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 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, bringing on to a large extent by the 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

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Timber harvesting has touched only a fraction of Tongass National Forest

Tongass National Forest was established in 1909, only 455,000 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 5.050 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 of which are good size trees. No streams have been destroyed. At Harris River and the Myeresso 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 2045 (the end of what is called the 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 280 feet per year, more than two and one half times the current 65,000 million board foot harvest rate.

A claim by some biologists new to the state that timber harvesting ruins game habitat for up to 150 years is not supported by data. By comparison, after deer were hunted commercially in Southeast in the early 1900s, to feed crews building the Alaska Railroad, and before the major timber industry came to the Tongass in 1954, the bag limit was only two bucks a season.

Salamon runs and salmon harvests in Southeast in the 1980s were greater than any in the last decade, a claim made by the major forester Terry Brady who charged "the environmental community on one hand and the timber industry's critics on the other" have been "working together to perpetuate any reasonable use of the renewable forest resources." Under timber management policy, Brady was also critical of both federal and state policy which he claims has caused "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.

Loggers: state policy hasn't helped

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, nature taking its course with the rapidity by any 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. 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 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 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 in the early 1900s, 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.

The 500 miles of roads on Prince of Whales Island, built by the timber industry in the 1950s, have been alive. History contradicts their science.

Before the oil boom came to Alaska, Ketchikan Pulp Company, one of America's two largest national forests, the Tongass and the Chugach, natural mortality far outstrips growth. And since 1987, with the continual increase in the beetle infestations, there is reason to believe that mortality on state lands is now greater than new growth.

"The petroleum industry should not have to send to Oregon to get timbers, its responsibility to manage renewable timber resources," Brady said. "While the petroleum industry should not have to send to Oregon to get timbers, its responsibility to manage renewable timber resources," Brady said.

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 come online over 1,000 full-time jobs while harvesting on an annual basis less than one one-hundredth of the timber available in the Matanuska-Susitna Borough. "The mill, designed to be environmentally friendly, would have generated $8 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. Our guiding light was the end of all disputes, helped drive the final nails in the coffin.

The mill proposed for the Mat-Su area is now successfully operating in Russia. The Chikwada 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 tourism 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 contractors and the timber industry, in cooperation with the timber industry, should benefit from increased surface transportation" that logging would require, he continued. All these side benefits would lead to a healthier range of conditions for logging, improved job opportunities for the common citizen as remote rivers become accessible. Brady contends. "The current 'combat fishing' by Alaska's remote rivers could be reduced considerably if other options become available. The environment itself, now under severe strain because of mismanagement and no management, can benefit.

"The minerals and tourism industries, in cooperation with the timber industry, face the same obstacles of environmental resistance. Private and state foresters, there is strong public support for harvesting such timber, but there is not.

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Preservationists move to block Alaska logging

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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 foothold elsewhere in Alaska. The Sierra Club and other environmental groups are backing massive land purchases to prevent logging off 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 higher 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.

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 this summer by 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 factored 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 is needed to rid the Kenai of unnecessary dead forest. He contends that fish streams, wildlife habitat and view sheds are at risk 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 350,000 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.

Avard Hall, also of Taiga, noted that logging the Peninsula's dead and dying forest (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 who pays $1 for a product and is who is constrained by competition to a five percent mark-up and so sells the product for $1.05. This 8 cents 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 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 miners out of business, preclude 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 does something like this: Deficit reduction, foreign trade balance, and new jobs, and not necessarily in that order. Hopefully they will be successful.

Tongass cutting is a good example, despite what opponents say

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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 dace.

Twenty-five percent of the stumpage dollars the Forest Service receives from the timber harvest on national forests returns to state 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 assessed against the year by terms of the Tongass Timber Reform Act of 1990. This has been money that pays for 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 $401 million.

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 44 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. Forest Service data since 1989, and 2004. 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

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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 increase. 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 logging 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 report 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 Southcentral 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 forests 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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