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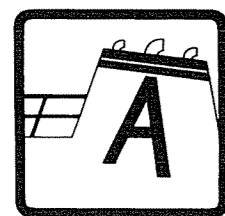
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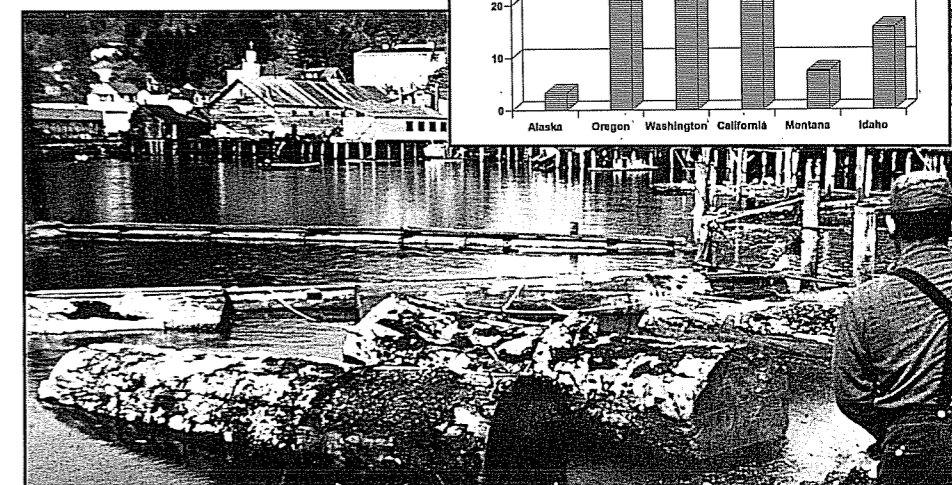
**TIMBER!**

*It's the law of supply and demand -- as more timber lands are taken out of production by government restrictions, supplies dwindle and prices rise.*

The smell of fresh sawdust is fading from the old mills in Oregon and Washington, but sharp contraction of the timber industry in the Pacific Northwest is resulting in monumental increases in the price of lumber, sending a message to consumers that federal environmental laws will cost everyone.

Increased government restrictions of harvestable land in the Pacific Northwest is greatly shrinking the supply of wood reaching the market from Seattle and Portland. In many areas open to cutting, sustained yields have been reached. And public opinion has been calling for even greater preservation of the older forests.

These factors, combined with the demands of a recovering economy, have strained the system. The demand for wood products — by the same society that desires to see vast regions of the forest off limits to logging — has



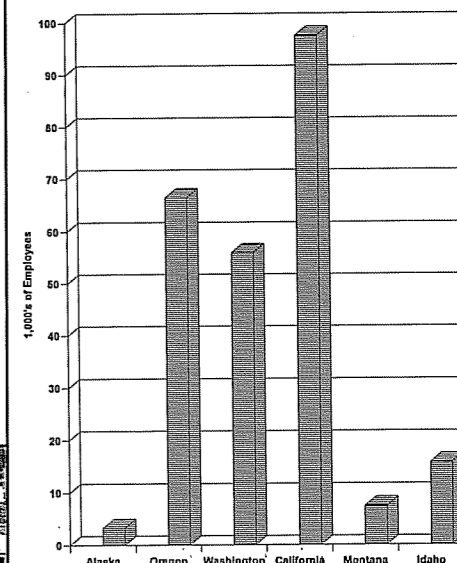
Although Alaska has over 10% of the nation's forest resource, it is far behind most other states in forest industry employment. As the timber industry contracts in the Northwest, opportunity raps on the door of a potential multi-billion dollar wood products industry in Alaska.

never been greater.

The pulp and paper industry is now poised for a rebound. Housing construction and remodeling are both up. Remodeling itself has become a sustained growth industry, especially as America moves to rehabilitate inner cities.

The bad news is that national supply of wood products is falling sharply, brought on to a large extent by the

1991 Western States Forest Employment



successful campaigns and lawsuits of environmental groups to withdraw millions of acres of the Northwest timber base into no-harvest zones. With less timber available for cutting, 168 sawmills have closed and over 20,000 people have lost jobs.

But now it's not only the loggers in the Northwest feeling the pinch, consumers across America are having to

*(Continued to page 4)*

**Related stories**

- No peace in the Tongass .....2
- Alaska's loss, Russia's gain .....7

# Timber harvesting has touched only a fraction of Tongass National Forest

by Lew M. Williams

In the debate over timber harvesting in Southcentral and Interior Alaska, timber cutting in Southeast Alaska is cited as a bad example. The implication is that it has ruined the area.

That's wrong. It's more accurate to say Southeast timber harvesting is a good example.

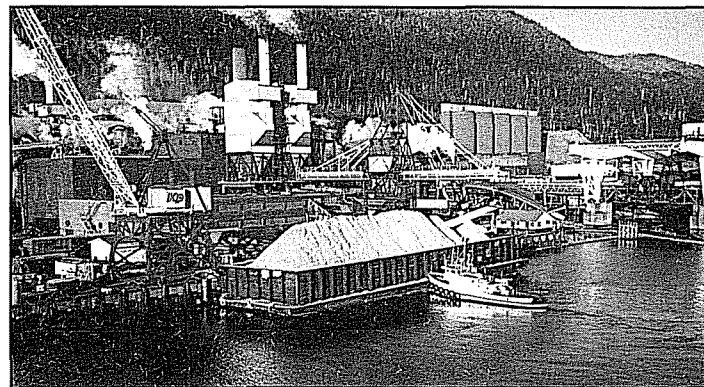
Since Tongass National Forest was established in 1909, only 435,000 acres of trees have been cut. That is 4.5% of the 9.5 million acres of forested land in the 16.9 million-acre Tongass.

The 550,000 acres of Southeast granted to Native corporations in 1971 are not included in those figures, but their clearcuts have been misinterpreted as part of the Tongass harvest. Because native timber is on private land, logs can be exported in the round. Primary manufacture in Alaska is required of timber cut on the Tongass, which is why we have an industry in Southeast whose positive impact far outweighs its small impact on the volume of trees and on fish and game.

In addition, no harvest acreage has failed to produce a second growth, some which are good size trees. No streams have been destroyed. At Harris River and the Maybeso Valley on Prince of Whales Island, where timber was first clear cut to the stream bank in 1954, the new trees are 10-20 inches in diameter and between 60 and 80 feet tall. The river is still a major salmon producer and a popular sport fishing stream accessible by road.

It is logistically impossible for a Tongass timber harvest, which will have occurred on no more than 10% of the timber acreage by 2054 (the end of what is called the first 100-year cutting cycle), to harm the Tongass or Southeast Alaska. In addition to affecting so few areas compared with the whole, the re-growth potential of the Tongass is over billion board feet a year, more than two and one half times the current 450 million board foot harvest rate.

A claim by some biologists new to the state that timber harvest ruins game habitat for up to 150 years is not supported by their own agency or by hunters. According to game regulations, the bag limit for deer is four bucks on Prince of Whales Island and on Ketchikan's Revillagigedo Island, and six on Chuchagof Island, all areas where the most timber has been cut. The bag limit is only two bucks around Juneau where there has been no logging.



Before the oil boom came to Alaska, Ketchikan Pulp Company provided 20% of the corporate income tax collected by the state. Timber corporations still pay healthy income taxes.

By comparison, after deer were hunted commercially in Southeast early in the century to feed crews building the Alaska Railroad, and before the major timber industry came to Alaska in 1954, the bag limit was only two bucks a season throughout Southeast.

Salmon runs and salmon harvests in Southeast in the 1980s have been greater than in any decade in the modern history of Alaska. This doesn't prove that logging enhances fish and game, but it proves that they can coexist with current management policies. The coexistence has occurred successfully for longer than many of the timber industry's critics have been alive. History contradicts their science.

The 700 miles of roads on Prince of Whales Island, built by the timber harvesters, are part of the infrastructure that led to a stable year-around economy. The new economy justified new schools, a new airport, new hunting and fishing lodges, new sawmills and cedar mills and the incorporation of two new communities.

More than 4,000 jobs in Southeast are directly tied to the timber industry. They are year-around jobs. People build homes, families, communities and they vote. They don't head south each fall as do many employed in the visitor and fishing industries, some of whom claim logging on less than 5% of the Tongass threatens their jobs.

Before the oil boom came to Alaska, Ketchikan Pulp

(Continued to page 3)

# Loggers: state policy hasn't helped

(Continued from page 6)

timber could generate over \$1 billion in economic activity during the next decade. He stressed that an aggressive harvesting plan, coupled with an intense reforestation program, would lead to a vibrant, green forest in 30 years. On the other hand, letting nature take its course, the option preferred by many preservationists, could result in devastating multi-million dollar wildfires and grasslands void of evergreens for generations.

Some preservationists are resisting logging of the dead and dying timber and the construction of roads to reach the trees. They are working to convince fishing, recreation and tourism interests to oppose logging.

This conflict infuriates private forester Terry Brady who charged "the environmental community on one hand is now espousing 'sustainable development' while working overtime to torpedo any reasonable use of the renewable forest resources."

### Unfavorable government policy

Brady was also critical of both federal and state policy which he claims has for more than 20 years been negative to the development of a forest products industry in Alaska.

"This has been accomplished through law, regulation, attitude, priority, and alienation of the forest resource by creation of wilderness and off-limit park and wildlife areas," Brady said. "The result has been virtually no utilization on state lands, while the forest progresses through fire, disease and insect attacks, which destroys wood while precluding beneficial uses."

Brady pointed out that natural mortality has, in many areas, surpassed growth. For example, on America's two largest national forests, the Tongass and the Chugach, natural mortality far outstrips growth. And since 1987, with

# Alaska's loss, Russia's gain

The building controversy over the state's plan for widespread logging of beetle-killed timber on the Kenai is reminiscent of a 1987 proposal to harvest timber on state lands in the Susitna Valley.

At the center of that proposal was the construction of a \$45 million specialty plywood mill by Native and Finnish interests, remembers Terry Brady, a forester who heads Alaska Husky Woods. Brady said the mill would have created over 200 full-time jobs while harvesting on an annual basis less than one one-hundredths of the timber available in the Matanuska-Susitna Borough. The mill, designed to be environmentally-friendly, would have generated an estimated \$35 million in annual sales with a \$6 million annual payroll. It would have manufactured a wide variety of wood products.

But the business went elsewhere when local environmental groups convinced recreation and fishing enthusiasts, along with tourism interests, that logging would destroy the wilderness character of the 20,300 square mile region. Ongoing turf battles between state agencies and an administration's inability to stop the internal disputes, helped drive the final nails in the coffin.

The mill proposed for the Mat-Su area is now successfully operating in Russia. The Chudova Plywood Plant is recognized throughout the world as a state-of-the-art specialty plywood facility.

"Hopefully, the ignorance that resulted in the loss of that facility, which would have enhanced rather than degraded fish and wildlife and touring opportunities in the Susitna Basin, will not be repeated as the current administration moves toward Constitutionally-mandated use of the renewable forest resources of Alaska," Brady said.

the continual increase in the beetle infestations, there is reason to believe that mortality on state lands is now greater than new growth.

"Despite the promise of sustained yield utilization envisioned in the Constitution of the State of Alaska, and aggressively pushed by early state administrations, we have now had 20 years of the opposite," Brady charged. "The great experiment of the owner state, at least as far as forest resources are concerned, is teetering on the brink of disaster."

With more than 10 percent of the entire nation's forest resource, the peak harvest of Alaska wood has never reached above one half of one percent of the nation's output. This puts Alaska far below such states as Michigan, Minnesota, New York, Georgia, Texas and the Carolinas, all of which support annual multi-billion dollar industries with less resource than is found in Alaska. It is no wonder that Alaska is last in forest industry employment, Brady said.

"The petroleum industry should not have to send to Oregon to get timbers, the Alaska Railroad should not have to send to Montana to get ties and Alaska home builders should not have to use Canadian and Oregon products," Brady added.

"The minerals and tourism industries, in cooperation with the timber industry, should benefit from increased surface transportation" that logging would bring, Brady noted.

All these side benefits would lead to a healthier range of conditions for large and small game, and more fishing opportunities for the common citizen as remote rivers become accessible, Brady contends. "The current 'combat fishing' by Alaskans along the Russian River could be reduced considerably if other options become available. The environment itself, now under severe strain because of mismanagement and no management, can benefit."

Recent moves by Governor Walter Hickel and Commissioner Glenn Olds of the Department of Natural Resources indicate that a turnabout may occur, provided there is sufficient public support to convert dead and dying timber into useful products. According to private and state foresters, there is strong public support for harvesting such timber. But it won't happen, Brady warned, unless government comes to terms with its responsibility to manage renewable resources under sustained yield programs.

The Resource Development Council (RDC) is Alaska's largest privately funded nonprofit economic development organization working to develop Alaska's natural resources in an orderly manner and to create a broad-based, diversified economy while protecting and enhancing the environment.

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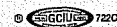
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Writer & Editor  
Carl Portman





# Preservationists move to block Alaska logging

(Continued from page 5)

every long-term timber sale area proposed for the two Southeast pulp mills. The mills are now experiencing severe log shortages and sizable increases in the prices for logs they buy. With new areas being put off limits to logging, the mills are being forced to harvest lower-quality timber in remote areas that cost more to access.

Meanwhile, environmentalists have been working overtime to prevent loggers from getting a foot-hold elsewhere in Alaska.

The Sierra Club and other environmental groups are backing massive land purchases to prevent logging on over 380,000 acres of private land in Prince William Sound, on Kodiak and Afognak islands and along the Gulf of Alaska. The groups are pressuring the Exxon Valdez Oil Spill Trustees Council to spend hundreds of millions of dollars in oil spill settlement funds on timber "buyouts."

Jim Cloud, one of several citizen advisors to the Trustees Council, warned that while it may be necessary to protect some habitat in the region, large-scale timber buyouts would withdraw enormous amounts of timber that would otherwise be available for public consumption. Cloud explained that as fisheries and recreation are considered a public use in Prince William Sound, so is timber, a renewable resource that provides Alaskans with jobs and supplies consumers with a varied assortment of wood products.

Cloud suggested that where it is absolutely necessary to acquire timberlands for habitat protection, other lands with equivalent resources should be made available to the forest products industry to replace the loss of wood products to consumers.

Lew Williams, another citizen advisor to the Trustees Council, is also cool on the buyout proposal. With some 89 percent of Alaska already in government ownership, Williams stressed the

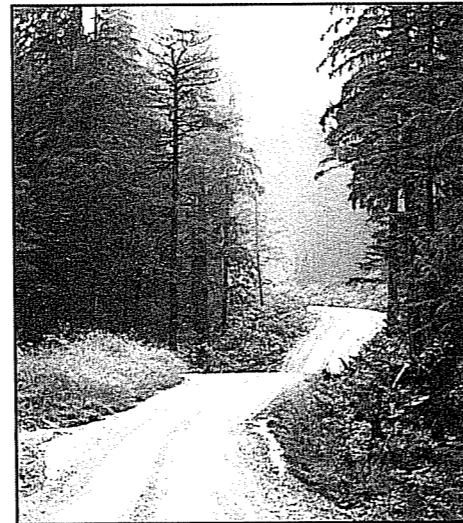
importance of keeping private land open to development. When land is taken out of production, tax revenues, local economic spinoffs and jobs are lost, Williams noted.

A case-in-point is the \$20 million Seward sawmill which just re-opened and is expected to employ over 100 people by this summer. With little logging occurring in the Chugach National Forest, the mill is heavily dependent on private timber lands owned by Native corporations in Prince William Sound and the Kenai Peninsula. Wood products from the mill will be sold to Alaska consumers, as well as those in the Northwest and overseas.

As supplies dwindle in the Lower 48 and overseas, timber operators will be taking a closer look at the thin trees of the boreal forest, where one-third of the state's forest resource is located. This vast, largely untouched Interior forest has the potential to fulfill a large share of wood product commodity production. With new technology, this smaller sub-arctic timber can be manufactured into quality value-added forest products ranging from lumber and plywood to reconstituted wood building panels. But virtually no logging is occurring on the boreal forest. And plans to log there have also met the hammer of the powerful environmental lobby.

## The Kenai bark beetle debate

Even on the Kenai Peninsula, where an over-mature forest is dying from a severe spruce bark beetle infestation, efforts to log dead timber are bogged down by environmental politics. But long-time Alaska forester John Hall says logging on the Kenai is necessary to restore the forest's health. He contends that fish streams, wildlife habitat and view sheds are in greater jeopardy from the aging spruce dying and falling down. Hall also cited the growing risks of catastrophic wildfires in the dry beetle-killed forest and the high cost of fire suppression.



Only one-third of the commercial timber lands in the Tongass remain open to logging.

A 1992 aerial survey showed that there were 365,000 acres on the Kenai infested by the beetle. Hall, President of Taiga Resource Consultants, submitted a master harvesting plan to the Kenai Peninsula Borough for harvesting beetle-killed timber.

The plan calls for logging and utilization — over a ten-year period — of 800 million to 1.5 billion board feet of spruce timber recently infested and on the verge of destruction by the beetle. "The harvest can be done properly and professionally with coordinated input of wildlife and fisheries biologists, fire control specialists, forest entomologists, silviculturists, forest engineers and other forestry personnel," Hall said.

The objective of the plan would be to establish a healthy forest which has or will be devastated or deforested by the beetle. Hall warned that the beetle is spreading across the Peninsula like a slow-moving fire and something has to be done about it.

If nothing is done, the forest will die and become an unsightly graveyard of dead trees and grass, a habitat fit only for woodpeckers, Hall said.

A major component of the master plan is a \$1.5 million reforestation center that would include a nursery, greenhouse and research facility staffed by silviculturists, fisheries and wildlife biologists, fire control specialists and other team members.

Arvid Hall, also of Taiga, noted that logging the Peninsula's dead and dying

(Continued to page 7)



## Thoughts from the President

by Paul S. Glavinovich

### Mining Law

## "Here they come again"

A similar exclamation was probably shouted by Col. Travis as he faced another assault from Santa Anna's troops in the historic defense of the Alamo.

America's mining industry must feel a little like Col. Travis as it witnesses assault after assault on the 1872 Mining Law by those stalwart defenders of public lands from non-public land states, Sen. Dale Bumpers (D-Arkansas) and Rep. Nick Rahall (D-West Virginia). Rahall was successful in the last Congress in convincing the House to pass his mining law reform legislation, but Bumpers -- in the Senate -- was not. Unlike the defenders of the Alamo, reinforcements in the form of U.S. Senators from the public land states arrived in time to preserve the basic tenets of the mining law, at least for one more year.

Rahall and Bumpers are back again with legislation which basically mirrors their previous efforts. The new legislation, like the former, totally ignores the hundreds of hours of expert testimony offered by industry and government agencies on the previous bills. In addition, it includes an eight percent royalty assessed upon all production. That may not sound like much, but put it in the context of a retail merchant

## Tongass cutting is a good example, despite what opponents say

(Continued from page 2)

Company provided 20% of the corporate income tax collected by the state. Corporations still pay healthy income taxes. The critics of industry — non-profit organizations and individuals — pay nothing and have 95% of the national forest in which to hunt, fish, hike and recreate without seeing a second growth tree or a clearcut.

Twenty-five percent of the stumpage dollars the Forest Service collects from the timber harvest on national forests returns to states and is distributed to local governments for school and road use. That exceeded \$20 million for the past four years, almost all of it from the Tongass and distributed to communities in the Tongass.

Except for a few years in the 1980s when the timber market slumped worldwide, the Forest Service has made money selling Tongass timber, such as \$18 million in 1990 on gross sales of \$36.6 million. The Forest Service reported a loss of \$10.14 million for 1992, caused by one-time costs

"These numbers are difficult to rationalize from a Congress and a Chief Executive that professes their priority is to reduce the deficit and create jobs."

who pays \$1 for a product and who is constrained by competition to a five percent mark-up and so sells the product for \$1.05. The merchant's tax as per Rahall and Bumpers would be eight percent times \$1.05 or approximately \$.08. With his profit fixed at \$.05 and the government demanding \$.08, the merchant won't stay in business long and neither will the miner.

There is an additional calculation peculiar to mineral economics called "Net Smelter Return," the result of which returns to the miner, particularly of base metals, only 50% to 60% of the gross value of his product. The eight percent gross tax sought by Bumpers and Rahall quickly escalates to approximately 16% of the miners' total return on his product; no expenses are deductible. Few mines will survive at this rate, and President Clinton now says that he will seek a 12.5% tax rate on gross value.

These numbers are difficult to rationalize from a Congress and a Chief Executive of the federal government that professes their priority is to reduce the deficit and create jobs. The current mining legislation proposed by Bumpers and Rahall will have just the opposite effect. It will force present tax paying mining operations out of business, greatly restrict the initiation of any new mines and result in the loss of an unknown number of new and existing jobs in mining, manufacturing and support industries as the U.S. mining industry moves offshore.

The mining industry is once again attempting to educate those members of Congress to the value of a domestic minerals industry. It goes something like this: deficit reduction, foreign trade balance and new jobs, and not necessarily in that order. Hopefully they will be successful.

assessed against the year by terms of the Tongass Timber Reform Act of 1990. Nearly all of the loss was accredited to a write-off of road costs to timber that the Act took out of the timber base. Actually the Forest Service netted \$25.5 million on a harvest of 1.65 billion board feet over the four year period of 1989-1992.

We invite visitors to enjoy the 6.6 million acres of untouched designated Wilderness (3.7 million of those acres covered with trees) in Southeast. That Wilderness is 15 times more acreage than has been logged in the past 84 years.

And there are the other 8.8 million acres where the deer and the non-loggers play after deducting the 1.5 million acres open to logging between 1909 and 2054. Some of the regrowth areas are enjoyable, support fish and game populations and are readily accessible by road.

May Southcentral and Interior Alaska have such a successful program some day by doing so much with so little.

# Timber crisis spells opportunity for Alaska's forest products industry

*Alaskan industry will have to overcome its own problems and convince public that logging will not ruin the land*

(Continued from page 1)

pick up part of the tab for wilderness preservation through higher lumber prices, which have jumped as much as 90 percent in six months. Basically, it's Economics 101, the law of supply and demand. When supply decreases and demand increases, prices are bound to rise.

The Congressional Research Center, however, claims many factors have contributed to the price rise and that logging closures have only played a marginal role in pushing prices up. It said the nation's economic recovery is the driving force behind the sharp increases. But the National Association of Home Builders, the American Forest and Paper Association and the United Carpenters and Joiners of America disagree. The timber industry insists the shortages are real and will grow worse as more land is taken out of production.

The steep increase in the price of wood products is bad news for the consumer. The price escalation has added \$4,500 to the price of an average new home, pricing about 127,000 buyers out of the market.

Frank Seymour, a forest products specialist with the State of Alaska, said there is little relief in sight since there are no new timber supplies to mitigate shortages created by taking land out of production.

Even in British Columbia, where the volume of timber cut is twice that of Oregon, Washington and California

combined, harvest levels are steadily falling as more land is put off-limits to logging. Seymour warned that additional price hikes in housing construction and remodeling could occur if shortages worsen.

## Alaska opportunity

While the forests of the southeast United States have filled some of the void, the resource is limited and of lower quality than can be found in the Northwest. This fact alone opens the door to opportunity for Alaska's timber industry in serving the huge markets in California and the Northwest.

Over ten percent of the forested lands in the entire United States are in Alaska, according to the Alaska Divi-

sion of Forestry. The state has the second greatest acreage of potential commercial forest and the fourth largest acreage of actual commercial forest of any state following Oregon, Washington and California. State and private foresters say Alaska's wood products industry is a sleeping giant, a potential multi-billion dollar economic force that some day could employ over 10,000 people while sustainably harvesting more than 3 billion board feet of timber annually.

But to move on the opportunity created by conditions in British Columbia and the Northwest, Alaska's timber industry will have to overcome its own

troubles. Just as there is strong opposition to cutting trees in the Northwest, there is also opposition to logging in Alaska where most of the forest has yet to be touched by a chainsaw.

"The reality is that society does not look favorably on timber harvesting because it has lost touch with the basic fact that trees are a renewable resource—a crop that grows back, given proper management and care," said Joe Henri, President of Southcentral Timber Development Corporation. "The same public that doesn't want to see a tree cut anywhere is now screaming about the soaring prices of lumber and other wood products."

Although it has not even scratched the surface of its enormous timber resource, Alaska—like the Northwest—is experiencing a drop in overall timber production and sales in part because of new Wilderness set-asides. Alaska now ranks far ahead of all states in dedicated Wilderness created from potential commercial forest land.

The value of Alaska wood product sales fell from \$1.1 billion in 1989 to \$562.7 million in 1991, the last reporting period available. Well over one billion board feet of timber was harvested in Alaska in 1989, compared to about 960 million board feet last year. Some 264.2 million board feet came

from the one-third of the Tongass open to logging while Native corporation lands in Southeast accounted for 451.3 million board feet of the harvest. Another 137 million board feet was cut off Native lands in Southcentral.

## Don't cut the trees!

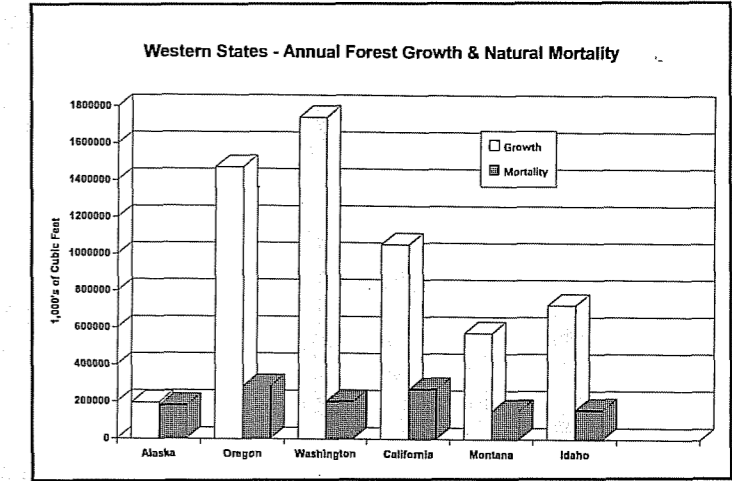
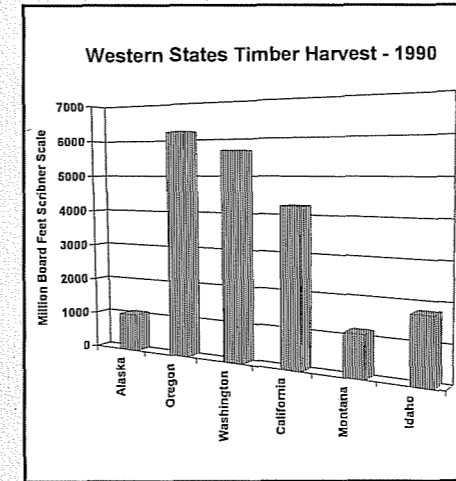
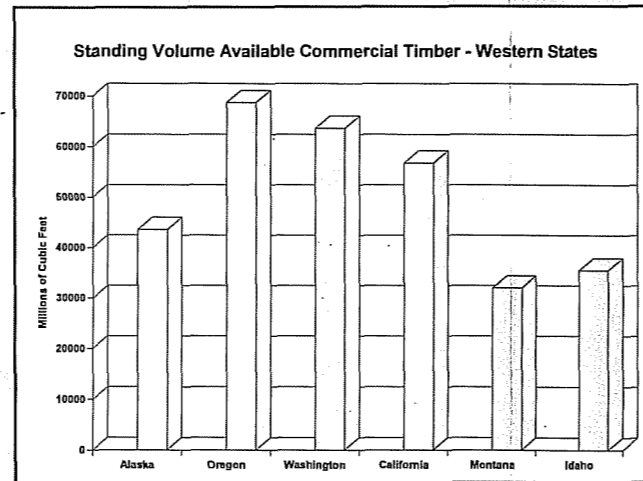
While the total value of Alaska sales is expected to jump because of steep market price hikes, the volume harvested will likely fall as environmental interests push for additional no-harvest zones. New reductions in the timber base will only aggravate supply problems.

The Tongass Reform Act of 1990 designated an additional one million acres of the Tongass National Forest as Wilderness. That means over two-thirds of the commercial forested lands in the Tongass, the nation's largest national forest, are now off-limits to logging. The loss of this wood is particularly painful because it is processed in Alaska before being exported, while a substantial portion of timber owned by Alaska Native corporations is shipped outside the state as round logs. Processing means more jobs in Alaska and higher prices for the product.

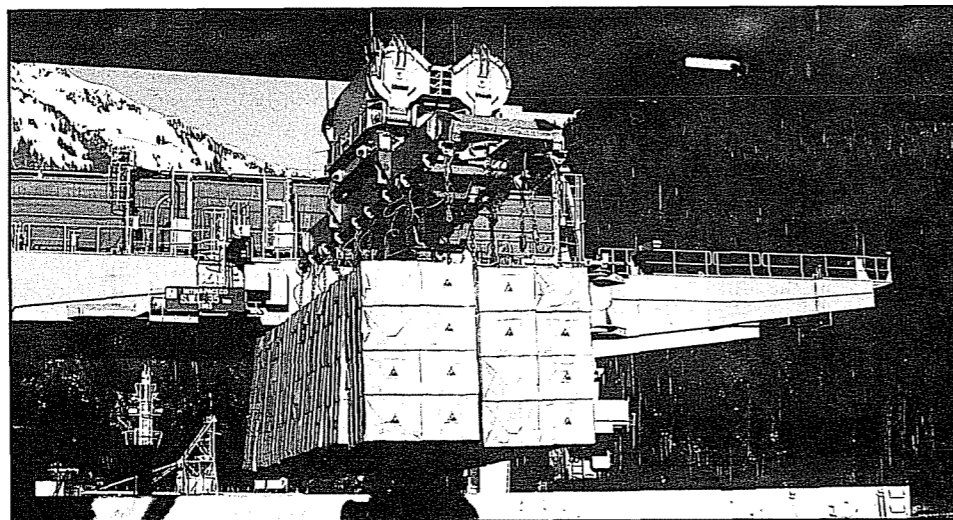
Moreover, since the passage of the Tongass legislation, environmental groups have challenged every single Forest Service timber sale offered and

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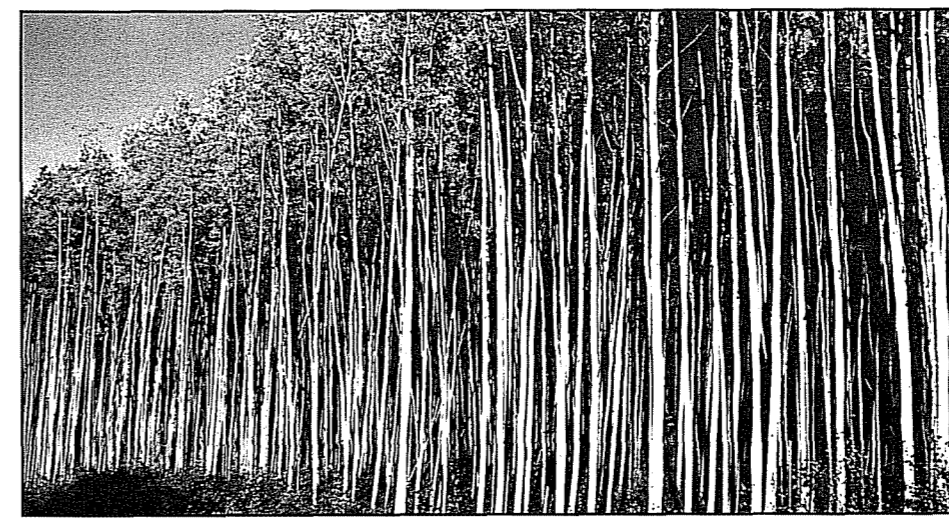
Source of charts: Alaska Husky Wood



Alaska has the fourth largest acreage of actual commercial forest of any of the United States, following Oregon, Washington and California. With more than ten percent of the nation's forest resources, the peak harvest of Alaska wood has never reached more than one-half of one percent of the nation's output. This puts Alaska far below many other states which support annual multi-billion dollar industries with less resource than is found in Alaska. As for mortality, Alaska's forests are over-mature and dying, resulting in massive infestations. Mortality almost exceeds natural growth.



Utilizing a fraction of its forest resource, Alaska has the potential to supply American and foreign markets with a wide variety of wood products.



As more old-growth forest in the Northwest and the Tongass are closed to harvesting, the boreal forest of Interior Alaska may play a role in supplying needed wood products.