kallic, Ex. Director, S. E. Alaska Conservation Council	Acceptable FMA bill must have 5 year review provision, competitive rather than negotiated sale, public planning process, compatible public use of sale

		area, size limitation or other provision for independent operators.
Oct. 21	Gov. Cowper	Supports compromise efforts.
Oct. 21	John Dunker, Ses- sion Asst. to Rep. Koponen	Discussed Canadian experience with FMA's. Rep. Koponen is interested in co-ops as a means of developing wood products manufacturing facilities.
Oct. 22	Alaska Loggers Association Leg- islative Commit- tee, inc. Sen. Lloyd Jones	Will not continue to push for SB 112 in face of continued opposition from Interior but would support an acceptable substitute.
Oct. 24	Rep. Koponen	Feels bill is unnecessary. Concerned about small operators being frozen out.
Oct. 24	Al Pagh, Four Star Lumber Co. Les Fortune, DNR	Suggested contingency provision in FMA which would provide alternate areas in case of loss to fire or insects. Noted problems of theft of logs.
Oct. 28	Cliff Eames Alaska Center for the Environ- ment	Reaffirmed written position, i.e. bill is not necessary; fails to control length of FMA; fails to control size of area; could affect existing reserves; fails to consider competing uses; fails to require public participation in decision making.
Nov. 9	Mat-Su Loggers Assoc. w/ John Galea, State Forester, Rep. Ron Larson, Rep. Curt Menard, Rep. Sam Cotten	Galea said that the essential provisions for an FMA were the Evergreen Clause and roadbuilding authority for DNR.
Nov. 17	Carroll Minium Mgr., NBA Wasilla Branch	Indicated that a state timber sale contract has <u>no collateral value</u> because it calls for payment rather than receipt of funds and there is a substantial degree of expertise required to comply with its provisions, making it <u>unc conveyable except to a qualified person.</u>
Nov. 18	Bill Beebe, Big Lake Dist. For- ester, DNR	Discussed award method for proposed Susitna Valley/Tyonek sale. Will have multiple variable system developed. Only provision in planned sale contract relating to FMA's is inclusion of

Evergreen Clause as one of the renewal options.

Dec. 3-4 RDC Education Foundation Seminar "Management of the Boreal Forest". Speakers included Sen. Jones, Reps. Cotten, Koponen, Zawacki, & Sund Complete proceedings are available from the RDC Education Foundation, Inc., 807 G Street, Anchorage, AK. 99501. Speakers from Finland, Ontario, British Columbia, Alberta, Colorado, and Alaska discussed FMA's as a management tool for the boreal forest.

Dec. RDC Forestry Committee Suggested a revised procedure for authorizing an FMA.

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HOUSE COMMITTEE REPORT

95

(9)

Date referred: 4/22/87
(C&RA referral waived)

FURTHER REFERRALS: Finance

DATE: 5/4/87

The Resources Committee has considered CSSB 133 (Fin) am

"An Act relating to general grant land entitlements; and providing for an effective date."

RECOMMENDS:

- replace with HCS CSSB 133 (Res) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published 4/1/87
- zero fiscal note same as previous zero fiscal note published ~~4/1/87~~
- zero with analysis

SIGNING DO-PASS:

John Geste

Michael Sprague

Adelheid Herrmann

Cliff Davidson

SIGNING OTHER RECOMMENDATIONS:

Mike Lawrence (no rec)

Dick Stally (ok if not amended)

[Signature]

[Signature] Do Rec

[Signature] Do Rec

John Geste

Chairman's signature

Alaska State Legislature

House of Representatives

Al Adams

Chairman

Committee on Finance

April 26, 1987

Official Business

WHILE IN SESSION

P.O. Box V
State Capitol
Juneau, Alaska 99811
(907) 465-3706

OUT OF SESSION

P.O. Box 333
Kotzebue, Alaska 99752
(907) 442-3320

1024 W. 6th
Anchorage, Alaska 99501
(907) 274-0615

MEMORANDUM

TO: Representative Sam Cotten, Co-Chair
Representative Ad Herrmann, Co-Chair
All Other Members
House Resources Committee

FROM: Representative Al Adams *APA*
District 22

SUBJ: SB 133: Municipal Land Entitlement Legislation

Thank you for your prompt consideration of CS SB 133 (FIN) am. This legislation, sponsored by Senator Hensley, is similar to legislation I introduced earlier in the session on the House side.

The bill resolves three outstanding municipal land entitlement issues. It corrects land entitlement deficiencies for many of Alaska's small cities, the North Slope Borough (NSB) and the newly created Northwest Arctic Borough (NWAB) in Senator Hensley's and my area of the state.

The original 10% land entitlement available to small cities terminated in 1978. Since that time, however, federal approval of state land selections has made land available within some city boundaries. Section 1 of CS SB 133 (FIN) am would allow those cities to select some of that land, thus providing them an opportunity equal to that enjoyed by other small communities before 1978. The cities of Anderson, Yakutat and Seward are expected to benefit from this section of the proposed legislation.

NSB's entitlement is addressed in sections 4, 5 and 8 of the bill. NSB did select land under the original 10% entitlement statute but wound up in court with the state over these selections. While the lawsuit was pending, the statute was changed in 1978 in two ways that affected NSB. First, instead of the 10% formula, NSB was given 89,850 acres. Second, a provision was inserted in the law that said that if a municipality contested its entitlement in court and lost, it

could no longer pursue its entitlement rights. NSB notified the state of its intention to end the lawsuit but did not do so in the procedurally correct manner proscribed in the statute. Hence, DNR was not able to allow NSB to select any land. Legislation is required to reconstitute NSB's original 89,850 acres. CS SB 133 (FIN) accomplishes this.

NWAB's entitlement is addressed in section 8. Although NWAB can select land under the current law, it would only receive about 13,000 acres which is much less than the 10% it is entitled to. This is because of the type of land available in NWAB that is eligible for selection under the current definition of "vacant, unappropriated, unreserved land". Changes to that definition, principally including resource management land in it, will allow the new borough to get its full 10% entitlement.

The bill is crafted to avoid any entanglement with mental health land problems. It is the intention of Senator Hensley and myself to avoid any negative impact on mental health legislation and settlement efforts. However, if you feel that additional language is needed to further clarify this intent, we will not object.

Attached is a sectional analysis, fiscal note, and other pertinent back up. If you need any more information, please do not hesitate to request it.

Attachments

SECTION-BY-SECTION ANALYSIS OF CS SB 133 (FIN) am

Section 1. Opens up the 10% selection to small cities that did not get or take option before. Would also affect cities who by annexation now have "vuu" state lands within their boundaries.

Sections 2 and 3. Give the Northwest Arctic Borough (NWAB) the ability to get an entitlement based on the new definition of "vuu" land in section 8. Does not give any other existing borough additional land.

Section 4. Allows North Slope Borough (NSB) to revest its entitlement of 89,850 acres.

Section 5. Gives NSB about three years to make its selections.

Section 6. This is a technical consistency section. It makes clear that a community cannot get any more acreage than originally entitled to. Since AS 29.65.010(b), .020(b), and .030(c) are repealed in the bill, adding the old statute references into this section of the law insures that protection is still in the statute.

Section 7. Prohibits land exchanges for subsurface rights on any federal land and specifically prohibits land exchanges for any rights in ANWR. This prohibition applies to all communities.

Section 8. Adds additional types of land to what is classified "vacant, unappropriated, unreserved" and available for selection. The new types of land are material, public recreation, settlement, and resource management land classified as such on or after September 1, 1983. The resource management land that is available does not include any land in the Prudhoe Bay area.

Section 9. Requires that DNR consult with and assist municipalities in making their selections and fulfilling their entitlements.

Section 10. Repeals following sections of existing law: AS 29.65.010(b), .020(b), and .030(c) insuring that new selections do not give additional entitlements beyond old selections (but these protections are continued in section 6--see description); AS 29.65.110 stating that if a court battle over selections is lost by a community than any entitlement rights are forfeited. This is repealed so that NSB can get its entitlement.

Sections 11 and 12. Effective date sections. The whole bill goes into effect January 1, 1988 except for section 9 which calls for DNR to consult with the affected communities. It goes into effect immediately.

Alaska State Senate

P.O. Box V
Juneau, AK 99811
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Senate Finance Committee
State Affairs Committee
Vice-Chair, Rules Committee
Chair, Administrative Regulation Review

William L. Hensley

Committee Substitute for Senate Bill No. 133 (Finance)

Amount of Municipal General Grant Land Expressed as a Percent of
Total Land Area in the Municipality.

Municipality of Anchorage	3.7% - 1.8%*
Matanuska-Susitna Borough	2.7%
Fairbanks North Star Borough	2.3%
Kenai Peninsula Borough	1.7%
Kodiak Island Borough	1.6%
Ketchikan Gateway Borough	1.5%
City and Borough of Juneau	1.0%
Northwest Arctic Borough	1.0% **
Bristol Bay Borough	0.4%
City and Borough of Sitka	0.2%
Haines Borough	0.2%
North Slope Borough	0.16%

* Anchorage received approximately 1/2 of its entitlement.

** Assumes a 230,000 acre entitlement.

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(907) 586-3537

April 3, 1987

Senator Willie Hensley
P.O. Box V
Juneau, Alaska 99811

Re: Senate Bill 133

Dear Senator Hensley:

I represent the class in Weiss v. State, trial court case no. 4FA-82-2208 Civil (the Mental Health Lands Trust Lawsuit). Last year when HB 587 was considered, the parties in interest agreed that they did not want municipal entitlement issues to become further linked to the mental health trust lands litigation. All agreed that additional selections of mental health trust land were not permitted under the law. For that reason, language was inserted into the various bills to maintain the status quo regarding mental health trust lands and the Weiss litigation. An example of the language added to the bills is found in Sec. 6 of CSHB 587 (Rules) am, Second Session of the Fourteenth Legislature. That language follows:

"*Sec. 6. AS 29.65.060 is amended by adding new subsections to read:

(g) Notwithstanding (a) of this section, a municipality may not select school land or mental health land after October 4, 1985. Nothing in this section affects the legal rights of any person with regard to selections of school land or mental health land made by a municipality on or before October 4, 1985..."

I believe SB 133 and any legislation that in any way relates to the use or selection of mental health trust lands by municipalities must contain language indicating that a

*Done -
check out
Don't have to have
to put in.
but OK*

Senator Willie Hensley
April 3, 1987
Page Two

municipality, whether existing or newly created, may not select mental health land after October 4, 1985, the date of the Weiss decision.

I will be happy to discuss this with you, or members of your staff at any time.

Very truly yours,


David T. Walker

DTW:jp

cc: James B. Gottstein, Esq.
William H. ("Chip") Dennerlein, Manager,
Office of Intergovernmental Affairs
G. Thomas Koester, Assistant Attorney General
Cooper Geraty, Esq.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____
 Revision Date: 4/9/87
 Title: General grant entitlement
 (municipal selection)
 Sponsor: Hensley, et al
 Requestor: Senate Finance

Bill Version: CSSB 133 (Fin)AM
 Publish Date: _____

Agency Affected: Natural Resources
 BRU: Land and Water Management
 Components: Land Conveyance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		61.5	168.9	168.9	168.9	168.9
TRAVEL		5.0	5.0	4.0	3.0	3.0
CONTRACTUAL		4.0	6.0	6.0	4.0	4.0
SUPPLIES		2.0	2.0	2.0	1.5	1.5
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		72.5	181.9	181.9	181.9	181.9
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		1.0	3.0	3.0	3.0	3.0
PART-TIME		2.0	1.0	1.0	1.0	1.0
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)
 (See attached)

Prepared by: Gary Gustafson
 Division: Land and Water Management
 Approved by Commissioner: [Signature]
 Agency: Natural Resources

Phone: 465-2400
 Date: 3/5/87
 Date: 4/16/87

- Distribution (by preparer):
- Legislative Finance
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 - Impacted Agency(ies)
 - Senate Secretary