

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672
5770 HOUSE JUDICIARY

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Delaying the effective date of the new corporations code
Sponsor: Rules Committee/Leg. Council
Requestor: House Judiciary

Agency Affected: Commerce & Economic Dev.
BRU: Banking, Securities and Corporations
Components: Corporations

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

No fiscal impact for FY 90.

Prepared by: Willis F. Kirkpatrick, Director
Division: Banking, Securities and Corporations

Phone: 465-2521
Date: 3-23-90

Approved by Commissioner: Larry Mercurieff
Agency: Department of Commerce & Economic Development

Date: 465-2500 3/23/90

Distribution (by preparer):

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

Original sponsor(s): Rules/Legislative Council

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 CS FOR HOUSE BILL NO. 204 (Judiciary)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the classification of directors
7 on boards of corporations."

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

9 * Section 1. AS 10.06.455(a) is amended to read:

10 (a) If the board consists of three [NINE] or more members, the
11 articles of incorporation may provide that instead of electing all the
12 directors annually the directors be divided into either two or three
13 classes, each class to be as nearly equal in number as possible, with
14 the term of office of directors of the first class to expire at the
15 first annual meeting of shareholders after their election, that of the
16 second class to expire at the second annual meeting after their elec-
17 tion, and that of the third class, if any, to expire at the third
18 annual meeting after their election. At each annual meeting after the
19 classification the number of directors equal to the number of the
20 class whose term expires at the time of the meeting shall be elected
21 to hold office until the second succeeding annual meeting if there are
22 two classes, or until the third succeeding annual meeting if there are
23 three classes. A classification of directors is not effective before
24 the first annual meeting of shareholders.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Delaying the effective date of
the new corporations code
Sponsor: Rules Committee/
Requester: Legislative Council
House Labor & Commerce

Agency Affected: Commerce & Economic Dev.
BRU: Banking, Securities and
Corporations
Components: Corporations

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULLTIME	0	0	0	0	0	0
PARTTIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Willis F. Kirkpatrick, Director
Division: Banking, Securities and Corporations

Phone: 465-2521
Date: 4-26-89

Approved by Commissioner: Larry Mercurieff
Agency: Department of Commerce & Economic Development

Phone: 465-2500
Date: 4-26-89

Distribution (by preparer):

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

page _____ of _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to corporations
Sponsor: Rules Committee
Requester: Legislative Council

Agency Affected: Commerce & Economic Dev.
BRU: Banking, Securities and Corporations
Components: _____

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Willis F. Kirkpatrick, Director
Division: Banking, Securities and Corporations

Phone: 465-2521
Date: 4-25-89

Approved by Commissioner: Larry Mercurieff
Agency: Department of Commerce & Economic Development

Phone: 465-2500
Date: 4/25/89

Distribution (by preparer):

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

3963D-2/042589a

COPELAND, LANDYE, BENNETT AND WOLF

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

ATTORNEYS AT LAW

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OREGON OFFICE

3500 FIRST INTERSTATE TOWER
PORTLAND, OREGON 97201
(503) 224-4100

MARK G. COPELAND, P. C. ** ROBERT H. HUME, JR., INC. **
THOMAS M. LANDYE, P. C. MITCHEL R. COHEN, P. C.
J. DAVID BENNETT, P. C. DAVID N. GOULDER
DAVID P. WOLF, INC. * P. STEPHEN RUSSELL III
ROBERT B. HOPKINS, P. C. THOMAS M. DILLON ***
RICHARD L. SADLER, P. C. MARK J. DAVIS
RANDALL L. DUNN, P. C. **** MARGOT POZNIANSKI
JAMES S. CRANE, INC. *

*ALASKA STATE BAR

**ALASKA STATE AND OREGON STATE BARS

***ALASKA STATE AND WASHINGTON STATE BARS

****WASHINGTON STATE AND OREGON STATE BARS

ALL OTHERS OREGON STATE BAR ONLY

April 19, 1989

VIA FACSIMILE 465-3700

Dave Donley
House of Representatives
P. O. Box V
Juneau, AK 99811

Re: Alaska Corporations Code

Dear Representative Donley:

I represent the Alaska Federation of Natives with respect to amendments to the Alaska Corporations Code.

There are significant problems with the Alaska Corporations Code as passed last year. Assurances were given that the amendments would be made to the Code before it became effective this July.

The Code as it was passed last year, without amendments, would cause great difficulty for Native corporations.

If the Code is not going to be amended this year, then at the very least the effective date of the Code should be postponed at least one year.

Sincerely,

COPELAND, LANDYE, BENNETT and WOLF

David P. Wolf
David P. Wolf

cc: Alaska Federation of Natives

DPM\749\LDONLEY.01:mv

HB 204 File

ROBERT H. HUME, JR.
3101 Brookside Drive
Anchorage, Alaska 99517

N

April 13, 1989

11/106
248-4975-H
276-5152-W

Representative Dave Donley
P.O. Box V
Suneau, Alaska 99811

Re: Revisions to Alaska Corporation Code

Dear Representative Donley:

I understand that your committee is considering the proposed amendments to the new Alaska Corporations Code. I am familiar with the amendments. They will make operations under the new corporations code easier for the various corporations which I work with. On behalf of those companies, my friends and neighbors in Spenard, and myself, I request that you schedule a hearing so that those amendments and any other appropriate amendments can become law. Last year the Alaska Corporations Code was passed over the objections and without input from the Bar. However, there was a promise that amendments would be passed this year. It is very important that amendments be approved this session. If you have any questions about the bill, you might consider speaking with Senator Rodey, who also represents us in Spenard.

Sincerely,

Bob Hume

Robert H. Hume, Jr.

RHH\misc\ltdon:ah

Sec. 10.06.424 SHAREHOLDER AGREEMENTS.

(a) An agreement among all the shareholders of a corporation may:

(1) impose restrictions on the transfer or registration of shares of the corporation to:

(A) maintain the corporation's status when it is dependent on the number or identify of its shareholders:

(B) to preserve exemptions under federal or state securities laws:

(C) to ensure that shareholders will be able to control who may participate in the corporation's business:

(D) to ensure that shareholders who wish to retire will be able to liquidate their investment without disrupting corporation affairs:

(E) to ensure that estates of deceased shareholders will be able to liquidate the decedent's shares in the corporation:

(F) to ensure that the election of S Corporation status under federal and state corporate income tax laws can be effected and preserved:

(G) obligate the shareholder first to offer to the corporation or other persons (separately, consecutively or simultaneously) an opportunity to acquire the restricted shares:

(H) obligate the corporation or other persons (separately, consecutively or simultaneously) to acquire the restricted shares:

(I) require the corporation, the holder of any class of its shares, or any other person, to approve the transfer of restricted shares, if the requirement is not manifestly unreasonable: and

(J) for any other reasonable purpose:

(2) provide for selection of directors and officers.

(b) The existence of a shareholders agreement consistent with this section shall be noted conspicuously on the front or back of each stock certificate together with a statement that the agreement (or a copy thereof) is on file at the principal office of the corporation and the corporation will allow inspection or furnish a copy thereof without charge.

(c) Shares issued before compliance with subsection (b) of this section shall, if acquired by a person without knowledge of the shareholders agreement, not be subject to such shareholders agreement.

(d) For purposes of this section "shares" includes a security convertible into or carrying a right to subscribe for or acquire shares.

Dec-Bill file
File



RECEIVED APR 27 1989

April 27, 1989

Hand Delivered

The Honorable Peter Goll
The honorable Max F. Gruenberg, Jr.
Cochairs, House Judiciary Committee
Alaska House of Representatives
P.O. Box V
Juneau, Alaska 99811

Re: Alaska Corporations Code

Dear Representatives Goll and Gruenberg:

Enclosed is a copy of David Wolf's April 19 letter to Representative Donley, written on behalf of the Alaska Federation of Natives, advocating either amending the new Corporations Code during the current session or extending by at least one year the effective date of the new Code.

Now that the House bill is before the House Judiciary Committee for consideration, Sealaska Corporation wants to express its emphatic concurrence with the AFN's request, for the reasons given by Mr. Wolf.

Please contact Sam Kito or me if you have questions regarding Sealaska's position in this matter.

Sincerely,

SEALASKA CORPORATION

Byron I. Mallott
Chief Executive Officer

Enclosure: April 19, 1989 letter
cc: Sam Kito
Chris E. McNeil, Jr.
E. Budd Simpson

COPELAND, LANDYE, BENNETT AND WOLF

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

ATTORNEYS AT LAW

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* ALASKA STATE BAR
** ALASKA STATE AND OREGON STATE BARS
*** ALASKA STATE AND WASHINGTON STATE BARS
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April 19, 1989

VIA FACSIMILE 465-3700

Dave Donley
House of Representatives
P. O. Box V
Juneau, AK 99811

Re: Alaska Corporations Code

Dear Representative Donley:

I represent the Alaska Federation of Natives with respect to amendments to the Alaska Corporations Code.

There are significant problems with the Alaska Corporations Code as passed last year. Assurances were given that the amendments would be made to the Code before it became effective this July.

The Code as it was passed last year, without amendments, would cause great difficulty for Native corporations.

If the Code is not going to be amended this year, then at the very least the effective date of the Code should be postponed at least one year.

Sincerely,

COPELAND, LANDYE, BENNETT and WOLF

David P. Wolf

cc: Alaska Federation of Native
DPW\749\LDONLEY.01:mv

HB204 File

Carr-Gottstein Properties
6401 A Street
Anchorage, Alaska 99518
(907) 564-2424

April 12, 1989

Ginger Baim
Attn: Labor and Commerce Committee
c/o Representative Dave Donley
House of Representatives
PO Box V
Juneau, Alaska 99811

Dear Ms. Baim:

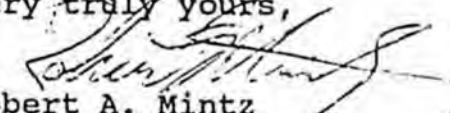
Thank you for the information respecting House Bill 204 and Senate Bill 204. In our opinion, there is a serious deficiency in the new Alaska Corporation's Code (effective July 1, 1989) treatment of Shareholder Agreements that the proposed Amendments to House Bill 204 and Senate Bill 204 fail to rectify or properly address.

We believe it is imperative the new code expressly and precisely authorize shareholders to enter into agreements. The code should spell out clearly the types of provisions a Shareholders Agreement may contain. As currently written, the new code, with the proposed amendments, is unacceptably vague and ambiguous on this issue.

The long-standing use, both within and outside of Alaska, of unanimously written shareholder agreements to express and enforce extremely helpful and efficient arrangements made among small independent entrepreneurs/owners, and their family or small corporations, regarding the sharing of corporate control, buy-sell (death, disability, new owners, etc.) plans, and other logical and traditional matters of vital concern to non-publicly traded or small enterprises, is simply not appropriately recognized, or sanctioned, by the new Alaska Corporations Code.

Accordingly, on behalf of Carr-Gottstein, Inc., I strongly urge you to include the enclosed Shareholder Agreement section in the pending Amendments in both bills. If such an amendment pertaining to shareholder agreements cannot be passed this year, then the July 1, 1989, effective date of the new Alaska Corporations Code should be postponed.

Very truly yours,


Robert A. Mintz
Director of Commercial Development
and Finance

**CARR
GOTTSTEIN INC.**

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

ALASKA STATE CAPITOL
JUNEAU, ALASKA 99801
907 465 1800

March 3, 1989

The Honorable Mike Davis
Chair, Alaska Legislative Council
Pouch V, State Capitol
Juneau, Alaska 99811

Re: Bill on the Alaska Corporations Code (AS 10.06)
(6-0953A and 6-0395A)

Dear Representative Davis:

The attached bills (one for the House and one for the Senate) are submitted to the Alaska Legislative Council pursuant to AS 24.20.075 with the request that they be introduced in the Sixteenth Legislature. A sectional analysis accompanies the bills.

The bills are the product of work done by the Alaska Code Revision Commission and the Task Force for the Alaska Corporation Code and represent a consensus of changes and additions to AS 10.06 which passed the Legislature during the second session of the Fifteenth Legislature.

By way of background, AS 10.06 (CSHB 322(Jud)(efd am S)), passed the House by a vote of 38-0 and the Senate by a vote of 14-4. During the final week of consideration of this bill, both individuals and groups indicated to various legislative members that they had not had sufficient time to consider the wholesale revision of the Alaska's for-profit corporation code (bills virtually identical to the bill that finally passed the Legislature were introduced and considered by the Legislature beginning in 1982 through 1988). In an effort to allow additional comments on AS 10.06, Senator Kelly offered an amendment in the Senate to postpone the effective date of the bill until July, 1989. The Legislature approved the amendment and the bill was forwarded to Governor Cowper where it was signed into law.

The purpose of the delayed effective date was to allow for the creation of a task force (the ACC Task Force) representing those interests which wanted additional time to consider

Representative Mike Davis
Page 2
March 3, 1989

AS 10.06 to propose changes and amendments to the bill as passed for consideration by the Legislature prior to the July 1989 effective date. The Task Force was comprised of the following interests:

1. Erik LeRoy representing the Alaska Bar Association's Business Law Committee and the interests of Native Village Corporations;

2. Willis Kirkpatrick, Director of the Division of Banking, Corporations and Securities (Mr. Kirkpatrick chaired the Task Force);

3. David Wolf representing the Alaska Federation of Natives and the interests of the Native Regional Corporations;

4. J.P. Tangen representing the interests of the State Chamber of Commerce;

5. John W. Abbott representing the Alaska Code Revision Commission.

The Task Force was also to have included Elizabeth Johnstone because she had earlier led a group of five attorneys designed by the Alaska Federation of Natives to work with the Code Revision Commission in tailoring the new code so that it reflected the interests of Alaska Native Corporations. Her whereabouts were unknown and, as such, she did not participate. A representative of the Anchorage Chamber of Commerce was also contacted to participate in the Task Force but did not do so.

The Task Force first met in November of 1988 and essentially finished its work (which was approved by the Alaska Code Revision Commission) on February 28, 1989. The draft bill accompanying this letter of transmittal is basically the work product of the Task Force. Although the Task Force has not seen the final form of the bill, it is our understanding that the Task Force agrees with the changes proposed by the bill.

Although the bill appears lengthy, in fact the number of changes is minimal. In many instances, sections of AS 10.06 which are being modified are duplicated in their entirety, even though only two or three words are added or deleted. New sections have been added to clarify the duties of offi-

Representative Mike Davis
Page 3
March 3, 1989

cers and directors so that the duties appear in respective sections dealing with directors or officers (the provisions generally mirror each other in language). In other sections of the bill, substantive changes have been made to AS 10.06, which substantive changes are reflected in the sectional analysis accompanying this letter of transmittal. A member of the Alaska Code Revision Commission will be available to testify as to the legal ramifications of each such change at any committee hearings.

The work of the Task Force has enhanced the clarity of AS 10.60 by the addition of new language spelling out what corporate conduct is acceptable. It also reflects the needs of a cross-section of the Alaskan community that will be operating under the corporations code. We feel that the changes made are good ones, are defensible and should be made to make AS 10.06 an even better statutory product. I would encourage the Legislative Council to give this bill serious consideration and to encourage its expeditious passage in both houses of the Legislature.

Because time is short for consideration of this bill, and because there may be questions concerning the changes and amendments, I can make myself available for telephone or teleconference consultation concerning the draft bill. Again, the Commission would appreciate your consideration of this bill which, if passed by the Legislature, will take effect at the same time that AS 10.06 is scheduled to become law in Alaska.

Respectfully submitted,

Samara Cook for

John Abbott
Chair
Alaska Code Revision Commission

JA:gc
WKG7/087

Enclosure

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE COUNCIL
ALASKA LEGISLATURE
1100 EAST BROADWAY
ANCHORAGE, ALASKA 99514

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 3, 1989

SUBJECT: Sectional analysis
(Work Orders 6-0395 and 6-0953)

TO: Representative Mike Davis
Chair, Legislative Council

FROM: Theresa L. Bannister *TB*
Legislative Counsel

This provides a sectional analysis of the above described bill.

As a preliminary matter, note that a sectional analysis or summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1 (AS 10.06.010). Eliminates an inconsistency with AS 10.06.485 by making the loan approval requirement applicable to employee loans as well as loans to officers and directors. Clarifies that a corporation has the power to make guarantees to eliminate a question that they were included in corporate powers. Gives corporations the powers of a limited or general partner. Corrects the term for joint ventures.

Section 2 (AS 10.06.020). The current content is designed to protect third parties from an ability of the corporation, or any shareholder asserting a derivative claim, to evade liability for an act or undertaking of a corporate agent by claiming that it was done without real authority. The amendment allows the corporation to assert limitations on the powers of corporate agents set forth in the articles but not to assert limitations found in its bylaws or board resolutions as a defense to the third party's claim. This change would protect shareholders to the extent that the articles of the corporation contained such limitations on either the nature of agency power or the manner of its exercise.

Section 3 (AS 10.06.025(a)). Deletes language that created an internal conflict within AS 10.06.

Section 4 (AS 10.06.105(c)). Clarifies that the subsection is not intended to prevent a limited partnership from using the word "limited" in its name.

Section 5 (AS 10.06.130). Eliminates the need for a corporation to take any other steps to protect the exclusivity of its name and allows the corporation to enjoin the use of the same or a deceptively similar name.

Section 6 (AS 10.06.343). States that the corporation may issue stock purchase rights or options for shares of any class or classes. Substitutes "shall" for "must" as a technical change.

Section 7 (AS 10.06.348). Coordinates AS 10.06.348 with the proposed new AS 10.06.349.

Section 8 (AS 10.06.349). Allows a corporation to issue shares without certificates and establishes a procedure for notifying the shareholder of certain information that is usually disclosed on certificates under other sections of AS 10.06.

Section 9 (AS 10.06.353). Coordinates section with new ability to issue certificateless shares.

Section 10 (AS 10.06.355). Coordinates section with new ability to issue certificateless shares.

Section 11 (AS 10.06.356). Allows a corporation to establish procedures by which the beneficial owner of shares that are registered in the name of a nominee is recognized by the corporation as the shareholder. The purpose of the section is to facilitate communication between the corporation and the beneficial owner.

Section 12 (AS 10.06.358(c)). Eliminates the unqualified requirement that the amount of distributions payable in property be based on generally accepted accounting principles.

Section 13 (AS 10.06.358(d)). Eliminates the unqualified requirement that the eligibility to make certain

distributions is limited to corporations that classify their assets under generally accepted accounting principles.

Section 14 (AS 10.06.358(e)-(f)). Allows a board to determine that a distribution is not prohibited either by generally accepted accounting principles or by accounting practices and principles that are fair and reasonable in the circumstances. States that statements and determinations prepared or arrived at under generally accepted accounting principles are fair and reasonable, but that the fairness and reasonableness of statements and determinations made under other practices and principles must be proved by the corporation.

Section 15 (AS 10.06.360). Changes the insolvency test. Allows existing directors to make the distribution and then determine whether the distribution did, in fact, render the corporation unable to meet its current debts. If it does, the corporation could theoretically recover the illicit dividend from the shareholders.

Section 16 (AS 10.06.385(b)). Coordinates subsection with new ability to issue certificateless shares.

Section 17 (AS 10.06.385(d)). Coordinates subsection with new ability to issue certificateless shares.

Section 18 (AS 10.06.405). States that the failure of a corporation to hold an annual meeting at the required time does not cause the corporation to forfeit its status, does not cause a dissolution of the corporation, and does not affect the validity of corporate action. Restores to the new corporations code the section from the former corporations code that indicated that the failure did not affect the validity of corporate action.

Section 19 (AS 10.06.410). Substitutes a ten-day minimum notice of shareholders' meeting for the current twenty-day requirement because some corporations find it difficult to know 20 days ahead that a meeting will be necessary. Makes a minor change relating to the mailing of the meeting notice to a shareholder's new address.

Section 20 (AS 10.06.418(b)). Makes two minor changes relating to revocation of a proxy.

Section 21 (AS 10.06.418(e)). Defines the term "pledgee" and makes a citation change to coordinate with the changes to AS 10.06.425.

Section 22 (AS 10.06.418(f)). Coordinates the section with the changes in AS 10.06.425.

Section 23 (AS 10.06.418(g)). Gives to a transferee (of a share having an otherwise irrevocable proxy) title clear of the proxy unless the transferee knows about the proxy provision or the proxy, or the irrevocability or notice of the proxy appears on the certificate.

Section 24 (AS 10.06.420(c)). Allows a shareholder's authorized attorney-in-fact to vote for the shareholder in person or by written proxy.

Section 25 (AS 10.06.420(e)). Clarifies the intent of the subsection. States that shares may not be voted if they are owned, directly or indirectly, by a second corporation, domestic or foreign, and if the first corporation owns, directly or indirectly, a majority of the shares entitled to vote for the directors of the second corporation. This section is based on a public policy objection to permitting a corporate subsidiary that is presumably under the direct or indirect control of the parent to vote shares of the parent at a meeting of the parent corporation's shareholders.

Section 26 (AS 10.06.420(i)). Coordinates subsection with new ability to issue certificateless shares.

Section 27 (AS 10.06.421). Based on the Revised Model Business Corporation Act, its purpose is to provide guidelines for election judges and directors when deciding whether to accept certain documents.

Section 28 (AS 10.06.425(a)). Indicates that the subsection doesn't invalidate an irrevocable proxy that complies with AS 10.06.418(e).

Section 29 (AS 10.06.425(b)). Rewrites the subsection to expressly allow shareholders to enter into a voting agreement or any other agreement if the agreement is consistent with this chapter.

Section 30 (AS 10.06.430(a)). Makes technical wording changes to make the use of the term "books and records of account" consistent throughout the section.

Section 31 (AS 10.06.430(b)). Conforms the section to the demand and scope provisions of Sec. 16.02(b)-(c) of the Revised Model Business Corporation Act. Requires that a shareholder's demand to inspect the books and records of a corporation be made with reasonable particularity. Places some burden on the shareholder making the request in order to avoid harassment requests. Substitutes "directly connected" for "relevant". Makes a technical wording change to make the use of the term "books and records of account" consistent throughout the section.

Section 32 (AS 10.06.430(c)). Makes technical wording changes, including one to make the use of the term "books and records of account" consistent throughout the section.

Section 33 (AS 10.06.433(a)). Exempts a corporation with less than 100 shareholders from the requirement of sending out an annual report, unless its articles or bylaws impose the requirement.

Section 34 (AS 10.06.435(a)). Coordinates subsection with new ability to issue certificateless shares.

Section 35 (AS 10.06.450(c)). Is taken from Sec. 8.30(c) of the Revised Model Business Corporation Act and indicates when a director cannot be considered to be acting in good faith.

Section 36 (AS 10.06.450(f)). Follows the suggestion of the ALI Statement on Corporate Governance and articulates the business judgment defense for directors. No jurisdiction has, to this point, ever attempted a statutory formulation of the business judgment rule. The reader is referred to the official comments of the ALI statement for a fuller understanding of the relationship between the duties of care and loyalty and the business judgment rule.

Section 37 (AS 10.06.453(a)). States that the board consists of one or more members. Establishes how the number of directors is fixed. Restricts changing the number of directors to amendment of the articles, if the articles fix the number of directors. Sets the number of directors at three if the number is not otherwise set.

Section 38 (AS 10.06.453(b)). Coordinates subsection with new language of AS 10.06.453(a).

Section 39 (AS 10.06.465(d)). Allows a director to resign at any time.

Section 40 (AS 10.06.470(a)). Coordinates subsection with new language of AS 10.06.453(a).

Section 41 (AS 10.06.470(b)). Allows a corporation to establish in its bylaws the machinery for holding a special board meeting or a meeting of a committee designated by the board. Shortens the general provision relating to the minimum required written notice of the meeting from 20 to 10 days and notice by other listed means from 72 to 24 hours. The general requirement that notice of a special meeting must disclose the proposed agenda is made subject to bylaw provisions.

Section 42 (AS 10.06.483(d)). Corrects a citation. Deletes the reference to "share certificates" because they are covered by another section and there was a conflict.

Section 43 (AS 10.06.483(e)). Allows officers a limited right to rely on legal counsel and public accountants.

Section 44 (AS 10.06.483(f)-(g)). Follows the suggestion of the ALI Statement on Corporate Governance and articulates the business judgment defense for officers. No jurisdiction has, to this point, ever attempted a statutory formulation of the business judgment rule. The reader is referred to the official comments of the ALI statement for a fuller understanding of the relationship between the duties of care and loyalty and the business judgment rule.

Section 45 (AS 10.06.576(f)). Coordinates subsection with new ability to issue certificateless shares.

Section 46 (AS 10.06.576(g)). Coordinates subsection with new ability to issue certificateless shares.

Section 47 (AS 10.06.578(c)). Coordinates subsection with new ability to issue certificateless shares.

Section 48 (AS 10.06.580(f)). Coordinates subsection with new ability to issue certificateless shares.

Section 49 (AS 10.06.605(b)). In addition to technical changes, indicates that a corporation may dissolve if one of the three listed situations occurs.

Section 50 (AS 10.06.528(d)). Coordinates subsection with changes to AS 10.06.425(d).

Section 51 (AS 10.06.530(e)). Coordinates subsection with changes to AS 10.06.425(e).

Section 52 (AS 10.06.633(a)). Allows the commissioner to dissolve a corporation if the corporation is delinquent six months in paying its biennial corporation tax. Deletes paragraph (8) since AS 10.06.155 (registration of agent by nonresident with controlling interest) is repealed by sec. 57 of the bill.

Section 53 (AS 10.06.828). Makes an application for a certificate of authority or any other application subject to a filing fee.

Section 54 (AS 10.06.855). Requires that fees and charges provided for in AS 10.06 be paid in advance.

Section 55 (AS 10.06.960). Updates the citation for the Alaska Native Claims Settlement Act.

Section 56 (AS 10.06.960(e)-(f)). Grants the boards of native corporations the authority to amend their articles without the necessity of a vote of the shares if the purpose is to bring the articles into conformity with federal law. Defines "act" for the section.

Section 57 (AS 10.06.990(12)). Deletes the term "controlling interest" since it is not used in AS 10.06.

Section 58 (AS 10.06.990(47)). Defines "entire board" for the chapter.

Section 59 (AS 10.06.155). Repeals AS 10.06.155, "Registration of agent by non-resident with controlling interest".

Section 60 gives the bill an effective date.

HB

205

HOUSE COMMITTEE REPORT

(9) 3
Date Referred: March 8, 1989

FURTHER REFERRALS: JUDICIARY
FINANCE

5/5

Date of Committee Action: 5-5-89

The RESOURCES Committee considered:

HB 205

HOUSE BILL NO. 205 [FOREST STEWARDSHIP AGREEMENTS]
"An Act relating to forest stewardship agreements."

RECOMMENDATIONS:

- be replaced with CS HB 205 (Res) the same title
- a new title
- have attached amendment(s)
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

- | | |
|--|---|
| ATTACHES NEW FISCAL NOTE(S):
(Dept) | APPROVES PREVIOUS:
(Date/Dept) |
| 2 <input checked="" type="checkbox"/> fiscal impact <u>7+6 DNR</u> | <input type="checkbox"/> fiscal note(s) _____ |
| <input type="checkbox"/> <u>zero</u> fiscal note _____ | <input type="checkbox"/> <u>zero</u> fiscal note(s) _____ |
| <input type="checkbox"/> <u>zero</u> with analysis _____ | <input type="checkbox"/> <u>zero</u> fn/analysis _____ |

SIGNING DO PASS:

[Signature]
Bill Hudson
[Signature]

SIGNING: (Check approp. column)

	Do Not Pass	No Rec	Amend
<u>[Signature]</u>	X		
<u>[Signature]</u>			
<u>Chip Davidson</u>			
<u>[Signature]</u>		X	

[Signature]
 CO-Chairman's signature



STATE OF ALASKA
OFFICE OF THE GOVERNOR

BILL ANALYSIS

DEPARTMENT Fish and Game	DIVISION Habitat	BILL NUMBER	SPONSOR Menard
SHORT TITLE OF BILL Forest Stewardship Agreements			
DEPARTMENT POSITION Oppose			
PREPARED BY Frank Rue, Director	DATE 3/21/89	COMMISSIONER'S SIGNATURE 	DATE 3/20/89

SUMMARY

OTHER AGENCIES AFFECTED BY BILL Dept. of Natural Resources Dept. of Environmental Conservation See attachment	CONSTITUENT GROUPS AFFECTED BY BILL Timber industry, municipalities, tourist industry, aircharter See attachment
ORGANIZATIONAL SUPPORT FOR BILL Redcor Resource Development Council	ORGANIZATIONAL OPPOSITION TO BILL Susitna Valley Association Environmental groups

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

See attachment

ANALYSIS OF BILL/PROGRAM EFFECTS

See attachment

AMENDMENTS PROPOSED

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

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OFFICE OF THE GOVERNOR
BILL ANALYSIS
Forest Stewardship Agreement

OTHER AGENCIES AFFECTED BY BILL

Department of Revenue, Department of Law

CONSTITUENT GROUP(S) AFFECTED BY BILL

businesses, Native corporations, commercial fishing industry, lodge owners, guides, sport fishermen, local property owners

BACKGROUND/LEGISLATIVE INTENT

The stated intent of the draft FSA bill is that the natural resources associated with woodland biomes in the state be protected and enhanced while making the resources available for maximum sustained use, consistent with the public interest; the cost of managing state forest land be transferred to the private sector; and that entering into forest stewardship agreements with a private concessionaire is the best way to achieve the aforementioned objectives.

ANALYSIS OF BILL/PROGRAM EFFECTS

Forest Stewardship Agreements (FSAs) would allow the Commissioner of the Department of Natural Resources to turn over large tracts of multiple-use, state-owned land to be managed by a timber company for silviculture and timber harvest. There is no mention of protection of other resources, uses, or industries such as the commercial fishing industry, recreational industry, tourism, subsistence or any other use. The following points raise specific problems with this bill.

1. The bill makes forestry the primary use on lands where it is applied regardless of the value of those lands for other resources or uses. It does not provide any process for resolving conflicts or excluding lands where forestry would be incompatible with a more or equally important public value. There is also no requirement for ADNR to identify and mitigate potential impacts to fish and wildlife habitats, and other forest user groups such as commercial fishermen, lodge owners, guides, subsistence users and include mitigative measures as part of any FSA.
2. There are no standards in the bill which require an analysis showing net public benefit before entering into a FSA. It negates the state's land use planning and classification process by allowing state lands to

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Forest Stewardship Agreement

be included in FSAs regardless of classification value for other uses or public interests. Through the public planning process, many forested lands have been classified with forestry as a co-primary use, a secondary use, or even as a prohibited use. This bill could reverse ten years of public planning.

3. By substituting a private timber company for state management it removes agencies and the public from future decisions on public lands.
4. As written, FSAs would tend to perpetuate themselves regardless of the degree of public benefit they provide. Once infrastructure and jobs have been created there will be tremendous pressure to perpetuate an agreement even if it becomes obvious that the social, economic, and environmental costs outweigh the benefits and that a public subsidy is necessary to perpetuate the activity. Further, the long-term tenure and options for renewal would make it difficult to get out of an FSA or substantially change it if it appears that continuation is not in the public interest.
5. FMAs are relatively new concepts (since 1980) which have only been used in Canada. Although there are several papers criticizing FMAs as a constraint to efficient forest management (attached), there is very little written information on the effect of these agreements on fish and wildlife habitat resources and uses. However, there is no indication that the Canadians made any analysis or impact assessment before or after adopting FMAs as a means of managing forest lands.
6. The FSA holder would be interested in maximizing profit. Because it takes approximately 80 to 120 years to grow a mature tree in Alaska's boreal forest, there is limited incentive for a concessionaire to make substantial investments in reforestation, or to forego timber harvest to protect other resources unless he was reimbursed by the state in the form of reduced stumpage fees or other subsidies. The extremely long rotation time for the boreal forest (80-120 years) raises serious questions about any potential investors' willingness to invest in optimal forest management. It makes harvest of old-growth forest attractive but offers little if any incentive for maintenance of fish and wildlife habitat and other forest based resources.

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7. Assuming the FSA concept could be amended to address resource values other than timber, the Department of Fish and Game would have to either increase its staff of planners and field staff to evaluate proposed FSAs to monitor timber harvest and silviculture activities or run the risk that significant long-term degradation of fish and wildlife would occur. The Department of Natural Resources will also have to increase its staff to ensure that the state will receive fair value for its timber, and that the concessionaire complies with the terms of the agreement. This could increase rather than reduce costs to the state.



RESOLUTION 89-9



HOUSTON, ALASKA
A BICENTENNIAL COMMUNITY

A RESOLUTION OF THE CITY OF HOUSTON SUPPORTING THE CONCEPT OF
REDCOR'S PROPOSED FOREST STEWARDSHIP AGREEMENT ACT.

WHEREAS, the City of Houston contains one of the State's largest forests; the Susitna Forest; and

WHEREAS, the State is not properly managing the Susitna Forest; and

WHEREAS, the lack of proper management is allowing the forest to deteriorate; and

WHEREAS, the lack of proper management is restricting the amount of timber harvesting; and

WHEREAS, proper stewardship of the Susitna Basin Forest will improve multiple use management of the forest; and

WHEREAS, the Regional Economic Development Corporation has proposed legislation for the proper stewardship of all forests in Alaska; and

WHEREAS, the Matanuska-Susitna Borough Agricultural and Forest Advisory Board supports the proposed legislation; and

WHEREAS, the City of Houston Planners support the proposed legislation.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Houston strongly supports the concept of the Forest Stewardship Agreement Act as proposed by the Regional Economic Development Corporation.

PASSED AND APPROVED by the City Council of the City of Houston, this 23rd day of February, 1989.

ATTEST:

Marcella D. Pardo
Mayor

Linda L. Pardo
City Clerk



CITY OF WASILLA

200 E. HERNING AVE.
WASILLA, ALASKA 99687
PHONE: 573-9050

RESOLUTION NO. WR89-02

A RESOLUTION OF THE CITY COUNCIL OF WASILLA, ALASKA supporting legislation pertaining to Forest Stewardship Agreements that will be considered by the Alaska State Legislature.

WHEREAS, world economics and technology now allows for the profitable harvesting and conversion of Alaska timber to meet world market demands for plywood, lumber, furniture stock, paper and pulp, and,

WHEREAS, skillful management of Alaska's forests will allow for increased timber growth, improved animal habitat, new recreational opportunities and expanded road networks; and,

WHEREAS, the development of a timber industry that will attract investment for mills, factories and equipment depends on the ability of State agencies to enter into long term, large volume forest stewardship agreements.

NOW, THEREFORE BE IT RESOLVED that the Wasilla City Council urges legislative action to adopt rules and regulations that will enable and encourage State agencies to enter into forest stewardship agreements which provide for private sector professional management of State owned or controlled forested lands.

I certify that a resolution in substantially the above form was passed by a majority of those voting at a duly called and conducted meeting of the governing body of the City of Wasilla this ____ day of _____, 1989.

ATTEST:

APPROVED:

Erling P. Nelson, C.M.C.
City Clerk

John C. Stein, Mayor

(Seal)

CITY OF PALMER, ALASKA

RESOLUTION NO. 812

A RESOLUTION SUPPORTING THE FOREST MANAGEMENT CONCEPT.

WHEREAS, the need to develop a viable timber industry in the Matanuska-Susitna Borough is a long-term goal, and

WHEREAS, the Matanuska-Susitna Borough contains one of the state's largest unmanaged timber areas, and

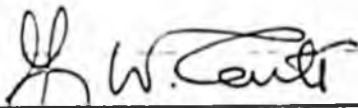
WHEREAS, the legislation allowing for the continued harvesting of the resource is lacking, and

WHEREAS, the establishment of a forest management plan will allow this timber area to be harvested for perpetuity, and

WHEREAS, a forest management plan will help to guarantee permanent jobs associated with the timber industry,

NOW, THEREFORE BE IT RESOLVED that the City of Palmer supports the forest management concept of timber harvest.

Passed and approved by the City Council of the City of Palmer this 28th day of February, 1989.



GEORGE W. CARTE, MAYOR

DAVID L. SOULAK, CITY CLERK

March 7, 1989

DEPARTMENT OF NATURAL RESOURCES
POSITION PAPER

Subject: Forest Management Agreements

Position: The department currently does not support forest management agreements. The state's resource inventory and management infrastructure is insufficient to support FMA's. Other options which provide for diversification should be explored.

Background: The State of Alaska, Department of Natural Resources, Division of Forestry is responsible for forest management on ten million acres of forest lands.* Most of these lands lie between Anchorage and Fairbanks and contain large quantities of both hard and soft woods. Much of the forested land is inaccessible and inadequately inventoried. The state is currently using small short-term sales for the sale of fuelwood, house logs and salvage logging. Longer term sales have been used to market larger volumes.

"Forest Management Agreements" (FMA's) have been suggested as a means to encourage the development of a stable forest industry. An agreement may be a long-term negotiated contract where some of the terms require the contractor to provide for the management and reforestation of an area. In return the contractor is guaranteed a long-term source of timber.

The possibility of enacting FMA's as a means to promote a stable industry while providing acceptable forest management has been explored both by the department and the 15th and 16th Legislatures.

The following attributes support forest management agreements:

- 1) FMA's promote a stable industry. Industry must have a long-term assured supply of raw material. A long-term contract would provide stability and an assured resource.

* See attached land-use breakdown.

- 2) FMA's may provide cost savings to the state by placing the management expense on the contractor.
- 3) FMA's may not always show a substantial return to the state but they may provide steady employment and help establish a stable economy.

The following points have been made by land managers and others in opposition to forest management agreements:

- 1) While a contractor would presumably bear the cost for management, the state would still be responsible for overseeing the contract and enforcing its terms. This would require additional staff and considerable expense on the part of the state. Many people experienced with FMA's assert there are no savings to the government.
- 2) Once a forest management agreement is established it is highly unlikely it would be terminated even if there were a substantial breach of the contract.
- 3) FMA's would commit large amounts of land and resources to one contractor. If that contractor fails, the contract fails and the entire economy built on this one long-term contract will collapse.
- 4) The existing infrastructure (i.e. transportation, access and facilities) is inadequate to meet the needs of a developing forest industry. There exists the question of who will develop, fund and maintain the necessary construction.
- 5) FMA's eliminate competitive bidding for the state's forest resources, raising substantial policy questions for decision makers.
- 6) FMA's transfer management of state multiple use land to a private contractor who manages primarily for timber.

Recommendation:

1. As funding permits, the Division of Forestry will begin an evaluation of the existing land base to provide a current inventory by species and volume, long-term timber production potential and timber sales options.

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

P.O. BOX 3-2000
JUNEAU, ALASKA 99802-2000
PHONE: (907) 465-4100

March 29, 1989

The Honorable Curt Menard
Alaska State Representative
P.O. Box V
Juneau, AK 99811

Dear Representative Menard:

The Alaska Department of Fish and Game (ADF&G) has reviewed the draft Forest Stewardship Agreement Bill. Based on our analysis of the proposed bill, and a review of the available literature on Forest Management Agreements, we believe that this legislation would deleteriously affect existing land use allocations and the current land management decision-making process. This, in turn, could prevent our department from fulfilling its statutory mandate to protect, preserve, maintain and, where possible, enhance fish and wildlife resources on state lands covered by these agreements.

The ADF&G cannot support a statute that would administratively designate timber harvest and silviculture as the primary use on large tracts of state land, and then further remove these lands from the existing multiple use decision-making process by turning them over to a concessionaire for long-term management. Through the state's land use planning process, many state forest lands have already been classified for other uses, or forestry has been designated as a co-primary use with fish and wildlife, recreation, and other uses. Forest Stewardship Agreements (FSAs) would circumvent the current land classification and balancing process, which helps to ensure that all important land uses are compatible. It would also make it very difficult to resolve serious conflicts should they arise.

Additionally, the department questions whether the proposed legislation would shift the financial burden of administering forest land to the private sector. To the contrary, we believe that ADF&G would have to maintain substantial staff to review plans and monitor timber harvesting to ensure compliance with Title 16 statutes and whatever fish and wildlife mitigation might be included in the agreements. The Alaska Department of Natural Resources (ADNR) would have to maintain a staff of foresters and

March 29, 1989


auditors to ensure that the concessionaire was complying with the terms of the agreement and the public's interest was being served.

Enclosed is a more detailed analysis of the draft bill (Enclosure 1), specific comments on some of the provisions contained in the proposed legislation (Enclosure 2), and a fiscal note which is based upon a hypothetical FSA for state forest lands in the Susitna Valley (Enclosure 3). Also enclosed are four papers discussing various aspects of Forest Management Agreements (Enclosure 4).

We believe that the ADNR existing timber sales statutes and regulations are adequate and flexible enough to allow the department to offer a reasonable supply of public timber to industry. The proposed legislation is not necessary to meet the need for timber and will make it more difficult to balance the needs of the timber industry and other economically, socially, and environmentally important uses of public forest lands.

Thank you for the opportunity to comment on the draft Forest Stewardship Agreement Bill. If you have any questions about the department's comments, please contact Frank Rue or Bruce Baker of our Habitat Division.

Sincerely,


Don W. Collinsworth
Commissioner

Enclosures

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

March 10, 1989

Honorable Curt Menard
Alaska State Legislature
House Resource Committee
P.O. Box V
Juneau, AK 99811

Dear Representative Menard:

RE: Comments on Forest Stewardship Agreement Legislation

I have reviewed the proposed Forest Stewardship Agreement legislation and offer the following comment per your request.

The concept of devoting or dedicating a portion of forest land for the express purpose of intensive timber management is one that has proven successful in other areas of the world, most notably Canada and the Scandinavian countries. In Canada the driving philosophy was one of settling large tracts of basically unpopulated land and providing a means by which people could exist on them. In the Scandinavian countries the basis was a recognition of a finite resource base that demanded intensive management if it were to meet both the social and economic needs of the population. The success of these efforts rests largely on the determination of the government(s) to make them work. While such approaches to forest industry development are criticized from some quarters, it can be said that these programs have succeeded in inducing the forest products industry to commit financially to infrastructure development, primarily in the form of manufacturing facilities, and that this commitment has resulted in an overall economic benefit to the respective areas. Additionally, in the Scandinavian experience, it has fostered the development of the most advanced silvicultural techniques employed in forest management and a concomitant industry that develops and manufactures state-of-the-art timber harvesting and wood processing equipment.

The thrust of this bill is consistent with the Governor's Memorandum of July, 1988 wherein he calls for efforts to "encourage the sale, long-term lease, or contractual management of state-owned forest land

for the development of a forest products industry consistent with the public interest and multiple use concepts." It is important to note that while the timber industry in Southeast Alaska has enjoyed a healthy rebound in the past two and one-half years, development of northern forests in the Southcentral and Interior regions of the state has lagged behind. This may in some way reflect the general economic decline of the areas but perhaps more importantly reflects the total lack of infrastructure necessary for the industry to flourish. The intent of the proposed legislation does address this aspect of the overall development but could go further.

My comments on specific points in the proposed bill are as follows:

Sec. 41.17.092

(c) The proposed 20 year term of the initial agreement includes review and evaluation of the performance at 5 year intervals. This seems appropriate however this section might be extended to include language that requires annual reporting of certain achievements in addition to the periodic review. Such reporting procedures would include but not be limited to volume harvested, acres planted, thinned, etc., road construction accomplishments and so on. Each 5 years these annual progress reports could be compiled and analyzed as a measure of performance and compliance with the management objectives.

(d) It seems appropriate that the Forest Practices Act recently revised (but not yet promulgated) would apply to the land designated under the agreement. Part of the monitoring of the performance of the concessionaire would include habitat protection measures, etc., provided for by statute, regulation and BMP in the Forest Practices Act. This portion of the monitoring would be conducted continuously and not at 5 year intervals.

(f) The basis for annual harvest limitations or restrictions must be carefully considered. The method for establishing harvest levels must be sensitive to the financial scheme the concessionaire develops in terms of amortization and recovery of investment. This section might include language that allows for stepped or progressive levels of harvest that are linked to a progressive schedule of manufacturing capacity installation. Increasing manufacturing capacity over time to achieve a design capacity may allow the operator and the state the flexibility needed during a start-up phase.

March 10, 1989

(g) The area transportation plans referred to in this section must be coordinated well in advance of operations and in all cases reviewed from a regional standpoint to assess compatibility with regional transportation plans. This process would identify opportunities for timber haul road construction to also service other resource development while minimizing overall impact.

(i) Any forest management proposal must attempt to balance the needs of various sized operators already established and present opportunities for new entrants. Additionally, the mix of operators and businesses including the concessionaire must not be placed in a do-or-die position when competing for the available timber. This legislation should work toward encouraging a mix of harvesting and manufacturing entities that are compatible and to the degree possible, capable of operating independently.

As a final point, it should be noted that timber inventory data for Southcentral and Interior Alaska is in most cases outdated. I feel certain that thorough and comprehensive inventory work in areas contemplated for stewardship agreements is needed and that it will add greatly to the probability of success of this approach to management of forest land in the state.

Quite recently federal agencies undertook to reevaluate a statewide forest inventory study originally conducted in 1967. One thrust of this report, which is available in draft form only, was to examine the commercial forest resource in terms of the current ownership pattern, something that had not been done since the advent of state selections, land claims and various federal land legislation. While general in nature, this report will be of assistance in future planning efforts on lands of varied ownership. Of particular interest to the issue of forest stewardship, the report points out that the State of Alaska now owns the highest volume areas in the interior, averaging 1,155 cubic feet per acre and totaling 4.9 billion cubic feet. This statistic has generic value only, in that it provides some perspective of the magnitude of the resource base.

Sincerely,



Gerry Engel, Program Manager
Minerals & Forest Products

GE/cw0776A
31089a

My name is Don Loesche. I live at mile 51, Parks Highway near Big Lake. I work in the sport fishing lodge business. I have also worked and lived with the Great Boreal Forests of Alaska for over 40 years.

I am here before you to discuss the merits of HB 205 and try to prove that the bill needs to be passed into law this session. The subjects I will briefly address are: The Dying Boreal Forest, the Railbelt Economy, the forest industry potential, the risk of a single base economy, value added products, the archaic practices of our forestry department, and what is merchantable timber. I was not able to bring my library with me, but I believe I have sufficient data to prove my point.

The Tongass and the state forest at Haines will not be on my subject list because they are not a true Boreal forest but a northern extension of a southern forest made possible by the warm Japanese current that supplies the warm air to cause it's existence.

The subject will be the Great Boreal Forests of the Susitna Valley, Copper Center and the Great Interior. The hundreds and hundreds of million board feet or cubic feet as you may prefer are virtually unmeasurable, any figure you choose to use will probably be conservative. These forests are in a serious state of decay because they have not been harvested or managed. The only management has been my Mother Nature in the form of fires. I believe that Forester David Orr presented you with facts on the Beetle kill throughout Alaska; Dr. William Wood has given much data on the over mature condition of our forest, the Great Tiaga as he refers to it. I have given similar information on March 11 in Wasilla. So do we all agree that these are facts or would some one like more information?

The Railbelt Economy from Anchorage to Fairbanks and on to the Canadian border is also a serious economic disaster that I'm sure you are aware of. So do we all agree that this does exist?

The Forest Industry potential is great, we have the known markets, we have the resource well inventoried and identified. We have the available manpower, however, we do not have in Alaska the technology or the capital to put this technology to work. We can't build the pulp mills, the plywood plants, Wise wood plants or any of the other plants necessary to put our resource on the market. Round log export can not achieve anything in the Boreal Forest because it causes 70% waste and exports the jobs to other countries. Everything that is cut in Alaska must be shipped in a value added form. This is the only way that we can utilize the resource and the manpower to the maximum. I'm sure that when you all see a lumber yard full of dimensional lumber you think of the timber industry. When you see a train load of logs going to the docks for export you think of the timber industry. When the Department of Forestry talks of the forest industry they say if a tree isn't 24" at the butt or 10" at the small end, it is not merchantable, so this is what they think of when they talk of the timber industry. This is archaic! How many of you think of the timber industry when you use a tooth pick or light a match, use chop sticks, play a guitar, put on a rayon shirt or sit in a chair, or for that matter, review the papers before you or the paper that I am reading. Now this is the timber that will save our Boreal Forests. It will take all of these industries, knitted to each other to do the job and the job is very big. Therefore, HB 205.

We have just had a very big fact brought before us at Valdez. Here suddenly popped up Murphy's Law and the worst scenario all at once. However, because of the magnitude of it all we were very, very, luck. It was a very clear warning to me that we had better do something to diversify our economy. Years ago a worker dropped a crescent wrench on a steel floor and blew up a pump station, an activist tried to blow up the pipe line at Fox, fortunately he didn't know how and just made a big bang. Any one of these things, or a drunken or drugged worker, a fire or an earthquake could bankrupt the state. We hang by a very fine thread over a very deep pit. We had better get more diversified and do so soon. The pipeline is already older than it's original expected lifespan. Again HB 205.

According to Dr. Kimm from the University of Alaska has spoken to all of us on the subject of value added products in both the fishing industry and the timber industry to mention only two. ~~We have already given our fishing industry away, let's not do it to our forest industry.~~ I would like to talk a bit on value added products. Through long term timber leases, as addressed in HB 205, our first value added product is the resource itself by using modern forest practice techniques we will have an improved forest of higher yield and better quality product or added value. Nurseries, seeding, farms, scarification, re-planting, and thinning are value added. Improved game habitat, stream enhancement, aquaculture, recreation facilities, increased tourism, improved life styles, infrastructure, more wild berries, mushrooms, game birds, moose, caribou, bear and the list goes on and on. These are all value added products. Under our current practices, none of these things can be achieved. At the present time a black spruce tree is absolutely

valueless. It's not pretty to look at, it is not desirable to use as firewood, it can't be used in round log export, it is just there, useless and unweightly. Black spruce milled in a Wisa wood mill is the most valuable wood in Alaska, bringing in \$1,500 a thousand on the U.S. and Pacific Rim markets.

White birch is the most valuable plywood and one of the most valuable toy and cabinet stock material. Clear white interior spruce is the most desirable wood in the world for acoustical instruments and therefore the most valuable. Aspen and cottonwood brings the highest pulp price not to mention the many side products (i.e., furniture, cabinet stock, etc.). These products can all be a reality and should be, but they never will be possible until we can provide long term timber supplies to an investing product producer. No one is going to invest 3 or 4 hundred million dollars in Alaska if they can't see how they can amortize the investment over a 20 year period or longer.

It's the second cut from an enhanced forest that will make it all worth while. That, Gentlemen, is the value added product.

In reference to our archaic forest practices that I aforementioned, the DNR and the Department of Forestry still consider that timber sales are a disposal of a resource instead of the enhancement and development of a resource. They still judge merchantable timber as having a 24" butt or a 10" small end. Because they believe that dimensional lumber is the only marketable product (the 2x4 syndrome), they still compare the Tongass to the Great Boreal forest of the interior. They still use the Scribner Decimal Scale on most timber sales which also supports the 2x4 syndrome. Other scales used are by the cord for firewood or cubic feet on junk wood for chips, of which we have no producing industry in the

Boreal Forest supplies. We need to take a giant step forward and traverse two centuries; from the 21st Century and beyond with total utilization and forest enhancement. Everything in the forest biome must be enhanced by utilization and that is what conservation is. HB 205.

As far as a diversified economy is concerned, we can realize more dollars from the Boreal Forest than we can recover from the oil industry. The big difference is that in 100 years, we will have a better resource producing more in the Tiaga, while the Alaska oil industry will be in history books if the present production continues. Synthetic fuel will power our cars and heat our homes and this synthetic fuel will be a by-product of agriculture and the forest. This may all seem confusing but the time has come to take our place in the world now and in the future. The oil industry, the forest, and our people are telling us we must start now, even next year could be too late.

* The object of HB 205 is not to dispose of a resource but rather to develop and enhance our resource along with enhancing wild life and all other things in the forest biomes. This might sound like a dream, as Dr. Wood's puts it, but it can be a reality. We can only look back to see what we have done and not make the mistakes of the past.

PETERS HB 205
PACKET

Alaska State Legislature



COPY

House of Representatives
House Judiciary Committee

P. O. Box V
State Capitol
Juneau, Alaska 99811
(907) 465-4990

April 6, 1989

Mr. Gil Serrano
Chairman
Redcor
P.O. Box 873542
Wasilla, Alaska 99687

Dear Mr. Serrano:

Thank you for your letter of March 30, and for the enclosed material, regarding HB 205, relating to forest stewardship agreements.

This bill is currently before the House Resources Committee. It has a further referral to the Judiciary Committee. I will have the information on the legislation which you have sent to me available for the committee members use.

Thanks for writing.

Sincerely,

Handwritten signature of Peter Goll in cursive script.
Peter Goll



Box 873542, Wasilla, AK 99687
(907) 376-1060

March 30, 1989

Representative Peter Goll
Pouch V State Capitol
Juneau, AK 99811

Dear Representative Goll:

Development of our Boreal Forest and the associated industry is the most important issue that we face in the legislature this year. HB205.


We have already been informed that the people of the State of Alaska can expect higher taxes and the at boroughs and city governments can expect to shoulder a larger percent of their cost burden. This again means higher property taxes, both real and personal, which is always passed on to commodity prices.

We, here in the Mat Su Valley, presently have an estimated 35% unemployment rate and 2010 households receiving public assistance, this computes to approximately 6030 people receiving State assistance. We have no significant industry and no oil wells. In the Mat Su Borough our property values have dropped another 15% this year which brings the total devaluation down 35% in the last four years. It seems rather foolish to think that we can get the needed tax increase from people on welfare or from devalued property.

By passing HB205 this year we can attract approximately \$300 million in capitol investments which will provide an estimated 1000 jobs directly both here and in the interior and do so without endangering the environment. This will provide the tax base and the people to pay these forecasted taxes.

This information is documented by the enclosed material. Please help us get HB205 out of Judiciary and on the floor for passage this year. Your support is vital.

Sincerely,


Gil Serrano
Chairman

A SPECIAL REPORT
FOR THE HOUSE RESOURCE COMMITTEE
REP. CURT MENARD, CHAIRMAN

MARCH 11, 1989



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MEMBERS OF THE HOUSE RESOURCES COMMITTEE, CHAILEMAN AND MAT SU
REPRESENTATIVE MENARD.

For the record, my name is Don Looghe. I live at Mile 51 on the Parks Highway near Big Lake. I am a conservationist and I make my living in the sport fishing lodge business. I am a 43 year resident of Alaska and I am familiar with every area of Alaska. I serve on the Board of Directors of REDCOF which is a non profit organization dedicated to the economic development of the Mat Su Borough. One of our projects is the Forest Stewardship Bill now before us. I will try to be brief.

If you will look in your packets you will find resolutions supporting the Forest Stewardship Bill. These resolutions are from the Willow Chamber of Commerce, Houston City Council, Big Lake Chamber of Commerce, City of Wasilla, Wasilla Chamber of Commerce, City of Palmer, Matanuska Susitna Borough, Mat Su Loggers Association, District 16 Republican Party, the Valley Democrats and REDCOF. We feel that this is the best cross section of the Valley that can be gathered. So I hope you will listen.

The Constitutional Convention held in Fairbanks in 1957 realized that Alaska would have to develop its resources if Alaska was going to succeed. Therefore, Article VIII Section 4 reads "Fish, forests, wildlife, grasslands and all other replenishable resources belonging to the state shall be utilized, developed and maintained on a sustained yield principal, subject to the preference among beneficial uses." No where does it state that there shall be a State Forest. The word forest as used in Article VIII Section 4 is a common noun meaning an area covered with trees and brush. If it meant a State Forest, it would have been a proper noun with a capitol F.

The purpose of the Forest Stewardship Bill is to enhance and protect the forest biomes while making the resource available for maximum sustained use. This act will fulfill the mandate set forth in the Alaska State Constitution. This mandate has not been fulfilled and the establishment of another state forest certainly will not advance us in this direction.

By passing the Forest Stewardship Act we will be able to attract wood processing plants to process our valuable resource, creating jobs and stabilizing our economy both here and in the interior all the way to the Canadian border as well as the Tanana and Yukon River watersheds.

Alaska's State Forest policy has been disaster, creating bug infestation, none or few jobs, no sustained yield for industry and contributed to round log exports, giving the jobs to Korea and Japan. In contrast to that we must look at what has happened in Alberta Canada. The Province of Alberta entered into a stewardship agreement with Procter and Gamble Ltd. of Toronto. Part of this stewardship was on a 14,000 square mile area north of Grand Prairie. Procter and Gamble has and is building over \$8 billion worth of facilities in Alberta and British Columbia plus a \$45 million fine wood plant north

of Grand Prairie. This provides for no round log export, 215% employment on permanent jobs in the Grand Prairie area where everyone is working and tourism is flourishing because the people of the world are fascinated by this phenomena of success. Camp and recreation areas have been opened up due to infrastructures to areas never before accessible with streams and wildlife habitat enhanced by proper management. In the packet before you is an article from the Wall Street Journal that goes into the description of this project in more detail.

The United States and Europe proper is about 50 years behind in forest management techniques while Alaska is still somewhere in the early 1800's. Finland, who leads the world in forest development, is a very democratic country not aligned with anyone, East or West. The forest stewardship system they use is similar to that proposed in the REDCOR forest stewardship bill. This is a country that is smaller than Alaska yet timber products are 60% of their total economy while they also enjoy more fish in their streams, more moose and other game in their forests as well as tremendous harvests of wild berries and mushrooms plus a thriving tourist industry winter and summer. In this same field Alaska enjoys by comparison about 5%. The comparison to Finland was chosen because we suffer from the same effects of the same latitude and the same climate (theirs is colder) and a very similar terrestrial environment.

There are many facts related to a forest stewardship plan.

- 1) A forest stewardship is a forest farm, not a clearcut like the McKinsey Point Dairy Project.
- 2) An old forest is a waste of the resource and poor game habitat.
- 3) Wildlife loves a new forest because it means food, which is far better than starving as they are now doing in the proposed Willow Mountain Critical Moose Preserve and the rest of the Valley.
- 4) Cant and round log sales are 75% waste, bring low prices, cause bug infestation from the waste and leaves a dead forest.
- 5) Alaska Railroad Moose Plan should be an FMA so the moose would have food somewhere other than along the railroad where the right of way has been cleared and new growth willow has grown. This is also true in the case of our Highways. Starved moose that recently have been found locally to have come from as far as 70 miles to find this food.
- 6) A forest stewardship plan will bring facilities that will produce plywood and custom wood products bringing top dollar on the world markets.
- 7) Presto log, pulp chips and wood pellets are a by product of a forest stewardship plan utilizing waste normally left in the woods to rot.

8) By utilizing our forests we can create long term jobs, family foundations and create new dollars, the good kind.

9) We don't want any more small cut and run type sales with no management plan. We want our woodlands enhanced, not depleted or destroyed.

Thirty years ago in the Talketna area by my observation, the birch forest was a beautiful prime forest. Today, that same forest is overmature and dying. The trees are rotted in the center and ugly to the eye on the outside and of little or no value except for pulp. Had that area been farmed then it would now be a beautiful forest full of wildlife and ready for a second cycle.

In the Lower Susitna Valley we have both old and new stands of mixed species. The old stands need to be harvested while the new stands need to be thinned of unwanted growth so the desired trees can enjoy rapid growth for harvesting in future years.

I would prefer only to address the issue of the Forest Stewardship Bill but unfortunately there has been a special interest group formed in Anchorage which was created and is solely dedicated to stopping any forest resource development both here and throughout Alaska. This group has been conceived on misconception and fear of the unknown. I have plowed through hundreds of pages of meaningless paperwork that in most cases supported in fact the principals of forest stewardship. If this organization hopes to preserve the well being of their members the best thing they could do is put their efforts behind the Forest Stewardship Bill so together we could clear up their misconceptions and put to rest their fears of the unknown. I hate to see people living with nightmares.

The Susitna Valley Association (SVA) has not revealed all its members but has admitted the Clarion Hotel, Rust's Flying Service, Ketchum Air, Regal Air and other Anchorage based Air Taxis and sports groups are member contributors. These members use rural Alaska as their working area and playgrounds, taking their customers and money directly back to Anchorage and Lake Hood and leaving nothing in the host areas but their garbage, camp sites, eroded river banks and spawning beds torn up by highpowered jet boats and airplanes taking off and landing in these small creeks. These are the people that say that forest management will destroy the pristine wilderness. That is why the Mat Su Borough had to appropriate \$30,000 to clean up the mess left at the mouth of the Deshka and Yenta Rivers. That is the result of their so-called conservation. Believe me, 200 boats and 30 airplanes on a given day at the mouth of the Yenta is not pristine nor is 2000 fishermen at the mouth of the Anchor River pristine.

Niether the state or the borough have the money or the personnel to take care of these places but by everyone working together including the Forest Steward, we could. Through the Forest Stewardship Bill we could build roads, clean up and restore non productive streams and

hundreds of the availability of hundreds more spots for fishing, hunting and recreation, believing the few spots that are presently so hard over used. This would be a big asset to the air taxi operators who now support SVA. If we want to destroy all that we have, the quickest and surest way to do it is to do nothing. God help them, for they know not what they do.

I would relish the opportunity of an open debate before this body with SVA to determine what they have done to help through their so-called conservation. Have they produced anymore moose? The answer is no. Are there anymore fish? The answer is no. Have they improved any habitat? Once more, the answer is no. Therefore we believe that their term conservation is misused. The proper word is obstructionism. Because they are standing in the way of people and legislation that is trying to enhance our wildlife, our streams, our habitat and our economy with conservation through utilization, trying to right some of the wrongs that we have already made and, dammit, people are important too. We are trying to make our beautiful and splendid Alaska even more beautiful, more splendid, with more game, more fish, more jobs and better access to enjoy it.

So, what is their cause? Have they sided with the oil industry to stop any diversification of our economy? Is it an effort to cripple our economy so we all have to leave the state? We don't know but whatever their purpose is we would like to know. Maybe you folks can tell us.

Here in the Valley, according to the State Employment Office, we have 14.0% unemployment. This figure does not include those whose benefits have run out. The actual figure is better than 35%.

The State Public Assistance Office reports as of February 24, 1969, 3210 households are receiving public assistance and they expect the number to increase. Figuring an average of 3 persons per household that computes to 6000 people receiving public assistance. Worst of all, not all of these people are unemployed. Many are working on jobs that won't sustain them. That's even worse than being unemployed, how terrible that must be. In addition, there are over 1000 family housing units and homes vacated by people who have already starved out and left the state. The Borough Assessor has completed the 1969 property assessment and property is officially down another 15%. That makes a drop of 36.5% in the last four years.

What does all this mean? It means that the State (not necessarily the present administration) has taken the greatest oil boom in the history of the western world and squandered it without doing anything to diversify our economy. By not developing our fishery we caused it to slip into foreign hands. The world should come to Alaska to buy Alaskan seafood products, not Seattle or Japan. The State has stopped us from developing our other resources, timber being one and by so doing have turned this century's biggest boom into an economic disaster. The thing we have left is a giant bureaucracy and numerous monuments to our stupidity that we can't pay for and poverty. We

should advertise in our tour brochures: "Come to Alaska and see the fools, we lead the world in poverty."

By passing the Forest Stewardship Bill and seeing to it that our commissioners comply with the guidelines in administering to it, we can forever cure this problem.

When President Bush addressed about 4000 people at Elmendorf AFB a few short weeks ago he reminded us that we must utilize and develop our resources to assure a stable economy and take our place in the world.

Members of the House Resource Committee, Chairman Menard, let me say, NOW is the time for Alaska to take its place in the world. To stand tall knowing that we are intelligent enough to harvest our resources while enhancing our game, fishing and tourist trade and be proud to say we can take care of ourselves and keep our children at home here in Alaska with long term jobs to sustain them.

We want and expect the Forest Stewardship Bill to be introduced and passed this session.

Read my lips. WE DO NOT WANT A SUSITNA STATE FOREST.

I would now like to introduce Mr. Jim Carter, a director on the REDCOR Board of Directors, President of the Willow Chamber of Commerce. Jim is in the tree farming business and desires to expand.

Mr. Jim Carter.

Committee Members, Chairman Menard:

For the record, my name is Jim Carter. I am a board member of REDCOR, a logger and a resident of Willow, Alaska.

As a user of our resources I am very concerned about the harm and damage being done to our rivers, moose habitat and forest by the lack of the State to manage our resources. We need to have private enterprise manage more of our resources which the passage of the Forest Stewardship Agreement Act would do. I feel that the management of portions of our forests under a stewardship agreement would pave the way for industry to build plants that would utilize our decaying and bug infested forests.

This would: 1) provide jobs, 2) provide wildlife habitat, 3) provide a steady market for local loggers, and 4) maintain a sustainable annual yield.

#1 Provide Jobs. With the management of our forests out of the hands of bureaucrats we would see the development of our timber industry to a point that anyone wanting to work would have a job.

#2 Provide Wildlife Habitat. At the rate of decay and unmanaged growth of our forests I can see the steady decline of wildlife habitat. I want my grandchildren to be able to enjoy the hunting, fishing and wildlife that our state can have and will continue to have with proper usage and management of our forests

For example, in 1985 my wife and I homesteaded on the north side of Willow Creek. During that first winter there were no moose wintering in the area of our homestead. After doing some clearing and logging a dozen moose wintered on or near our homestead the second winter. Now, after three years of logging and developing our homestead we have about two dozen - 24 moose around our homestead and logging areas. We see moose every day and have one old cow staying in our horse pasture with our horses. Where do the wildlife biologists go to tag moose? They land their helicopters in my backyard to tag moose as they did a couple of weeks ago.

#3 Steady Market. A steady market for our timber would enable us loggers to upgrade our logging equipment to the more modern equipment that helps to utilize all of the decaying trees and make it economically possible. We would have the same opportunities as the commercial fisherman and the AG dairies of Point McKinsey to develop our businesses to our fullest ability.

We talk about renewable resources. If a barrel of oil is worth \$10, which is not renewable, if a red salmon is worth \$10, which is renewable if managed, and if each birch tree at just firewood prices today is worth \$10, which is renewable at about 40 years with proper management the Forest Stewardship Bill would provide, our government would have the opportunity of not even thinking about invoking additional taxes on the people of our state because the diversified industries of our resources would provide a revenue source beyond

their wildest dreams.

#4 Sustainable Annual Yield. With the management of our forests in the hands of private industry we would see our sustainable annual yield of timber, fish, moose and other wildlife and vegetation such as berries and mushrooms grow to proportions we can only imagine now. I'm not just dreaming, either. Look at the forest industry in other parts of the world where proper management by the private sector is utilized and out of the hands of bureaucrats. They have flourished. Prime examples are Finland, Canada and some of our own northeastern states.

Members of the Resources Committee, it is time to take your heads out of the sand and listen to the people who you represent. We are tired of the small interest groups controlling our right to make a decent living and enjoy our natural resources.

I would now like to introduce a man who has done a great deal of work and research for the timber industry.

Mr. Terry Brady.

ALASKA HUSKY WOOD
2900 Boniface Parkway #672
Anchorage, Alaska 99504

Phone: (907) 338-6688
Telefax: (907) 338-5119
Telex: 9102503789 (Alaska Husky)

TESTIMONY
of

Terry T. Brady

before
ALASKA HOUSE OF REPRESENTATIVES
NATURAL RESOURCES COMMITTEE

WASILLA, ALASKA
MARCH 11, 1989

CHAIRMEN, MEMBERS OF THE HOUSE OF REPRESENTATIVES NATURAL
RESOURCES COMMITTEE:

MY NAME IS TERRY T. BRADY. I AM A FORESTER. I HOLD A
MASTER OF SCIENCE DEGREE IN FOREST RESOURCES FROM THE
UNIVERSITY OF WASHINGTON. AS IMPORTANTLY, I HAVE GAINFULLY
WORKED IN NATURAL RESOURCE CONSERVATION AND UTILIZATION
SINCE 1948. MORE THAN 30 YEARS OF THAT EFFORT HAS BEEN IN
ALASKA, WITH ADDITIONAL EXPERIENCE IN THE FAR EAST, NORTHERN
EUROPE AND THROUGHOUT NORTH AMERICA.

I AM SPEAKING IN FAVOR OF LEGISLATION TO CREATE A PUBLIC
AND PRIVATE CONTRACTUAL SYSTEM ... TO BE KNOWN AS FOREST
STEWARDSHIP AGREEMENTS ... THAT WOULD ALLOW QUALIFIED
PRIVATE FIRMS TO MANAGE STATE OF ALASKA FOREST LAND ... OVER
LONG PERIODS OF TIME ... SUBORDINATE TO OVERALL STATE
INTERESTS.

I HAVE OBSERVED SIMILAR PROGRAMS IN CANADIAN PROVINCES, WHERE PRIVATE COMPANIES INTEGRATE TIMBER HARVESTING, FOR PROFIT ... WITH FOREST REGENERATION AND TENDING, FOR THE BENEFIT OF FOREST ECOSYSTEMS. A TENURE SCHEME ALLOWS PRIVATE FIRMS TO MAKE LONG RANGE PLANS, AND TO MUSTER THE FINANCING REQUIRED TO MANAGE LANDS TO HIGH ENVIRONMENTAL STANDARDS. THE SYSTEM REWARDS GOOD HUSBANDRY WITH EXTENSIONS OF THE PRIMARY CONTRACT . . AND PUNISHES POOR MANAGEMENT WITH REVOCATION OF PROFIT OPPORTUNITY ... A "CARROT & STICK" APPROACH.

THE TENURE SYSTEM IS WORKING IN CANADA, AND CANADIANS ARE GAINING BENEFITS ... ECONOMIC AND ECOLOGICAL ... IN FORESTS VERY SIMILAR TO THOSE OF ALASKA. SUCH BENEFITS ARE NOT ACCRUING IN ALASKA.

NEW INVESTMENTS COME FASTER TO SUCH FOREST MANAGEMENT ZONES. FOR EXAMPLE, NORTHEAST BRITISH COLUMBIA AND NORTHERN ALBERTA ARE NOW GAINING ABOUT 4 BILLION DOLLARS IN FOREST PRODUCT FACILITY EXPANSION ON LANDS GOVERNMENT IS ALLOWING TO BE PRIVATELY MANAGED. A 1.3 BILLION DOLLAR PULP AND PAPER COMPLEX WAS RECENTLY ANNOUNCED FOR THE ATHABASCA REGION. ITS RAW MATERIAL SUPPLY WILL COME FROM A 28 THOUSAND SQUARE MILE CONTRACTED FOREST MANAGEMENT AREA.

ONTARIO HAS REVERSED A DECADES LONG PROBLEM OF DEFORESTATION OF PUBLIC LANDS WHICH RESULTED FROM "CUT AND RUN" PRACTICES ENCOURAGED BY SHORT TERM PLANNING. TIMBER IS GROWING FASTER ON FOREST MANAGEMENT UNITS THAT HAVE BEEN

HARVESTED THAN IT DOES IN AN UNMANAGED FOREST. THIS IS ALSO TRUE FOR MANY SPECIES OF WILDLIFE DEPENDENT ON THE FOREST FOR FOOD AND SHELTER.

IN ADDITION, THE PUBLIC, WHICH OWNS THE FOREST RESOURCES, IS SAVING MONEY, BECAUSE MANY OF THE MANAGEMENT ELEMENTS ARE EITHER PAID FOR BY PRIVATE ENTERPRISE, OR ARE FUNDED BY GOVERNMENT MORE EFFICIENTLY THAN THEY WERE IN THE PAST.

IN CONTRAST TO THE SUCCESSFUL CANADIAN SYSTEMS, ALASKA'S PUBLICLY CONTROLLED FORESTS ARE UNMANAGED, AND SOME AREAS HAVE BEEN CLASSIFIED BY EXPERTS AS ECOLOGICAL SLUMS. MANY OF OUR FOREST STANDS ARE DECADENT ... ALASKANS ARE NOT BENEFITTING FROM FOREST PRODUCT REVENUES ... WE HAVE MINIMAL RATHER THAN MAXIMUM WILDLIFE PRODUCTION ... AND WE REALIZE ONLY A SMALL PERCENTAGE OF THE RECREATION OPPORTUNITIES OUR CITIZENS DESERVE FROM OUR POTENTIALLY "GREEN GOLD" RESOURCES.

I DO NOT ADVOCATE THE STATE GIVING UP OWNERSHIP RESPONSIBILITIES. THEY SHOULD BE MAINTAINED THROUGH OVERSIGHT.

FOREST STEWARDSHIP AGREEMENTS MUST BE CONSISTENT WITH GOOD PUBLIC POLICY, AS DEFINED IN ARTICLE 8 OF OUR ALASKA CONSTITUTION WHICH REQUIRES THE STATE TO MAKE RESOURCES AVAILABLE FOR MAXIMUM USE FOR THE MAXIMUM BENEFIT OF THE PEOPLE, UNDER A SUSTAINED YIELD POLICY FOR REPLENISHIBLE RESOURCES ... SUCH AS FISH, FORESTS, WILDLIFE AND GRASSLANDS.

TODAY'S SCHEDULE DOES NOT ALLOW ME TIME TO REVIEW IN DETAIL THE PROPOSED FOREST STEWARDSHIP LEGISLATION. I WILL RESERVE FURTHER DISCUSSION ON THE PROPOSED BILL FOR OTHER HEARINGS ... OR QUESTIONS BY LAWMAKERS.

HOWEVER, I DO WISH TO NOTE SOME BENEFITS THAT CAN ACCRUE IF THE LEGISLATURE SETS IN MOTION A TENURE SYSTEM FOR PRIVATE FIRMS. I AM AWARE, THROUGH PERSONAL EXPERIENCE, AND I'M SURE OTHERS WORKING IN MY FIELD CAN CITE ADDED EXAMPLES, OF SEVERAL PROJECTS THAT WOULD HAVE A CHANCE AT SUCCESS IF A TENURE SYSTEM WERE IN PLACE.

AMONG THE INTERIOR ALASKA FOREST STUDIES I HAVE BEEN INVOLVED WITH, ALL OF WHICH SHOW PROMISE, BUT ARE NOW ON HOLD, FOR LACK OF A LONG TERM, DEPENDABLE, RAW MATERIAL SUPPLY, ARE ... A MODERN SMALL LOG SAWMILL; AN ADVANCED TECHNOLOGY PLYWOOD PLANT; AND A WORLD-CLASS CARDBOARD FACTORY. I HAVE BROUGHT SAMPLES OF THESE PRODUCTS WITH ME. THEY ARE ON THE TABLE BEHIND YOU. YOU WILL NOTE SOME OF THE SAMPLES WERE MADE WITH ALASKAN WOOD, OTHER WITH WOOD SIMILAR TO OURS.

ESTIMATED AGGREGATE INVESTMENT IN THESE THREE FACILITIES, IS ... ABOUT 350 MILLION DOLLARS. ... THESE PLANTS COULD CREATE ABOUT 1000 DIRECT, QUALITY, JOBS ... AND COULD RESULT IN ANNUAL GROSS SALES IN EXCESS OF 150 MILLION DOLLARS ... WHILE USING ONLY THE CURRENTLY PROXIMATE SUSTAINED GROWTH OF THE PUBLIC AND PRIVATE FORESTS OF THE MAT-SU AND UPPER RAILBELT REGIONS ... WITHOUT DAMAGING ANY OTHER RESOURCE,

ALL IN ACCORDANCE WITH CURRENT ALASKAN ENVIRONMENTAL PROTECTION LAWS.

MARKETS ARE GOOD FOR FOREST PRODUCTS. BUT IT TAKES MORE THAN MARKET POTENTIAL, OR GOOD LOCATION, OR ADEQUATE FUNDING TO SUCCEED IN THIS INDUSTRY. IT ALSO TAKES RAW MATERIAL AND GOVERNMENT COOPERATION, ESPECIALLY WHEN GOVERNMENT OWNS THE RESOURCE ... YET BOTH RESOURCE AVAILABILITY AND GOVERNMENT COOPERATION ARE BOTH NOW LACKING IN ALASKA.

THESE PROBLEMS WOULD BOTH BE SOLVED THROUGH FOREST STEWARDSHIP AGREEMENTS ... THE AGREEMENTS WOULD ALLOW ALASKANS TO COMPETE AGAINST OUR CANADIAN FRIENDS ... OR OUR LOWER 48 COUNTRYMEN ... WHO EITHER ENJOY PUBLIC LAND TENURE ... OR ARE FORTUNATE ENOUGH TO OWN OR CONTROL LAND. THE AGREEMENTS WOULD SHOW THAT GOVERNMENTS TRUST AND CAN WORK WITH THEIR INDIVIDUAL AND CORPORATE CITIZENS, AND THAT SUCH RESPECT IS MUTUAL.

OTHER BENEFITS OF GOVERNMENT SUPPORT ENJOYED BY OUR COMPETITORS, ARE, ... FINANCIAL ASSISTANCE, JOB TRAINING, AND PUBLIC RELATIONS PROGRAMS PRESENTING THE SCIENCE OF FORESTRY FAVORABLY TO THE GENERAL PUBLIC. THE STRUGGLING ALASKA FOREST PRODUCTS INDUSTRY DOES NOT ENJOY ANY OF THESE BENEFITS.

I WANT TO LEAVE YOU WITH AN EXAMPLE OF WHAT ALASKAN FOREST PRODUCT OPERATORS ARE UP AGAINST IN THE COMPETITIVE WORLD OF TODAY SEVERAL WEEKS AGO I ATTENDED A MORNING MEETING IN HELSINKI, FINLAND, WHERE I ALONE WAS TRYING TO

EXPLAIN WHY THE STATE OF ALASKA, LAST YEAR, DID NOT CONCLUDE A LONG TERM TIMBER SALE OF THE DECAYING BIRCH RESOURCE OF THE MALDEN REGION ... AND WHY IT IS TAKING SO LONG FOR THE STATE TO DETERMINE IF AND WHERE IT IS EVER GOING TO MAKE SUCH AN OFFERING.

THE FINNISH FIRM I WAS TALKING TO HAS HAD REPRESENTATIVES TO ALASKA MANY TIMES. THEY HAVE DISCUSSED PROJECTS WITH THE STATE ADMINISTRATION AND THE LEGISLATURE, AND THEY HAVE COMMITTED FUNDS, IN COOPERATION WITH PRIVATE ALASKANS, INTO RESEARCH.

DURING THAT MEETING I HAD TO ADMIT THAT THE PROBLEM IN ALASKA WAS NOT LACK OF NATURAL RESOURCE, OR CAPITAL, OR LABOR ... BUT, RATHER, AN APPARENT LACK OF POLITICAL WILL ON THE PART OF ALASKAN LEADERS TO ALLOW MANAGING A MANAGEABLE RESOURCE.

AS I WAS LEAVING THAT MEETING I LEARNED THAT ANOTHER PARTY WAS TO MEET THAT AFTERNOON WITH THE SAME COMPANY.

THOSE COMING RIGHT BEHIND ME REPRESENTED THE PRIVATE SECTOR ... AND THE STATE GOVERNMENT ... OF MINNESOTA. THEY WERE THERE ... UNITED ... TO COLLECTIVELY "SELL" SURPLUS WHITE BIRCH TIMBER FROM MINNESOTA. THEIR SUPPLY, AND PUBLIC SUPPORT, WAS ASSURED BEFORE THEY LEFT HOME. THEY WANTED THE POTENTIAL CLIENT TO KNOW THEY WERE UNIFIED IN THEIR APPROACH.

Testimony, Terry T. Brady, 3/11/89

I LEFT FINLAND WONDERING WHERE THAT NATION'S, OR ANY
INVESTORS', NEXT NORTH AMERICAN PROJECTS WILL BE ... AND
WHOSE UNEMPLOYED CITIZENS WILL BE PUT TO WORK?

THANK YOU.



Tindall Enterprises

CONSULTANTS: FORESTRY, LAND, MARKETING
6821 SHERWOOD AVENUE ANCHORAGE, ALASKA 99504
(907) 333-1914

March 8, 1989

Representative Curt Menard
Co-Chairman House Committee on Resources
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Mr. Chairman:

My name is Richard W. Tindall, and my residence is 6821 Sherwood Ave., Anchorage, Alaska 99504. I have been a resident of the State since 1972, and for ten years served as Anchorage District Manager for the Bureau of Land Management. I have a degree in Forestry from the University of Washington, and am a Fellow of the Society of American Foresters. I'm a member of the Resource Development Council of Alaska, and presently am Director of the Division of Renewable Resources.

I appreciate the opportunity to comment on the draft of REDCOR's Forest Stewardship Agreement legislation proposed for introduction. I'm very sorry that I cannot testify in person at the Resources Committee hearing on March 11 in Wasilla, but I've been assured that my written testimony will carry equal weight.

I strongly support the concept of Forest Stewardship Agreements, and urge the immediate introduction of REDCOR's proposed legislation and urge your active support for its swift enactment by this legislature.

Forest Stewardship authority is not a cure-all but will add a valuable tool to the Commissioner's box of management concepts. It will provide the authority to "evergreen" a contract, and to re-negotiate terms and conditions during life of the agreement. It will provide the tenure necessary to amortize investments in modern high-tech forest products mills. Forest Stewardship Agreements also will provide recognition that timber is a crop, is renewable, and is more than just a disposable commodity as timber is now considered under our present timber sale contracts.

As a part of the March 11 timber hearing, you are also asking for comments and suggestions on a draft Susitna State Forest bill (WORK DRAFT 6-0896A Bradley 2/22/89). I'm opposed to the establishment of a Susitna state forest because, in my opinion, it isn't necessary.

The State Constitution, Article VIII, Section 4., states: "Fish, forests, wildlife, grasslands, and all other replenishable resources belonging to the State shall be utilized, developed, and maintained on the sustained yield principle, subject to preferences among beneficial uses." With that mandate for management of our renewable resources, what is the imperative to establish another management system, or as some feel, "a public land zoning ordinance"?

The problem of offering public sales on lands scheduled for long term forest management and timber harvesting could easily be solved by the Commissioner by simply removing the described forest lands from the disposal classification.

The Forest Practices Act is the vehicle for insuring responsible forest practices on both public and private lands.

Riparian management criteria is included in the Forest Practices Act.

Riparian zones and "other areas of major use conflict" should be evaluated on a case by case basis, since in many situations the best management practices can actually enhance land values and habitat.

I do not believe that additional statutory authorities are necessary to provide protection of other uses in the Valley. Best management practices as described under the Forest Practices Act, together with active conflict resolution will provide sufficient protection of other uses.

Sincerely,

A handwritten signature in cursive script that reads "Richard W. Tindall". The signature is written in dark ink and is positioned below the typed name.

Richard W. Tindall

MATANUSKA-SUSITNA BOROUGH

ASSEMBLY RESOLUTION SERIAL NUMBER 89-021AM

"A RESOLUTION OF THE MATANUSKA-SUSITNA BOROUGH SUPPORTING THE CONCEPT OF REDCOR'S PROPOSED FOREST STEWARDSHIP AGREEMENT ACT."

WHEREAS, the Matanuska-Susitna Borough contains one the State's largest forests: the Susitna Forest; and

WHEREAS, the State is not properly managing the Susitna Forest;

WHEREAS, the lack of proper management is allowing the forest to deteriorate; and

WHEREAS, the lack of proper management is restricting the amount of timber harvesting; and

WHEREAS, proper stewardship of the Susitna Basin Forest will improve multiple use management of the forest; and

WHEREAS, the Regional Economic Development Corporation has proposed legislation for the proper stewardship of all forests in Alaska; and

WHEREAS, the Borough's Agricultural and Forestry Advisory Board supports the proposed legislation; and

WHEREAS, the Borough's Planning Commission supports the proposed legislation.

NOW, THEREFORE, BE IT RESOLVED that the Assembly of the Matanuska-Susitna Borough strongly supports the concept of the Forest Stewardship Agreement Act as proposed by the Regional Economic Development Corporation.

PASSED AND APPROVED by the Assembly of the Matanuska-Susitna Borough this 17 day of January, 1989.

ATTEST:

Linda Dahl
Linda Dahl
Borough Clerk

(SEAL)

Dorothy A. Jones
Dorothy A. Jones
Mayor
Matanuska-Susitna Borough



CITY OF WASILLA

290 E. HERNING AVE.
WASILLA, ALASKA 99687
PHONE: 373-9050

Requested By: Administration
Prepared By: Administration

RESOLUTION NO. WR89-02

A RESOLUTION OF THE CITY COUNCIL OF WASILLA, ALASKA SUPPORTING FOREST DEVELOPMENT.

WHEREAS, world economics and technology now allows for the profitable harvesting and conversion of Alaska timber to meet world market demands for plywood, lumber, furniture stock, paper and pulp, and,


WHEREAS, skillful management of Alaska's forests will allow for increased timber growth, improved animal habitat, new recreational opportunities and expanded road networks; and,

WHEREAS, the development of a timber industry that will attract investment for mills, factories and equipment depends on the ability of State agencies to enter into long term, large volume forest stewardship agreements.

NOW THEREFORE BE IT RESOLVED, that the Wasilla City Council urges a combined legislative/administrative effort to develop additional rules and regulations for timber management and further that this effort include an incorporation of the use of Forest Stewardship Agreements.

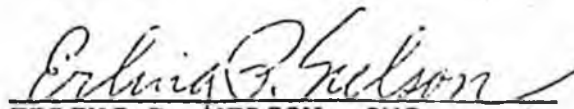
I certify that a resolution in substantially the above form was passed by a majority of those voting at a duly called and conducted meeting of the governing body of the City of Wasilla this 9th day of January, 1989.

APPROVED:



JOHN C. STEIN, Mayor

ATTEST:



ERLING P. NELSON, CMC
City Clerk

(SEAL)

CITY OF PALMER, ALASKA

RESOLUTION NO. 812

A RESOLUTION SUPPORTING THE FOREST MANAGEMENT CONCEPT.

WHEREAS, the need to develop a viable timber industry in the Matanuska-Susitna Borough is a long-term goal, and

WHEREAS, the Matanuska-Susitna Borough contains one of the state's largest unmanaged timber areas, and

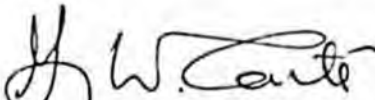
WHEREAS, the legislation allowing for the continued harvesting of the resource is lacking, and

WHEREAS, the establishment of a forest management plan will allow this timber area to be harvested for perpetuity, and

WHEREAS, a forest management plan will help to guarantee permanent jobs associated with the timber industry,

NOW, THEREFORE BE IT RESOLVED that the City of Palmer supports the forest management concept of timber harvest.

Passed and approved by the City Council of the City of Palmer this 28th day of February, 1989.



GEORGE W. CARTE', MAYOR

DAVID L. SOULAK, CITY CLERK

A RESOLUTION OF THE WILLOW CHAMBER OF COMMERCE IN SUPPORT OF REGIONAL
PROPOSED FOREST STEWARDSHIP AGREEMENT ACT.

WHEREAS, the lack of proper management is allowing the Gulfing
Basin Forest to deteriorate, and

WHEREAS, the lack of proper management is restricting the amount
of timber harvesting, and

WHEREAS, the economic impact on the area due to these conditions
is detrimental, and

WHEREAS, the Regional Economic Development Corporation has
proposed legislation to provide proper stewardship for all forests in
Alaska.

NOW THEREFORE, BE IT RESOLVED that the Willow Chamber of Commerce
strongly supports the Forest Stewardship Agreement Act as proposed by
the Regional Economic Development Corporation.

PASSED AND APPROVED by the Willow Chamber of Commerce this
day of _____, 1989.

James M. Carter
James M. Carter
President

ATTEST:

Herbert L. Carter, Secretary
Willow Chamber of Commerce

RESOLUTION

A RESOLUTION OF THE BIG LAKE CHAMBER OF COMMERCE IN SUPPORT OF
REDCOR'S PROPOSED FOREST STEWARDSHIP ACT:

WHEREAS, the lack of proper management of the forestland of the
Susitna Basin is allowing that forestland to deteriorate, and

WHEREAS, the lack of proper management is restricting the
harvesting of timber in this area, and

WHEREAS, this restricts the potential of employment for local
residents much in need of employment, and

WHEREAS, the Regional Economic Development Corporation has
proposed legislation to provide for the proper stewardship of
forestland in Alaska,

NOW, THEREFORE, BE IT RESOLVED that the Big Lake Chamber of
Commerce strongly supports the Forest Stewardship Agreement Act as
proposed by the Regional Economic Development Corporation.

PASSED AND APPROVED by the Big Lake Chamber of Commerce this
day of *March 8*, 1939.

ATTEST:

Gene Hawk

John Henning
Pres. BIG LAKE CHAMBER

MAT-SU REPUBLICAN PARTY

P.O. Box 871867
Wasilla, Alaska 99687

A RESOLUTION

WHEREAS, the citizens of the State of Alaska desire that the natural resources associated with their public woodlands be protected and enhanced; and,

WHEREAS, it is in the public interest to make the public woodland resources available for sustained maximum use consistent with public interest; and,

WHEREAS, scientific management techniques exist that will allow public timber resource development consistent with legitimate environmental concerns; and,

WHEREAS, the financial burden for developing the public woodland resources should rest with the private sector instead of state government; and,

WHEREAS, the Mat-Su Borough continues to experience the highest unemployment in the state; and,

WHEREAS, the local and state economy can be significantly improved by the responsible management of the public timber resources located within the boundaries of the Mat-Su Borough; and,

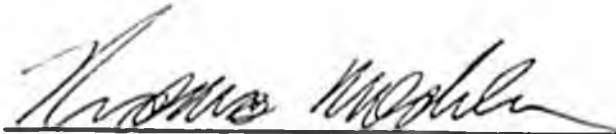
WHEREAS, further studies and delays to the responsible development of the public timber resources within the boundaries of the Mat-Su Borough would be counter-productive; and,

WHEREAS, there exists a means to accomplish said responsible public time development titled the "Forest Stewardship Agreement Act - Draft 11/26/88"; and,

WHEREAS, said draft has been reviewed and endorsed by the Mat-Su Logging Assoc., Willow Chamber of Commerce, City of Wasilla, Mat-Su Borough, Mat-Su Borough Planning Commission, and the Mat-Su Borough Forestry and Agriculture Board;

NOW, THEREFORE, BE IT RESOLVED, that the Mat-Su Republican Party endorses the "Forest Stewardship Agreement Act" and urges its introduction as a bill and passage by the Alaska Legislature at the earliest possible date.

PASSED AND APPROVED by the Mat-Su Republican District Committee on
February 14, 1989.



Thomas Mechler, Chairman



GREATER WASILLA CHAMBER OF COMMERCE

COTTONWOOD CREEK MALL
P.O. BOX 871826
WASILLA, ALASKA 99687
(907) 376-1299

Resolution 8905

A RESOLUTION OF THE GREATER WASILLA CHAMBER OF COMMERCE SUPPORTING FOREST MANAGEMENT AND DEVELOPMENT.

WHEREAS, world economics and technology now allows for the profitable harvesting and conversion of Alaska timber to meet world market demands for plywood, lumber, furniture stock paper and pulp, and

WHEREAS, skillful management of Alaska's forests will allow for increased timber growth, improved animal habitat, new recreational opportunities and expanded road networks; and,

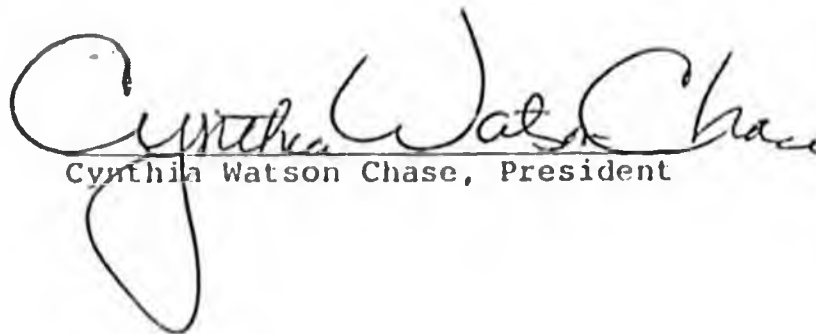
WHEREAS, the development of a timber industry that will attract investment for mills, factories and equipment depends on the ability of State agencies to enter into long term, large volume forest stewardship agreements,

WHEREAS, multiple use is a prime factor for hunting, fishing and tourism and public recreation

NOW THEREFORE BE IT RESOLVED, that the Greater Wasilla Chamber of Commerce urges a combined legislative/administrative effort to develop additional rules and regulations for timber management and further that this effort include an incorporation of the use of Forest Stewardship Agreements.

I certify that this resolution was passed by a majority of the voting Board of Directors at the Board meeting March 7, 1989,

APPROVED:


Cynthia Watson Chase, President



RESOLUTION 89-9



HOUSTON, ALASKA
A BICENTENNIAL COMMUNITY

A RESOLUTION OF THE CITY OF HOUSTON SUPPORTING THE CONCEPT OF REDCOR'S PROPOSED FOREST STEWARDSHIP AGREEMENT ACT.

WHEREAS, the City of Houston contains one of the State's largest forests; the Susitna Forest; and

WHEREAS, the State is not properly managing the Susitna Forest; and

WHEREAS, the lack of proper management is allowing the forest to deteriorate; and

WHEREAS, the lack of proper management is restricting the amount of timber harvesting; and

WHEREAS, proper stewardship of the Susitna Basin Forest will improve multiple use management of the forest; and

WHEREAS, the Regional Economic Development Corporation has proposed legislation for the proper stewardship of all forests in Alaska; and

WHEREAS, the Matanuska-Susitna Borough Agricultural and Forest Advisory Board supports the proposed legislation; and

WHEREAS, the City of Houston Planners support the proposed legislation.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Houston strongly supports the concept of the Forest Stewardship Agreement Act as proposed by the Regional Economic Development Corporation.

PASSED AND APPROVED by the City Council of the City of Houston, this 23rd day of February, 1989.

ATTEST:

Marcella D. Padu
Mayor

Linda L. Padu
City Clerk

Land Management From An Industrial View

By

Pat Wearmouth

Forest Planning Manager
Procter & Gamble Cellulose
Grande Prairie, Alberta

Presented

to the

Resource Development Council Education Foundation, Inc.

Conference

DEVELOPMENT OF ALASKA'S BOREAL FOREST INDUSTRY

December 8-9, 1988

Anchorage, Alaska

When Dick Tindall called me regarding this presentation, he suggested the title "Land Management From An Industrial View." This is a very broad and sometimes scary subject. What I am going to attempt in the next twenty minutes is to illustrate how one company, Procter & Gamble Cellulose, has interpreted all the words in a Forest Management Agreement and in Provincial statutes; into actual, on the ground, land management.

With the knowledge that a picture is worth a thousand words, I'll use slides to do it. What you see should be familiar looking since we are operating in the southern end of the same Boreal forest that you have up here.

I have taken the liberty of assuming that most of you have a general idea of Forest Management Agreements as they were discussed at last year's conference about Forest Management in the Boreal Forest. However, since the Agreement is so key to what we do, I'd like to summarize the one we have with the Province of Alberta.

In a nutshell, our Agreement is between the Province and the Company and gives rights and obligations to both. The Company has the right to use an area of land called a Forest Management Area for the growing and harvesting of timber. It has obligations to access, harvest, pay for, and use all the merchantable timber on the area and to reforest every acre that it cuts. This all must be done in an environmentally acceptable manner.

The Province has the initial right to decide what it wants to do with its land; and having decided is obligated to such things as watch-dogging the operations, providing forest fire protection, and allowing for renewal negotiations with the Company every twenty years - if the Company has performed to an acceptable level.

This twenty-year tenure is key to the Company because it allows for some meshing of a five-year business and market cycle and the one hundred year forest cycle without getting totally disrupted by a four-year political cycle.

Our Forest Management Area consists of approximately three million acres in western Alberta. Our millsite is in Grande Prairie with the bulk of our area to the south and a smaller portion to the north of town. Our forest is typical to the Boreal region consisting of both mixed spruce and aspen and, at higher elevations, lodgepole pine.

As I alluded to before, the first and most important land management decision about this area has been made in the Forest Management Agreement. Two clauses within the document

A key point to remember, in our opinion, is that Ground Rules should be Forest Management Area specific. By that I mean there is enough variation in operating conditions within an area to justify site specific thinking; never mind trying to apply Ground Rules across a Province or State.

Taken altogether, the Agreement and the Ground Rules guide us in land management, and I'd now like to illustrate some specific examples. I've broken the rest of the talk into examples of managing for the various uses that take place on the Area.

A big impact on the land is, of course, the timber harvesting and reforestation process itself. During all phases - from cutting to skidding to preparing the site and replanting it - a considerable amount of soil gets moved around. The Ground Rules detail procedures for making sure that the soil itself is kept intact. Such things as cross ditching of roads and grass seeding are used.

On our area, the other major industry that moves soil around is the oil and gas industry. It is big business in Alberta and in years past, there has been occasions when they logged more off their roads and well sites than the forest industry logged in that same period. Since protection of our land base for growing timber is vital to us, we work closely with the oil and gas people to try and line up common road systems to minimize ground disturbance and corridor uses.

With respect to watershed protection, the basic cutting pattern of "50% cut and 50% leave blocks" leaves at least half of any given watershed with forest cover and less prone to uncontrolled runoff. The day-to-day interface with water occurs along stream banks and at stream crossings. Again, the Ground Rules specify different buffer zones for different creek sizes and we find a definite trend toward using portable bridges as opposed to log fills for crossings.

The "50% cut and 50% leave" is also done, along with control on cutblock size, to maintain cover for major wildlife species. It is generally acknowledged in Alberta that this pattern can benefit animals that use early successional stages of forest growth. However, there is concern that animals of the mature forest, such as our woodland caribou, may suffer. This is one area of active study at present.

We also have to consider some of the wildlife consumers such as hunters and trappers. Hunters utilize our entire road system - and then some - to access hunting spots. Our

efforts around hunters are largely to direct them away from active logging areas -- for our safety as well as theirs.

Since our entire area is blanketed with registered traplines, we make a point of notifying trappers well in advance of any activity and take some measures, such as leaving buffers around their line cabins. On a longer term note, we point out to the Provincial authorities who administer traplines, where our cutting operations are going. This is done to make them aware that habitat types are going to change and that likely the fur bearing species in those habitats are also going to change.

With respect to general outdoor recreation, the Company built and maintains four recreation areas for free public use. We also maintain our road system so it is safe for the public to travel on. They use it extensively for camping and fishing as well as the hunting already mentioned.

This use by the public is a double-edged sword we find. On the one hand, we cannot prevent the public from travelling any of our roads. On the other, we sometimes catch the flack when they find that the logging roads lead to logging sites which they don't find aesthetically appealing.

Aesthetics brings me to my final example of land management practices. We do have several very scenic spots on, and adjacent to, the Management Area. In the past five years, we have started to pay particular attention to the visual impact of logging in these places. At present, we use a Provincial computer program which allows us to plan in three dimensional pictures to lay out cutblocks. Cutblocks can either be hidden from obvious view or used to enhance the view. This is not easy, for the old adage "beauty is in the eye of the beholder" certainly applies; but it can, and is, being done.

In summary, land management from an industrial view requires some conditions to be successful.

First, both the land owner and industry should be very clear what objectives they wish to fulfill in managing the land. This is not easy to define when dealing with public land, but it must be done if industry is to feel secure enough to invest. All the cards should be on the table so that there are no major surprises over the term that any Agreement is worked out over.

Second, after having established what both parties can live with in words of an Agreement, a mechanism is needed to

translate the words into land management actions. Ground Rules are one such mechanism. In recognition that change will happen, allow some room for negotiation in Ground Rules, keep them area specific, and remember what the objectives of both parties were when the Agreement was signed.

Procter & Gamble Unit Plans to Expand Pulp and Sawmill Operations in Alberta

By ROBERT MELNARDIS

Staff Reporter of THE WALL STREET JOURNAL

TORONTO—A unit of Procter & Gamble Co. said it plans to expand its Alberta pulp and sawmill operations at a cost of 400 million Canadian dollars (US\$333 million).

The outlay would raise to \$2.65 billion the total investments in Alberta's forestry industry during the past two years, as the province has aggressively sought to reduce its exposure to the boom and bust cycle of its oil and gas industry.

Procter & Gamble Cellulose Ltd., a subsidiary of Toronto-based Procter & Gamble Inc., said its planned expansion at Grande Prairie, Alberta, was made possible by a forest management agreement with the province. Under its terms, Procter & Gamble Cellulose said it received timber rights to a 14,000-square-mile property in northwestern Alberta for a 20-year period beginning Jan. 1.

The Procter & Gamble unit said it plans to boost annual capacity of its Grande Prairie mill to 310,000 metric tons of air-dried pulp from a current 295,000 metric tons. Pending the outcome of an environmental impact study, which is expected to take a year to complete, the company said it plans to build a second mill at Grande Prairie capable of producing 250,000 metric tons of air-dried pulp annually.

The company said it will also build a \$35 million wood-processing facility near Manning, about 100 miles north of Grande Prairie. It will produce about 80 million board feet of wood and 4.8 million cubic feet of pulp-quality wood chips annually. The wood-processing plant is expected to be in operation by mid-1991.

Procter & Gamble's project was the second major forestry products venture announced in Alberta last week.

Crestbrook Forest Industries Ltd., of Cranbrook, British Columbia, said it planned to build a \$1.09 billion kraft pulp mill and paper mill at Athabasca, in northeastern Alberta. Mitsubishi Corp. and Honshu Paper Co., of Japan, each own 32% of Crestbrook.

The Crestbrook and Procter & Gamble projects each will draw on timber from huge tracts of forested land. Crestbrook was awarded timber rights to a 28,000-square-mile section, representing about 11% of the province's entire area of land and water.

Alberta's government said about 50% of

the area covered under Crestbrook's timber rights is classed as productive, and only 1% will be harvested annually. Procter & Gamble's timber rights for the Grande Prairie project amount to about 4% of the province's total land and water area. The companies' timber rights are renewable at the end of their terms.

Fred McDougall, Alberta's deputy minister of forestry, lands and wildlife, said new pulp manufacturing technology and strong pulp prices have made Alberta's deciduous timber economical to harvest. The forestry industry has developed technology during the past three years that enables manufacturers to make pulp from poplar, a leaf tree that grows in abundance in the province.

Mr. McDougall said more pulp and wood processing projects are under consideration in Alberta, but they will probably be smaller than those already announced and will be located in more remote parts of the province.

Mr. McDougall said that under their forest management agreements, Crestbrook and Procter & Gamble's unit must bear the cost of reforesting areas harvested. He said the vast tracts of land are needed to ensure indefinite production through reforestation. "We're certainly not going to over-commit the resources," he said.

Looking for long-term growth

By JAMES MAGOWAN

The major difference between forest stewardship and a state forest can be summed up in a word: Jobs! Forest stewardship provides for long-term, self-sustaining, self-supporting management and utilization of our forests. Proper management is assured by state government oversight.

Under stewardship a private company contracts with state and local government to manage and harvest a particular forest area. The contract is for a long period, usually 20 years, at least. The company submits annual and five-year plans that must be approved and followed. As long as the contract is met the company is assured of 20 years to pull its investment out of the forest. The company is also assured of heavy penalties if it does not fulfill its contract. This eliminates the temptation to overcut or otherwise engage in practices that produce short-term profits and long-term losses or costs.

The major costs of management are borne by the companies. The state simply monitors compliance with the contract and management plan and this cost is more than covered by the stumpage fees the company pays to the government.

With a state forest, management of the forest is by a state agency. Each year the state sells off a certain

(Continued from Page 4)

invest in long-term improvements to the forest or to his operation. If the logger builds a road he will build only what will meet his needs for the season. Under stewardship the logger is building roads that he will be using for 20 years.

What the state forest will provide is jobs for more state forestry employees. As government employees they will not be paid to see that the forest becomes a paying proposition: in fact, in many cases they will be people who will not want the forest to be harvested at all and the state will pay their salaries as they find every excuse to stop forest management. And if the Legislature must spend money somewhere else it will not be available for forest management and the solution will be to not have timber sales.

With annual sales each sale can turn into a major political and sometimes legal battle. Business will be seriously affected. The state forest system is favored by those who wish to limit forest management as much as possible and if possible eliminate all timber harvesting and the jobs that go with it.



The House Resources Committee will take testimony on Susitna timber Saturday from 9 a.m. - 3:30 p.m. at Wasilla City Hall.

amount of stumpage. The logger profits if he can cheat. Cut a little smaller tree than permitted or cut a larger area than is in the contract and if you are not caught you make more money. Under this system the logger is involved for one year at a time. All hands are hired for just that season and there is no guarantee that the logger will be cutting next year: no job security!

Obviously, there is no incentive for the logger to

(Continued on Page 5)

Halting reasonable use and harvest of the state's resources is at the heart of the economic crisis currently facing the state. This is but one more example. Without the forest products industry that could be developed, we very well may not have the freight needed to pay the cost of the Point MacKenzie port and the rail spur to it. Without the port, hundreds more jobs throughout Southcentral and Interior Alaska will not happen and the cycle will continue.

There's an old saying: "You may not always get what you want but you almost always get what you deserve." If Alaskans do not seriously look at the forestry development issue and tell their legislative delegation what they want they will most assuredly get what they deserve. Jobs won't come to Alaska they must be brought here. We must insist that actions taken in the near future be those that will bring the most jobs with the least negative impact on our lifestyles. We need forest management, not another growing state agency.

Private enterprise is suited to long-term managing of the forest to produce a steady crop. This is proven in other parts of the U.S., Canada and overseas. Government's job should be oversight to assure that approved plans are followed, not trying to run a forestry business.

Harvest will provide jobs

By ROB BARBOUR

I found Mike Bronson's Jan. 25 midweek Spectrum article interesting and informative on why forest management is expensive for taxpayers. In the following paragraphs are a few questions that were not addressed in his article and a little more food for thought on forest management.

When Proctor and Gamble Inc. built a \$500 million plant and spent \$500 million building bridges and roads how many new jobs for the residents of Grand Prairie and surrounding areas were created? Now that the plant is in operation how many full-time year-long people are employed there? How many new jobs were created to harvest the raw material the plant needs to operate? How many new homes were built or older ones remodeled, new trucks or cars bought, new clothes and appliances bought, fishing, hunting and family vacations taken because Proctor and Gamble Inc. and its contractors are providing steady employment now and into the future for the people of Grand Prairie and surrounding communities?

These are not government jobs, they are jobs created by private industry that are not dependent on the current or projected price of oil for their eco-

omic stability. I don't have the answers to the above questions I've asked but I'll bet my bottom dollar the vast majority of people in and around Grand Prairie have found Proctor and Gamble Inc. to be a good neighbor and are in no hurry to see them close their doors and move elsewhere.

I constantly hear people saying we need jobs — steady, full-time jobs. They also want less state government bureaucracy and for private industry to play a larger role in the economic health of Alaska.

But wait. Out of the other side of their mouths I hear they are against new roads being built or any development or new industry coming into their community. The coffee pot is on the stove and it was once filled with oil but there have been a lot of cups drunk out of that pot. Some have liked the taste while others have not, but the day is in the not too distant future when the pot will be empty. Now is the time to encourage and develop new industries in Alaska and its forests have great potential. When properly and intensively managed, forests are a renewable resource that can provide jobs and economic stability for years and years.

Forest Management Agreements (FMA's) are not a new idea to the forest industry and have great potential for allowing our forests to be managed with the primary goal of growing trees to their greatest potential.

For Alaska to develop a forest products industry in the Interior that will provide many steady jobs year after year, it will have to make the commitment

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to provide a base of timber large enough to provide a constant source of raw materials to the industry. No company will invest millions of dollars to build a processing plant without the assurance it will have a source of raw material for years to come.

Growing and harvesting a forest is like growing and harvesting a garden. You plant the seed, take the weeds out, and cut or pull the crop when it is mature. You plant the species that grows best on your site and you try to obtain the most out of what you invested with your initial planning. The difference is you can plant and harvest a garden in one year but it may take 50 or more years from when you plant a forest until you can harvest it.

In a FMA the primary purpose should be to grow trees to their maximum potential.

Rob Barbour is a Frontiersman subscriber from Williamsport, Pa.

Preparing For The Pulp Boom

COURTESY PORT NEWS

Pulp production in Western Canada is undergoing an enormous expansion. Three new mills are starting-up in Alberta, and at least four mills are under construction in Northern B.C. Much of the new capacity could find its way to off-shore markets through the Port of Vancouver.

In 1987, almost a million tonnes of Kraft Pulp and Chemi-Thermo-Mechanical Pulp (CTMP) moved through three Port terminals — Centerm, Lynnterm and Vancouver Wharves. This year, pulp shipments are up 25 percent, and appear headed to break the previous port record established in 1980.

THE MARKET

Whether or not that number will increase depends largely on world pulp supply. Canada is currently the world's largest producer, followed by the United States and the Scandinavian countries. The biggest buyers of woodpulp are the paper, newsprint and tissue manufacturers of Europe and the U.S.

terminal over the next five years. Western Stevedoring is currently proposing the construction of a new shed at Lynnterm to accommodate the projected increase.

Across the inlet at Centerm, Canadian Stevedoring's Assistant Operations Manager Dennis Jorgenson, said his company is talking to new mills, as well as current customers who are considering expansions. "We're looking for new business, but at the same time we're limited in our ability to house more pulp," he

said, noting that the company is also discussing facility expansion with its VPC landlord.

At Vancouver Wharves, Sales Manager Richard Spray said increased pulp shipments through the Port will be dictated by world market conditions. Nevertheless, Spray is confident that Vancouver Wharves can handle any new business.

"We built one new shed this year, and we have drawings for further expansion," said Spray. "We're using a cellular system which allows us to put up new buildings

cost-effectively and in very short order." Spray also said Vancouver Wharves' recent move to loading ships via railers will significantly improve efficiency.

"The railways will also play a major role in deciding which terminals win the new business," said Western's John Ellis, pointing out that mills linked to the Port by CN are more likely to opt for north shore terminals. South shore terminals, he said, have an edge in winning business via CP Rail, while BC Rail customers can stop at Squamish, or carry on to Vancouver's north shore terminals.

As demand and price stay high, the Port's three major pulp handlers agree — increasing pulp business is a priority.

\$1.3 Billion New Pulp And Paper Mill To Be Built Near Athabasca

Premier Don Getty announced that approval in principle has been granted for the construction of a \$1.3 billion pulp and paper complex in the Athabasca-Lac La Biche region. The complex

will be owned and operated by a new company, Alberta-Pacific Forest Industries Inc.

The mill will be located between the towns of Athabasca and Lac La Biche, 50 km (by road) northeast of Athabasca

and 65 km (by road) northwest of Lac La Biche. Construction of the mill, after Alberta-Pacific Forest Industries Inc. has submitted a satisfactory Environmental Impact Assessment, is

scheduled to begin in the spring of 1989. Start-up of the pulp mill is slated for late 1991 with the paper machine to be constructed by 1995.

"This historic project reaffirms our Government's commitment to economic diversification in Alberta," the Premier said at the press conference in Athabasca. "The Alberta-Pacific mill will create 1300 direct jobs, with major economic spinoffs. An additional 2000 indirect jobs will be created by the project."

Premier Getty also noted. "In both the construction and operational phases, the Alberta-Pacific Forest Industries Inc. mill will contribute significantly to the economic development of Northern Alberta. Edmonton will benefit significantly from increased employment in the supply and service, fabrication and construction industries." Alberta-Pacific Forest Industries Inc. is also committed to using a local engineering firm, and has retained Stanley Associates Engineering Ltd.

MAJOR NEW PULP AND PAPER MILL TO BE BUILT

LeRoy Fjordbotten, Minister of Alberta Forestry, Lands and Wildlife noted the tremendous economic impact that will result from the project. Mr. Fjordbotten said that: "My department has worked very hard for several years to attract the right kind of investors to Alberta. Our renewable resource has attracted the interest of many forest companies, and we carefully analyzed several proposals before making a decision in favor of Alberta-Pacific."

Timber for the mill will be drawn from a Forest Management Agreement (FMA) area in the northeast part of the province. Working within an area of 73,000 square kilometres (28,000 square miles), the company will limit its annual harvest to approximately 1 percent of the total area.

"Alberta Forestry, Lands and Wildlife continues to work under the principle of sustained yield development for Alberta," Mr. Fjordbotten continued, "by striking a careful balance between well-managed industrial development and progressive management and renewal of the forest resource and protection of the wildlife habitat."

"The Athabasca mill will use the latest and best available technology which will keep the environmental

impact of the mill to an absolute minimum. In order to proceed with the project, Alberta-Pacific Forest Industries Inc. must first submit to the Department of Environment a detailed Environmental Impact Assessment demonstrating that the project will meet with our tough new standards for environmental protection."

Alberta-Pacific Forest Industries Inc. is locating its head office in Edmonton.

ALBERTA-PACIFIC PULP MILL FACT SHEET

- Alberta-Pacific Forest Industries Inc. is majority-owned by Crestbrook Forest Industries Ltd., a forest products company based in Cranbrook, B.C. Crestbrook operates a plywood operation in Fort MacLeod, Alberta and three high-utilization sawmills, a veneer mill, and a bleached kraft pulp mill in

Continued on page 67

countries. The biggest buyers of woodpulp are the paper, newsprint and tissue manufacturers of Europe and the U.S.

But that picture could change. Pulp is in big demand in China, however, purchasing power is limited by a lack of foreign exchange. In Brazil — where a tree can grow to full maturity in just eight years — pulp production is increasing to the extent to where it will soon be one of the world's largest suppliers. Pricing, reliable supply, and efficient transportation will be key competitive elements.

THE TERMINALS

In any event, Port terminals are preparing for a healthy increase in exports of western Canadian pulp. "We view all new mills as potential customers," said John Ellis, Sales Manager for Western Stevedoring at Lynnterm. Ellis projects a virtual doubling of pulp handling at the VPC-owned ter-

COMPLETION DUE IN 1992

WTD getting specific about pulp mill plans

PORTLAND, ORE.—Plans of WTD Industries Inc. to build a new market pulp mill in the Pacific Northwest have progressed to the stage where specifics have been announced.

This will be the fast-growing WTD's first venture out of solid wood, heralded several months ago with an announcement of the company's intentions and hiring of Ladd T. Seton to the new post of vice president for pulp. WTD has created a subsidiary, Port Westward Pulp Co., for this purpose. PWP has a two-year option to lease a 250-acre mill site at a location designated as Port Westward, Ore., near Clatskanie. The site, which has an existing dock on a deep-water channel, is on the Columbia River between Portland and Astoria.

Planned is a \$420-million bleached softwood kraft market pulp mill to produce 300,000 metric tons per year. Target for completion is mid-1992. Other investors will join WTD in the project.

Permits should be issued by mid-1989, with groundbreaking to follow.

About 95% of the pulp mill's output will be exported, split 75/25 between the Pacific Rim and Europe. A major portion of its 600,000-bdu yearly appetite for Douglas fir and whitewood chips will be supplied by WTD sawmills.

WTD has grown since its inception in 1981 to a firm with 27 sawmills, plywood and veneer mills in four states. It is ranked in the 1988-89 *Forest Industries North American Factbook* as the sixth largest lumber producer in the U.S.

FOREST INDUSTRIES/October 1988

VALUE-ADDED PRODUCT

Pulp becomes attractive to lumber, panel makers

VANCOUVER, B.C.—It seems that solid-wood producers are being drawn increasingly into the pulp business, on the premise that if they are supplying the raw material, they should make—or have a financial stake in making—the value-added product.

This is a concept that has not eluded the large, integrated forest products corporations over the years.

Announcements during the past month include plans for a new hardwood pulp mill by Louisiana-Pacific Corp., which already has experience in pulp manufacturing, and an agreement under which a group operating four sawmills will provide chips to a proposed new mill in exchange for an equity position.

L-P's new 450-tpd bleached chemi-thermomechanical pulp mill will be built near Chetwynd, B.C. Construction will begin in September 1989, with completion due in two years. Agreement has been reached with the provincial government assuring a long-term supply of aspen pulpwood for the mill.

Chetwynd is 64 miles from Dawson Creek, B.C., where L-P operates a large OSB plant. Other L-P pulp mills are at Samoa, Calif., and Ketchikan, Alaska.

Sinclar signs with Alcan

Sinclar Enterprises Ltd., Prince George, B.C., has agreed to supply wood fiber to a pulp mill proposed for construction in Vanderhoof, B.C., by Alcan Aluminum Ltd. In return, Sinclar is assured of a stake in the new mill.

Sinclar represents The Pas Lumber Co. Ltd. and Lakeland Mills Ltd., Prince George; L&M Lumber Ltd., Vanderhoof; and Apollo Forest Products Ltd., Fort St. James. The companies generate 250,000 bdu/yr of high-quality spruce-pine-fir chips.

Fibreco shows the way

Exemplifying the concept of sawmills expanding into pulp production is the new Fibreco Pulp bleached chemi-thermomechanical market pulp mill in Taylor, B.C., which started up Sept. 19.

Fibreco Pulp is a wholly owned subsidiary of Fibreco Export Inc., a consortium of 26 non-integrated sawmill companies in the B.C. Interior which formed initially as a chip marketing and export

organization. Fibreco had until Oct. 31 to tell the provincial government if it plans to go ahead with construction of a second pulp mill near the Taylor site, thus exercising an option for a long-term supply of aspen from the Fort St. John area.

WTD follows similar course

No such review would be complete without the mention of Portland, Ore.-based WTD Industries Inc., which is proceeding with plans to build a bleached kraft pulp mill on the Columbia River near Clatskanie, Ore.

WTD has grown since 1981 to embrace 27 sawmills, plywood and veneer mills, most of them in the Pacific Northwest and positioned to supply fiber to the company's initial pulp venture. ■

FOREST INDUSTRIES/November 1988

Original sponsors: Menard and Larson
By Request

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 205 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

8 * Section 1. AS 41.17 is amended by adding new sections to read:

9 ARTICLE 5A. FOREST STEWARDSHIP AGREEMENTS.

10 Sec. 41.17.500. PURPOSE. (a) The purpose of AS 41.17.500 -
11 41.17.640 is to authorize the commissioner to enter into forest stew-
12 ardship agreements that may include provisions for the development of
13 a forest products plant and facilities or services such as reforesta-
14 tion, road construction and maintenance, recreation improvements, and
15 fish and wildlife habitat protection, monitoring of activities under a
16 forest stewardship agreement, and the enforcement of terms, condi-
17 tions, and laws protecting other beneficial uses of state land.

18 (b) A forest stewardship agreement must provide for consider-
19 ation of other existing beneficial uses of forest land in an agreement
20 under AS 41.17.500 - 41.17.640.

21 (c) A forest stewardship agreement may

22 (1) relieve the state of some of the administrative respon-
23 sibility of developing and managing a timber sale;

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

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

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

5 Sec. 41.17.510. FOREST STEWARDSHIP AGREEMENTS. (a) The commis-
6 sioner may, after consultation with the commissioners of environmental
7 conservation, fish and game, and commerce and economic development and
8 with affected municipalities, enter into an agreement for the manage-
9 ment of the forest resources of the state under AS 41.17.500 - 41.17.-
10 640.

11 (b) A forest stewardship agreement is subject to each applicable
12 state and federal law and regulation in effect on the effective date
13 of the agreement and to each applicable law and regulation adopted
14 after the effective date of the agreement.

15 Sec. 41.17.520. PLANS. (a) A forest stewardship agreement
16 entered into under AS 41.17.500 - 41.17.640 must be consistent with
17 the Alaska coastal management program, an area and a management plan
18 adopted by the commissioner under AS 38.04.065, and a land classifi-
19 cation adopted by the commissioner under AS 38.05.300. A management
20 plan that allows forest stewardship agreements must include

- 21 (1) an inventory of human uses and renewable and nonrenew-
22 able resources in the area;
- 23 (2) location, type, and duration of access for forest
24 management;
- 25 (3) operable timber base areas that may be harvested;
- 26 (4) annual allowable cut as determined by the commissioner;
- 27 (5) silvicultural prescriptions;
- 28 (6) possible facility development;
- 29 (7) area-specific management practices or prescriptions

needed in addition to forest practices regulations and best management practices to protect or enhance fish and wildlife habitat and harvest, public recreation, water quality, and other significant public or private resources and uses of the area.

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

(c) Each year the operator shall prepare and the commissioner shall review and shall approve, reject, or require a revision of an annual harvesting plan. During the term of a forest stewardship agreement the operator shall annually update the master plan and five-year operating plans subject to the approval of the commissioner.

Sec. 41.17.530. NOTICE OF INTENT TO DEVELOP AN AGREEMENT. After meeting the planning requirements under AS 41.17.520(a) and before a forest stewardship agreement is offered for bid under AS 41.17.560, the commissioner shall publish notice under AS 38.05.945 of the intention to consider a forest stewardship agreement for an area. The commissioner shall provide written notice to private property owners within and adjacent to the proposed agreement area and shall hold public hearings in affected communities.

Sec. 41.17.540. REQUIREMENTS OF FOREST STEWARDSHIP AGREEMENT.
(a) A forest stewardship agreement for the harvest of state timber under this section must provide for

1 (1) the term of the initial agreement, not to exceed 20
2 years, and the conditions for an extension of the term under AS 41.-
3 17.600;

4 (2) the stumpage prices to be charged for the timber and a
5 periodic review and, if appropriate, adjustment of the stumpage
6 prices;

7 (3) the penalties for the violation of the terms of the
8 agreement and provisions for termination of the agreement under (d) of
9 this section;

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

11 (5) public use of state land involved in the forest stew-
12 ardship agreement, except that the commissioner may limit access in an
13 area that is being harvested or where hazardous conditions exist;

14 (6) the protection of multiple uses, such as mining, recre-
15 ation, and fish and wildlife habitat and harvest;

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

18 (8) specific mitigating measures and monitoring plans to
19 protect water quality;

20 (9) protection of state-owned land within a minimum of 100
21 feet of rivers, lakes, or streams to provide soil stability, protect
22 fish and wildlife habitat, water quality, and other important uses,
although more state land may be protected as determined in the master
plan, the five-year operating plan, or the annual harvesting plan;

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

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

(12) the maximum and minimum development requirements as