S. E. ALASKA TIMBER INDUSTRY

by Kitri Euler

There is an air of uncertainty in the forests of Southeast Alaska. An unresolved question exists concerning the future of the timber industry – will it continue to be the economic backbone of this region, or will it decline to insignificance?

There are many factors influencing the industry's future status: state and native land selections (ranging from 500,000 to 900,000 acres), a depressed market for Alaskan forest products and U.S. Forest Service policies and constraints are a few. However, one of the most important and, of course, most controversial, remains the federal land reclassification issue.

Subsection 17(d)(2) of the Alaska Native Claims Settlement Act of 1971 requires the Secretary of the Interior to classify up to 80 million acres of land in Alaska into National Park, Forest, Wildlife Refuge and Wild and Scenic Rivers Systems by December, 1978. Under legislation proposed by Representative Morris Udall of Arizona, 4.4 of the 15.4 million acres in the Tongass National Forest in Southeast would be set aside as wilderness. The House Interior Subcommittee on General Oversight and Alaska Lands, chaired by Representative John Seiberling of Ohio, has proposed 4.84 million acres be withdrawn as wilderness, with an additional one half million acres placed in wilderness study. Any development activity as logging or mining would be precluded from these areas.

Congressman Don Young recently submitted various questions to the U.S. Forest Service regarding potential impacts of H.R. 39 (Udall's bill) on the timber industry in Southeast. In his written response, Forest Service Chief John McGuire concludes the industry can maintain present levels, <u>providing certain conditions are met.</u> They are:

"1. Most of the remaining timber must be economically operable.

2. No further restrictive land designations will occur which will lower the potential yield below 630 million board feet.

3. The timber industry must invest in modern logging equipment to harvest additional special and marginal timber to maintain present levels."

In stating these conditions, however, McGuire pointed out there were valid uncertainties about each of them.

According to McGuire, the annual timber harvest in the Tongass over the last three years averaged 481.4 million board feet. Of that, 90.5 percent came from "standard" land, and 9.5 percent came from "special" and "marginal" land. Special forest land includes those areas which are accessible but where environmental interests must be protected, usually increasing the cost of logging; marginal forest lands are those with low product values, involve high development costs, or where resource protection constraints exist. Of the potential yield of 630 million board feet mentioned above, 53 percent would come from standard land and 47 percent would be taken from special and marginal land.

Past harvest of the special and marginal lands has been incidental to the standard timber harvest, according to McGuire. In order to maintain present levels of employment in the industry, future harvests from such lands must be increased, he added, regardless of pending legislation. This would require investment in special equipment by the logging industry and utilization of logging techniques not now commonly practiced in Southeast. Industry contends an uncertain world market for forest products will not permit extensive new capital investment. However, if the industry only takes 5 percent of its harvest from these lands, the Forest Service predicts the land withdrawal legislation will adversely affect employment levels. McGuire reports possible job losses ranging from 1,248 to 1,674 out of 5,800 (F.S. estimate) existing timber-related jobs. If 10 percent of the harvest comes from special and marginal lands, the Forest Service predicts job losses ranging from 957 to 1,477. Because of current timber sale contracts, there would be a 3 to 5 year lag before employment levels would begin to decline, affecting smaller, independent timber businesses first.

(The following table details statewide employment and earnings for logging, lumber and pulp, 1970–1976. A breakout for Southeast Alaska is also included.)

A report prepared by Alaska Lumber and Pulp Company of Sitka estimates a possible loss of 2,000 timber-related jobs if H.R. 39 passes. It is their contention that this estimate is more credible than the Forest Service figures. The ALP report states that their assumptions regarding existing economic conditions and the difficulties and expense of logging on special and marginal lands are more realistic, based on extensive first hand knowledge of conditions on the ground.

Keith Stump, public information officer for the Alaska Logger's Association in Ketchikan, stated in a recent interview that one cannot say H.R. 39 won't adversely affect the timber industry. However, he added the industry operates on a sustained yield basis, so any cutback in acreage will have an adverse influence on employment levels. According to John Raynor of the U.S. Forest Service office in Juneau, sustained yield is the yield a forest can produce continuously at a given intensity of management. Timber management activities are primarily governed by the Multiple-Use, Sustained-Yield Act, the National Environmental Policy Act, and the National Forest Management Act.

There are other proposals being studied regarding land classification in the Tongass. Citizens for the Management of Alaska Lands (CMAL) has proposed that 5.6 million acres be set aside as national recreation areas and wilderness study areas. The Alaska Loggers Association supports CMAL's proposal; timber harvest would be one potential use in these areas. The Forest Service is in the process of preparing a Tongass Forest Land Management Plan, scheduled to be completed by December, 1978. The plan will attempt to resolve the wilderness allocation question by allocating land areas to various uses or combinations of uses (e.g. wilderness, dispersed and developed recreation, wildlife management, and timber management). Other organizations who have prepared proposals include the Yakutat Citizens Involvement Group, the Wrangell Chamber of Commerce, Alaska Department of Fish and Game and the Southeast Alaska Conservation Council (SEACC).

Federal land reclassification in the Tongass is inevitable; the consequences of whatever proposal adopted by Congress will surely have a major impact on future jobs in the Alaska forest products industry. But the industry's own response, its ability and willingness to adapt, also remains a determinative factor.

While the timber industry in Southeast Alaska is in a state of uncertainty, one would expect the city of Ketchikan to be in a similar situation. City residents might argue otherwise.

Ketchikan has suffered setbacks in recent years. Poor pink salmon catches in S.E. Alaska resulted in lower than normal employment levels in seafood-related businesses in 1974, 1975 and 1976. In 1975, the Ketchikan Pulp Company (now Louisiana-Pacific Ketchikan Div.) announced intentions to close down their Ward Cove pulp mill – the single largest employer in the area – by July 1, 1977. Because of prohibitive costs, the company decided not to build a secondary effluent treatment plant required by the U.S. Environmental Protection Agency, necessitating the closedown. Since fishing and forestry form Ketchikan's narrow economic base, these events caused much community apprehension

The picture in Ketchikan is markedly improved this year. The 1977 salmon harvest was extremely good – the best since 1963 according to William Moran of the First National Bank of Ketchikan. He credits improved fisheries management and institution of the 200 mile limit as responsible for the unusually large run.

In addition, the pulp mill will remain in operation. A compromise is now in effect between LPK and the EPA, consisting of fines and phased environmental improvements.

At the time the pulp mill closure was a strong possibility, the Ketchikan Gateway Borough created the position of Economic Development Specialist This action was taken in order to develop diversification in the borough economy and pursue development options. Among the priorities for economic diversification developed by the economic specialist, Mr. Ira Winograd, and the Ketchikan Overall Economic Development Program are:

Logging, Lumber and Pulp in Alaska
Employment and Earnings

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	AVE. MO. EMPLOY	TOTAL YEARLY PAYROLL	AVE. MONTHLY WAGE
STATEWIDE															
1970	1892	2034	2735	2993	3033	3115	2978	3186	3205	3088	2658	2176	2758	36,711,125	1109
1971	1866	1881	2185	2834	3183	3308	3301	3365	3309	3013	2667	2247	2763	37,799,071	1140
1972	1844	1835	2043	2789	3090	3245	3342	3462	3486	3149	2986	2471	2812	40,887,432	1212
1973	2059	2340	3047	3392	3639	3784	3721	3562	3455	3481	3259	2647	3199	49,843,377	1298
1974	2299	2480	2815	3554	4015	4320	4398	4370	4245	4079	3849	3245	3639	63,268,342	1449
1975	2518	2571	2881	3387	3860	3778	4120	4184	4119	3785	2908	2420	3378	63,234,023	1560
1976	2245	2326	2575	3046	3429	3682	3686	3931	3963	3742	3452	2903	3248	72,243,168	1853
SOUTHEAST ALASKA															
1970	1792	1947	2640	2837	2897	2985	2865	3036	3040	2903	2489	2034	2622	35,460,021	1127
1971	1773	1746	2040	2649	2966	3077	3067	3107	3065	2847	2512	2118	2581	35,887,403	1159
1972	1706	1755	1953	2667	2960	3088	3151	3262	3306	2971	2858	2361	2670	39,331,793	1228
1973	1960	2255	2920	3237	3470	3587	3531	3352	3257	3281	3094	2512	3038	47,827,097	1312
1974	2171	2327	2645	3310	3717	3961	3955	4005	3895	3686	3478	2948	3342	58,626,162	1462
1975	2202	2218	2497	2949	3411	3246	3499	3529	3505	3195	2370	1932	2879	53,693,774	1554
1976	1835	1885	2120	2543	2920	3121	3072	3309	3331	3300	3019	2505	2747	61,047,740	1852

1977 Data	JAN	FEB	MAR	QUARTERLY WAGES	AVE. MO. WAGE
Statewide	2541	2869	3365	14,833,777	1690
S. E Alaska	2138	2403	2891	12,565,734	1691

Source Unemployment Insurance Contribution reports filed quarterly by employers in compliance with the Alaska Employment Security Act. These figures do not include indirect employment generated by logging, lumber and pulp activities.

Annual Averages

Private Employment in the City of Ketchikan
by Industry**

	1970	1971	1972	1973	1974	1975	1976
Mining	*	*	*	*	*	*	*
Construction	185	138	316	436	360	257	268
Manufacturing	1040	1025	1188	1254	1359	1033	1211
Transportation, Comm. & P. U.	344	394	506	499	576	537	517
Trade	685	699	721	788	940	968	1026
Finance, Ins., & Real Estate	116	119	133	123	150	154	179
Services	491	451	480	523	526	550	569
Miscellaneous	*	*	*	*	*	*	*
Total – Private Nonagricultural Employment	2890	2841	3401	3672	3971	3568	3847

* Withheld to comply with disclosure regulations.

** Source: Unemployment Insurance tax reports, filed quarterly by employers. Notable groups not covered by U.I. include self-employed persons, unpaid family workers, domestics and agricultural workers.

1.) **Fisheries diversification.** A study has been undertaken to determine the feasibility of developing a local year-round ground fisheries industry. Also, planned expansion of Bar Point Harbor will increase mooring capacity in Ketchikan for fishing vessels. The Corps of Engineers plans to add 350 commercial berths to the existing harbor.

2.) **Tourism development.** Plans for a theatre/convention/recreation center have been proposed; Ketchikan hopes to develop its tourist industry into a year-round business. With adequate convention facilities, the city will not be so dependent on tour ship cruises for visitor trade. A new City Dock was constructed and received its first tour ship this last July.

3.) **Encouragement of an Alaska Marine Highway winter maintenance program.** To further reduce the seasonality of Ketchikan's economy, the borough is attempting to convince the A.M.H. Administration and the State Legislature to locate winter maintenance activities for the State ferries in Ketchikan. In 1976, the State Legislature contracted out for a marine maintenance feasibility study. Conducted by Kent Miller, the study indicated that Ketchikan is the most feasible site for winter maintenance.

Mining offers one of Ketchikan's best hopes for future economic diversification. U.S. Borax and Chemical, a California-based corporation, has discovered a large deposit of molybdenum near Boca de Quadra, 50 miles east of Ketchikan. Although the mining activities would be largely outside of local control, the borough anticipates some stimulation of its economy. The borough hopes to establish communications with U.S. Borax and conduct impact analysis of alternative development proposals. Development of the mining site is not certain, however; environmental regulatory matters have not been settled.

Certainly, economic diversification cannot be achieved overnight. Ketchikan, however, is making a concerted effort toward that goal. There are good indications that if Alaska's fourth largest city does expand its economic base, it will remain a viable community and continue to exhibit a steady growth in the future.

ALASKA'S LABOR MARKET IN OCTOBER

Employment & Unemployment: Total unemployment in Alaska increased approximately 17 percent from September to October. During the month approximately 10.7 percent of Alaska's labor force was unemployed. Much of the increase in