FOIA Number: 2012-0769-F

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Subgroup/Office of Origin: Council on Environmental Quality

Series/Staff Member: Kathleen (Katie) McGinty

Subseries:

OA/ID Number: 4302

FolderID:

Folder Title:
Forest Conference-Tongass National Forest [1]

Stack:	Row:	Section:	Shelf:	Position:
S	61	7	2	3

CM said
rcc fax
said CM
would get back to
him re: KM
will cont. interest?
KZ

Alaska Rainforest Campaign
Alaska Center for the Environment, American Rivers, Natural Resources Defense Council,
Sierra Club, Sierra Club Legal Defense Fund, Southeast Alaska Conservation Council,
The Wilderness Society, Trustees for Alaska
1350 New York Avenue, Suite 300
Washington, D.C. 20005

VIA TELECOPIER (202) 456-2710

Kathleen McGinty
Director
Office on Environmental Policy
The Old Executive Office Building
Washington, D.C. 20501

Re: Request for Meeting

Dear Ms. McGinty,

The Alaska Rainforest Campaign would like to request a meeting with you to discuss the range of issues facing Alaska's coastal rainforest ecosystem. The Campaign is a collaborative forest conservation effort involving eight state and national environmental groups. Our goal is to work to protect Alaska's coastal temperate rainforest écosystem through constituency-building, research and public education, advocacy, and strengthening community sustainability.

Alaska's coastal rainforest represents an unparalleled opportunity for the Clinton administration to take a proactive approach to ecosystem management. The ecosystem, while severely threatened, is still relatively intact. To date, there have been no endangered species listings or other such signs of ecological collapse such as we've already seen in the Pacific Northwest. Native and rural communities throughout the region still depend to a great degree on subsistence hunting and fishing for survival. Sustainable industries such as fishing and tourism continue to thrive. Without Clinton administration action, however, the picture will soon change radically.

* Mismanagement on the Tongass National Forest in southeast Alaska has led to a number of serious problems including highgrading of the best timber, disregard for maintaining viable populations of wildlife, a failure to incorporate the needs of subsistence users, and in general a narrow focus on timber production. Without a change in direction, a Pacific Northwest-style crisis looms on the horizon.

* The logging and development of Native inholdings in Prince William Sound, the Kenai Peninsula, the western Gulf of Alaska, and the Lost Coast threaten to fracture the northern part of the ecosystem and to further harm an area devastated in the 1989 Exxon Valdez oil spill. A comprehensive approach to purchasing inholdings from willing sellers in the region using the Exxon Valdez settlement and other funds is critical to maintaining ecological integrity.

Alaska's coastal forest may be the best chance the Clinton administration will have to get out in front of the curve and protect an entire ecosystem before the "train wreck" happens. We were thrilled by your decision to revoke the 1% rule on Alaska wetlands and very much hope that your office will bring the same kind of leadership and direction to bear on the coastal forest.

Representatives from the Alaska Rainforest Campaign will be visiting Washington from Alaska the week of September 13. We respectfully request a meeting for that week. The dates that would work best are September 13th and 14th.

Thank you for your consideration. We look forward to working with you in protecting Alaska's coastal rainforest.

Sincerely,

Nicholas Lapham
Natural Resources Defense Council (representing ARC in Washington)
(202) 624-9363

Natural Resources Defense Council

1350 New York Avenue, NW
Suite 300
Washington, DC 20005

TO: CURT

FAX NO: 456-2710

FROM: NICHOLAS LAPHAM (624-9363)

DATE: 9/7/93

Number of Pages Including Cover: 3

COMMENTS: PLEASE PASS ON TO KATIE AND WILL STELLE. THANKS.

If there are any problems with this transmission, please call 202-783-7800 and ask for sender on "FROM" line.

SIGURD LUCASSEN
GENERAL PRESIDENT

UNITED BROTHERHOOD OF CARPENTERS
AND JOINERS OF AMERICA
101 CONSTITUTION AVENUE, N.W.
WASHINGTON, D.C. 20001

April 14, 1994

Via Telefax 202-205-1765

Jack Ward Thomas, Chief
United States Forest Service
P. O. Box 96090
Washington, D. C. 20090-6090

Dear Chief Thomas:

On behalf of the United Brotherhood of Carpenters and Joiners of America, which represents 500,000 construction and forest industry workers, I am writing to urge you to approve cancellation of the Alaska Pulp Corporation's 50-year timber contract in Alaska.

Alaska Pulp has violated the terms of the timber contract and exhibits a callous disregard for the welfare of its workers. Cancellation of the Alaska Pulp Corporation's timber contract should be followed by an invitation by the USFS to manufacturers who would create jobs and provide economic stability for Alaskan communities.

The interest of the workers, affected communities, and the general public would be best served by cancellation of Alaska Pulp's contract.

Thank you for considering our view on this important matter.

Sincerely yours,

GENERAL PRESIDENT

SL/ao
opeiu #2
afl-cio

Tongass

Natural Resources Defense Council

1350 New York Avenue, NW
Suite 300
Washington, DC 20005

TO: KATIE McGINTY / WILL STELLE

FAX NO: 456-2710

FROM: CHUCK CLUSEN / NICHOLAS LAPHAM

DATE: 4/15/94

Number of Pages Including Cover: 2

COMMENTS:

If there are any problems with this transmission, please call 202-783-7800 and ask for sender on "FROM" line.

T1504L20A263

ALASKA RAINFOREST CAMPAIGN

FOR IMMEDIATE RELEASE

April 14, 1994

CONTACT: Kate Crockett/Buck Lindekugel, SEACC (907) 586-6942
Eric Jorgensen, SCLDF (907) 586-2751
Chuck Clusen/Nicholas Lapham, NRDC (202) 783-7800
Tom Cassidy, American Rivers (202) 547-6900
Allen Smith, TWS (907) 272-9453
Steve Kallick, ARC (907) 274-7246

Clinton Forest Service Terminates Alaska Logging Contract

Tongass Rainforest To Benefit

Washington, D.C. – The U.S. Forest Service today terminated for breach of contract one of two 50-year logging pacts on the Tongass National Forest in southeast Alaska. The contract, held by the foreign-owned Alaska Pulp Corporation (APC), provided vast supplies of publicly-owned ancient trees to the company at heavily subsidized prices. The Ketchikan Pulp Company (KPC), a subsidiary of the Louisiana Pacific Corporation, holds the other contract.

Conservationists have criticized these contracts for years citing unsustainable timber harvest, impacts on other forest resources, and air and water pollution from the pulp mills. The Alaska Rainforest Campaign (ARC), a coalition of state and national groups fighting to protect the Alaska temperate rainforest, praised today's news.

"The Clinton Forest Service deserves a lot of credit for adhering to the law in the face of heavy pressure and forcefully asserting APC's breach of contract," said Eric Jorgensen of the Sierra Club Legal Defense Fund in Juneau. "This was a sound legal decision that will have major positive repercussions for protecting one of the last stretches of temperate rainforest in the world."

"This decision will benefit the vast majority of the people in southeast Alaska who depend on the Tongass National Forest for their long-term livelihood," said Kate Crockett, Executive Director of the Southeast Alaska Conservation Council. "With this contract gone, we finally have a real opportunity to begin to develop a truly sustainable economy in southeast Alaska – one founded not just on timber but on fishing, tourism, recreation, and subsistence."

Commercial fishermen, tourist operators, small wood products manufacturers, Native and rural subsistence users, and others who depend on the forest had also called on the Administration to terminate the contract.

On September 30, 1993, APC shut their Sitka, Alaska pulp mill placing them in material breach of contract. The company and its supporters lobbied heavily to get the Forest Service to amend the contract relieving them of the obligation to operate a pulp facility and allowing them to continue to receive heavily subsidized timber.

-30-

U.S. OFFICE OF FORESTRY AND ECONOMIC DEVELOPMENT
333 S.W. First Avenue
P.O. Box 3623
Portland, Oregon 97208-3623
Telephone 503-326-6248
FAX 503-326-6254

FAX COVER SHEET

DATE: 4/15/94

TO: Will Stelle, Jim Lyons, George Frampton, Mark Gaede,

FAX NUMBER: Jack Ward Thomas, Mollie Beattie

TELEPHONE NUMBER:

FROM: Tom Tuchmann

FAX NUMBER:

TELEPHONE NUMBER: 503-326-7510

NUMBER OF PAGES (including this page) 3

MESSAGE: Sorry for the short notice. If you are available, can we meet at 11:00 on Monday in:
the Wilson Room at the
White House Conference Center

URGENT= PLEASE
HAND CARRY

To: Will Stelle, Jim Lyons, George Frampton, Mark Gaede, Jack Ward Thomas, Mollie Beattie

From: Tom Tuchmann

Subject: Biological Opinion on 318 Sales

Issue:

Policy decisions are needed on those timber sales authorized under Section 318 of the FY 1990 Interior and Related Agencies Appropriations Act (P.L. 101-121), which are currently in consultation with the F&WS.

Background:

The F&WS is prepared to issue a final opinion on the 318 sales that have been in consultation for marbled murrelet. There was no specific mention of the 318 sales in the Record of Decision, although they are covered within Section 3a & b. We chose to postpone the issuance of the B.O for these sales to keep the action separate from the ROD. The B.O. will stand on its own.

The Biological Opinion will contain the following:

- A jeopardy opinion for all sales where surveys have been completed and found occupied, with no reasonable and prudent alternative;

  There are 43 sales in this category (all FS).
  Total acres = 4,091 with 3,100 in LSR.
  Volume = 204.6 mmbf with 50 mmbf outside of LSRs and 151 mmbf within LSRs.
  Estimated buy-out cost = $50 million.

- A jeopardy opinion for sales with incomplete or no surveys, with the reasonable and prudent alternative of completing surveys--both awarded and unawarded sales will be released if no occupancy is found after surveys have been completed;

  There are 2 unawarded sales with MaMu issues.
  (869 acres in LSR, 15mmbf)
  There are 33 awarded sales with partial or no surveys.
  (1600 acres with about 875 in LSR)
  (83 mmbf with about 52 mmbf in LSR)

  The jeopardy sales are primarily in LSR, 22 are on the Siuslaw, along the Oregon coast, 2 are on the Siskiyou, 6 are on the Olympic and 2 are on the Mt. Baker-Snoqualmie.

- Non-jeopardy opinion for sales with surveys completed to protocol and no occupancy was found.

  There are 10 sales, 7 in LSR equalling 750 acres and 29.1

DRAFT--HOLD FOR RELEASE

Tongass

TALKING POINTS
ALASKA PULP CORPORATION (APC) CONTRACT

* The Contracting Officer has just signed a decision letter on the government's contract with APC dealing with APC's decision to shutdown their pulp mill in Sitka, Alaska.

* We have been in close consultation with the Department of Justice contract experts and there is a consensus that the government is entitled to an operating pulp mill under the contract. No other shutdown has been "indefinite" or involved APC terminating their work force. Legal consensus is that this is a breach of the contract.

* There has been careful and detailed exploration of alternatives to the drastic measure of termination, including more time for APC to decide what they wish to do with respect to an MDF facility. The Contracting Officer and attorneys have concluded there are too many uncertainties and a significant chance of being in no different position at a later date. This presents the legal risk of future waiver of the government's contract right to an operating pulp facility.

* Decision is to terminate except for operations necessary to bring this contract to a logical closure.

* We are extremely concerned about the consequences of termination upon the communities and people of Southeast Alaska.

* Every effort will be made to keep the Wrangell sawmill going if APC so chooses.

- We have estimated APC has a supply of timber already rafted, decked, or felled sufficient to meet the needs of the Wrangell sawmill for approximately five months.

- We estimate an additional two months' supply of timber will become available to APC as part of orderly closure of the long-term contract.

- Thus, there is enough timber for Wrangell until close to the end of this year.

* Forest Service will expand its independent timber sale program for competitive bidding to include areas from this contract sale area. We are advised the first of these sales could be advertised in July 1994.

* The State has shown a willingness to commit substantial financing for a new facility. Should APC or anyone else continue to explore the economic viability of building and operating an MDF or other facility, the Department has authority to prepare a

ten-year timber sale package for advertisement and bidding which we are willing to explore with earnest.'

* The Department is exploring all possible rural assistance programs throughout the federal government to make assistance available to the communities and employees already impacted by APC's cessation of pulp mill operations as well as others that may be impacted by this decision. This will assist in an orderly transition from the long-term contract to a more dynamic timber industry in Southeast Alaska.

* APC's appeal rights are to the Court of Federal Claims or the Agriculture Board of Contract Appeals.

SIGURD LUCASSEN
GENERAL PRESIDENT

UNITED BROTHERHOOD OF CARPENTERS
AND JOINERS OF AMERICA
101 CONSTITUTION AVENUE, N.W.
WASHINGTON, D.C. 20001

April 14, 1994

Via Telefax 202-205-1765

FEONVALKB

Jack Ward Thomas, Chief
United States Forest Service
P. O. Box 96090
Washington, D. C. 20090-6090

Dear Chief Thomas:

On behalf of the United Brotherhood of Carpenters and Joiners of America, which represents 500,000 construction and forest industry workers, I am writing to urge you to approve cancellation of the Alaska Pulp Corporation's 50-year timber contract in Alaska.

Alaska Pulp has violated the terms of the timber contract and exhibits a callous disregard for the welfare of its workers. Cancellation of the Alaska Pulp Corporation's timber contract should be followed by an invitation by the USFS to manufacturers who would create jobs and provide economic stability for Alaskan communities.

The interest of the workers, affected communities, and the general public would be best served by cancellation of Alaska Pulp's contract.

Thank you for considering our view on this important matter.

Sincerely yours,

Sigurd Lucassen

GENERAL PRESIDENT

SL/ao
opeiu #2
afl-cio

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

480 WEST TUDOR • ANCHORAGE, ALASKA 99503-6690 • (907) 561-8050 • FAX (907) 561-8998

March 7, 1994

The Honorable Ted Stevens
United States Senate
522 Hart Building
Washington, D.C. 20510-0201

T50/6K/67

The Honorable Frank H. Murkowski
United States Senate
706 Hart Building
Washington, D.C.

The Honorable Donald E. Young
House of Representatives
2331 Rayburn House Office Building
Washington, D.C. 20515-0201

Subject: Alaska Pulp Corporation – Support for Stay of USDA Forest Service Decision regarding Long Term Timber Purchase Contract

Gentlemen:

The Alaska Industrial Development and Export Authority would like to acquaint you with work we have underway with the Alaska Pulp Corporation ("APC") regarding the feasibility of constructing a medium density fiberboard ("MDF") plant in Sitka. The Authority is interested in this project as it would result in the restoration of the local and regional economy that was eliminated when the pulp company ceased operations. We are providing the following information for your consideration and request that you encourage the USDA Forest Service to hold in abeyance any action that would suspend the long term timber purchase contract that is needed to supply material to an MDF plant in Sitka.

The Authority is working with APC to develop a technical and financial feasibility study to determine the practicality of converting the existing facilities in Sitka to an MDF plant. Such a feasibility study is a normal precedent to financial participation in a project by the Authority. The feasibility study will review the existing processing system in Sitka and acquire the engineering data necessary to convert the plant to an MDF facility. This information will be used to prepare a corresponding estimate of capital costs. The costs to operate the new manufacturing system will then be estimated. To determine profitability, the combination of capital and manufacturing costs will be compared to projected revenues based upon current prices for similar products in the marketplace. This comparison and supporting engineering and financial data will comprise the financial feasibility report. The Authority will employ a third party engineering team to verify information in the study, and will receive input from our financial advisors as to financing aspects of the project.

The engineering consultant assisting in the evaluation is Columbia Engineering International, Ltd., which is a specialist in the wood product, pulp and paper sectors of the forest industry. Columbia Engineering has performed engineering feasibility, design, and construction phase services on numerous MDF plants and will provide the technical and financial insights to guide the development of a project at Sitka. The Authority will perform due diligence on materials received from Columbia engineering using an independent team composed of CH2M HILL, an international engineering firm with offices throughout the United States, and Sandwell Engineering, a large Canadian consulting firm. This team also has considerable experience in the wood pulp process industry specific to MDF manufacturing, and with feasibility evaluations of new ventures like the Sitka MDF plant. The third party review will be supplemented by services from the Authority's financial advisors and will assure that every aspect of technical and financial feasibility will be considered before progressing to implement the project.

We want to stress the importance of Alaska Pulp Corporation's timber supply as provided by its long-term timber purchase contract with the USDA Forest Service. The assurance of timber volume is an essential ingredient for project feasibility study as it is fundamental for the operation of the MDF plant. APC has no other sustainable wood source in Southeast Alaska except for the Tongass National Forest. Without the contract there would be no firm commitment from the federal government to provide timber sales. Independent federal timber sales, which have sometimes been suggested as an alternative wood supply, have fallen far short of the needs of existing mills in other Pacific Northwest national forests.

Without the contract and its assurance of timber supply, it is doubtful this project can proceed. Certainly, investors or financial partners such as AIDEA would not risk their capital for an MDF plant that has an uncertain source of wood fiber. Aside from cancellation of the timber contract, we are aware of no other fatal flaw at this time that could impede development of the project. We ask, therefore, that you seek to persuade the USDA Forest Service not to summarily conclude our efforts to restore the APC operation by deciding to end the long term timber contract.

Enclosed is a schedule of activities for completing our feasibility efforts. We also intend to seek legislation that would allow the Authority to finance project development as either a loan or development project under the Authority's management. The state legislative action will parallel the schedule shown.

As to the Authority's mission and financial condition, we are enclosing a copy of our 1993 Annual Report. As you know, enhancing the state's economy and alleviating unemployment are our primary objectives. The proposed MDF plant helps accomplish this mission in Southeast Alaska. Our assets are substantial and can support financing for a project of the $50 million magnitude planned.

In summary, we are fully behind the effort to restore APC operations in Sitka through the capitalization of an MDF plant. We are pursuing with APC an aggressive schedule to determine technical and financial feasibility for the plant conversion project. It would be a severe setback to lose the long term timber contract that supplies the essential ingredient for the enterprise. Please assist us in keeping open the potential for this project while the feasibility report is being prepared. We will report back to you on our findings and recommendations when we have finished our investigation.

If you have any questions, please contact me.

Sincerely,

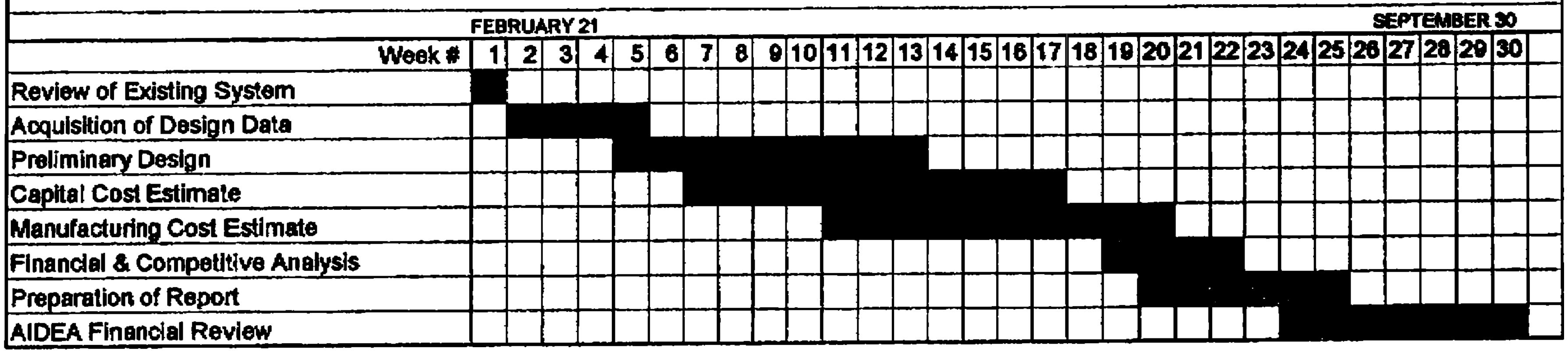
William R. Snell
Executive Director

JBO:bjf
BJF200.DOC

cc: Governor Walter J. Hickel
John Katz, Office of the Governor
Rollo Pool, Alaska Pulp Corporation
Mike Espy, Secretary of Agriculture
James R. Lyons, Assistant Secretary for Natural Resources
Adela Backiel, Deputy Assistant Secretary
Jack Ward Thomas, Chief Forest Service
Mr. Mike Barton, USDA Forest Service
Kathleen McGinty, Deputy Assistant
William W. Stelle Jr. Associate Director

FEASIBILITY STUDY - SCHEDULE

PROPOSED MDF PLANT
ALASKA PULP CORPORATION
SITKA, ALASKA



WALTER J. HICKEL
GOVERNOR

P. O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

Will
FYI

February 17, 1994

Tongass

The Honorable Mike Espy
Secretary of Agriculture
14th and Independence Avenue, SW
Washington, DC 20250

Dear Mr. Secretary:

As a former cabinet secretary myself, I know the demands upon your office make it difficult to spend time on a contract dispute. However, I would appreciate it if you would personally review this letter.

The United States Forest Service's (USFS) proposed termination of its long-term contract with Alaska Pulp Corporation (APC) deserves your close attention. I am writing to ask that you delay any decision regarding termination of the contract for approximately six months, pending the completion of a study on the feasibility of converting APC's mill in Sitka from pulp production to medium density fiberboard (MDF) production.

My concern is not for the company, which has various options open to it regardless of any action the USFS might take. Rather, my concern is for the people of Southeast Alaska who are dependent upon this long-term contract for employment. Communities in Southeast are remote and not connected by roads, and as a result have relatively undiversified economies; jobs lost in those communities mean workers generally have to leave to find employment elsewhere.

As you know, the forest products industry has been a major component of the Southeast Alaska economy since the 1950s, when the pulp industry was drawn to the region by the United States' promise of a long-term supply of timber. Without this promise, the pulp industry would not have made the huge investments necessary to support pulp production.

In 1992, timber from the Tongass National Forest created 2,950 jobs and $124 million in payroll for Southeast Alaska. This represents 34 percent of all private basic industry employment in this region. Moreover, the percentage of employment dependent upon Tongass timber increases significantly during the winter months, when the tourism and fishing jobs are gone.

You may be aware that the United States made the promises it did in the 1950s principally to reduce the hardships caused by the lack of a stable year-round industry in Southeast's communities. Today, the pulp mills are the largest single employers in Sitka and Ketchikan and Alaska's largest manufacturing employers. On January 13, 1994, I learned that the USFS was threatening to terminate APC's contract as a result of APC's decision last June to indefinitely close the Sitka mill. APC, however, claims it was forced to close the mill because the United States' unilateral changes to the contract made profitable operation of the mill impossible.

While lawyers for APC and the USFS argue over the merits of their respective legal positions, the people of Sitka continue to experience hardship and uncertainty. The lawyers for both sides are missing what I consider to be the most important point. APC and the USFS can satisfy their moral and legal obligations to the people of Sitka and other Southeast communities, and put their current dispute behind them, by implementing APC's commitment to reopen the Sitka mill as a MDF plant.

There are three significant advantages to this approach, in addition to avoiding the expense and uncertainty of litigation: (1) it will put the people of Sitka back to work in stable, year-round jobs--the original purpose of the long-term contract; (2) it will virtually eliminate the environmental problems associated with standard pulp production; and (3) it will reduce the level of timber needed from the Tongass National Forest. In my view, this approach represents sound public policy.

APC's commitment to build the MDF facility was most recently contained in a February 8, 1994, letter from APC's chairman, George Ishiyama, to Mike Barton. I have known Mr. Ishiyama for years and can assure you that this commitment to build the MDF plant is substantive and well-thought out. The commitment is as strong as can be in that, by definition, if the feasibility study uncovers a fatal flaw, then financial institutions will not back it. Furthermore, speaking as a person who with experience in obtaining feasibility studies to finance major projects in Alaska, I believe that the six-month period requested for the feasibility study is reasonable.

You should also know that the State of Alaska is prepared to participate in the financing of the facility through the Alaska Industrial Development and Export Authority. Fulfillment of this commitment by the state will also require a well-reasoned feasibility study.

APC's commitment to reopen the facility as an MDF plant cannot fairly be construed as a repudiation of its contract. Reopening the mill as an MDF plant is a reasonable response to the changed circumstances APC must face as the result of *the United States' modifications of the contract, current market conditions, and evolving environmental standards. I note that when APC's old cant mill in Wrangell was torn down and rebuilt as a modern value-added sawmill, the USFS did not claim that APC had repudiated its contract.*

The USFS is also wrong to claim that APC could survive without the long-term contract by purchasing timber at independent sales. Independent timber sales have not been offered by the USFS on a regular basis in Southeast Alaska and, in any event, APC's lenders would probably call in their short-term loans if the long-term contract is terminated.

For the sake of those families and communities that have relied on the 50-year contract between the USFS and APC, I do not believe a delay of six months is too much to ask. We are willing to work with you in any way we can to accommodate your department's concerns. If the department wants to attach reasonable conditions to any continuance of the contract during the time it takes to complete the feasibility study, I am sure that solutions can be found. I will assign Alaska's Commissioner of Natural Resources, Harry Noah, Commissioner of Commerce Paul Fuhs, and my Washington D.C., representative, John Katz, to work with your department in this regard. I know that together we can resolve the current situation in a way that protects both the environment and the people of Southeast Alaska.

Thank you for your consideration of my views.

With best regards.

Sincerely,

Wally

Walter J. Hickel
Governor

cc: The Honorable Ted Stevens
The Honorable Frank Murkowski
The Honorable Don Young
Mr. Jack Ward Thomas
Mr. Mike Barton
Ms. ~~Alice Rivlin~~
Ms. Kathleen McGinty
Mr. Will Stelle

02-16-94 05:00PM FROM USDA/NRE 2027277173 TO 94562710 P001

U.S. DEPARTMENT OF AGRICULTURE

DATE: 2-16

TOTAL PAGES: 3

TO: Will - Stelle

PHONE NUMBER:

FAX NUMBERS: 456-2710

Tongass

FROM: A. Bockel -

Office of the Assistant Secretray for
Natural Resources and Environment
Room 217-E, Administration Building
14th and Independence Avenue, S.W.
Washington, D.C. 20250

PHONE NUMBER: (202) 720-7173

FAX NUMBER: (202) 720-4732

REMARKS: Will - APC suggested + FS agreed to an agreement that would extend our responsibility to release timber to APC from Feb. 15 to April 15. This also allows us time to responsibly analyze APC submissions on ~~[illegible]~~ how they would remedy breach. We do not plan on taking until April 15 - would like to have it done in a few weeks. Will try calling you again [illegible]

205-1523 Gray

United States Department of Agriculture | Forest Service | Alaska Region | P.O. Box 21628 Juneau, AK 99802-1628

Reply to: 2450

Date: February 15, 1994

Mr. George Woodbury
Vice President, Timber Operations
Alaska Pulp Corporation
4600 Sawmill Creek Road
Sitka, AK 99835-9798

Dear Mr. Woodbury:

Today we executed the Agreement regarding an extension of time for the United States to perform various contract obligations (copy enclosed). The Agreement eliminates any obligation that Alaska Pulp Corporation (APC) might assert for the Forest Service to take action at the present time regarding the Tentative Offering Schedule described in Contract 12-11-010-1545 and not yet specified offerings listed in the Schedule. I am enclosing for your information the Tentative Offering Schedule which the Forest Service would be prepared to provide to APC in the absence of the present mill shutdown breach which I have asserted. The Schedule reflects the status of additional timber offerings which the Forest Service would be prepared to specify for acceptance by APC in the absence of the asserted breach.

I am in receipt of letters from APC to our Area Offices dated December 16, 1993 (APC's 1994 Annual Logging Plan on the Chatham Area), December 20, 1993 (APC's 1994 Annual Logging Plan on the Stikine Area), and January 27, 1994 (Request for release of units in the Three Mile Arm Area). These letters request a response by February 15, 1994.

I have considered the January 27, 1994 request for release of units referenced above and do not see any need to issue logging construction approval notices in response to the request at this time. The annual logging plans submitted also do not require Forest Service action. I may address these proposed plans further in a separate letter.

I am carefully reviewing all material I have received from APC prior to the close of business, February 14, 1994, in response to my January 13, 1994 letter. I expect to issue a decision regarding contract termination as soon as possible after completing that review.

Sincerely,

Michael A Barton
MICHAEL A. BARTON
Regional Forester

Enclosures (2)

cc: w/enclosures
Forest Supervisor, Stikine Area
Forest Supervisor, Chatham Area
Chief

AGREEMENT

1. **PARTIES**: Alaska Pulp Corporation (APC) and United States of America, by and through the USDA Forest Service (USA)

2. **DISPUTE**: The parties dispute which of two forms of agreement is the enforceable contract for Contract No. 12-11-010-1545. APC maintains it is the contract effective July 1, 1990 ("Settlement Contract"); USA maintains it is the contract transmitted to the Congress on February 26, 1991 ("Tongass Timber Reform Act ('TTRA') Contract"). The parties also dispute whether the other is in breach of Contract No. 12-11-010-1545.

3. **CONSIDERATION**: The mutual promises contained herein.

4. **TIMBER OFFERINGS**: Whether the parties' relationship is governed by the Settlement Contract or the TTRA contract, APC maintains that USA must perform certain acts with respect to timber offerings by February 15, 1994.

5. **EXTENSION**: The parties agree that the time for performing any USA obligations with respect to a Tentative Offering Schedule, not yet specified offerings, and operations in already specified offerings for which a logging/construction approval notice has not been issued as of the date of this agreement shall be extended to April 15, 1994. APC may request that USA issue logging/construction approval notices for specific operations proposed to occur prior to April 15, 1994. The USA Contracting Officer shall consider such requests and determine whether to issue such notices on a case by case basis.

6. **RESERVATION OF RIGHTS**: By entering into this Agreement, neither APC nor USA waives any rights or remedies that party has except APC waives its rights or remedies with respect to USA performance described in paragraphs 4 and 5 above not occurring until April 15, 1994. Indeed, APC and USA expressly reserve and agree that the other party has in fact and in law reserved all rights, remedies, and arguments it otherwise has with respect to the other party. Likewise, any contract performance which either party may conduct, authorize, or allow to continue from the date of this agreement to April 15, 1994 does not waive or prejudice any rights or remedies that party has. APC expressly and specifically agrees that any continued performance by either party from the date of this agreement to April 15, 1994 does not waive or prejudice any right to terminate the contract which USA may otherwise have.

DATED: February 15, 1994

ALASKA PULP CORPORATION

By [signature]
George Woodbury
Vice President/Timber Operations

UNITED STATES OF AMERICA
By and through the USDA
Forest Service

By [signature]
Michael Barton
Regional Forester

City and Borough of Sitka

304 Lake Street • Sitka, Alaska 99835

TEL (907) 747-3294 FAX (907) 747-7403

FAX

TO: Will Stelle, Associate Director for Natural Resources

COMPANY/AGENCY: White House Office of Environmental Policy

CITY: Washington, D.C.

FAX NO.: (202) 456 – 2710

FROM: Mayor Rocky Gutierrez and Administrator Gary L. Paxton

NUMBER OF PAGES INCLUDING THIS COVER SHEET: 40

MESSAGE: Enclosed is a copy of our letter to President Clinton along with enclosures.

FILE TONGASS

PLEASE NOTIFY Marlene Campbell IMMEDIATELY IF NOT RECEIVED PROPERLY BY PHONING (907) 747-3294.

THANK YOU.

DATE SENT: January 28, 1994

TIME SENT: 12:30 P.M. AST

City and Borough of Sitka

304 LAKE STREET. SITKA, ALASKA. 99835

January 27, 1994

The Honorable Bill Clinton
President of the United States
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20050

Dear Mr. President:

Ever since the announcement of the closure of the Alaska Pulp Corporation (APC) Sitka mill, Sitka's largest employer, in July, 1993, the Municipality, APC, community-wide Mill Closure Response Task Force, Forest Service, State of Alaska, and our Congressional Delegation have been working together to achieve Sitka's Number One Priority: the reopening of the mill in an alternative use (medium density fiberboard--MDF) in connection with the long-term Tongass Timber Contract.

All these efforts, undertaken by our community with support from the State of Alaska, are doomed to failure without the support of our national leaders to achieve a viable compromise which will permit APC to retain the long-term contract to insure adequate timber supply to permit the mill to reopen as an MDF facility, which will achieve major positive benefits, not only for Sitka but the entire region:

- The facility will create 125 high-paying, year-round Sitka jobs and help alleviate the severe economic consequences of the mill's closure on our citizens and Municipality.

- Up to 1,200 jobs throughout Southeast Alaska and the Northwest will also be saved which will be lost if APC's Wrangell sawmill and logging camps are forced to close.

- The MDF facility will replace a formerly polluting industry with an environmentally benign process.

- The MDF facility will provide a high-value product to be produced from the low-value pulp quality logs. About half the logs in the Tongass National Forest are suitable only for pulp, which must also be harvested with saw quality logs. It will also provide a resource for value added business opportunities for local citizens.

Enclosed is a sample of the considerable action to achieve the goal of reopening the Alaska Pulp Corporation mill as a medium density fiberboard facility in conjunction with the long-term timber contract. The correspondence and resolutions document the good-faith effort our community leaders and our State and Federal Delegations, in cooperation with the U.S. Forest Service officials, have made to resolve the long-term contract problems and develop an environmentally acceptable alternative product to permit the mill to reopen. Your intercession is critical to permit all the above efforts to succeed.

Sincerely,

Rocky Gutierrez
Mayor

Gary L. Paxton
Administrator

cc: Senator Ted Stevens
Senator Frank Murkowski
Representative Don Young
Governor Walter Hickel
Regional Forester Mike Barton
Will Stell

Enclosures:

July 15, 1993 CBS letter to President Clinton
City and Borough of Sitka Resolution 93-535 and 93-536
Alaska Conference of Mayors Resolution No. 93-2
City and Borough of Juneau Resolution No. 1661
City of Wrangell Resolution No. 1661
July 22, 1993 CBS letter to Governor Hickel
July 21, 1993 letter from Governor Hickel to President Clinton
August 6, 1993 CBS letter to Governor Hickel and Sitka Action Plan
August 20, 1993 CBS letter to Representative Young (and Sen. Stevens, Sen. Murkowski)
CBS Request to Senator Murkowski (and Sen. Stevens, Rep. Young)
December 8, 1993 CBS letter to Representative Young
August 19, 1993 CBS letter to Regional Forester Barton
August 27, 1993 CBS letter to Regional Forester Barton
Sitka Pulp Mill Impacts of Closure Factsheet
Alaska Pulp Corporation Socioeconomic Impacts on Sitka Factsheet

ENCLOSURES

CITY AND BOROUGH OF SITKA DECEMBER 2, 1971

City and Borough of Sitka

304 LAKE STREET. SITKA, ALASKA. 99835

July 15, 1993

The Honorable Bill Clinton
President of the United States
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20050

Dear Mr. President:

Through our elected officials, the City and Borough of Sitka requests that you, members of Congress and the U. S. Forest Service assist in restoring the economic viability of the federal timber contract held by our largest employer, Alaska Pulp Corporation (APC). In July 1990, APC and the Forest Service mutually renegotiated the long-term timber sale contract to address and resolve concerns raised during previous years. This was a bilateral agreement. In November 1990, Congress passed the Tongass Timber Reform Act which unilaterally changed the contract. These changes and additional administrative interpretations by the Forest Service have effectively led to the indefinite closure of APC's Sitka pulp mill, set for September 30, 1993.

The City and Borough Assembly this week passed Resolution No. 93-535 requesting your action. A second resolution, No. 93-536, authorizes our staff to pursue appropriate legal actions against the Federal Government. Copies of these resolutions are enclosed.

Our community lies within the Tongass National Forest on a small portion of Baranof Island. We have no road links to other towns. APC has been our largest employer since 1959.

The City and Borough has constructed dams for hydroelectricity, schools, hospitals, and other facilities. For collateral to bond for these projects, we have relied on the strength of Alaska Pulp Corporation and their federal timber purchase contract, signed in 1957.

In our city of 8,800 residents, the loss of the 400 high-paying mill jobs and 560 indirect jobs will have devastating consequences. As a result, the city will suffer losses in property taxes, electrical purchases, sales tax revenue, school funding -- results that will affect every individual in our community.

We know that you are concerned about jobs and about timber issues. We ask that you intervene in this issue and provide the company with sufficient timber based on the July 1990 bilateral contract. The timber should be priced at commercially fair and realistic prices under reasonable harvesting conditions, so that our largest employer can remain competitive in domestic and world markets.

Respectfully,

Dan Keck

Dan Keck, Mayor

Gary L. Paxton, Administrator

Enclosures

cc: Mike Espy, Secretary of Agriculture
Dale Robertson, U. S. Forest Service
Mike Barton, U. S. Forest Service
U. S. Senator Frank Murkowski
U. S. Senator Ted Stevens
U. S. Representative Don Young
Governor Walter Hickel
State Senator Robin Taylor
State Representative Ben Grussendorf

PRESIDENT.APC

A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF SITKA URGING THE PRESIDENT OF THE UNITED STATES, THE UNITED STATES CONGRESS AND THE UNITED STATES FOREST SERVICE TO HONOR THE FIFTY YEAR TIMBER SALE CONTRACT, PROVIDE ALASKA PULP CORPORATION WITH TIMBER AT COMMERCIALLY FAIR AND REALISTIC PRICES UNDER REASONABLE HARVESTING CONDITIONS AND INTERPRET THE CONTRACT OR REFORM THE CONTRACT

WHEREAS, pursuant to the Tongass Timber Act of 1947, the federal government agreed to permit long term timber sales in Southeast Alaska in order to increase the population of Alaska for national security reasons; and

WHEREAS, in 1956, pursuant to that policy, the United States of America entered into a Fifty Year Timber Sale Contract with the Alaska Pulp Corporation to induce it to construct a pulp mill in Southeast Alaska to encourage the industrial development of Alaska; and

WHEREAS, that pulp mill was constructed by Alaska Lumber and Pulp Corporation in 1961 and has been in operation for over thirty years; and

WHEREAS, due to the pulp mill's construction and operation the population of Sitka increased to more than 8,800, causing the City and Borough of Sitka to provide infrastructure with amortization schedule based on long term contract; and

WHEREAS, the United States has steadily over the years, unilaterally changed the terms of that contract, restricting availability of timber and changing the pricing structure to the point where the commercial viability of the pulp operation has been virtually destroyed and in fact has even failed to comply with the most recent bilateral revision of July, 1990; and

WHEREAS, the pulp mill has announced the shut down of pulp operations indefinitely, laying off almost four hundred workers; and

WHEREAS, the City and Borough of Sitka has built dams, hydroelectric facilities, schools, hospitals and other municipal facilities and entered into bonded indebtedness to pay for them based upon the existence of the pulp mill and the fifty year contract; and

WHEREAS, the actions of the United States leading to the shut down and possible closure of Alaska Pulp Corporation's pulp mill will seriously erode Sitka's tax base and utility base and cause extreme hardship to its citizens; and

WHEREAS, the citizens of Sitka have purchased homes, boats and cars, with accompanying mortgages and debt, in reliance upon that mill and contract; and

WHEREAS, the ability to produce wood fiber utilizing products other than pulp in the pulp mill would increase the economic viability of Alaska Pulp Corporation's operations in Sitka, if it is provided timber at fair prices; and

WHEREAS, the ability to make other than rayon pulp, so long as the product is a continuation of pulp use, would increase the economic viability of Alaska Pulp Corporation's operations in Sitka

NOW THEREFORE BE IT RESOLVED by the Assembly of the City and Borough of Sitka, Alaska, that:

Resolution 93-535

The President of the United States, the United States Congress and the United States Forest Service are urged to honor the Fifty Year Timber Sale Contract and provide Alaska Pulp Corporation with sufficient timber based on the July 1990 contract at commercially fair and realistic prices under reasonable harvesting conditions to allow Alaska Pulp Corporation to operate the pulp mill at Sitka, Alaska.

PASSED, APPROVED AND ADOPTED, by the Assembly of the City and Borough of Sitka, Alaska on this 13th day of July, 1993.

Dan Keck, Mayor

ATTEST:

Melinda Jenkins
Municipal Clerk

RESOLUTION NO. 93-536

A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF SITKA AUTHORIZING MUNICIPAL STAFF TAKE ANY APPROPRIATE LEGAL ACTIONS TO ENFORCE THE MUNICIPALITY'S RIGHTS AND INTERESTS UNDER THE FIFTY YEAR TIMBER SALE CONTRACT

WHEREAS, in 1956, the United States of America entered into a Fifty Year Timber Sale Contract with Alaska Pulp Corporation to induce it to construct a pulp mill in Southeast Alaska to encourage the industrial development of Alaska; and

WHEREAS, the City and Borough of Sitka has built dams, hydroelectric facilities, schools, hospitals and other municipal facilities and entered into bonded indebtedness to pay for them based upon the existence of the pulp mill and the Fifty Year Timber Sale Contract; and

WHEREAS, the citizens of Sitka have purchased homes, boats and vehicles, with accompanying mortgages and debt, in reliance upon that mill and contract; and

WHEREAS, the United States of America has not honored the Fifty Year Timber Sales Contract in good faith and has breached several of its covenants; and

WHEREAS, those actions have damaged not only Alaska Pulp Corporation but the City and Borough of Sitka and its citizens, intended third party beneficiaries of the Contract.

NOW THEREFORE BE IT RESOLVED that the municipal staff is authorized to pursue any and all appropriate legal actions to enforce the rights and interests of the City and Borough of Sitka and its citizens under the Fifty Year Timber Sale Contract.

PASSED, APPROVED AND ADOPTED, by the Assembly of the City and Borough of Sitka, Alaska on this 13th day of July, 1993.

Dan Keck
Dan Keck, Mayor

ATTEST:

Melinda L. Jenkins
Melinda Jenkins
Municipal Clerk

RESOLUTION OF THE ALASKA CONFERENCE OF MAYORS

RESOLUTION NO. 93-2

A RESOLUTION OF THE ALASKA CONFERENCE OF MAYORS SUPPORTING THE CITY AND BOROUGH OF SITKA, ALASKA, IN ITS EFFORTS TO ALLEVIATE THE PROBLEMS CAUSED BY THE ANNOUNCED INDEFINITE CLOSURE OF THE ALASKA PULP CORPORATION PULP MILL IN SITKA

WHEREAS, the Alaska Pulp Corporation has announced that it will shut down its pulp mill in Sitka, commencing September 30, 1993, and

WHEREAS, the closure of Sitka's largest employer, with its direct payroll of $18 million and major role in the economic base of the community, is anticipated to cause the most significant economic adjustment faced by any Alaskan community of Sitka's size since Statehood, and

WHEREAS, the shutdown of the pulp mill is being caused, in large part, by unilateral changes in the wording and interpretation of the Fifty-Year Timber Sales Contract by the United States Forest Service and the Federal Government, and

WHEREAS, the Timber Sales Contract was instituted to provide economic stability in Southeast Alaska, and

WHEREAS, it is possible that with a fair interpretation or reformation of the contract that would allow consideration of alternative uses of the pulp mill and an adequate timber supply, Alaska Pulp Corporation could reopen its operations in Sitka, and

WHEREAS, recent restrictions on the fishing industry will further injure Sitka's already damaged economy;

NOW, THEREFORE, BE RESOLVED by the Alaska Conference of Mayors that

1. The United States Forest Service and the Federal Government should reform and re-interpret the long-term Timber Sales Contract to allow Alaska Pulp Corporation to develop alternative uses for its mill in Sitka and assure it an adequate timber supply, and

2. The Endangered Species Act should be revised to protect the economic viability of the Alaska fishing industry.

Adopted this 20th day of August 1993. This resolution shall be effective immediately upon adoption.

Glen Alsworth, President

ATTEST

Kent E. Swisher
AML Executive Director

Presented by: Mayor and Assembly
Introduced: 08/16/93
Drafted by: J.R.C.,

RESOLUTION OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Serial No. 1661

A RESOLUTION SUPPORTING THE CITY AND BOROUGH OF SITKA, ALASKA, IN ITS EFFORTS TO ALLEVIATE THE PROBLEMS CREATED BY THE ANNOUNCED INDEFINITE CLOSURE OF ALASKA PULP CORPORATION'S PULP MILL IN SITKA.

WHEREAS, the Alaska Pulp Corporation has announced that it will shut down its pulp mill in Sitka, commencing September 10, 1993, and

WHEREAS, the closure of Sitka's largest employer, with its direct payroll of $18,000,000 and major role in the economic base of the community, is anticipated to cause the most significant economic adjustment in any Alaska community of Sitka's size since statehood, and

WHEREAS, the shutdown of the pulp mill is being caused, in large part, by unilateral changes in the wording and interpretation of the Fifty-Year Timber Sales Contract by the United States Forest Service and other agencies of the federal government, and

WHEREAS, the Timber Sales Contract was instituted to provide economic stability in Southeast Alaska, and

WHEREAS, it is possible that a fair interpretation or reformation of the contract would allow consideration of alternative uses of the pulp mill and an adequate timber supply, thus allowing Alaska Pulp Corporation to re-open its operations in Sitka, and

WHEREAS, the City and Borough of Sitka has always "paid its own way" and has been a model of fiscally prudent management, and

WHEREAS, without help, Sitka will be completely unable to adequately compensate for the massive adverse impacts of the mill closure on its economy, and

WHEREAS, pending relocation of permanent jobs through alternative use of the mill or recruitment of new industry, the construction of needed capital projects can be a means of generating new employment and needed economic stimulus;

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

1. The United States Forest Service and Federal Government is requested to interpret the long-term Timber Sales Contract to allow Alaska Pulp Corporation to develop alternative uses for its mill in Sitka and to assure it an adequate timber supply.

2. The Congress of the United States is requested to amend The Endangered Species Act so as to protect the economic viability of the Southeast Alaska fishing industry.

3. The State of Alaska is requested to provide additional funding for needed capital projects for Sitka.

4. The State of Alaska Department of Transportation and Public Facilities is requested to release already committed ISTEA funding for Sitka projects.

5. The State of Alaska is requested to provide assistance to the Sitka School District for operational funding to:

(a) permit the Sitka School District to use previous year enrollment (as proposed in Alaska 2000) or provide a "hold harmless" provision for the next two years;

(b) provide for early retirement; and

(c) reduce Sitka's required match for the School Matching Grant Program from 30 percent to 5 or 10 percent.

6. The City & Borough Clerk is directed to forward copies of this resolution to the Mayor and Assembly of Sitka, the Governor of the State of Alaska, the legislative and congressional delegations, and appropriate federal and state agency officials.

7. Effective Date. This resolution shall be effective immediately upon adoption.

Adopted this 16th day of August, 1993.

Dennis Egan
Mayor

Attest:

Cathy A. Pollef
Clerk

CITY OF WRANGELL, ALASKA

RESOLUTION NO. 09-93-506

A RESOLUTION OF THE COUNCIL OF THE CITY OF WRANGELL, ALASKA, SUPPORTING THE CITY AND BOROUGH OF SITKA, ALASKA IN ITS EFFORTS TO ALLEVIATE THE PROBLEMS BY THE ANNOUNCED INDEFINITE CLOSURE OF ALASKA PULP CORPORATION'S PULP MILL IN SITKA

WHEREAS, the Alaska Pulp Corporation has announced that it will shut down its pulp mill in Sitka, commencing September 30, 1993; and

WHEREAS, the closure of Sitka's largest employer, with its direct payroll of $18,000,000 and major role in the economic base of the community, is anticipated to cause the most significant economic adjustment in any community Sitka's size since Statehood; and

WHEREAS, the shut down of the pulp mill is being caused, in large part, by unilateral changes in the wording and interpretation of the fifty-year Timber Sales Contract by the United States Forest Service and the Federal Government; and

WHEREAS, the Timber Sales Contract was instituted to provide economic stability in Southeast Alaska; and

WHEREAS, it is possible that with a fair interpretation or reformation of the Contract that would allow consideration of alternative uses of the pulp mill and an adequate timber supply, Alaska Pulp Corporation could re-open its operations in Sitka; and

WHEREAS, recent restrictions on the fishing industry will further injure Sitka's already damaged economy.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF WRANGELL, ALASKA:

Sec. 1. The United States Forest Service and the Federal Government should reform and interpret the long term Timber Sales Contract to allow Alaska Pulp Corporation to develop alternative uses for its mill in Sitka and assure it an adequate timber supply.

Sec. 2. The Endangered Species Act should be revised to protect the economic viability of the Alaska Fishing Industry.

Sec. 3. Effective Date. This resolution shall be effective immediately upon adoption.

ADOPTED September 14, 1993

Edward R. Kilatos, Jr., Mayor

ATTEST: Franette A. Vincent, City Clerk

Certified a true and correct copy of the original filed in my office.

City Clerk
City of Wrangell

City and Borough of Sitka

304 LAKE STREET. SITKA, ALASKA. 99835

July 22, 1993

The Honorable Walter J. Hickel
Governor, State of Alaska
P.O. Box 110001
Juneau, AK 99811-0001

Dear Governor Hickel:

Thank you for coming to Sitka to offer your assistance to our community as we respond to the shutdown of Sitka's Alaska Pulp Corporation. This is a brief report of progress toward this response.

A Sitka Community Response Task Force has organized to assess the impacts of and develop a coordinated community response to the indefinite closure of Sitka's APC mill. The Task Force and its various subcommittees are working together weekly to achieve its goals:

- To provide and coordinate an effective human resources response; to the displaced workers from the APC closure;
- To promote alternatives for the forest products industry in Sitka;
- To prioritize, coordinate, and develop strategic capital projects;
- To promote economic development opportunities for Sitka.

The Forest Service and APC are cooperating on developing alternatives for use of the mill facilities, with the assistance of Forest Service specialists. The Mill has also contracted with experts to aid the displaced workers and assist the community with economic development.

The Sitka Assembly approved Resolution 93-535 and 93-536 to support the Mill's litigation and potential legal action by the Municipality as well. These were transmitted to President Clinton with the request that his office and the Forest Service resolve the contract problems; you received a copy of this request. We will send you specific recommendations for action by your office as soon as they are finalized. We are also formulating a package of critical assistance proposals for Sitka which will be presented to your office as well as appropriate agencies in August, 1993.

There are many efforts by resource organizations, businesses, agencies, and individuals to provide immediate action as well as long-range planning and development. Some of these, such as the potential for Sitka as a fuel and utilities station for cruise ships, could have long-term benefits for Sitka. Others are dealing with immediate problems. We will keep you informed and look forward to working with you to ease the catastrophic consequences our community may face.

Sincerely,

Gary L. Paxton
Administrator

July 21, 1993

The President
The White House
Washington, DC 20500

Dear Mr. President:

I am writing to you about an extremely serious economic situation which we are facing in Southeast Alaska. On September 30, 1993, the Alaska Pulp Corporation (APC) mill in Sitka will close indefinitely.

Southeast Alaska is home to numerous small communities located on islands or on thin strips of mainland lying between the coastal mountain ranges and the waters of the Inside Passage. The private sector economy is based on the historic industries of forest products and seafood, and more recently, tourism--however, forest products make the greatest contribution to the local economy.

The vast majority of acreage in Southeast Alaska is taken up by the Tongass National Forest, the largest national forest in the United States. During the 1950s, in an effort to bring a sustainable timber industry to Southeast Alaska, the Forest Service negotiated 50 year supply contracts with companies which built large mills in Ketchikan and Sitka. The impact has been profound. The industry brought economic stability to the region, families were able to remain, and the children of Southeast communities were able to return from college to jobs at home.

The closure of the APC mill is due to numerous and complex factors, but among the most important have been the withdrawal of timber production of most of the Tongass National Forest and the enactment of stringent federal laws, regulations, and policies. These factors have severely limited the timber supply, required major capital investments, and increased the cost of production.

In blunt statistics, more than 400 direct jobs will be lost in Sitka alone. Combine that with the indirect employment affected, and some 30 percent of the community's 8,800 residents will be impacted. The people of these small, isolated communities will experience a serious economic impact.

Mr. President, I know that one of your highest domestic priorities is helping communities which have been devastated by federal policies to regain economic self-sufficiency. I applaud you for recognizing this in your Forest Plan for the Pacific Northwest.

The President
July 21, 1993
Page 2

The priorities of federal decision makers in Washington, D.C., have severely affected our local economy. I have just returned from a visit to Sitka, and while I am heartened by the spirit and resilience of the community, the people of Sitka recognize they face a difficult future.

We ask your help in several specific ways. The federal government must be open to modifying the long-term contract under which APC is operating in order to recognize current economic conditions in Southeast Alaska and world timber markets. We also request federal assistance to help design and implement a strategy for business development, access to capital, retraining, and other elements to diversify and strengthen the economy of this region.

We look forward to working with your administration on these issues of great immediacy and concern.

With best regards.

Sincerely,

s/s Walter J. Hickel

Walter J. Hickel
Governor

bcc: Mike Barton, Regional Forester
The Honorable Ted Stevens
The Honorable Frank Murkowski
The Honorable Don Young
Pat Ryan, Chief of Staff
Bill Overstreet, Deputy Chief of Staff
Brian Mainak, Chief of Operations
Malcolm Roberts, Special Assistant
Rags Elim, Special Assistant
Commissioner John Sandor
Dr. Paul Rusanowski
Commissioner Harry Noah
John W. Katz, Special Counsel

WJH/WDC/BFM/bgh
clinton.bgh

12407
Alaska Pulp mill closure

City and Borough of Sitka

304 LAKE STREET. SITKA, ALASKA. 99835

August 6, 1993

The Honorable Walter J. Hickel
Governor, State of Alaska
P.O. Box 110001
Juneau, Alaska 99811-0001

Dear Governor Hickel:

The City and Borough of Sitka is working in concert with the broad-based Community Response Task Force and the entire Sitka community to assess the impacts of and develop a coordinated community response to the indefinite closure of Sitka's Alaska Pulp Corporation mill (see Enclosure 1). The closure of Sitka's largest employer, with its $18,000,000 payroll and major role in the economic base of the community, is anticipated to cause the most significant economic adjustment in any community of Sitka's size since statehood.

The City and Borough of Sitka has always "paid its own way" and has been a model of fiscally prudent management. However, there is no way Sitka can adequately compensate for the massive adverse impacts of the mill closure on its economy without help. The Municipality of Sitka therefore requests the immediate aid of the State of Alaska to help our community recover from this crisis.

The State of Alaska can assist Sitka by providing significant economic relief. This relief is requested in five areas: 1) assistance to Alaska Pulp Corporation to alleviate the long-term contract problems and develop alternative uses of the mill; 2) release of already committed ISTEA funding for Sitka projects; 3) a supplemental appropriation to provide additional State funding for <u>needed</u> capital projects; 4) assistance to Sitka School District for operational funding; and 5) assistance to the fishing industry by working toward revision of the Endangered Species Act to protect the economic viability of the industry.

It is imperative during the next three to five years that employment levels be increased in Sitka in non-mill related jobs. Relocation of permanent jobs through alternative use of the mill or recruitment of new industry is a viable long-term solution. However, in the short-term, capital projects are the major means of generating new employment and economic stimulus.

Sitka is not pursuing "make-work" projects. Every one of the capital projects for which assistance is requested is necessary, has been previously proposed, and could be constructed in a timely manner. All of them will provide significant short-term employment in Sitka, so that the economic impact of the mill closure can be absorbed elsewhere in the community. Without this type of help, Sitka could face a very uncertain future.

The impact of the APC mill closure on the enrollment of the Sitka School District is still unknown. However, the impact of the closure on the Sitka School District is expected to be very significant, especially in FY'95. The assistance of the Alaska Department of Education, the Governor's Office, and the State Legislature is required in three areas: 1) to permit the Sitka School District to use previous year enrollment (as proposed in Alaska 2000) or provide a "hold-harmless" provision for the next two years; 2) to provide for early retirement; and 3) to reduce Sitka's required match for the School Matching Grant Program from 30 to 5 or 10 percent.

The loss of revenue to the School District with the potential for up to 14 percent of the District's students with a parent employed at the mill leaving town could generate an immediate financial crisis. This would generate significant school layoffs and program reductions, thus exacerbating the local declining economic picture with additional layoffs.

It is imperative that the Governor of the State of Alaska, the Alaska Department of Education, and the Alaska State Legislature assist Sitka to overcome its crisis. The economic impact of the Mill closure is without precedence. Decisive action is necessary now to prevent a further erosion of an already critical situation. Sitka is mobilizing all available resources to move forward to a stable and progressive future. A productive partnership with the State of Alaska is essential for this successful transition.

Sincerely,

Dan Keck
Mayor

Gary L. Paxton
Administrator

Enclosures

City and Borough of Sitka

304 LAKE STREET. SITKA, ALASKA. 99835

REQUEST FOR ASSISTANCE FROM THE STATE OF ALASKA IN RESPONSE TO THE CLOSURE OF THE SITKA APC MILL

I. SUPPORT FOR LONG-TERM CONTRACT AND MILL ALTERNATIVES

A. Assistance to Alaska Pulp Corporation to alleviate the long-term contract problems and develop alternative uses of the mill, as outlined in Enclosure 2.

II. FINANCIAL ASSISTANCE AND OTHER SUPPORT

A. Immediate release of the $1,200,000 ISTEA funds already in DOTPF FY'94 budget for Sitka transportation projects. See Enclosure 3.

B. Supplemental Appropriation

1. Additional $2,000,000 State support for Thomsen Inner Harbor Expansion Project: $4,600,000 Total State Contribution
   $1,000,000 Cash Municipal Contribution
   TOTAL INNER HARBOR: $5,600,000 (See Enclosure 4).

2. Forgive the balance of the Green Lake Hydroelectric Project Loan, the balance of which is now around $12,400,000. See Enclosure 5.

3. $11,800,000 to renovate Baranof Elementary School and repair Sitka High School. These deferred maintenance items had been previously requested. See Enclosure 6.

4. Additional $500,000 State support for Old Post Office Renovation to house Municipal offices. See Enclosure 7.

5. $3,200,000 to expand Baranof School with an additional six classrooms, gymnasium and parking lot (also requested in 1993 Legislative Session) to consolidate elementary students and close the Mt. Edgecumbe Elementary School on Alice Island. See Enclosure 8.

D. Sitka School District Assistance (See Enclosure 9)

1. Provide full Foundation Formula Funding for FY'94 and no more than a 5 percent reduction in FY'95.

2. Enact Alaska 2000 to provide for early retirement in FY'95, and to use revised student quota system for FY'95.

3. Reduce Sitka's required match for Matching Grant Programs from 30 percent to 5 or 10 percent.

E. Assist the Fishing Industry to respond to the severe economic impacts of the Endangered Species Act. See Enclosure 10.

ENCLOSURE 2

City and Borough of Sitka

304 LAKE STREET. SITKA, ALASKA. 99835

REQUEST TO THE GOVERNOR AND STATE OF ALASKA
FOR ASSISTANCE IN RETAINING ALASKA PULP CORPORATION EMPLOYMENT IN SITKA

The City and Borough of Sitka respectfully requests the assistance of Governor Walter J. Hickel and the State of Alaska to assist Sitka in retaining jobs at the Sitka pulp mill in connection with the long-term timber contract. Three specific actions are needed at present:

1. Assist Alaska Pulp Corporation (APC) in its action against the Forest Service on the long-term contract. Both the Assembly of the City and Borough of Sitka and the Board of Directors of the Southeast Conference have passed resolutions to this effect. This is what the people of Southeast Alaska want you to do. We are not asking you to enter the case as a party, but rather as an *amicus curiae* to provide the point of view of the State and its people to the Federal District Court and the Ninth Circuit Court of Appeals. While APC will do a good job explaining why the contract was breached by the Forest Service, the State needs to explain the hardship to people in timber-dependent communities caused by the breach.

2. APC, with the help of the Forest Service, is exploring opportunities to produce alternative products at the mill. We would ask that the State help APC pursue this goal in every way possible, including assistance in assuring appropriate Forest Service interpretation of the long-term contract. The Forest Service should agree that as long as the facility makes a product that uses the residual fiber that could not be used as sawn material, then it has produced a product meeting the contract obligations. Since it is common knowledge that some organizations are attempting to get the contract terminated based on this point, we need your help in this regard.

3. The State should continue to support sales of timber from its lands and from federal lands in the Tongass National Forest. Any reopening of the mill will depend on the availability and supply of harvestable timber. The State should request that the U.S. Forest Service prepare and choose timber sales that offer the maximum amount of economical timber.

ALTERNATE WOOD PRODUCTS AND ALTERNATE USES OF APC SITE

Both Alaska Pulp Corporation and the U.S. Forest Service have expressed interest in cooperatively exploring wood products that may be made at the Sitka mill. To this end, APC and market experts from the U.S. Forest Service Products Lab at Madison, Wisconsin, will meet to discuss the possibilities.

APC has asked the Forest Service for assistance in the following areas:

1. Performance Design Composites
2. Engineered Wood Products and Structures
3. Energy from Wood

In the upcoming weeks, the Forest Service Lab and APC should be able to evaluate alternative products that may be manufactured at the existing pulp mill, determine what it would take to modify the mill to produce new products, what the economics of producing the alternative product may be, and potential for marketing the products.

Alaska Pulp has repeatedly stated that it is presently focusing on issues related to its mill employees and municipal impacts. The company is continuing to look at alternative mill uses, both wood-related and non-wood-related. The company will also preserve the integrity of the existing mill, so that it can be reopened as a dissolving pulp mill. Recently, municipal and mill officials met with representatives of a firm that is interested in refueling cruise ships from the APC dock.

APC officials have also stated that any restarting of the mill will depend on fixes to the long-term contract which Congress unilaterally changed in 1990. APC has challenged these changes in a current lawsuit.

Any new use of the mill site would need a minimum of 18 to 30 months of preparation for feasibility study, engineering and design work, permitting, new financing, and equipment/materials delivery and installation. The company also must deal with its accumulated debt. An adequate supply of economical timber must precede any new development of this resource.

City and Borough of Sitka

304 LAKE STREET. SITKA, ALASKA. 99835

August 20, 1993

Honorable Don Young
United States House of Representatives
2331 Rayburn House Office Building
Washington, D. C. 20515-0201

Dear Representative Young:

The City and Borough of Sitka and Community Response Task Force (see Enclosure 1) are cooperating to assess the impacts of and develop a coordinated community response to the indefinite closure of Sitka's Alaska Pulp Corporation mill. The closure of Sitka's largest employer, with its $18,000,000 payroll and major role in the economic base of the community, is anticipated to cause the most significant economic adjustment in any community of Sitka's size since statehood.

Your seniority and leadership in the U. S. House of Representatives have helped Alaskans for many years. Sitka now urgently needs your assistance.

Item #	Action requested:
1	Support modification of long-term timber contract and APC mill alternative uses (see Enclosure 2). a. Support action to resolve long-term timber contract problems. b. Encourage US Forest Service to interpret contract to permit alternative uses. c. Work toward maintaining availability of harvestable timber.
2	Support JTPA Title III USDOL grant application for the Sitka Transition Center for retraining, relocation, and job search assistance (see Enclosure 3).
3	Support fisheries industry: a. Assist in removing Alaska from US Forest Service PACFISH Strategy or limiting its adverse impacts on Alaska. b. Assist Alaska in minimizing adverse economic impacts of Endangered Species Act provisions.
4	Support Formerly Used Defense Site capital project funding to eliminate ground contamination at Mt. Edgecumbe High School and potentially other Japonski Island sites (see Enclosure 4).

It is imperative that both the State of Alaska and the Alaska Congressional Delegation assist Sitka to overcome its crisis. The economic impact of the Mill closure is without precedence. Sitka is mobilizing all available resources to move forward to a stable and progressive future. A productive partnership with Alaska's Congressional Delegation is essential for this successful transition, and your assistance is critically important. Thank you for your continuing efforts in support of our community.

Sincerely,

Gary L. Paxton
Administrator

Enclosures

ENCLOSURE 2

City and Borough of Sitka

304 LAKE STREET. SITKA, ALASKA. 99835

REQUEST TO U.S. SENATOR FRANK MURKOWSKI
FOR ASSISTANCE IN RETAINING ALASKA PULP CORPORATION EMPLOYMENT IN SITKA

The City and Borough of Sitka respectfully requests the assistance of the Alaska Congressional Delegation to assist Sitka in retaining jobs at the Sitka pulp mill in connection with the long-term timber contract. Three specific actions are needed at present:

1. Assist Alaska Pulp Corporation (APC) in its action against the Forest Service on the long-term contract. Both the Assembly of the City and Borough of Sitka and the Board of Directors of the Southeast Conference have passed resolutions to this effect. This is what the people of Southeast Alaska want you to do. Your assistance is required to convey the point of view of the State and its people. While APC will do a good job explaining why the contract was breached by the Forest Service, the Congressional Delegation needs to explain the hardship to people in timber-dependent communities caused by the breach.

2. APC, with the help of the Forest Service, is exploring opportunities to produce alternative products at the mill. We ask that the Congressional Delegation help APC pursue this goal in every way possible, including assistance in assuring appropriate Forest Service interpretation of the long-term contract. The Forest Service should agree that as long as the facility makes a product that uses the residual fiber that could not be used as sawn material, then it has produced a product meeting the contract obligations. Since it is common knowledge that some organizations are attempting to get the contract terminated based on this point, we need your help in this regard.

3. The Congressional Delegation should continue to support sales of timber from State lands and from federal lands in the Tongass National Forest. Any reopening of the mill will depend on the availability and supply of harvestable timber. The Congressional Delegation should request that the U.S. Forest Service prepare and choose timber sales that offer the maximum amount of economical timber.

ALTERNATE WOOD PRODUCTS AND ALTERNATE USES OF APC SITE

Both Alaska Pulp Corporation and the U.S. Forest Service have expressed interest in cooperatively exploring wood products that may be made at the Sitka mill. To this end, APC and market experts from the U.S. Forest Service Products Lab at Madison, Wisconsin, will meet to discuss the possibilities.

APC has asked the Forest Service for assistance in the following areas:

1. Performance Design Composites
2. Engineered Wood Products and Structures
3. Energy from Wood

In the upcoming weeks, the Forest Service Lab and APC should be able to evaluate alternative products that may be manufactured at the existing pulp mill, determine what it would take to modify the mill to produce new products, what the economics of producing the alternative product may be, and potential for marketing the products.

Alaska Pulp has repeatedly stated that it is presently focusing on issues related to its mill employees and municipal impacts. The company is continuing to look at alternative mill uses, both wood-related and non-wood-related. The company will also preserve the integrity of the existing mill, so that it can be reopened as a dissolving pulp mill. Recently, municipal and mill officials met with representatives of a firm that is interested in refueling cruise ships from the APC dock.

APC officials have also stated that any restarting of the mill will depend on fixes to the long-term contract which Congress unilaterally changed in 1990. APC has challenged these changes in a current lawsuit.

Any new use of the mill site would need a minimum of 18 to 30 months of preparation for feasibility study, engineering and design work, permitting, new financing, and equipment/materials delivery and installation. The company also must deal with its accumulated debt. An adequate supply of economical timber must precede any new development of this resource.

City and Borough of Sitka

304 LAKE STREET. SITKA, ALASKA. 99835

December 8, 1993

The Honorable Donald E. Young
House of Representatives
2331 Rayburn House Office Building
Washington, D.C. 20515-0201

Dear Representative Young:

Thank you for visiting Sitka and meeting with our municipal officials to discuss areas in which you and other members of the Congressional Delegation may be able to assist our community in its response to the indefinite closure of Sitka's largest employer, the Alaska Pulp Corporation mill. In response to your request for a brief summary of the action items from the meeting, the following is a list of those items for which your assistance is requested:

1. Of highest priority is to get the Sitka pulp mill reopened in connection with the long-term timber contract. Support can be provided to the mill in its action against the Forest Service by explaining the extreme hardship to people in timber-dependent communities caused by the Forest Service's change of the contract and need to resolve the contract problems. The EPA should also be encouraged to support the contract modification in its comments to the Department of the Interior, as part of its Economic Sustainability Plan.

2. Continue your support for critical issues facing the seafood industry to reduce the adverse impacts of the Endangered Species Act, Magnuson Act, and Marine Mammal Protection Act on Alaska's fisheries.

3. Assist in securing Formerly Used Defense Site (FUDS) Capital Project funds for Sitka to complete site assessment and cleanup of the considerable quantity of former Navy base fuel tanks, lines, and ground contamination on Japonski and adjacent islands. This project is especially needed by Mt. Edgecumbe High School to comply with current laws, but will also assist other agencies which have inherited former Navy facilities requiring cleanup, as well as creating much-needed jobs. The Corps of Engineers has put in for site-assessment funding for summer of 1995, but the project should be encouraged and accelerated if possible.

4. Support federal assistance for the Sitka Tribe of Alaska (STA) Cultural Center, for which federal support will be sought. There is great need for the facility, through direct jobs, increase in off-season tourism, and major social benefits for Sitka.

5. Support federal assistance for the Sitka Cooperative Education Program, a cooperative school concept including the resources of the Sitka School District, Mt. Edgecumbe High School, University of Alaska Southeast Sitka Campus, Sheldon Jackson College, and the Department of Public Safety Training Academy.

6. Support Sitka's debt relief request to the State of Alaska to forgive or restructure its Alaska Energy Authority loan for the Green Lake Hydroelectric Project, the balance of which is approximately $12,000,000. Many communities received grants for their power projects. Sitka has done everything possible to shoulder the burden of financing its electrical generation and distribution but with the mill shutdown is now unable to continue to do so without severe financial hardship to the community. Any intercession with the State of Alaska which you can provide in this area would be greatly appreciated.

7. Any federal assistance which can be provided to Sheldon Jackson College to help the college survive these severe economic times is greatly needed.

The disasterous impacts of the APC closure are far reaching, and any assistance which your office can provide on any of the above areas will help our community recover from this crisis. If any additional information on the above issues is needed, please contact my office.

In conclusion, Mayor Gutierrez spoke about the Federal mandates which can have devastating impacts to small communities such as Sitka. Your continuing commitment to either reduce the adverse impacts of these Federal actions or provide the necessary Federal funding to implement them is of critical importance, not only to Sitka, but to all communities in our state. At a minimum, such Federal mandates should include fiscal notes to fund the mandated requirements.

Thank you again for your leadership and assistance to Alaska and especially to Sitka as our community faces an uncertain future.

Sincerely,

Gary L. Paxton
Administrator

Don

It was great meeting you & Lu.
Again, Thanks to Lloyd Jones &
All your staff.

Don

CITY AND BOROUGH OF SITKA
DECEMBER 2, 1971

City and Borough of Sitka

304 LAKE STREET. SITKA, ALASKA. 99835

August 19, 1993

Michael A. Barton
Regional Forester
USDA Forest Service
P.O. Box 21628
Juneau, Alaska 99802-1628

RE: **ALASKA PULP CORPORATION TIMBER SALES CONTRACT**

Dear Mr. Barton:

As you know, the announcement of the September 30, 1993 shutdown of Alaska Pulp Corporation's mill in Sitka has caused considerable consternation here and throughout Alaska. Municipal staff and elected officials have worked hard to deal with the impending economic effects and to find solutions to the problems surrounding the mill shutdown.

Over the past several weeks, we have sought help from the State in resolving these problems. They have been extremely cooperative in pledging support in the form of financial aid and participation in efforts to reopen the pulp mill or find alternative uses for the mill.

In our conversations with state and federal officials, including Senator Murkowski, the point has been repeatedly made that your personal cooperation in our efforts to find solutions to reopening the mill in any configuration is vital. We are therefore seeking your cooperation in obtaining an interpretation of the timber sales contract which will allow Alaska Pulp Corporation to pursue processing of alternative wood products in Sitka and assure an adequate timber supply to the mill.

The City and Borough of Sitka is committed to pursuing all necessary political and legal avenues available to assure the reopening of the Sitka Mill and the stabilizing of Sitka's economic base. Obviously, we would like to enlist your aid and support, but failing that we would appreciate your notifying us of your position in this matter so that we can react appropriately.

Sincerely,

Gary L. Paxton
Administrator

cc: Governor Walter Hickel
Senator Stevens
Senator Murkowski
Representative Young
Mayor Dan Keck
Sitka Assembly Members

TJC:ALPCORP3/TXTKELLY

City and Borough of Sitka

304 LAKE STREET. SITKA, ALASKA. 99835

August 27, 1993

Michael A. Barton
Regional Forester
U.S.D.A. Forest Service
P.O. Box 21628
Juneau, Ak 99802-1628

Dear Mr. Barton:

The latest decision on the wetlands and extending PACFISH Initiative to Alaska just highlights the lack of understanding and support that Southeast Alaska is receiving from the Federal Government. In these difficult times, it is discouraging to see our Federal Government be so insensitive to our needs. Sitka has received strong support from our State Government, Congressional Legislative Delegation, and sister communities. Enclosed are copies of resolutions supporting the reopening of APC by The Alaska Conference of Mayors, and our Capital City of Juneau. Additionally, the City and Borough of Sitka has received signed petitions with almost 700 signatures from local citizens to reopen the mill.

One area of good news is the cooperative spirit between our local USFS office and APC to seriously search for alternative sources/uses for the mill. I commend Gary Morrison of the USFS and Frank Roppel of APC for their endeavors.

Now Sitka needs a clear and discernible signal that the USFS/USDA is serious about helping us; specifically, we need you to modify whatever parts of the 1990 Tongass Reform Act that you can to make it commercially viable. Clearly, some modification to the 1990 Tongass Reform Act can only be accomplished at levels higher than yours, or reluctantly through the court system. However, any action by your office to speed up these processes is encouraged.

Sincerely,

Dan Keck
Mayor

Gary L. Paxton
Municipal Administrator

Enclosures

c: Walter J. Hickel, Governor
Gary Morrison, USFS
Frank Roppel, APC
Congressional Delegation
Mayor and Assembly

Sitka Pulp Mill

Impacts of Closure

- The Alaska Pulp Corporation has been a major player in Alaska's economy since 1959. The company, with 704 employees, ranked twenty-first among the state's largest private employers in 1992. It was the third biggest Southeast employer and the largest in Sitka. The company announced that on September 30, 1993, it will close its pulp mill in Sitka and lay off about 400 workers. It will, however, continue its sawmill operations in Wrangell and logging operations throughout Southeast.

- The pulp mill is important to the economy of Sitka: employment at the mill (1992 employment averaged 411) accounted for over 10% of total Sitka wage and salary employment and 14% of private sector wage and salary employment. The mill alone accounts for nearly 20% of Sitka's tax base.

- Average wages (almost $4000 per month) at the mill were about 70% higher than the average for all Sitka jobs in 1992. Because of the relatively high wages, the mill payroll of about $19 million accounted for over 17% of Sitka's total payroll.

- The mill is important to Southeast as a whole, accounting for nearly 2% of the region's entire payroll. It also represents 45% of Southeast pulp mill employment and 16% of private forest industry employment.

- Layoffs at the mill will affect other jobs. The number of those "indirect" jobs is difficult to determine, but one consultant has estimated the indirect job multiplier to be as high as 1.4 jobs per mill job. A multiplier range of 1.0 to 1.4 would imply that as many as 400 to 560 additional jobs would be affected. Other factors will be in play and all those jobs are unlikely to disappear in the immediate future. Impacts of that magnitude should probably be considered a "worst-case" upper limit and would take some time, perhaps several years, to appear. A lesser, gradual reduction of workers in support sectors would be more likely. Some businesses will lay off employees or close altogether; others will not fill vacancies or carry out expansion plans.

- The company has said it will ease the transition for affected employees and the City and Borough of Sitka. It will increase its contribution to the pension fund by $3 million and provide an additional $4 million for transition assistance to employees and the community. Newspaper accounts indicate that support will include a maintenance of property taxes over two fiscal years.

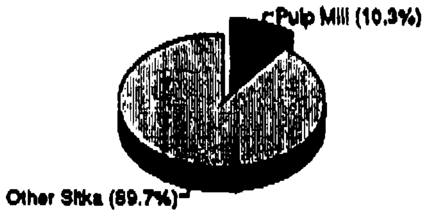
Source: Alaska Department of Labor, Research and Analysis Section

Importance of Sitka Pulp Mill in 1992

10% of Sitka's employment; but over 17% of the payroll and 25% of private sector payroll; 20% of the tax base.

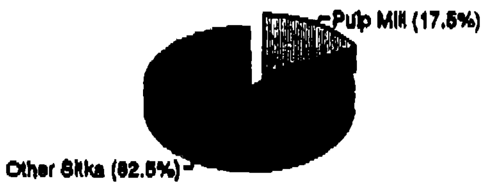
Wage & Salary Employment

% of Sitka Employment

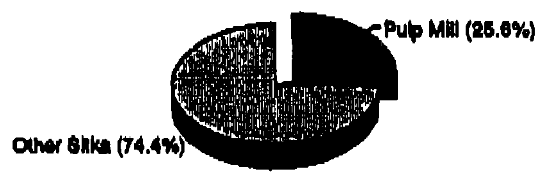


% of Private Sector Jobs

% of Sitka Payroll

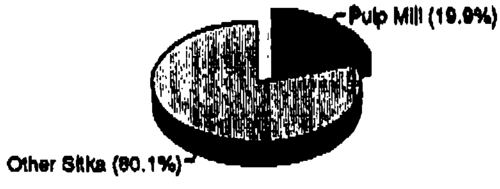


% of Private Sector Payroll



% of Assessed Valuation

Source: City & Borough (3 yr. average)



% of Southeast Wood Products Jobs

(Pulp Mills, Sawmills, Logging)

Source: Alaska Department of Labor, Research and Analysis Section

Sitka Pulp Mill

Employee Occupations and Employment Opportunities

Pulp Mill Occupations	% of Total
A. Office and General Management Executives; public relations; clerical, accounting, personnel, marketing, purchasing staff.	11.6%
B. Operations: General Occupations Crane and tower operators; general maintenance and utility workers; supervisors of mechanical, maintenance, laborer operations; stock clerks; health practitioners; food service workers; guards; all other forestry workers	46.0%
C. Operations: Specialized Occupations Stationary engineers; production supervisors; machine operators; mechanical and chemical engineers; chemists; industrial production managers; environmental technicians.	42.2%

Employment Availability in Sitka

The following serves to place the proposed layoffs in the perspective of the overall job market in Sitka:

- In 1992, an average of 268 people were unemployed in Sitka. The layoff of about 400 people would represent an increase of about 150% over the average.

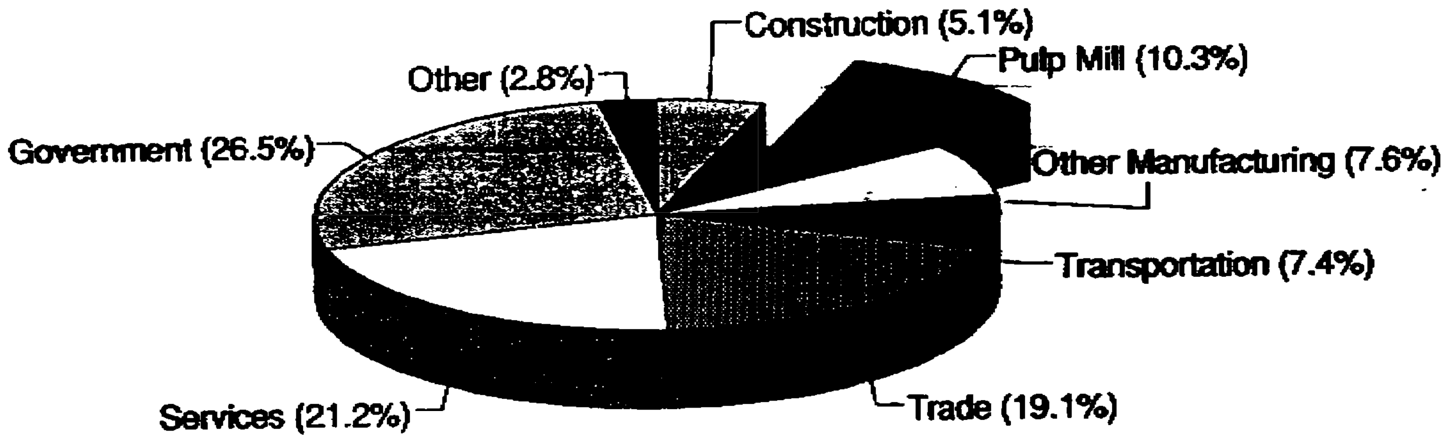
- A turnover comparison report of employee social security numbers at employers based in Sitka shows that 1,041 individuals were hired between the second and third quarters of 1992. At the same time, 1,083 left, or were discharged from, their jobs during the same period. Data is not yet available for third-to-fourth quarter 1992 changes. (Pulp mill layoffs will occur at the end of the third quarter.) Between those quarters in 1991, however, 754 started new jobs and 1,361 left their jobs. Without the pulp mill, of course, turnover would have been less.

- Most of the general office and administration and the general operations occupations (categories "A" and "B" above) are more or less equivalent to positions at other employers in Sitka. Most of the specialized occupations (category "C" above) are probably not equivalent to positions at other employers in Sitka. Thus, approximately 50-60% of pulp mill positions appear to be of a type found elsewhere in Sitka. If vacancies were available, mill workers could fill these positions.

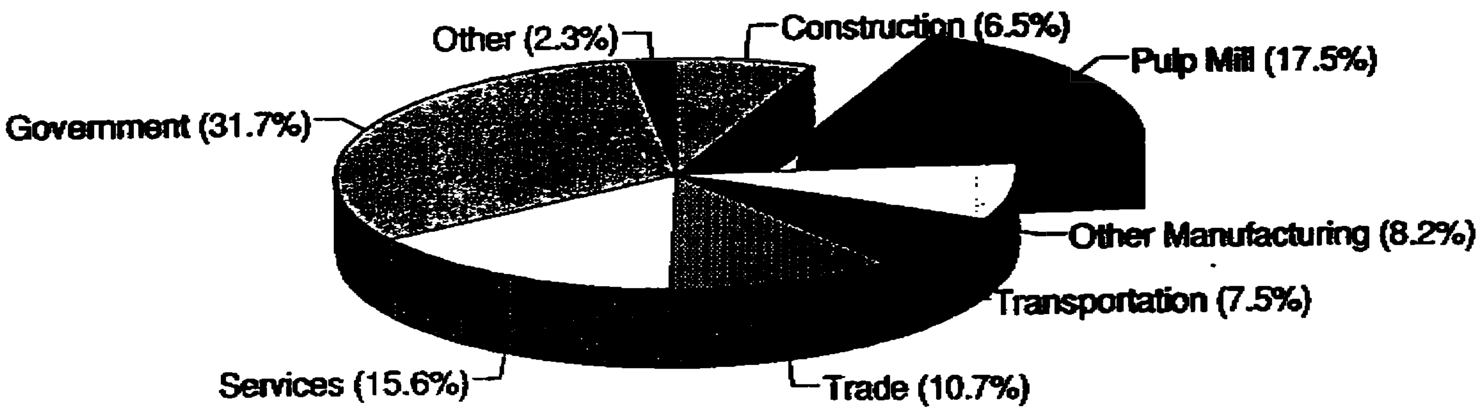
Source: Alaska Department of Labor, Research and Analysis Section

Sitka Employment and Payroll: 1992

Wage & Salary Employment



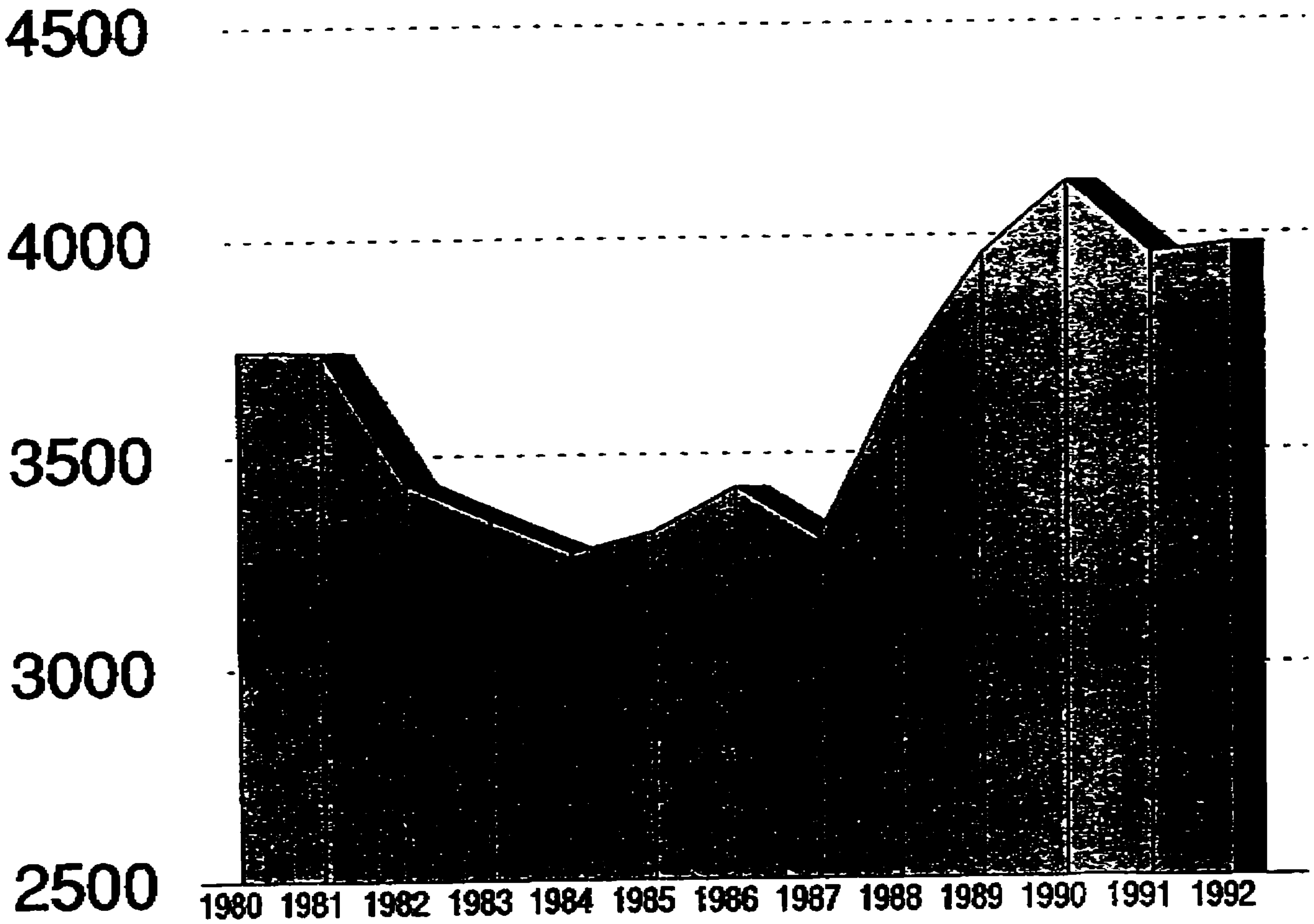
Payroll



Source: Alaska Department of Labor

Sitka Borough Employment

Wage & Salary Jobs: 1980-1992



Source : Alaska Department of Labor

Alaska Pulp Corporation
Socioeconomic Impacts on Sitka
Preliminary Summary Table

	Sitka in 1992 with Alaska Pulp Corp.	Alaska Pulp Corp. Impacts	Sitka without Alaska Pulp Corp*	Percent Change*
Population [1]	8,800	1,840	6,690	-20.8%
School Enrollment	1,831	380	1,451	-20.8%
Employment	4,589	958	3,631	-20.8%
Direct		408		
Indirect		550		
Payroll (million $)	$124.9	$29.8	$95.1	-23.4%
Direct		$19.0		
Indirect		$10.8		
Average Monthly Wage [2]	$2,268	$2,592	$2,182	-3.7%
Gross Business Sales [3] (million $)	$176.1	$37.1	$139.0	-21.1%
Retail Sales	$87.4	$17.4	$70.0	-19.9%
Municipal Impacts (million $)	$21.86	$3.43	$18.43	-15.7%
Electricity Revenues	$6.76	$0.28	$6.48	-4.1%
Water Revenues	$0.36	$0.10	$0.26	-27.8%
Property Tax Revenues [4]	$2.65	$0.58	$1.8 to $2.1	-20% to -31%
Sales Tax Revenues [5]	$4.10	$0.87	$3.23	-21.1%
Municipal Assistance [6]	$0.73	$0.15	$0.58	-20.8%
State Revenue Sharing	$0.64	$0.07	$0.57	-10.9%
School Revenue Foundation Formula	$6.62	$1.38	$5.24	-20.8
Real Estate Values (millions)	$438.2	$147.4	$301 to $350	-20% to -31%
All Residential [7]	$255.1	$53.1	$202 to $242	-5% to -20%
All Commercial [8]	$58.2	$12.0	$49 to $55	-5 to -15%
All Industrial [9]	$93.4	$75.8	$25	-73%
Vacant and Other [10]	$31.5	$6.5	$25 to $28	-10% to -20%

*NOTE: Regarding potential mill closure impacts, these figures represent the worst case scenario and would occur over a two to three year period The actual net change in the Sitka economy following mill closure is likely to be somewhat less, depending on a number of factors, including growth in other industries, the number of mill employees eligible to retire under the mill's pension plan, demographics of the mill work force (i.e. likelihood of remaining in Sitka until other job opportunities arise), etc. Because of the highly unpredictable response of the real estate market to mill closure, a range of property value impacts have been presented.

Footnotes on next page.

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[1]Based on the mill's share of total Sitka employment (including direct and indirect jobs).

[2]Average wage of mill workers is approximately $3,900 per month. Average wage for mill workers and mill-related support sector workers is estimated at about $2,600 per month.

[3]Assuming that non-residents account for 10% of total business sales in Sitka and 15% of retail sales. Of the balance, the portion attributed to the mill is proportional to total payroll.

[4]See real estate values, below.

[5]Assumes that 21.1% of all City and Borough sales tax revenues are due to APC employees, their families, along with related support sector workers and their families. This group accounts for an estimated 21.1% of total Sitka gross business sales.

[6]School funding is in direct proportion to population, as is municipal assistance. Approximately half of state revenue sharing is directly proportional to population.

[7]Assumes that the mill related population indirectly accounts for 20.8% of the residential property value. Effect of mill closure on real estate values is highly unpredictable, depending in large part on public perception of how severe the economic downturn will be (which will affect the behavior of buyers and sellers). Sitka now has a very low vacancy rate. This could play an important role in mitigating the potential decline in housing values.

[8]Assumes that the mill-related population indirectly accounts for 20% of the commercial property value. Commercial values typically decline less than residential values following economic shock.

[9]Assumes the mill site will have a 10% residual value after permanently closed. Also assumes that the value of other industrial property in Sitka will not decline in value.

[10]Assumes that the mill related population indirectly accounts for 20.8% of the value of vacant and other property value. Again, effect of mill closure on real estate values is highly unpredictable, though vacant land values are likely to decline more than developed property.

Sponsor: Administrator

RESOLUTION 94-566

A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF SITKA SUPPORTING THE ESTABLISHMENT OF A MEDIUM DENSITY FIBERBOARD PLANT BY ALASKA PULP CORPORATION IN SITKA, ALASKA

WHEREAS, on September 30, 1993, Alaska Pulp Corporation shut down its pulp mill in Sitka indefinitely; and

WHEREAS, the United States Forest Service has sent a letter to Alaska Pulp Corporation stating that the shutdown of the Sitka mill breaches the Fifty Year Contract; and

WHEREAS, the existence of a pulp mill or a similar wood processing operation in Sitka is vital to Sitka's economy and the City and Borough of Sitka's tax base and utility base; and

WHEREAS, the establishment of a Medium Density Fiberboard Plant in Sitka would increase the economic viability of Alaska Pulp Corporation's operations in Sitka and ease the economic hardship caused to Sitka and its citizens by the closure of the pulp mill.

NOW, THEREFORE, BE IT RESOLVED by the Assembly of the City and Borough of Sitka that:

> **The City and Borough of Sitka supports the establishment of a Medium Density Fiberboard Plant at the Alaska Pulp Corporation Mill in Sitka and urges the United States Forest Service to interpret the Fifty Year Timber Sale Contract to accept production of medium density fiberboard in Sitka as compliance with the terms of the contract.**

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska on this 19th day of January, 1994.

Rocky Gutierrez

Rocky Gutierrez, Mayor

ATTEST:

Colleen Pellett
Municipal Clerk

FACSIMILE TRANSMISSION COVER MEMO

NATURAL RESOURCES DEFENSE COUNCIL
1350 New York Avenue, N.W.
Suite 300
Washington, DC 20005

VOICE Telephone: 202-783-7800
FAX Telephone: 202-783-5917
MODEM Telephone: 202-624-9321 [2400,N,8,1]
TCN/Dialcom ID: 141:TCN902

TO: Will Stelle

FROM: Nicholas Lapham - 202-624-9363
Tongass National Forest

DATE: 18 January 1994 - 15:49 Eastern Time

We are transmitting 11 pages [including this cover memo]. If you fail to receive all the pages or have other problems with the FAX transfer, please call our VOICE number, 202-783-7800, and ask for the sender listed on the "FROM:" line above.

FILE
TONGASS

United States Department of Agriculture | Forest Service | Alaska Region | P.O. Box 21628
Juneau, AK 99802-1628

Reply to: 2450

Date: January 13, 1994

Mr. George Woodbury
Vice-President/Timber Operations
Alaska Pulp Corporation
4600 Sawmill Creek Road
Sitka, AK 99835-9801

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Dear Mr. Woodbury:

In response to my September 24 letter requesting additional information on your plans to reopen the Sitka pulp mill, you sent two letters, one dated October 21, and another dated October 22, with enclosures. My staff, counsel, and I have carefully reviewed the information you have provided. Your responses compel me to conclude that APC is repudiating its contract obligation to operate a pulp mill, and that Contract No. 12-11-010-1545 should be terminated for material breach. This letter is formal notice of my intent to proceed with action for contract breach and demand for APC to show cause why termination should not occur.

Instead of responding to my letter with a firm commitment to resume pulp mill operations, APC argues that it has no remaining obligation to operate a pulp mill facility under the contract, and conditions further operation of the existing or converted facility upon contract modifications and other concessions from the government, including an increase of assured timber supply beyond the contract volume obligation.

The contract changes which APC has indicated it seeks would require amendment of the modifications enacted by the Congress in the Tongass Timber Reform Act (TTRA). The Forest Service cannot accomplish these changes administratively. The TTRA changes and Forest Service implementation of the changes do not excuse APC from operating a pulp mill. The material you have provided indicates that international pulp market and other conditions independent from TTRA changes or Forest Service contract performance are the reasons for the pulp mill shutdown.

The central purpose of the contract is to establish and maintain a timber supply for operation of the pulp facility which Section B0.11 explicitly requires to be constructed. Only continued year-round operation provides the employment, economic development, and wood utilization considerations which the government bargained for in entering the contract. Prior to entering into the contract, the government rejected proposals for a long-term contract agreement to supply sawmill facilities only. The course of contract dealing between APC and the Forest Service over the past 37 years has been premised upon continued operation of a pulp mill.

Caring for the Land and Serving People

FS-6200-28b(3/92)

Contract Section B0.5 provides for shutdown of the mill upon certain specified conditions in relation to extension of the contract period beyond the year 2011 termination date, for a time equivalent to the period of shutdown. This can only be read to authorize temporary and not permanent shutdowns. This provision is specific to extension of time to complete logging operations and discusses shutdown of the pulp mill in conjunction with shutdown of logging operations. It should therefore be read to provide for shutdown of the pulp mill only in conjunction with shutdown of logging.

The present shutdown of the pulp mill does not otherwise meet the conditions described for shutdown in B0.5. Section B0.5 limits causes for shutdown to those which are abnormal and beyond the control and without fault or negligence of APC. The material you have provided confirms that the present shutdown is due to the inability of the current pulp mill to compete in the prevailing international market for dissolving pulp and to increased costs of attaining environmental standards applicable to the mill. There is nothing abnormal or extraordinary about the evolving international market. Increases in mill environmental compliance costs have been part of the history of the contract and the entire pulp industry for many years.

The information and argument submitted in your letters and enclosures confirms that it is highly unlikely that APC will resume pulp operations at the Sitka mill, and indeed that APC has no intent to do so without significant alterations of the long-term contract and other changes in current operating conditions which are unreasonable to expect in the foreseeable future. Your letters express no willingness to commit to the level of capital investment necessary to modernize the mill or convert to an alternate pulp facility, absent contract modifications and other concessions from the government. The written information you have submitted does not demonstrate that APC can or will obtain such financing.

Based on the lack of information and commitment by APC in the October letters concerning a realistic plan for reopening the pulp mill, and other available information, I am taking the following action.

Notice of Breach and Intent to Terminate the Contract

This is your notice that I have determined that APC is committing a serious breach of Contract No. 12-11-010-1545 by continuing the shutdown of the pulp mill, under circumstances where APC's actions and statements indicate little or no prospect for resuming operation of the existing or converted facility at the Sitka site. This is a continuing, material breach of the contract. In accordance with Section B9.3, I am providing you notice of this breach and affording you a reasonable time to remedy the breach prior to exercising the government's right to terminate the contract. You have 30 days from receipt of this letter to remedy the breach by resuming continued year-round operations of the Sitka pulp mill.

If the breach is not remedied within this time period, it is my intent to proceed to terminate Contract No. 12-11-010-1545 for material breach of contract requirements by APC, in accordance with the government's rights under common law and 36 CFR 223.116(a)(1). Upon termination, APC's right to proceed with performance under the contract will end, except for any demobilization, clean up, and other operations specifically authorized in the notice of termination. Your attention is otherwise invited to the respective rights of the Government and the liabilities that may be invoked if a decision is made to terminate for material breach.

If APC wishes to show any other cause why the contract should not be terminated, APC must present such facts, in writing, so that I receive them no later than 30 days from your receipt of this letter. Failure to present such facts within this time may be taken as an admission that no valid excuse for non-performance exists.

No further offerings under the contract will be specified prior to a final contract termination decision, which I intend to issue as soon as possible after 30 days from your receipt of this letter. Operations on already specified offerings may continue until I reach a final termination decision, in APC's discretion and subject to applicable contract authorization and operational requirements. However, I reserve the government's right to suspend some or all operations at an earlier date upon determining that to be appropriate.

Unless and until I provide clear written notification otherwise, any assistance given to you on this contract or any acceptance by the Government of further performance will be solely for the purpose of mitigating damages. It is not the intent of the Government to condone any delinquency or to waive any rights the Government has under the contract.

Sincerely,

Michael A Barton

MICHAEL A. BARTON
Regional Forester/Contracting Officer

cc:
Assistant Secretary, NRAE
Chief
Forest Supervisor, Chatham Area
Forest Supervisor, Stikine Area
George Ishiyama, Chairman of the Board, APC (Certified-RRR)
Susumu Hayakawa, President, APC (Certified-RRR)
Frank Roppel, Executive Vice-President, APC (Certified-RRR)
The Travelers Indemnity Company (Certified-RRR)

ALASKA RAINFOREST CAMPAIGN

Alaska Center for the Environment

American Rivers

Natural Resources Defense Council

Sierra Club

Sierra Club Legal Defense Fund

Southeast Alaska Conservation Council

The Wilderness Society

Trustees for Alaska

FOR IMMEDIATE RELEASE

January 14, 1994

CONTACT: Charles M. Clusen, NRDC (202) 783-7800
Kate Crockett, SEACC (907) 586-6942
Eric Jorgensen, SCLDF (907) 586-2751
Tom Cassidy, American Rivers (202) 547-6900
Allen Smith, TWS (907) 272-9453

Clinton Administration To Protect Last Great Rainforest:

Moves to Revoke Destructive Contract for Tongass Timber

Washington, D.C. -- Responding to a breach of contract by the Alaska Pulp Corporation (APC), the U.S. Department of Agriculture has notified APC of its intent to revoke a long-term timber contract. The decision marks a major step toward ending the overcutting of southeast Alaska's Tongass National Forest.

The Administration's action follows APC's shutdown of its Sitka pulp mill and layoff of hundreds of employees in violation of its contract with the Forest Service. APC has one of two 50-year Tongass contracts that guarantee high volumes of old growth timber at low prices. Unsustainable timber harvest mandated by the contracts is laying waste to the nation's last great temperate rainforest according to a coalition of state and national environmental groups called the Alaska Rainforest Campaign.

"These contracts have not only been an environmental disaster but also a barrier to the economic diversification and stability of our region," said Kate Crockett of the Southeast Alaska Conservation Council. "Removing the contracts would be a victory not just for conservationists but for fishermen, tourism operators, subsistence users, small independent wood processors, and a host of other southeast Alaskans who depend on the Tongass forest ecosystem."

"The contracts are driving the Tongass toward an environmental and economic crash," said Charles M. Clusen of the Natural Resources Defense Council. "We strongly applaud the Clinton Administration for this decision and encourage them to end the Tongass boondoggle once and for all by eliminating both contracts and developing a sustainable blueprint for southeast Alaska's future."

(more)

The Ketchikan Pulp Company (KPC), a subsidiary of the Louisiana Pacific Corporation, holds the second Tongass contract. Massive pending timber sales to KPC threaten a number of old growth dependent wildlife species, subsistence opportunities for local residents, and the long-term stability of timber dependent communities. One of these sales, the Central Prince of Wales Island (CPOW) timber sale, is currently under review by the Chief of the Forest Service and is the subject of a whistleblower complaint filed by the leader of the CPOW planning team.

"In order to fully protect the Tongass ecosystem, its wildlife, and the people who depend on it, both of these contracts must go," said Eric Jorgensen of the Sierra Club Legal Defense Fund in Juneau. "The government possesses ample legal authority to cancel the KPC contract and must take this additional step to ensure a viable future, environmentally and economically, for southeast Alaska."

The Tongass National Forest contains the most significant relatively intact remnant of temperate rainforest left in the world. Today, it continues to support the world's largest concentrations of grizzly bears and bald eagles plus sizable runs of all five species of Pacific salmon. The Tongass' biological bounty provides for the subsistence needs of thousands of Native and rural residents. Commercial fishing, the region's largest employer, and tourism, its fastest growing industry, also depend on the health of the forest ecosystem.

"This decision sets the stage for sustainable forestry, abundant salmon in clean running rivers, and a vibrant regional economy," said Thomas Cassidy of American Rivers. "Unsustainable logging destroys the habitat necessary for salmon survival by choking rivers with mud and overheating the water."

-30-

THE NEW YORK TIMES NATIONAL SATURDAY, JANUARY 15, 1994

ʼ.S. to End Timber Contract in Alaska

By JOHN H. CUSHMAN Jr.

evereing decades of preferential tment for a timber company in ska, the Clinton Administration yesterday that it intended to end a ear ract providing low-cost d from the nation's last largely ct rain forest, the Tongass National est.

e National Forest Service told the ska Pulp Corporation, one of the ber companies that have long-term racts to harvest trees in the lush sts in Alaska's southeastern pan- dle, that the company had breached contract by shutting down a pulp at Sitka last year.

e contracts, guaranteeing high mes of old-growth timber at low es for another decade, have been cized by conservation groups for s.

laska Pulp, a Japanese-owned com- r, was given 30 days to demon- te to the Government that the ract should not be terminated, ething that it could theoretically do aking the unlikely step of reopening mill, which had 400 workers.

fficials at Alaska Pulp said they working on a plan to convert the t to make fiberboard, a process pt lf this and could earn more nue.

Company Seeks Resolution

We are confident that information ided to the Forest Service earlier week will resolve differences on matter," said Frank Roppel, the pany's executive vice president.

ut the bluntly worded letter from hael Barton, the Forest Service's onal contracting officer, left no t as to the Government's inten- s to end the contract as quickly as ible.

nder terms of the contract, the ernment would have had to act by -February to insure the company dditional three years' supply of er, probably amounting to more 300 million board feet annually.

anning 17 million acres on the y shores and numerous islands, the Tongass is the biggest of the nation- al forests, once described by the natu- ralist John Muir as "an endless rhythm and beauty."

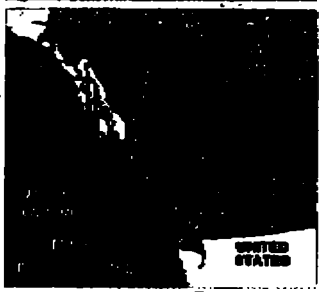
Damage to Forest

But recent years, scientists and for- est managers at the agency have iden- tified serious declines in wildlife and in the general condition of areas that are being logged, and conservationists have warned that unless forestry prac- tices were significantly changed, the damage could become grave and irre- versible.

The long-term contracts for the Alas- kan forest were signed in the 1950's to try to create jobs in Alaska, chiefly by providing raw materials for a product called dissolving pulp, which is used for cellophane and other industrial prod- ucts.

But there is a worldwide glut of those products, and the timber companies have used much of the wood for more profitable sawmill operations, which provide far fewer jobs.

The other company with a long-term contract, the Ketchikan Pulp Compa- ny, is also under pressure from the Government, which is reviewing the latest big timber sale to Ketchikan Pulp from the Tongass.



The New York Times

The Government will end a con- tract allowing timber harvesting in the Tongass National Forest.

Urged to Cancel Contracts

In a letter to the Administration last week, six members of Congress called for both companies' contracts to be canceled. Although Ketchikan Pulp, a subsidiary of Louisiana-Pacific, is op- erating its pulp mill intermittently and thus might not be technically in breach of contract, the letter said that the company had hardly been a model cor- porate citizen and that it is facing Federal Clean Water Act complaints.

Even without the long-term con- tracts, the companies would be able to cut timber in the forest but only in the competitive bidding procedures used elsewhere in the national forest system.

Their preferential contracts guaran- teed them a continuous supply of tim- ber in quantities unparalleled in other forests and at prices that were unusu- ally low. They received further Gov- ernment help in the form of roads and other services. The Forest Service loses millions of dollars every year, because the revenue from timber sales does not offset the cost of these serv- ices.

Opponents of the logging practices under the contracts have argued, using studies done by the Forest Service, that by the time the contracts expire the forest would have been severely dam- aged, leading to an inevitable decline in logging at that point.

Although the forest is vast, much of it is mountainous glacier, peat, scrub timber and the like. Only about one- third of the area is considered suitable for commercial cutting, and only 4 per- cent contains the high-volume stands that are used by the timber companies, according to a study by the Association of Forest Service Employees for Envi- ronmental Ethics, a conservation group.

Ben Evans

The Clinton Administration said yesterday that it would end a long-term contract with the Alaska Pulp Corporation which provided low-cost wood from the Tongass National Forest in Alaska. Offi- cials say the company breached the contract by shutting down a pulp mill at Sitka last year.

Conservationists Offer Plan

Conservation groups have argued that the forest could be better managed by letting small-scale loggers work there, while preserving much of the oldest growth to shelter species like Sitka deer and salmon, which provide for an economic base built on tourism, fishing and other activities.

The conservation groups hailed yes- terday's development as a clear indica- tion that the Clinton Administration is taking a fundamentally new direction in the management of the nation's for- ests.

"This is a very significant action," said Charles M. Clusen, a senior lawyer at the Natural Resources Defense Council, a private conservation group. "I would put it right their with passage of the Tongass Timber Reform Act in 1990."

That law directed important changes in how the forest is managed, but Con- gress decided at the time not to termi- nate the contracts outright, and critics of the Forest Service have complained that some of the act's other provisions have not been carried out.

Representative George Miller, the California Democrat who is chairman of the House Natural Resources Com- mittee, praised the decision.

"This egregious contract has long been the driving force in mismanage- ment of the Tongass National Forest," he said.

B8 THE WALL STREET JOURNAL MONDAY, JANUARY 17, 1994

Alaska Pulp May Lose 50-Year Contract For Forest Service's Tongass Timber

By CHARLES MCCOY
Staff Reporter of THE WALL STREET JOURNAL

The U.S. Forest Service, taking aim at a long-standing policy that heavily subsidizes clearcutting in Alaska's ancient forests, said it intends to cancel a contract that provides huge amounts of cheap timber to Alaska Pulp Co.

The contract is one of two unusual, 50-year pacts that environmentalists and many U.S. forest managers say have promoted severe overcutting in the Tongass National Forest, a 17-million-acre sea of giant Sitka spruce and other old trees that provide habitat for bear, eagles, salmon and many other species in southeast Alaska. The other contract, also dating from the 1950s, is held by Ketchikan Pulp Co., a unit of Louisiana-Pacific Co. Because of the contracts' heavy subsidies, which until 1990 made a giant 500-year-old tree about the same price as a six-pack of beer, the Tongass is perenially one of the biggest money-losers in the deficit-wracked federal forest system.

On Friday, the Forest Service said Alaska Pulp, which is owned by Japanese investors, breached its contract by closing a pulp mill at Sitka in September. The service said the contract, which originally was intended to spur development of a timber industry in Alaska and provide permanent jobs, required Alaska Pulp to keep the mill open. However, because of a global glut in dissolvable pulp, used to make disposable diapers and toothbrush bristles, among other things, Alaska Pulp was losing money on the operation, despite the subsidies. It has shifted much of the timber to a sawmill, where it produces lumber, for which prices are near record highs.

Alaska Pulp has 30 days from Thursday to come up with a proposal for resolving its breach of the contract. The company said it doesn't believe the contract has been breached and said it has provided information to the Forest Service that "will resolve differences on the matter."

But environmental attorneys doubt Alaska Pulp can do that, and they hailed the Forest Service move. "It's a great day for the Tongass, and the beginning of the end for a lunatic policy," said Tom Cassidy, an official with American Rivers, an environmental group. "We need to return logging in the Tongass to sustainable levels."

The Forest Service's move marks a change of course for the agency, which had long resisted calls to review the Tongass contracts. Environmentalists credited the Clinton administration, and in particular Jack Ward Thomas, a veteran wildlife biologist and spotted-owl expert who recently was named to head the agency. Mr. Thomas presently is reviewing a big sale of Tongass timber to Ketchikan Pulp on remote Crown Prince William Island, after a Forest Service scientist involved in the sale filed a whistle-blower complaint alleging that the sale ignores scientific evidence that the sale ignores scientific evidence that it will severely damage wildlife.

Anchorage Daily News

VOL. XLIX, NO. 15 80 PAGES ANCHORAGE, ALASKA, SATURDAY, JANUARY 15, 1994 PRICE 50 CE

Tongass contract in doubt

Forest Service threatens action over mill's closure

By DAVID WHITNEY
Daily News reporter

WASHINGTON — The Forest Service says it will cancel Alaska Pulp Corp.'s long-term timber contract in the Tongass National Forest unless the Japanese-owned company restarts its Sitka pulp mill within 30 days.

Citing declining markets, Alaska Pulp closed the mill at the end of September, costing nearly 400 jobs.

■ **SITKA:** Increase in family violence linked to closing of local pulp mill. **D-1**

Alaska Pulp said in a press release Friday that termination of its contract could jeopardize the jobs of another 900 loggers and workers supporting the company's only other operating plant, a sawmill in Wrangell.

Alaska Pulp has shown no interest in restarting the Sitka pulp mill. Instead, it is exploring conversion of the plant to manufacture fiberboard. But no decision has been made to proceed with the conversion, which could take at least two years to complete.

In a prepared statement Friday, Alaska Pulp executive vice president Frank Roppel said he remains confident the Forest Service will regard eventual construction of a fiberboard plant as fulfillment of the company's contractual obligations.

"The objective has been to find an alternative to the manufacture of dissolving pulp which under current Forest Service administration of our contract is not financially viable," Roppel said.

But in a letter dated Thursday, regional forester Mike Barton showed little willingness to allow the Sitka pulp mill to sit idle while Alaska Pulp decides about a replacement plant.

And according to Barton's letter, conversion of the pulp mill into a fiberboard operation depends on modification to the operation depends on modification to the long-term contract, which would require

Please see Back Page, SITKA

THE BACK PAGE

SITKA: Forest Service threatens to cancel Tongass contract

Continued from Page A-1

action by Congress.

Barton said the company's contract requires it to operate a pulp mill and provide year-round employment and that's what the Forest Service expects if the company is to receive low-cost timber.

"Only continued year-round operation provides the employment, economic development, and wood utilization considerations which the government bargained for in entering the contract," Barton wrote.

The state's congressional delegation said it was disappointed with the tenor of Barton's letter but did not believe the issue was closed.

Sen. Ted Stevens said in a prepared statement that his staff has been assured the Forest Service will continue discussions with Alaska Pulp over converting the pulp mill into a fiberboard operation.

Sen. Frank Murkowski urged continuation of those talks.

"The Forest Service's goal should be to do what it can to support the reopening of the pulp mill at Sitka with a new pulping process," he said in a prepared statement.

But environmentalists saw Barton's letter as a clear indication that the Clinton administration is focusing on the Tongass and intends to crack down on its operations, which last year cost the federal treasury at least $23 million.

According to the Alaska Rainforest Campaign, the demand on the Forest Service to provide timber to Alaska Pulp and Ketchikan Pulp Corp., a division of the Louisiana-Pacific Corp., is more than the forest can sustain. The contracts were negotiated in the 1950s.

Timber company officials have said supply problems were aggravated by changes in federal logging policies and by Congress when it transferred land to Alaska Native corporations to settle land claims and designated other prime timber as wilderness. But the timber officials say there is still enough wood to sustain the contracts and they blame the Forest Service for not making more of it available.

The contracts also have been attacked by some forest scientists who have complained that the pace of logging is threatening wildlife populations.

"These contracts have not only been an environmental disaster but also a barrier to economic diversification and the stability of our region," said Kate Crockett of the Juneau-based Southeast Alaska Conservation Council.

Cancellation of the long-term contracts was central to the fight over the 1990 Tongass Timber Reform Act, which set new standards for logging operations and removed about 700,000 acres of prime wildlife habitat from the pathway of loggers.

But a House-approved provision canceling the contracts was not included in a final bill signed by President Bush. Barton's letter is an indication the Clinton administration may be willing to cancel the contracts by administrative action.

The pressure on the administration to do so is building.

A Dec. 10 letter signed by six House members — including one of the chamber's most conservative Democrats, Tim Penny of Minnesota — urged immediate cancellation of both contracts. They warned that the Tongass was headed for an ecological "train wreck."

Rep. George Miller, D-Calif., chairman of the House Natural Resources Committee that wrote the 1990 Tongass reform act, praised the Forest Service's movement toward canceling the Alaska Pulp contract.

"Alaska Pulp Corp. broke its contract with the U.S. when they shut the pulp mill and threw hundreds of Alaskans out of work," Miller wrote in a statement. "The U.S. no longer has any obligation to continue this taxpayer subsidized and environmentally destructive timber monopoly."

Cancellation of Alaska Pulp's contract would not put it out of business. The company still could compete to buy timber to keep its Wrangell mill operating.

MONDAY, JANUARY 17, 1994 A21

THE WASHINGTON POST

THE FEDERAL PAGE

U.S. Plans to Void Alaska Timber Contract

Environmentalists Hail Forest Service Move, Urge End to 2nd Pact

Associated Press

In a move that pleased environmentalists, the Forest Service said it plans to void one of two long-term contracts to harvest timber in Alaska's Tongass National Forest.

Environmentalists said Friday's decision, based on a dispute over a pulp mill closing, is a major step toward halting the environmental and economic damage from the timber harvest in the 17 million-acre forest in southeast Alaska.

The Tongass contains the last great temperate rain forest that is still intact.

Alaska Pulp Corp., which operates the mill in Sitka, said it plans to resolve the dispute within the 30 days given last Thursday by the Forest Service to reopen the mill or lose the contract. The 50-year contract is otherwise set to expire in the year 2011.

Environmentalists are trying to get the Forest Service, under its new chief Jack Ward Thomas, to end the second contract on grounds it is causing environmental harm. That contract, held by Ketchikan Pulp Co. in Ketchikan, Alaska, expires in 2004.

A letter to Alaska Pulp from Michael A. Barton, the regional forester and contracting officer, said the mill's financial troubles have nothing to do with the terms of its Forest Service contract.

The company has complained that changes under the Tongass Timber Reform Act of 1990 have hurt the mill financially. The company also complained about the growing cost of environmental regulations.

The letter said the company has shown no intent to resume pulp operations "without significant alterations of the long-term contract and other changes in current operating conditions which are unreasonable to expect in the near future."

"Your letters express no willingness to commit to the level of capital investment necessary to modernize the mill or convert to an alternate pulp facility, absent contract modifications and other concessions from the government," the letter to company vice president George Woodbury said.

The dissolved pulp is used for disposable diapers and other paper products, cellophane and rayon. Production from overseas suppliers has made it difficult for U.S. suppliers to compete.

"The letter is what we wanted them to do," said Charles M. Clusen, a spokesman for the Natural Resources Defense Council, one of eight groups in the Alaska Rainforest Campaign.

Despite the loss of 400 jobs when the Sitka mill closed Sept. 30, environmentalists say the long-term, low-cost contracts promote a kind of overharvesting that will eventually cause timber shortages and further damage already polluted salmon rivers.

They say that better management will promote jobs in tourism and fishing, while providing a supply of deer, fish and wildlife for the many people who still live off hunting and fishing.

Officials at Alaska Pulp say they are working on a plan to convert the plant to make fiberboard, a process that pollutes less and could earn more.

"We are confident that information provided to the Forest Service earlier . . . will resolve differences on the matter," said Frank Roppel, the company's executive vice president. The conversion could take up to two years, he said.

The company also operates a sawmill in Wrangell, Alaska, that depends on the contract. But Clusen said that mill could operate with logs from bidding on timber sales.

U.S. DEPARTMENT OF AGRICULTURE

DATE: 1-21

TOTAL PAGES: 3

TO: Will Steele

FILE
TOBIDASS

PHONE NUMBER:

FAX NUMBERS: 456-2710

FROM: Adela Backiel

Office of the Assistant Secretray for
Natural Resources and Environment
Room 217-E, Administration Building
14th and Independence Avenue, S.W.
Washington, D.C. 20250

PHONE NUMBER: (202) 720-7173

FAX NUMBER: (202) 720-4732

REMARKS: Will - I will join you for 1:30 mtg w/ APC along w/ one of our attorneys. This is a letter APC just gave us yesterday.

A.

January 20, 1994

Hon. James Lyons
Assistant Secretary
U-S Department of Agriculture
14th Street and Independence Ave. SW
Washington DC 20250

Dear Mr. Secretary:

In keeping with our January 3, 1994, meeting with you in Seattle, Alaska Pulp Corporation has provided the information you requested about the company's plans to convert the Sitka facility to make the type of pulp used in the manufacture of medium density fiberboard (MDF). The information was provided in a January 10, 1994, letter to you from APC chairman, George S. Ishiyama.

This letter is to ask for your reaction to Mr. Ishiyama's statements about the company's MDF plans and its ability to finance or secure financing for the new facilities. It is essential that we know quickly whether the Ishiyama commitment letter is sufficient to respond to your questions at the January 3 meeting and to the letter from the Forest Service on January 13, 1994. If not, we are prepared to provide you with additional information as soon as possible.

We understand that one of the issues that will need to be resolved is related to the February 15, 1994, Forest Service obligation to provide the three year schedule of offerings under the contract. To help resolve any short term difficulties about this question, APC is willing to work with you to draft an acceptable contract stipulation to stay this matter for a period of six months. During this period, the company must continue to have an adequate timber supply to keep the operations at the Wrangell sawmill intact. This will preserve the remaining job and economic base during the interim.

During the six month period, the company will complete the necessary feasibility and engineering work required to make a final determination about the conversion to MDF. If feasible, the company will begin issuing purchase orders for the components, a further and definite demonstration of our intent to continue to operate the mill. Already, the company has taken a number of specific actions that we would like you to know about including:

*Preliminary feasibility study by Columbia Engineering which shows feasibility, but raises numerous questions still to be answered;

*Preliminary market analysis which shows growth and good future demand for the product;

*A Forest Service financial analysis which shows positive feasibility;

*Forest Service research which confirms the suitability of Alaska wood species for MDF; and

*Discussions with major domestic MDF producers about the necessary technology and engineering required to convert the plant, as well as very preliminary discussions about involving a U-S based corporation as a joint venture partner.

I respectfully ask for your views and recommendations about the information that we have provided. Again, I ask for a timely response in light of the deadline establihsed by the Forest Service in the January 13, 1994, letter.

Sincerely,

Frank Roppel
Executive Vice President
Alaska Pulp Corporation

01/19/1994 13:52 MARITIME INST. WASH. DC 202 223 9093 6604321 P.01

INTERNATIONAL LONGSHOREMEN'S & WAREHOUSEMEN'S UNION

AFL-CIO
WASHINGTON OFFICE

1133 FIFTEENTH STREET, N.W.
SUITE 600
WASHINGTON, D.C. 20005
(202) 463-6265

DAVE ARIAN
President

BRIAN McWILLIAMS
Vice President

THOMAS TRASK
Vice President

LEON HARRIS
Secretary-Treasurer

Facsimile Cover Sheet

Date: 1/19/94 Fax #: 456-2710

To: Deputy Assistant Katie McGinty

Organization: Office of Environmental Policy

From: Lindsay McLaughlin

Fax Operator: B.K. Davidson

Message: Our Alaska longshoremen are very concerned about job dislocation as a result of any forthcoming decision against Alaska Pulp Corp. (APC). I would appreciate discussing this issue with you at your earliest convenience. Letters from members attached.

Total number of pages (including this cover sheet): 5

We are transmitting from a Panafax UF-400AD machine, telefax number (202) 223-9093. If you do not receive all pages, please contact our fax operator immediately at telephone number (202) 463-6265.

INTERNATIONAL LONGSHOREMEN' AND WAREHOUSEMEN'S UNION ALASKA LOCAL 200
P.O. Box 736
Black Diamond, WA 98010
Phone No. 206-886-0151
Fax 206-886-0051

The Honorable James Lyons
Assistant Secretary
U.S. Department of Agriculture
14th Street and Independence Ave. SW
Washington, DC 20250

Dear Mr. Lyons,

As a representative of the Alaska Longshoremen who work at Alaska Pulp Corporation in Sitka Alaska, I am aware that the U.S. Forest Service and Assistant Secretary of Agriculture are considering action that could affect our Longshoremen's ability to make a living, and we object to any action that would eliminate our members' jobs.

We have been working with APC to develop alternative methods of using wood products that would establish jobs for our members as well as many other jobs in Sitka, and to not allow us to use the timber will have a very devastating effect on our members as well as being quite unfair to all involved.

If APC loses its timber it would also affect our members who ship the lumber from Wrangell Alaska where they currently work and enjoy the benefits from their labor which is provided from that timber that was awarded to APC for processing.

So again, we hope you consider the effects on us when you review this as well as on our families, our community, and the State of Alaska.

Please continue to allow us to enjoy the wages and benefits that APC provides for us.

Sincerely Yours

John J. Bukoskey
Alaska ILWU Local 200
Regional Director

1-13-94

The Honorable James Lyons
Assistant Secretary
U.S. Dept of Agriculture
14th St and Independence Ave. S.W.

Dear Mr. Lyons,

I am a longshoreman and a long time resident of Wrangell, Alaska.

The loss of Alaska Pulp Corporation long term contract for Tongass National Forest timber could force the closure of the APC sawmill at Wrangell. Closure of the APC Wrangell mill would seriously affect most Wrangell residents ability to make a living.

Please consider the affects on us when you review this long term contract

Sincerely Yours

Gene Fen~~nimore~~
Box 165
Wrangell, ~~Alaska~~
99929

WE HERE IN SITKA LOOK FORWARD TO MANY YEARS OF PROVIDING A LABOR FORCE WHICH WOULD LOAD THIS NEW PRODUCT ON SHIPS TO THE WORLD MARKET.

THIS NEW INDUSTRY CAN NOT EXIST IF THE LONG-TERM TIMBER CONTRACT IS REVOKED BY YOUR OFFICE OR ACTIONS.

THANK YOU FOR YOUR CONSIDERATION IN THIS MATTER AND I LOOK FORWARD TO HEARING FROM YOU ON YOUR DECISSION.

RESPECTFULLY,

TIM WILLIAMSON
JOINT PORT LABOR RELATIONS COMM.
INTERNATIONAL LONGSHOREMEN AND
WAREHOUSEMENS UNION
UNIT 84 SITKA
P.O.B. 285
SITKA, AK. 99835
(907) 747-8953

Jan. 13, 1994

The Honorable James Lyons
Assistant Secretary
U.S. Dept. of Agriculture
14 th. St. and Independance Ave. S.W.

Dear Mr. Secretary,

It has come to my attention that a decision by your office may be forthcoming to hold Alaska Pulp Corp (APC) in violation of its long-term timber contract due to the pulp mill shut-down in Sitka.

As a local labor representitive in the longshore industry and a Sitka resident for twenty two years, I feel I am in a position to attest to the economic devastation to Sitka and surrounding communities from this decision should it result in the loss of this contract.

Already the announcement by APC on June 30th 1993 to shut down the Sitka Pulp Mill and its subsequent closure on Sept. 30, 93 has stunned the region with the loss of hundreds of jobs and related economic dislocation.

The members of the Alaska Longshoremens Union in Sitka and Wrangell have enjoyed a long-term relationship with APC and have been a loyal and dependable work force for them. We feel that APC is making a concerted effort to establish an alternative wood fiber process. Such a proposal would restore vitally needed ~~jobs and~~ virtually eliminate the air and water discharge ~~problems~~ of the previous pulp making process.

PRESIDENT'S COUNCIL ON SUSTAINABLE DEVELOPMENT

Fax Cover Page

Date: January 19, 1994

To: President's Council on Sustainable Development Liaisons

Ms. Marcia Aronoff, Fax: 212/5052375,
The Honorable James Baker, Fax: 202/4089674,
Ms. Frances Beinecke, Fax: 212/7271773,
Mr. John Bullard, Fax: 202/408-9674,
Mr. Ronald Curry, Fax: 505/8272836,
Mr. Robert (Bob) Fletcher, Fax: 914/4792179,
Mr. Dirk Forrister, Fax: 202/5867644,
Mr. Richard (Rich) F. Goodstein, Fax: 202/2230685,
Ms. Valerie Gardner, Fax: 202/4013093,
Mr. Wade Greene, Fax: 212/6495861,
Mr. Lynn Greenwalt, Fax: 202/7975486,
Mr. David Harwood, Fax: 202/6470753,
Ms. Jane Hutterly, Fax: 414/6312183,
Ms. Glynn Key, Fax: 202/2084561,
Mr. James R. Lyons, Fax: 202/7204732,
Mr. J. Michael McCloskey, Fax: 202/5476009,
Mr. Dennis Minano, Fax: 313/5567577,
Mr. William (Bill) J. Mulligan, Fax: 202/4085845,
Mr. Rudolph (Rudy) Oswald, Fax: 202/5086967,
Mr. John Platt, Fax: 503/2354228,
Dr. Claude Poncelet, Fax: 415/9745939,
Mr. Lee Thomas, Fax: 404/2301674,
Mr. Terence H. Thorn, Fax: 713/6464831,
Mr. Russ Van Herik, Fax: 612/4769488,
Mr. Michael Vandenbergh, Fax: 202/2603684,
Mr. Larry Wallace, Fax: 703/6414340

cc: Mr. Ben Woodhouse, Mr. David Buzzelli, Fax: 517/6360389,
Mr. Keith Laughlin, Fax: 202/4562710,
Ms. Molly Olson, Mr. Frank Farfone, Fax: 202/2083199,
Ms. Terry D'Addio, Fax: 202/7204732,

Re: Follow-up to Seattle Meeting

From: World Resources Institute. Call Elaine at 202/662-2543 if there are problems with the fax.

PRESIDENT'S COUNCIL ON SUSTAINABLE DEVELOPMENT

MEMORANDUM

To: PCSD Liaisons
cc: Jonathan Lash, Dave Buzzelli, Molly Olson, Keith Laughlin
From: Donna Wise, Ben Woodhouse
Date: January 18, 1994
Subject: Follow-up to Seattle Meeting

Thanks to all of you for your hard work and efforts before and during our recent meeting. By all accounts the meeting was productive and our dialogue with individuals from the Pacific Northwest was useful. As with any meeting, there are always things that can be improved. We are sure that Molly and her staff would find any suggestions most helpful in planning for future meetings. A meeting evaluation form is enclosed for your use. We would appreciate receiving a copy of your views as well.

1. Task Force Meeting Summaries

While meeting summaries of the three public forums are being prepared, we think all the members and liaisons would appreciate knowing the major outcomes of each task force that met in Seattle. Would the task force liaison co-chairs please prepare a one-page summary? Useful information might include:

- major decisions
- next steps
- date, time and place of next task force meeting
- any plans for public forums or out of town meetings
- any specific suggestions to improve future task force meetings and public forums
- any positive points about the meeting, setting and materials that should be repeated for future meetings

Please send your summary to Molly. We would appreciate receiving a copy as well.

2. Proposed February Liaison Meeting

We would like to propose a Liaisons meeting on Wednesday or Thursday - February 2 or 3 - patterned after our December 17th meeting. The morning and early afternoon would be used for task force meetings with a full liaison meeting perhaps running from 2-5pm. Please notify Elaine Young at WRI of your availability on both days by Friday January 21 at 202-662-2543 (fax: 202-638-0036).

We look forward to hearing from you soon.

PRESIDENT'S COUNCIL ON SUSTAINABLE DEVELOPMENT

JANUARY 13, 1994, MEETING

MEMBER AND LIAISON FEEDBACK

Overall, how well did the third meeting of the PCSD meet your expectations?
(scale of 1-10 with 10 being fully met)

☐
(1-10)

What I liked about the meeting:

____

____

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Suggestions for improving future meetings (logistics, agenda design, etc.):

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Additional comments:

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Name: ______________________________

FORESTS:
FILE TONGASS

U.S. DEPARTMENT OF AGRICULTURE

DATE: 1/14/94

TOTAL PAGES: 4

TO: WILL STELLE

PHONE NUMBER:

FAX NUMBERS: 456-2710

FROM: RICK GRAND
Office of the Assistant Secretray for
Natural Resources and Environment
Room 217-E, Administration Building
14th and Independence Avenue, S.W.
Washington, D.C. 20250

PHONE NUMBER: (202) 720-7173

FAX NUMBER: (202) 720-4732

REMARKS: APC Press Release
Forest Service Press Release

1650

U.S. DEPARTMENT OF AGRICULTURE
FOREST SERVICE—ALASKA REGION NEWS

Public Affairs Office, P.O. Box 21628, Juneau, Alaska 99802-1628

Phone: (907) 586-8849

Contact: *Gary Lidholm*

Date: January 14, 1994

JUNEAU, Alaska – In a letter to the Alaska Pulp Corporation (APC), Regional Forester Michael A. Barton of the USDA Forest Service notified the Corporation that they have 30 days to remedy the breach of their long-term timber sale contract with the government as a result of the shutdown of the Sitka pulp mill.

Regional Forester Barton said that the agency has a real concern over the loss of jobs and the economic impact of this shutdown. Year-round employment and economic stability in Southeast Alaska were key factors in awarding the long-term timber sale contract in 1956 making wood available from the Tongass National Forest. The objectives in 1956, which are still applicable today, are met through an operating pulp mill and the related employment.

The contract requires that a pulp mill be built and operated in the area and Barton said information provided by APC confirms that it is unlikely that the Corporation will resume pulp operations at the Sitka mill. APC suspended pulp operations indefinitely on September 30, 1993.

The January 13th letter affords APC time to remedy the breach prior to exercising the government's right to terminate the contract. APC is given 30 days from receipt of the letter to remedy the breach or to show cause why the contract should not be terminated.

In October, APC replied to a Forest Service request for information by saying they did not interpret the contract as requiring continued operation of a pulp mill. They also asked the agency to change contract requirements implemented as a result of the 1990 Tongass Timber Reform Act.

Barton commented that, while the action taken by this letter represents responsible contract administration to protect the government's interests, he is concerned about the possible impacts on the people of northern Southeast Alaska. "We continue to talk with APC about this problem," he said.

Barton also added that there would be no further offerings of timber under the contract prior to a final termination decision. Operations on already specified offerings may continue until that time.

###

TELECOPIER (907) 747-[illegible]
TELEPHONE (907) 747-3811

ALASKA PULP CORPORATION
4600 SAWMILL CREEK ROAD • SITKA, ALASKA 99835-9736

FOR IMMEDIATE RELEASE
January 14, 1994

CONTACT: Rollo Pool 747-2283

APC OFFICIALS SAY COMPANY IS NOT IN BREACH OF CONTRACT; COMPANY WILL MOVE FORWARD WITH NEW PLANS

Alaska Pulp Corporation officials today said the company's legal counsel has advised them that APC is not in breach of its long-term timber contract with the US Forest Service.

"We are confident that information provided to the Forest Service earlier this week will resolve differences on the matter," said Frank Roppel, APC executive vice-president.

Since the mill closure announcement on June 30, 1993, the company has been actively exploring other uses for pulp logs as well as residual wood chips from the company's sawmill in Wrangell.

"The objective has been to find an alternative to the manufacture of dissolving pulp which under current Forest Service administration of our contract is not financially viable," Roppel added.

"Our preliminary studies indicate that it is possible to convert the Sitka facility to make the type of pulp essential in the manufacture of medium density fiberboard (MDF). This appears to be technically and economically feasible. The company had already begun the necessary studies to convert the facility to make MDF," he said.

In a letter to Assistant Agriculture Secretary James Lyons and Forest Service Chief Jack Ward Thomas, APC Chairman George Ishiyama said "if studies prove the economic feasibility of the conversion to be favorable, and we think they will, it would be our intention to promptly proceed to take the necessary steps to convert the mill to MDF production, either by ourselves, or in participation with other interested parties."

The conversion could take as long as two years, depending on economic, engineering, technical, and regulatory requirements, said Roppel.

-more-

"The conversion to MDF would have many important benefits including the elimination of air and water discharge challenges associated with the existing mill. It will also preserve the jobs at the Wrangell sawmill and those associated with logging operations. In all some 900 direct jobs in Southeast Alaska are at stake," Roppel said.

#

Natural Resources
Defense Council

71 Stevenson Street
San Francisco, CA 94105
415 777-0220
Fax 415 495-5996

FAX COVER SHEET

DATE: 1-13-94

FAX TO: Will Stelle

FAX PHONE #: 202-456-2710

FROM: NATHANIEL LAWRENCE

TOTAL NUMBER OF PAGES: 4 (including cover)

If you do not receive this complete transmission,

please call: Ashley *At (415) 777-0220*

File Reneger?

ALASKA RAINFOREST CAMPAIGN

January 13, 1994

VIA TELEFAX

Assistant Secretary James Lyons
Rm. 217 E, Administration Building
14th & Independence Aves. SW
Washington, D.C. 20250

RE: 50 Year Timber Contracts on Tongass National Forest

Dear Assistant Secretary Lyons:

Thank you very much for meeting with our delegation from the Alaska Rainforest Campaign last Friday to discuss the Forest Service's 50 year timber contracts with Alaska Pulp Company (APC) and Ketchikan Pulp Company (KPC). This letter follows up and elaborates on two important points we discussed.

Who Broke The Deal?

You have a powerful rebuttal to any assertions that cancelling either APC's contract or KPC's is going back on a deal. As you personally know, despite strong congressional impetus to cancel both contracts in 1989, at the mills' behest the Tongass Timber Reform Act ultimately embodied a compromise to try to keep the contracts alive, given specific modifications and assuming certain conditions could be met. Now both APC and KPC have assaulted the TTRA based modifications, APC in federal court and KPC in administrative claims filed a month ago. Both actions are precursors to civil suits for damages running into the hundreds of millions of dollars. Both companies have also raised a series of complaints about how the Forest Service has administered the contracts (even though the agency, in renegotiating the contracts voluntarily gave the companies major concessions Congress had not specified and has subsequently pushed to supply contract volume irrespective of harm to the forest). But most importantly, both companies have already repudiated the TTRA compromise reached on their behalf, by challenging contract modifications Congress required in TTRA. They broke the deal, and the contracts the deal tried to salvage should now be dropped.

The MDF Proposal

You are being asked to accept a Medium Density Fiberboard (MDF) plant as substitute performance by APC of its obligations under the company's 50 year contract, currently in breach. It would be a serious mistake, both as a policy matter and legally, to leave the door open to an MDF facility reviving APC's long term contract.

1350 New York Avenue., NW. Suite 300, Washington, DC 20005 ▲ (202) 783-7800 ▲ Fax (202) 783-5917

Because you are not obligated by the contract to accept an MDF plant, you should seize this opportunity to take a giant step toward responsible management of the Tongass National Forest. ARC supports a smaller scale timber industry in Southeast Alaska, rooted in locally owned, value-added processing and based on a truly sustainable cut level that meets all legal requirements and respects the Tongass' extraordinary natural values and importance to those outside the timber industry. There must, however, be no more sweetheart deals for economically marginal enterprises, that will leave the forest and the regional economy a wreck when they have run their course, cost millions to honor, stifle competition from locally-owned businesses, and set the stage for enormous damage claims. Moreover, a decision voluntarily to accept the MDF proposal would require full compliance with a series of laws governing management of the Tongass. The attached issue sheet provides additional information on these points.

Again, our thanks for meeting with us. We look forward to working with and supporting you and Chief Thomas in your efforts to bring true stewardship to the Tongass.

Sincerely,

Nathaniel Lawrence
NRDC Senior Attorney
on behalf of: Alaska Rainforest Campaign

ALASKA RAINFOREST CAMPAIGN

Alaska Center for the Environment

American Rivers

Natural Resources Defense Council

Sierra Club

Sierra Club Legal Defense Fund

Southeast Alaska Conservation Council

The Wilderness Society

Trustees for Alaska

BRIEFING PAPER ON THE MEDIUM DENSITY FIBERBOARD PROPOSAL OF ALASKA PULP COMPANY

- An MDF plant is not a facility "for the manufacture of pulp," under the terms of APC's contract. See APC Contract B1.11. Therefore, you are not obligated to accept it as a substitute for the pulp mill APC has been unwilling or unable to keep open in Sitka.

- An MDF plant could not come on line for years, and when it did it would provide only a fraction (less than 20%) of the jobs lost by APC's closure of its Sitka mill. Therefore, it would not cure APC's breach of a contract the government entered into mostly to create stable year round employment. See, e.g., Penny v. United States, 524 F.2d 668, 676-77 (Ct. Cl. 1975).

- Logging at the rates specified in APC's contract is unsustainable, even on the Forest Service's highly optimistic estimate. For example, the SDEIS for the Tongass LRMP proposes to sell about 100 MMBF per year over 10 years from the Chatham Area (where most of APC's timber comes from), but estimates the area's ASQ under the preferred alternative at only 70 MMBF. And this ASQ is badly over-inflated: it would be a disaster for the rainforest, for the fishing, recreation, and tourism industries that are the heart of Southeast Alaska's economy, for Native and other subsistence users of the forest, for wildlife like the grey wolf and northern goshawk (whose Tongass-resident subspecies are headed for threatened or endangered status), and for other resources and interests as well. Therefore, accepting MDF as a substitute facility under the contract would be very bad stewardship and completely inconsistent with what you are trying to accomplish at the Forest Service.

- Because you are not obligated to accept an MDF facility (let alone the promise of one at some future time) under the contract, the decision to do so would be a major federal action, triggering duties under NEPA, Section 810 of ANILCA, and probably, under the circumstances, NFMA as well. Therefore you cannot simply revive the contract as APC is urging: first you must study and reveal the very significant environmental consequences, formally determine that the ensuing impacts on subsistence users are "necessary", and somehow render the contract compatible with the substantive requirements of NFMA and its regulations and with the now overdue revision of the Tongass Land and Resource Management Plan.

- APC has a history of illegal pollution, labor law violations, and anti-trust practices. Therefore, even if the company could somehow arrange financing for an MDF facility, it is are a very poor candidate to build and operate one consistent with the region's best interests.

1350 New York Avenue., NW, Suite 300, Washington, DC 20005 ▲ (202) 783-7800 ▲ Fax (202) 783-5917

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

January 11, 1994

MEMORANDUM

TO: Katie McGinty, Director and Deputy Assistant of Office on Environmental Policy, White House

Will Stelle, Associate Director for Natural Resources, Office of Environmental Policy, White House

FROM: James R. Lyons, Assistant Secretary Natural Resources and Environment, USDA

JRL

SUBJ: Deliberative Information-Notification to Alaska Pulp Company (APC) of a Breach and Intent to Terminate the Contract if the Breach is not Remedied

The Tongass National Forest in southeast Alaska is the largest National Forest administered by the USDA Forest Service. In an effort to develop the timber economy in southeast Alaska, two 50 year timber sale contracts were let in the 1950's. These contracts included, but were not limited to, provisions for the building of pulp mills and a commitment to certain amounts of timber to be prepared and sold to the holders of the contracts. Both contracts have become a source of controversy because of the amount of timber the Forest Service is obliged to prepare for sale to meet the terms of the contract and potential environmental degradation from the harvest of such timber. One contract is held by Alaska Pulp Company in Sitka, AK, the other is held by Ketchikan Pulp Company in Ketchikan, AK.

On June 30, 1993, Frank Roppel, Executive Vice President for APC announced an indefinite shutdown of their Sitka, Alaska pulp mill. APC is doing a detailed feasibility study for a medium density fiberboard plant as a substitute for the existing pulp mill. The alternate facility would employ 100 or more people.

In a letter dated September, 24, 1993, the Regional Forester notified APC that he believed APC would materially breach the contract by indefinitely suspending operation of the pulp mill. That letter asked for plans to remedy that breach. APC replied with two letters dated October 21, and October 22, 1993 contending there was no contractual obligation to operate the pulp mill. The contract only required construction of the mill--hence no breach. The letters also requested a reversion to previous contract provisions, an assurance of a stable timber supply, and an assurance that an alternate facility such as a medium density fiber board plant at the Sitka mill site would meet the contract terms. Without these commitments, they could not make a decision. Earlier this year, APC filed suit in the US District Court for Alaska alleging the changes to the long-term contract were not legal and asked that the revised contracts be set aside and returned to the former contract.

As you know, Senator Stevens, Senator Murkowski and Representative Don Young have a keen interest. Governor Hickel has similar interests.

The Forest Service needs to respond to APC by no later than January 12, 1994, or make additional timber volume available to the company. Failure to make those releases would place the government in risk of breach of the contract and potentially liable for monetary damages. However, the Tongass National Forest Plan is currently under revision. New requirements resulting from the Tongass Timber Reform Act, Forest Service policy decisions, and other laws are likely to reduce the ability to supply the timber volumes required by the contract in the future.

We have carefully reviewed options to terminate the contract. All options would give formal notice of the Contracting Officer's intent to proceed with termination of this contract within 30 days if APC does not remedy the breach by resumption of a pulp mill operation at Sitka. Either letter would require APC to show cause why the contract should not be terminated for this breech. The first option would state that if the company wants the Government to consider a medium density fiber board plant as an alternative to operating the pulp mill, they must submit within 30 days a detailed proposal stating a schedule and a firm commitment for financing. The second option would essentially reject any consideration of a medium density fiber board plant under the contract, but would offer continued wood fiber supply in accordance with an independent timber sale program.

I recommend that the Forest Service notify APC on January 13, 1994, that within 30 days of receipt of the letter they must submit a plan and schedule for resuming operations in the present mill. Failure to do so will lead to contract termination. I anticipate APC will respond with a proposal to build a medium density fiberboard plant. My response to this proposal would be to find this unacceptable under the contract and proceed with termination. In the same letter, the Forest Service would inform APC that they would work with the State of Alaska to secure jobs.

Attachment

CC: Secretary Mike Espy, USDA
Mark Middleton, Assistant to the Chief of Staff, White House
Ron Blackley, Chief of Staff, USDA
Kim Schnoor, Counsel to the Secretary, USDA
Jack Ward Thomas, Chief, Forest Service

ATTACHMENT #1

United States Department of Agriculture
Forest Service
Alaska Region
P.O. Box 21628
Juneau, AK 99802-1628

1-6-94 MDF TIMBER SUPPLY RISK DRAFT

Reply to: 2450

Date:

Mr. George Woodbury
Vice-President/Timber Operations
Alaska Pulp Corporation
4600 Sawmill Creek Road
Sitka, AK 99835-9801

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Dear Mr. Woodbury:

In response to my September 24 letter requesting additional information on your plans to reopen the Sitka pulp mill, you sent two letters, one dated October 21, and one dated October 22, with enclosures. My staff, counsel and I have carefully reviewed the information you have provided. Your responses compel me to conclude that APC is repudiating its **obligation under Contract** No. **12-11-010-1545 to operate a pulp mill.** This letter is formal notice of my intent to proceed with action for **material** contract breach and demand for APC to show cause why termination should not occur. **The discussions between us regarding medium density fiberboard (MDF) facilities are also addressed in this letter.**

Instead of responding to my letter with a firm commitment to resume pulp mill operations, APC argues that it has no remaining obligation to operate a pulp mill facility under the contract, and conditions further operation of the existing or converted facility upon contract modifications and other concessions from the government, including an increase of assured timber supply beyond the contract volume obligation.

The contract changes which APC has indicated it seeks would require amendment of the modifications enacted by the Congress in the Tongass Timber Reform Act (TTRA). The Forest Service cannot accomplish these changes administratively. The TTRA changes and Forest Service implementation of the changes do not excuse APC from operating a pulp mill. The material you have provided indicates that international pulp market and other conditions independent from TTRA changes or Forest Service contract performance are the reasons for the pulp mill shutdown.

The central purpose of the contract is to establish and maintain a timber supply for operation of the pulp facility which section B0.11 explicitly requires to be constructed. Only continued year round operation provides the employment, economic development, and wood utilization considerations which the government bargained for in entering the contract. Prior to entering into the contract, the government rejected proposals for a long term contract agreement to supply sawmill facilities only. The course of contract dealing between APC and the Forest Service over the past 37 years has been premised upon continued operation of a pulp mill.

Contract section B0.5 provides for shutdown of the mill upon certain specified conditions in relation to extension of the contract period beyond the year 2011 termination date, for a time equivalent to the period of shutdown. This can only be read to authorize temporary and not permanent shutdowns. This

provision is specific to extension of time to complete logging operations and discusses shutdown of the pulp mill in conjunction with shutdown of logging operations. It should therefore be read to provide for shutdown of the pulp mill only in conjunction with shutdown of logging.

The present shutdown of the pulp mill does not otherwise meet the conditions described for shutdown in B0.5. Section B0.5 limits causes for shutdown to those which are abnormal and beyond the control and without fault or negligence of APC. The material you have provided confirms that the present shutdown is due to the inability of the current pulp mill to compete in the prevailing international market for dissolving pulp and to increased costs of attaining environmental standards applicable to the mill. There is nothing abnormal or extraordinary about the evolving international market. Increases in mill environmental compliance costs have been part of the history of the contract and the entire pulp industry for many years.

The information and argument submitted in your letters and enclosures confirms that it is highly unlikely that APC will resume pulp operations at the Sitka mill, and indeed that APC has no intent to do so without significant alterations of the long term contract and other changes in current operating conditions which are unreasonable to expect in the foreseeable future. Your letters express no willingness to commit to the level of capital investment necessary to modernize the mill or convert to an alternate pulp facility, absent contract modifications and other concessions from the government. The written information you have submitted does not demonstrate that APC can or will obtain such financing.

Based on the lack of information and commitment by APC in the October letters concerning a realistic plan for reopening the pulp mill, and other available information, I am taking the following action.

Notice of Breach and Intent to Terminate the Contract

This is your notice that I have determined that APC is committing a serious breach of Contract 12-11-010-1545 by continuing the shutdown of the pulp mill, under circumstances where APC's actions and statements indicate little or no prospect for resuming operation of the existing or converted facility at the Sitka site. This is a continuing, material breach of the contract. In accordance with Section B9.3, I am providing you notice of this breach and affording you a reasonable time to remedy the breach prior to exercising the government's right to terminate the contract. You have 30 days from receipt of this letter to remedy the breach by resuming continued year-round operations of the Sitka pulp mill.

If the breach is not remedied within this time period, it is my intent to proceed to terminate Contract No. 12-11-010-1545 for material breach of contract requirements by APC, in accordance with the government's rights under common law and 36 CFR 223.116(a)(1). Upon termination, APC's right to proceed with performance under the contract will end, except for any demobilization, clean up, and other operations specifically authorized in the notice of termination. Your attention is otherwise invited to the respective rights of the Government and the liabilities that may be invoked if a decision is made to terminate for material breach.

If APC wishes to show any other cause why the contract should not be terminated, APC must present such facts, in writing, so that I receive them no later than 30 days from your receipt of this letter. Failure to present such facts within this time may be taken as an admission that no valid excuse for nonperformance exists.

I do appreciate the discussions we have had regarding the potential for converting the existing Sitka mill to medium density fiberboard (MDF) production, and your interest in a process for considering MDF conversion as a solution to the mill shutdown and its consequences. If APC wishes the government to consider conversion to MDF production as a basis for averting termination, APC must submit a specific, detailed written proposal with supporting documentation to me as soon as possible, and in any case so that I receive it no later than 30 days from your receipt of this letter. Any such proposal must include a definite schedule for completing conversion and resuming converted mill operation as soon as practicable, and demonstrate a firm present commitment and ability to accomplish the conversion according to that schedule. I cannot assure you that the government will be able to accept an MDF conversion proposal as a means to remedy the existing breach or cause why the contract should not be terminated, but we will evaluate the proposal for this purpose if APC chooses to submit a proposal in a timely manner.

You have asked about timber supply for MDF production facilities. In determining whether to invest capital in MDF production, APC cannot expect the government to guarantee against the risk of possible changes in future timber supply from the Tongass National Forest. Under the Alaska National Interest Lands Conservation Act and laws applicable to national forest management nationwide, the allowable sale quantity for the Tongass will remain subject to change upon completion of the ongoing Tongass Land Management Plan (TLMP) revision process or other future TLMP amendment or revision. Implementation of the current TLMP will remain subject to supply limitations occasioned by funding, evolving resource protection policies, and litigation. The long term contract, if not terminated for breach, will remain subject under existing legal authority to future termination or modification for environmental or other reasons that could reduce volume available to APC mills. The question of APC entitlement to compensation for such future action and in what amount would be an issue for determination in the event such action occurred.

No further offerings under the contract will be specified prior to a final contract termination decision, which I expect to issue no later than February 15, 1994. Operations on already specified offerings may continue until I reach a final termination decision, in APC's discretion and subject to applicable contract authorization and operational requirements. However, I reserve the government's right to suspend some or all operations at an earlier date upon determining that to be appropriate. I will not defer a termination decision in order to provide APC more time to submit information or to consider any MDF or other proposal, without APC's express written agreement that deferral and any contract performance in the interim will not prejudice the government's rights to terminate the contract or take other action for contract breach.

Unless and until I provide clear written notification otherwise, any assistance given to you on this contract or any acceptance by the Government of further performance will be solely for the purpose of mitigating damages. It is not the intent of the Government to condone any delinquency or to waive any rights the Government has under the contract.

Sincerely,

MICHAEL A. BARTON
Regional Forester
Contracting Officer
cc:

Assistant Secretary, NR&E
Chief
Forest Supervisor, Chatham Area
Forest Supervisor, Stikine Area

cc (Certified-RRR):
George Ishiyama, President, APC
Frank Roppel, Executive Vice-President, APC
APC Surety [fill in the correct name]

ATTACHMENT #2

United States Department of Agriculture
Forest Service
Alaska Region
P.O. Box 21628
Juneau, AK 99802-1628

1-6-94 NO MDF UNDER LT CONTRACT DRAFT

Reply to: 2450

Date:

Mr. George Woodbury
Vice-President/Timber Operations
Alaska Pulp Corporation
4600 Sawmill Creek Road
Sitka, AK 99835-9801

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Dear Mr. Woodbury:

In response to my September 24 letter requesting additional information on your plans to reopen the Sitka pulp mill, you sent two letters, one dated October 21, and one dated October 22, with enclosures. My staff, counsel and I have carefully reviewed the information you have provided. Your responses compel me to conclude that APC is repudiating its obligation under Contract No. 12-11-010-1545 to operate a pulp mill. This letter is formal notice of my intent to proceed with action for material contract breach and demand for APC to show cause why termination should not occur. The discussions between us regarding medium density fiberboard (MDF) facilities are also addressed in this letter.

Instead of responding to my letter with a firm commitment to resume pulp mill operations, APC argues that it has no remaining obligation to operate a pulp mill facility under the contract, and conditions further operation of the existing or converted facility upon contract modifications and other concessions from the government, including an increase of assured timber supply beyond the contract volume obligation.

The contract changes which APC has indicated it seeks would require amendment of the modifications enacted by the Congress in the Tongass Timber Reform Act (TTRA). The Forest Service cannot accomplish these changes administratively. The TTRA changes and Forest Service implementation of the changes do not excuse APC from operating a pulp mill. The material you have provided indicates that international pulp market and other conditions independent from TTRA changes or Forest Service contract performance are the reasons for the pulp mill shutdown.

The central purpose of the contract is to establish and maintain a timber supply for operation of the pulp facility which section B0.11 explicitly requires to be constructed. Only continued year round operation provides the employment, economic development, and wood utilization considerations which the government bargained for in entering the contract. Prior to entering into the contract, the government rejected proposals for a long term contract agreement to supply sawmill facilities only. The course of contract dealing between APC and the Forest Service over the past 37 years has been premised upon continued operation of a pulp mill.

Contract section B0.5 provides for shutdown of the mill upon certain specified conditions in relation to extension of the contract period beyond the year 2011 termination date, for a time equivalent to the period of shutdown. This can only be read to authorize temporary and not permanent shutdowns. This

provision is specific to extension of time to complete logging operations and discusses shutdown of the pulp mill in conjunction with shutdown of logging operations. It should therefore be read to provide for shutdown of the pulp mill only in conjunction with shutdown of logging.

The present shutdown of the pulp mill does not otherwise meet the conditions described for shutdown in B0.5. Section B0.5 limits causes for shutdown to those which are abnormal and beyond the control and without fault or negligence of APC. The material you have provided confirms that the present shutdown is due to the inability of the current pulp mill to compete in the prevailing international market for dissolving pulp and to increased costs of attaining environmental standards applicable to the mill. There is nothing abnormal or extraordinary about the evolving international market. Increases in mill environmental compliance costs have been part of the history of the contract and the entire pulp industry for many years.

The information and argument submitted in your letters and enclosures confirms that it is highly unlikely that APC will resume pulp operations at the Sitka mill, and indeed that APC has no intent to do so without significant alterations of the long term contract and other changes in current operating conditions which are unreasonable to expect in the foreseeable future. Your letters express no willingness to commit to the level of capital investment necessary to modernize the mill or convert to an alternate pulp facility, absent contract modifications and other concessions from the government. The written information you have submitted does not demonstrate that APC can or will obtain such financing.

Based on the lack of information and commitment by APC in the October letters concerning a realistic plan for reopening the pulp mill, and other available information, I am taking the following action.

Notice of Breach and Intent to Terminate the Contract

This is your notice that I have determined that APC is committing a serious breach of Contract 12-11-010-1545 by continuing the shutdown of the pulp mill, under circumstances where APC's actions and statements indicate little or no prospect for resuming operation of the existing or converted facility at the Sitka site. This is a continuing, material breach of the contract. In accordance with Section B9.3, I am providing you notice of this breach and affording you a reasonable time to remedy the breach prior to exercising the government's right to terminate the contract. You have 30 days from receipt of this letter to remedy the breach by resuming continued year-round operations of the Sitka pulp mill.

If the breach is not remedied within this time period, it is my intent to proceed to terminate Contract No. 12-11-010-1545 for material breach of contract requirements by APC, in accordance with the government's rights under common law and 36 CFR 223.116(a)(1). Upon termination, APC's right to proceed with performance under the contract will end, except for any demobilization, clean up, and other operations specifically authorized in the notice of termination. Your attention is otherwise invited to the respective rights of the Government and the liabilities that may be invoked if a decision is made to terminate for material breach.

If APC wishes to show any other cause why the contract should not be terminated, APC must present such facts, in writing, so that I receive them no later than 30 days from your receipt of this letter. Failure to present such facts within this time may be taken as an admission that no valid excuse for nonperformance exists.

I do appreciate the discussions we have had regarding the potential for establishing medium density fiberboard (MDF) facilities at Sitka or Wrangell, and your interest in a process for considering MDF production as a solution to the mill shutdown and its consequences. It is my present conclusion however that the government is not obligated in the current circumstances to accept an MDF facility as a long term contract breach remedy or substitute performance, and that the government should not place itself in a position of encouraging sizable capital investment in establishing such new facilities as a means to avert termination of the contract. Accordingly, unless APC presents facts in writing according to the above schedule that persuade me otherwise, I do not intend to consider a proposal for MDF production to be a cause not to terminate the contract or take other breach action.

I remain interested in further exploring the potential for establishing an MDF facility in Sitka or Wrangell that would not be dependent upon APC long term contract volume. In the event the APC contract is terminated, the Forest Service will endeavor to provide timber supply for the Wrangell sawmill and other facilities generating demand in Southeast Alaska through the independent sale program, according to applicable law and regulation. If APC believes an MDF facility is feasible to supply in this manner, the Forest Service is receptive to any proposal which APC may wish to discuss.

You have asked about timber supply for MDF production facilities. In determining whether to invest capital in MDF production or other facilities, however, APC cannot expect the government to guarantee against the risk of possible changes in future timber supply from the Tongass National Forest. In accordance with the Alaska National Interest Lands Conservation Act and laws applicable to national forest management nationwide, the allowable sale quantity for the Tongass will remain subject to change upon completion of the ongoing Tongass Land Management Plan (TLMP) revision process or other future TLMP amendment or revision. Implementation of the current TLMP will remain subject to supply limitations occasioned by funding, evolving resource protection policies, and litigation. The long term contract, if not terminated for breach, will remain subject under existing legal authority to future termination or modification for environmental or other reasons that could reduce volume available to APC mills. The question of APC entitlement to compensation for such future action and in what amount would be an issue for determination in the event such action occurred.

No further offerings under the contract will be specified prior to a final contract termination decision, which I expect to issue no later than February 15, 1994. Operations on already specified offerings may continue until I reach a final termination decision, in APC's discretion and subject to applicable contract authorization and operational requirements. However, I reserve the government's right to suspend some or all operations at an earlier date upon determining that to be appropriate. I will not defer a termination decision in order to provide APC more time to submit information, without APC's express written agreement that deferral and any contract performance in the interim will not prejudice the government's rights to terminate the contract or take other action for contract breach.

Unless and until I provide clear written notification otherwise, any assistance given to you on this contract or any acceptance by the Government of further performance will be solely for the purpose of mitigating damages. It is not the intent of the Government to condone any delinquency or to waive any rights the Government has under the contract.

Sincerely,

MICHAEL A. BARTON
Regional Forester
Contracting Officer
cc:
Assistant Secretary, NR&E
Chief
Forest Supervisor, Chatham Area
Forest Supervisor, Stikine Area

cc (Certified-RRR):
George Ishiyama, President, APC
Frank Roppel, Executive Vice-President, APC
APC Surety [fill in the correct name]

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

January 11, 1994

MEMORANDUM

TO: Katie McGinty, Director and Deputy Assistant of Office on Environmental Policy, White House

Will Stelle, Associate Director for Natural Resources, Office of Environmental Policy, White House

FROM: James R. Lyons, Assistant Secretary JRL
Natural Resources and Environment, USDA

SUBJ: Deliberative Information-Notification to Alaska Pulp Company (APC) of a Breach and Intent to Terminate the Contract if the Breach is not Remedied

The Tongass National Forest in southeast Alaska is the largest National Forest administered by the USDA Forest Service. In an effort to develop the timber economy in southeast Alaska, two 50 year timber sale contracts were let in the 1950's. These contracts included, but were not limited to, provisions for the building of pulp mills and a commitment to certain amounts of timber to be prepared and sold to the holders of the contracts. Both contracts have become a source of controversy because of the amount of timber the Forest Service is obliged to prepare for sale to meet the terms of the contract and potential environmental degradation from the harvest of such timber. One contract is held by Alaska Pulp Company in Sitka, AK, the other is held by Ketchikan Pulp Company in Ketchikan, AK.

On June 30, 1993, Frank Roppel, Executive Vice President for APC announced an indefinite shutdown of their Sitka, Alaska pulp mill. APC is doing a detailed feasibility study for a medium density fiberboard plant as a substitute for the existing pulp mill. The alternate facility would employ 100 or more people.

In a letter dated September, 24, 1993, the Regional Forester notified APC that he believed APC would materially breach the contract by indefinitely suspending operation of the pulp mill. That letter asked for plans to remedy that breach. APC replied with two letters dated October 21, and October 22, 1993 contending there was no contractual obligation to operate the pulp mill. The contract only required construction of the mill--hence no breach. The letters also requested a reversion to previous contract provisions, an assurance of a stable timber supply, and an assurance that an alternate facility such as a medium density fiber board plant at the Sitka mill site would meet the contract terms. Without these commitments, they could not make a decision. Earlier this year, APC filed suit in the US District Court for Alaska alleging the changes to the long-term contract were not legal and asked that the revised contracts be set aside and returned to the former contract.

As you know, Senator Stevens, Senator Murkowski and Representative Don Young have a keen interest. Governor Hickel has similar interests.

The Forest Service needs to respond to APC by no later than January 12, 1994, or make additional timber volume available to the company. Failure to make those releases would place the government in risk of breach of the contract and potentially liable for monetary damages. However, the Tongass National Forest Plan is currently under revision. New requirements resulting from the Tongass Timber Reform Act, Forest Service policy decisions, and other laws are likely to reduce the ability to supply the timber volumes required by the contract in the future.

We have carefully reviewed options to terminate the contract. All options would give formal notice of the Contracting Officer's intent to proceed with termination of this contract within 30 days if APC does not remedy the breach by resumption of a pulp mill operation at Sitka. Either letter would require APC to show cause why the contract should not be terminated for this breech. The first option would state that if the company wants the Government to consider a medium density fiber board plant as an alternative to operating the pulp mill, they must submit within 30 days a detailed proposal stating a schedule and a firm commitment for financing. The second option would essentially reject any consideration of a medium density fiber board plant under the contract, but would offer continued wood fiber supply in accordance with an independent timber sale program.

I recommend that the Forest Service notify APC on January 13, 1994, that within 30 days of receipt of the letter they must submit a plan and schedule for resuming operations in the present mill. Failure to do so will lead to contract termination. I anticipate APC will respond with a proposal to build a medium density fiberboard plant. My response to this proposal would be to find this unacceptable under the contract and proceed with termination. In the same letter, the Forest Service would inform APC that they would work with the State of Alaska to secure jobs.

Attachment

CC: Secretary Mike Espy, USDA
Mark Middleton, Assistant to the Chief of Staff, White House
Ron Blackley, Chief of Staff, USDA
Kim Schnoor, Counsel to the Secretary, USDA
Jack Ward Thomas, Chief, Forest Service

ATTACHMENT #1

United States Department of Agriculture | Forest Service | Alaska Region | P.O. Box 21628 Juneau, AK 99802-1628

1-6-94 MDF TIMBER SUPPLY RISK DRAFT

Reply to: 2450

Date:

Mr. George Woodbury
Vice-President/Timber Operations
Alaska Pulp Corporation
4600 Sawmill Creek Road
Sitka, AK 99835-9801

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Dear Mr. Woodbury:

In response to my September 24 letter requesting additional information on your plans to reopen the Sitka pulp mill, you sent two letters, one dated October 21, and one dated October 22, with enclosures. My staff, counsel and I have carefully reviewed the information you have provided. Your responses compel me to conclude that APC is repudiating its obligation under Contract No. 12-11-010-1545 to operate a pulp mill. This letter is formal notice of my intent to proceed with action for material contract breach and demand for APC to show cause why termination should not occur. **The discussions between us regarding medium density fiberboard (MDF) facilities are also addressed in this letter.**

Instead of responding to my letter with a firm commitment to resume pulp mill operations, APC argues that it has no remaining obligation to operate a pulp mill facility under the contract, and conditions further operation of the existing or converted facility upon contract modifications and other concessions from the government, including an increase of assured timber supply beyond the contract volume obligation.

The contract changes which APC has indicated it seeks would require amendment of the modifications enacted by the Congress in the Tongass Timber Reform Act (TTRA). The Forest Service cannot accomplish these changes administratively. The TTRA changes and Forest Service implementation of the changes do not excuse APC from operating a pulp mill. The material you have provided indicates that international pulp market and other conditions independent from TTRA changes or Forest Service contract performance are the reasons for the pulp mill shutdown.

The central purpose of the contract is to establish and maintain a timber supply for operation of the pulp facility which section BO.11 explicitly requires to be constructed. Only continued year round operation provides the employment, economic development, and wood utilization considerations which the government bargained for in entering the contract. Prior to entering into the contract, the government rejected proposals for a long term contract agreement to supply sawmill facilities only. The course of contract dealing between APC and the Forest Service over the past 37 years has been premised upon continued operation of a pulp mill.

Contract section BO.5 provides for shutdown of the mill upon certain specified conditions in relation to extension of the contract period beyond the year 2011 termination date, for a time equivalent to the period of shutdown. This can only be read to authorize temporary and not permanent shutdowns. This

provision is specific to extension of time to complete logging operations and discusses shutdown of the pulp mill in conjunction with shutdown of logging operations. It should therefore be read to provide for shutdown of the pulp mill only in conjunction with shutdown of logging.

The present shutdown of the pulp mill does not otherwise meet the conditions described for shutdown in B0.5. Section B0.5 limits causes for shutdown to those which are abnormal and beyond the control and without fault or negligence of APC. The material you have provided confirms that the present shutdown is due to the inability of the current pulp mill to compete in the prevailing international market for dissolving pulp and to increased costs of attaining environmental standards applicable to the mill. There is nothing abnormal or extraordinary about the evolving international market. Increases in mill environmental compliance costs have been part of the history of the contract and the entire pulp industry for many years.

The information and argument submitted in your letters and enclosures confirms that it is highly unlikely that APC will resume pulp operations at the Sitka mill, and indeed that APC has no intent to do so without significant alterations of the long term contract and other changes in current operating conditions which are unreasonable to expect in the foreseeable future. Your letters express no willingness to commit to the level of capital investment necessary to modernize the mill or convert to an alternate pulp facility, absent contract modifications and other concessions from the government. The written information you have submitted does not demonstrate that APC can or will obtain such financing.

Based on the lack of information and commitment by APC in the October letters concerning a realistic plan for reopening the pulp mill, and other available information, I am taking the following action.

<u>Notice of Breach and Intent to Terminate the Contract</u>

This is your notice that I have determined that APC is committing a serious breach of Contract 12-11-010-1545 by continuing the shutdown of the pulp mill. under circumstances where APC's actions and statements indicate little or no prospect for resuming operation of the existing or converted facility at the Sitka site. This is a continuing, material breach of the contract. In accordance with Section B9.3, I am providing you notice of this breach and affording you a reasonable time to remedy the breach prior to exercising the government's right to terminate the contract. You have 30 days from receipt of this letter to remedy the breach by resuming continued year-round operations of the Sitka pulp mill.

If the breach is not remedied within this time period, it is my intent to proceed to terminate Contract No. 12-11-010-1545 for material breach of contract requirements by APC, in accordance with the government's rights under common law and 36 CFR 223.116(a)(1). Upon termination, APC's right to proceed with performance under the contract will end, except for any demobilization, clean up, and other operations specifically authorized in the notice of termination. Your attention is otherwise invited to the respective rights of the Government and the liabilities that may be invoked if a decision is made to terminate for material breach.

If APC wishes to show any other cause why the contract should not be terminated, APC must present such facts, in writing, so that I receive them no later than 30 days from your receipt of this letter. Failure to present such facts within this time may be taken as an admission that no valid excuse for nonperformance exists.

I do appreciate the discussions we have had regarding the potential for converting the existing Sitka mill to medium density fiberboard (MDF) production, and your interest in a process for considering MDF conversion as a solution to the mill shutdown and its consequences. If APC wishes the government to consider conversion to MDF production as a basis for averting termination, APC must submit a specific, detailed written proposal with supporting documentation to me as soon as possible, and in any case so that I receive it no later than 30 days from your receipt of this letter. Any such proposal must include a definite schedule for completing conversion and resuming converted mill operation as soon as practicable, and demonstrate a firm present commitment and ability to accomplish the conversion according to that schedule. I cannot assure you that the government will be able to accept an MDF conversion proposal as a means to remedy the existing breach or cause why the contract should not be terminated, but we will evaluate the proposal for this purpose if APC chooses to submit a proposal in a timely manner.

You have asked about timber supply for MDF production facilities. In determining whether to invest capital in MDF production, APC cannot expect the government to guarantee against the risk of possible changes in future timber supply from the Tongass National Forest. Under the Alaska National Interest Lands Conservation Act and laws applicable to national forest management nationwide, the allowable sale quantity for the Tongass will remain subject to change upon completion of the ongoing Tongass Land Management Plan (TLMP) revision process or other future TLMP amendment or revision. Implementation of the current TLMP will remain subject to supply limitations occasioned by funding, evolving resource protection policies, and litigation. The long term contract, if not terminated for breach, will remain subject under existing legal authority to future termination or modification for environmental or other reasons that could reduce volume available to APC mills. The question of APC entitlement to compensation for such future action and in what amount would be an issue for determination in the event such action occurred.

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Unless and until I provide clear written notification otherwise, any assistance given to you on this contract or any acceptance by the Government of further performance will be solely for the purpose of mitigating damages. It is not the intent of the Government to condone any delinquency or to waive any rights the Government has under the contract.

Sincerely,

MICHAEL A. BARTON
Regional Forester
Contracting Officer
cc:

Assistant Secretary, NR&E
Chief
Forest Supervisor, Chatham Area
Forest Supervisor, Stikine Area

cc (Certified-RRR):
George Ishiyama, President, APC
Frank Roppel, Executive Vice-President, APC
APC Surety [fill in the correct name]

ATTACHMENT #2

United States Department of Agriculture
Forest Service
Alaska Region
P.O. Box 21628
Juneau, AK 99802-1628

1-6-94 NO MDF UNDER LT CONTRACT DRAFT

Reply to: 2450

Date:

Mr. George Woodbury
Vice-President/Timber Operations
Alaska Pulp Corporation
4600 Sawmill Creek Road
Sitka, AK 99835-9801

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Instead of responding to my letter with a firm commitment to resume pulp mill operations, APC argues that it has no remaining obligation to operate a pulp mill facility under the contract, and conditions further operation of the existing or converted facility upon contract modifications and other concessions from the government, including an increase of assured timber supply beyond the contract volume obligation.

The contract changes which APC has indicated it seeks would require amendment of the modifications enacted by the Congress in the Tongass Timber Reform Act (TTRA). The Forest Service cannot accomplish these changes administratively. The TTRA changes and Forest Service implementation of the changes do not excuse APC from operating a pulp mill. The material you have provided indicates that international pulp market and other conditions independent from TTRA changes or Forest Service contract performance are the reasons for the pulp mill shutdown.

The central purpose of the contract is to establish and maintain a timber supply for operation of the pulp facility which section B0.11 explicitly requires to be constructed. Only continued year round operation provides the employment, economic development, and wood utilization considerations which the government bargained for in entering the contract. Prior to entering into the contract, the government rejected proposals for a long term contract agreement to supply sawmill facilities only. The course of contract dealing between APC and the Forest Service over the past 37 years has been premised upon continued operation of a pulp mill.

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The information and argument submitted in your letters and enclosures confirms that it is highly unlikely that APC will resume pulp operations at the Sitka mill, and indeed that APC has no intent to do so without significant alterations of the long term contract and other changes in current operating conditions which are unreasonable to expect in the foreseeable future. Your letters express no willingness to commit to the level of capital investment necessary to modernize the mill or convert to an alternate pulp facility, absent contract modifications and other concessions from the government. The written information you have submitted does not demonstrate that APC can or will obtain such financing.

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If the breach is not remedied within this time period, it is my intent to proceed to terminate Contract No. 12-11-010-1545 for material breach of contract requirements by APC, in accordance with the government's rights under common law and 36 CFR 223.116(a)(1). Upon termination, APC's right to proceed with performance under the contract will end, except for any demobilization, clean up, and other operations specifically authorized in the notice of termination. Your attention is otherwise invited to the respective rights of the Government and the liabilities that may be invoked if a decision is made to terminate for material breach.

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I remain interested in further exploring the potential for establishing an MDF facility in Sitka or Wrangell that would not be dependent upon APC long term contract volume. In the event the APC contract is terminated, the Forest Service will endeavor to provide timber supply for the Wrangell sawmill and other facilities generating demand in Southeast Alaska through the independent sale program, according to applicable law and regulation. If APC believes an MDF facility is feasible to supply in this manner, the Forest Service is receptive to any proposal which APC may wish to discuss.

You have asked about timber supply for MDF production facilities. In determining whether to invest capital in MDF production or other facilities, however, APC cannot expect the government to guarantee against the risk of possible changes in future timber supply from the Tongass National Forest. In accordance with the Alaska National Interest Lands Conservation Act and laws applicable to national forest management nationwide, the allowable sale quantity for the Tongass will remain subject to change upon completion of the ongoing Tongass Land Management Plan (TLMP) revision process or other future TLMP amendment or revision. Implementation of the current TLMP will remain subject to supply limitations occasioned by funding, evolving resource protection policies, and litigation. The long term contract, if not terminated for breach, will remain subject under existing legal authority to future termination or modification for environmental or other reasons that could reduce volume available to APC mills. The question of APC entitlement to compensation for such future action and in what amount would be an issue for determination in the event such action occurred.

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Sincerely,

U.S. Fish + Wildlife Service memo -

/

August 31, 1992

TO: File - Tongass National Forest Land Management Plan (TLMP)

FROM: C. Hale, Fish and Wildlife Biologist
J. Lindell, Wildlife Biologist
Ecological Services, Juneau

MDH
9-1-

SUBJECT: Meeting with TLMP Team Members 7/29/92

Attendees:	Steve Brink	USFS	TLMP Team Leader
	Gene DeGaynor	USFS	TLMP GIS DataBase Manager
	Duane Fisher	USFS	TLMP Biologist
	Chris Iverson	USFS	RO Endangered Spp. Biol.
	Carol Hale	FWS	
	John Lindell	FWS	

This meeting was a result of the TLMP team biological assessment of the affects of the preferred alternative of the Land Management Plan on threatened and endangered species and candidate species. In our formal reply to the Forest Service assessment, we stated serious concern and disagreement with their finding of "no significant affect" on the northern goshawk and marbled murrelet. We requested this meeting to discuss our concerns about Forest Service timber harvest plans.

We told Steve Brink that we believed, based on currently known information from the affects of large-scale logging elsewhere, that proceeding with the TLMP preferred alternative now proposed would result in significant adverse impacts, particularly on species dependent on mature and old growth timber habitat. We told them that we were offering to work with the Forest Service and ADF&G in developing a management plan that would avoid the problems currently facing a number of species and the Forest Service elsewhere in the country. We are concerned about both large scale removal of mature forest component and compounding affect of habitat fragmentation.

Mr. Brink said we were talking to the wrong group. The decision-makers have already decided to maximize timber harvest and they intended to proceed with harvest at least as proposed in the preferred alternative. He cited political pressures. Specifically he said that the Hickel administration was placing pressure on the Forest Service to increase timber harvest and the Forest Service intended to accommodate the State as much as possible. Mr. DeGaynor said that unless the FWS told the Forest Service that they could not proceed as proposed (under provisions of the Endangered Species Act), the Forest Service would continue as planned.

We asked in what way could FWS assist the FS to minimize deleterious impacts to the wildlife species of concern. Mr. Brink mentioned the following areas:

- Interagency committee work with models in regard to forest fragmentation
- Wildlife Inventories
- Analysis of risk assessment
- Management of indicator species change
- Research and funding for research

It is apparent that the Directorate of the Tongass N.F. has made a conscious decision to maximize timber harvest in southeast Alaska with little, if any, regard for consequences to plant or animal species or populations that require the mature (older forest) timber habitat for all or critical portions of their life requirement. The Forest Service intends to pursue this direction until required to do otherwise by the FWS via provisions of the Endangered Species Act, or by the judicial system via third part litigation.

FY 94 APPROPRIATIONS:
PLEASE DO NOT APPROVE OVERCUTTING THE TONGASS

The Senate's FY 94 Tongass Timber Preparation Level Is Too High

** The Senate's timber preparation level is roughly 45 percent higher than the average annual harvest level of the last 10 years.

Tongass Supervisors' estimate of sustainable cut:	273 million board feet (mmbf)
House FY 94 Tongass appropriation:	280 mmbf
Ten-year historical Tongass cutting average:	285 mmbf
Administration FY 94 Tongass budget request:	350 mmbf
Senate FY 94 Tongass appropriation:	*410-420 mmbf*

The Demand for Dissolving Pulp Has Collapsed

** Markets for the Tongass pulp mills' product, dissolving grade pulp, are in a deep slump, with prices off as much as 28 percent since 1989. The Alaska Pulp Corporation (APC) freely acknowledges that weak worldwide demand plus lower-cost competition from other producers is a major reason they are suspending their Sitka pulp mill operations on September 30, 1993.

** The shutdown of APC's Sitka pulp mill and the previous closures of the region's two largest independent sawmills (due to a dispute with their product marketing representative) equal a drop of roughly 38 percent in Tongass manufacturing capacity over the last three years. More timber simply isn't needed.

There Are No Disruptions of the Tongass Timber Supply

** Since passage of the 1990 Tongass Timber Reform Act, there have been **no** disruptions to the timber supplies of either mill as a result of environmentalist actions.

** Currently, there are **1.25 billion board feet** in the timber supply "pipeline," representing a **4-year supply** at recent harvest rates of 300 mmbf/yr (net sawlog).

The Senate's Preparation Level is Unnecessary and Unsustainable

** The Tongass' three Area Supervisors stated that an annual cut level of 273 mmbf--not 410-420 mmbf--was the Forest's realistic sustained yield level. Recent revelations contained in a federal whistleblower complaint show that in some areas of the Tongass, top managers are overestimating the available timber base by over 100 percent.

** A preparation level of 280 mmbf is more than adequate to support the needs of industry.

PLEASE SUPPORT THE HOUSE PREPARATION LEVEL OF 280 MMBF IN FY 94

FY 94 APPROPRIATIONS:
PLEASE OPPOSE ALL "RIDERS" TO EXTEND
ALASKA PULP CORPORATION'S MONOPOLY ON TONGASS TIMBER

APC Wants to Close Its Pulp Mill but Keep Its 50-Year Timber Contract

** The Alaska Pulp Corporation (APC), wholly owned by a Japanese conglomerate, has 18 years remaining on a 50-year timber contract with the US Forest Service. In 1961, APC received a virtual monopoly on timber supply from the north Tongass, in return for building and operating a pulp mill in Sitka--utilizing lower quality Tongass timber and providing jobs. Now, due to slumping world dissolving pulp markets and more efficient competitors, **APC wants to close its Sitka pulp mill and terminate its workforce--but retain its monopoly 50-year timber contract.** APC is currently diverting up to 80 percent of its contract timber supply--obtained at rock bottom pulp mill prices--to its profitable Wrangell sawmill operation. APC has announced that it is "indefinitely suspending" operations at the Sitka pulp mill on September 30, 1993, and **effectively terminating 400 workers.**

** APC may seek contract changes that endorse its operation of the Wrangell sawmill on long-term pulp contract timber, while it builds a "medium density fiberboard" plant in Sitka that will employ less than one-quarter the workforce of the pulp mill.

APC Is In Breach of the 50-Year Contract

** Closing the Sitka pulp mill breaches the contract, and presents a clear opportunity for the Forest Service to get out from under an environmentally devastating and financially costly commitment. Ending the long-term contract will encourage competition and will allow the region to establish a diversified, sustainable economy built on Southeast Alaska's economic mainstays of fishing, tourism and subsistence (all presently threatened by overharvest), with a viable value-added forest products component. The conference committee should reject any rider or report language that would permit APC to retain its contract without operating the pulp mill that was the basis for that contract.

APC Does Not Need a Long-Term Contract to Operate

** Terminating the contract *does not* require APC to close the Wrangell mill. APC can operate its profitable Wrangell sawmill, or any other manufacturing operation, utilizing timber from independent sales for which it submits a high bid in a competitive bidding process--the same process that is used elsewhere throughout the National Forest system.

Help End Unsustainable Logging Levels--Help End Below Cost Sales

** APC's monopoly deal continues to cost American taxpayers millions. Last year, APC paid in cash less than $1.50 per thousand board feet of timber--$6-$9 for an old-growth tree--while the Tongass suffered the largest loss in National Forest history--over $23 million by the agency's own calculation. In a time of huge federal budget deficits, it makes no sense to continue to subsidize this unsustainable and environmentally destructive system.

** Unsustainable logging levels driven by the Tongass long-term contracts imperil all the other resources of the forest--including the timber base itself.

PLEASE OPPOSE ANY ATTEMPT TO MODIFY APC'S CONTRACT
TO RETAIN OR EXTEND ITS TIMBER MONOPOLY

PACFISH:

PLEASE DON'T LET THE FOREST SERVICE EXCLUDE ALASKA!

Fully 80 percent of the salmon production on public lands in the western United States comes from Alaska. Yet the timber industry is pressuring the Forest Service to remove Alaska from its new salmon management policy.

What is Pacfish? Pacfish is the Forest Service's and the Bureau of Land Management's new policy for protecting the long-term health of salmon and other fish, on federal lands in the west, including Alaska.

How does it work? Pacfish requires federal land managers to analyze the condition of watersheds, and protect streams, lakes, wetlands, and landslide areas with buffers called Riparian Habitat Conservation Areas (RHCAs). Activities in any RHCA must be compatible with the goal of riparian habitat protection. Until the dimensions of particular RHCAs are decided through watershed analysis, Pacfish prescribes interim buffer zones around sensitive features. The minimum buffer for fish-bearing streams is 300 feet.

Don't we already have 100-foot no-logging buffer zones along salmon streams on the Tongass? The Tongass Timber Reform Act's minimum 100-foot no-cut buffer zone primarily provides for the long-term input of wood into streams--just one piece of the fish habitat puzzle. Pacfish's wider buffers protect against chronic sedimentation, provide for nutrient cycling, and stabilize the entire riparian ecosystem.

Doesn't the Forest Service already analyze the effects of logging on watersheds? On the Tongass, the Forest Service does virtually <u>no</u> analysis of the cumulative effects on watersheds from its logging program. Yet, the Tongass timber program is proceeding full-tilt. Pacfish's prescribed watershed analysis protects against overcutting and provides for long-term watershed stability.

Don't we have record-breaking salmon runs in Alaska? Presently, Alaskan salmon runs are cyclically strong, due in part to favorable oceanic conditions. When these conditions change, healthy stream habitat will be even more critical. In addition, steelhead stocks are now in a crisis, and cutthroat stocks are declining. Many Tongass watersheds with important fish runs have been logged very heavily, and the Forest Service is prescribing more of the same. Now is the time to protect what we've got.

There is no scientific basis for excluding Alaska from Pacfish. Yet, the timber industry, Alaska's congressional delegation, and Governor Walter Hickel are pushing hard for exactly that.

Alaska's watersheds and fish stocks are too important to jeopardize. Please urge the Forest Service to implement Pacfish in Alaska!

ADDITIONAL PACFISH QUESTIONS AND ANSWERS

Where did Pacfish come from?

Pacfish emerged from several different efforts--a 1991 American Fisheries Society report on at-risk fish runs; Forest Service response to Endangered Species Act listings for Pacific Northwest salmon runs; the Scientific Analysis Team (SAT) Report, headed by Jack Ward Thomas; the Federal Ecosystems Management Assessment Team (FEMAT) report stemming from President Clinton's Forest Conference. The approaches are all very similar, embodying watershed analysis and vital riparian protection.

Pacfish was developed for application in Alaska. Alaska was included in the strategy at the request of the Forest Service's Alaska Region. Alaskan data contributed to Pacfish objectives. Pacfish biologists firmly believe that the strategy is applicable to, and needed in, Alaska, specifically in southeast Alaska.

How will Pacfish affect Tongass timber harvest?

Pacfish shifts the burden of proof, keeping sensitive areas off-limits to logging until watershed analysis shows that management activity will not harm critical riparian resources. Prior to watershed analysis, sensitive features are protected with interim buffer zones. **After watershed analysis, many acres originally protected will return to the timber base.**

The Forest Service developed a wide range of scenarios to predict the effect of **interim** Pacfish buffers on Tongass timber harvest.

In the likeliest scenario, buffer zones would primarily be limited to streams, rivers, and lakes, and the wetlands associated with them; but most of the Tongass' extensive forested wetlands forested wetlands would be available for logging and roadbuilding. Total loggable acres would decline by only 17 percent (from the benchmark of the draft Forest Plan revision Preferred Alternative).

Again, after watershed analysis, many of these acres would return to the timber base.

Can Pacfish be modified to suit local conditions?

Yes. Interim buffer zone guidance can be adjusted to accommodate uniquely Alaskan conditions (such as extensive forested wetlands) while still achieving the Pacfish objectives. Final riparian objectives, standards and guidelines will be tailored to the needs of individual watersheds through watershed analysis.

Does Pacfish violate the Tongass Timber Reform Act?

Pacfish's interim 300-foot buffer along fish streams is entirely consistent with the Tongass Timber Reform Act's (TTRA's) 100-foot **minimum** buffer requirement. Watershed protection science has advanced. The Alaska Region does virtually no cumulative watershed effects monitoring while operating a very aggressive timber program driven by the long-term contracts. When the Forest Service last checked, 45 percent of the TTRA buffers it examined on the Thorne Bay Ranger District were out of compliance with the law, and others had blown down. Pacfish's interim protections are needed for the long-term protection of fish habitat and stability of watersheds.

FY 94 APPROPRIATIONS:
PLEASE RETAIN THE HOUSE LANGUAGE
PROTECTING VIABLE TONGASS WILDLIFE POPULATIONS

Tongass Managers Commissioned, Then Suppressed, A State-of-the-Art Wildlife Conservation Strategy for the New Forest Plan

** In connection with the ongoing revision of the Tongass Forest Plan, in 1990 the Forest Service's Alaska Region (Region 10) assembled an interagency team of biologists and asked them to prepare a plan for preserving viable, well-distributed wildlife populations, as required by the National Forest Management Act. Utilizing the same approach as that used to conserve the northern spotted owl, the biologists designed a network of Habitat Conservation Areas (HCAs), systematically distributed across the forest. Their plan received the highest marks from Region 10's own management level review team.

** The Forest Service then suppressed the biologists' report and excluded it from the new Forest Plan. More recently, top Tongass forest planners told U.S. Fish and Wildlife Service biologists that the Region has decided to maximize timber harvest until halted by the Endangered Species Act--*a direct repeat of the Pacific Northwest train wreck.*

The Viable Populations Committee Report Is the Only Scientifically Defensible Strategy for Protecting Viable Tongass Wildlife Populations

** The Viable Populations Committee (VPC) strategy takes advantage of the scientific expertise and on-the-ground experience of field and research biologists from three agencies--the Forest Service, the Alaska Department of Fish and Game, and the U.S. Fish and Wildlife Service.

** The VPC strategy is based on the best current conservation biology science. It has been extensively peer-reviewed. It represents the first time that the conservation biology principles embodied in the spotted owl conservation effort have been applied proactively to multiple species.

** The strategy represents a minimum effort needed to conserve viable populations on the Tongass over the long term, and will help avoid the dramatic impacts of Endangered Species Act listings.

The House Language Directs the Forest Service to Fully Integrate the VPC Strategy into the Final Revised Tongass Forest Plan. Region 10 Is Directed To:

* make available to the Viable Populations Committee sufficient resources to put the report and strategy in reviewable form;
* arrange for appropriate peer review;
* get identical peer review for any other strategy the Region is considering;
* expedite incorporation of peer review comments in a final report; and
* work with the Committee to integrate the final strategy into all Forest Plan alternatives.

PLEASE PROVIDE FOR VIABLE TONGASS WILDLIFE POPULATIONS AND AVOID THREATENED OR ENDANGERED SPECIES BY RETAINING THE HOUSE LANGUAGE.

Alaska Rainforest Campaign

Alaska Center for the Environment, American Rivers, Natural Resources Defense Council, Sierra Club, Sierra Club Legal Defense Fund, Southeast Alaska Conservation Council, The Wilderness Society, Trustees for Alaska

September 21, 1993

Dear Interior Appropriations Conferee:

Enclosed please find information on 1994 appropriations for the Tongass National Forest, delivered by the Southeast Alaska Conservation Council, the Natural Resources Defense Council, and American Rivers on behalf of the Alaska Rainforest Campaign.

I. **Talking Points on Tongass National Forest Appropriations**

II. **Fact Sheets on Critical Issues**

- Timber Preparation Level
- Attempts to Alter the APC 50-year Contract Through Appropriations
- Pacfish in Alaska
- Viable Wildlife Populations

III. **Supporting Material**

- Letter from the National Taxpayers Union on the Tongass timber subsidy
- Letter from fishing and environmental interests opposing the Pacfish amendment
- Letter from the Alaska Trollers Association opposing the Pacfish amendment
- Letter from the United Fishermen of Alaska supporting adoption of Pacfish interim guidelines on the Tongass
- U.S. Fish & Wildlife Service memo on refusal of the U.S. Forest Service to protect viable wildlife populations on the Tongass

For additional information or responses to questions please contact:

Dave Katz	SEACC	(202) 624-9363
Nicholas Lapham	NRDC	(202) 783-7800
Chuck Clusen	NRDC	(202) 783-7800
Thomas Cassidy	American Rivers	(202) 547-6900

INTERIOR APPROPRIATIONS CONFERENCE COMMITTEE TALKING POINTS ON TONGASS NATIONAL FOREST

Timber preparation level: The timber sale preparation level for the Tongass National Forest for fiscal year 1994 in the House bill is 280 million board feet versus the Senate number of 410-420 mmbf. The average harvest for the last decade is 285 mmbf, and the House number quite adequately provides for the two 50 year pulp contracts with Alaska Pulp Corporation in Sitka and Ketchikan Pulp Corporation in Ketchikan. The three Forest Service Supervisors on the Tongass National Forest have stated that only 273 million board feet can be cut annually on a sustainable basis. Despite false claims by the industry, demand is not rising, as demonstrated by the announced closure of the Sitka pulp mill by the Alaska Pulp Corporation.

*** The Conference Committee should adopt the House timber preparation level of 280 million board feet for fiscal year 1994.**

Pulp mill contracts: As of September 30th, the Alaska Pulp Corporation will cease operations at its Sitka mill and has offered buy out packages for all mill workers. Record low prices for dissolving pulp as well as a bleak outlook for the future have precipitated this action. It is not, as APC argues, a result of lack of supply. Senator Stevens may try in conference to legislatively amend, or prohibit the Department of Agriculture from canceling, APC's contract. If APC is unable to operate a pulp mill as its contract requires, then the contract should be canceled, not amended to grant further subsidies. The cancellation of the APC contract would allow the Forest Service to establish a competitive system of offering timber sales to independent mills using the standard system the Forest Service uses elsewhere. This change would allow for a more efficient system that curtails sales below cost, facilitates the development of a new sustainable and value-added wood products industry, and stems the environmental damage that is accruing due to overharvesting of high quality old growth.

*** The Conference Committee should not include any bill or report language that excuses APC from its contract requirements or hinders in any way the ability of the Agriculture Department to cancel the contract altogether if a breach is determined.**

__Pacfish__: Another Tongass issue contained in the Senate bill is an amendment on "Pacfish" included as part of a package of amendments accepted by unanimous consent before conservationists and Senate staff could alert Senators to return to the floor. Pacfish is a new Forest Service and Bureau of Land Management policy for protecting the long-term health of salmon and other fish on federal lands in the Northwest and Alaska. The amendment would prohibit funds to be used for the study or implementation of Pacfish on only the Tongass. Pacfish represents the state-of-the-art science on what is required to protect anadromous fish habitat. A failure to incorporate it on the Tongass would result in a replay of the Pacific Northwest salmon crisis in Alaska.

*** The Conference Committee should not include the Stevens amendment prohibiting the study or implementation of Pacfish on the Tongass National Forest in the final Interior Appropriations bill.**

__Viable wildlife populations__: Report language in the House bill deals with the issue of maintaining viable wildlife populations on the Tongass. This is an area of particular concern because of indications that a species crisis on the Tongass similar to that which occurred in the Pacific Northwest is imminent if current management practices continue.

*** The Conference Committee should incorporate the House report language on viable wildlife populations in the final Interior Appropriations bill.**

ALASKA RAINFOREST CAMPAIGN

December 6, 1993

Will Stelle
Assistant Director for Natural Resources
Office on Environmental Policy
Old Executive Office Building, Room 360
Washington, D.C. 20501

Dear ~~Mr. Stelle~~ Will:

The situation on the Tongass National Forest in Southeast Alaska has reached a point where we felt it was necessary to bring matters to your attention.

Three years ago, Congress passed the Tongass Timber Reform Act (TTRA) of 1990, legislation to reform management of the Tongass. Today the TTRA is under attack, and the Tongass is in very real danger of becoming the next ecological "train wreck." The culprits are the very two 50-year pulp contracts that were the subject of so much controversy during the TTRA deliberations. As you may remember, the House voted to cancel both contracts. The Senate forged a compromise that modified the contracts instead of canceling them outright. This compromise prevailed.

In the past several months, the Alaska Pulp Corporation (APC), owner of the pulp mill in Sitka, has taken two dramatic steps. First, it sued the federal government over the TTRA contract modifications. Second, it indefinitely closed its Sitka pulp mill on September 30, laying off virtually all 400 employees and violating the central provision of its contract that requires operation of a year-round pulp facility. This action has put APC in breach of its contract.

While the Administration reviews this situation, the Forest Service continues to provide the company with subsidized timber under the contract. APC is running this timber through its sawmill in Wrangell, taking advantage of the strong market for lumber. At the same time, the company is seeking additional concessions on its contract, blaming the TTRA for the economic woes of its pulp operation.

The facts are that worldwide manufacturing capacity for dissolving pulp exceeds demand by 35 percent. World dissolving pulp prices have declined substantially, and indications are that they are now considerably lower than production costs for the Southeast Alaska pulp mills. APC is engaged in environmental blackmail, blaming the TTRA for the poor economics of its business in an effort to gain contract concessions allowing it to ravage the Tongass even further. Additionally, both pulp companies accuse conservationists of tying up timber supply when in fact no Tongass timber sale prepared by the Forest Service since TTRA has ever been enjoined by conservationists.

Meanwhile, the contracts continue to drive major management decisions on the forest. Last Wednesday Alaska Regional Forester Mike Barton rejected all appeals on the Central Prince of Wales (CPOW) timber sale, the largest timber sale currently planned in the National Forest System. The timber will be cut under the Ketchikan Pulp Company's long-term contract. This sale was the subject of a whistleblower complaint filed by fifteen-year Forest Service planner, and leader of the CPOW planning team, Bill Shoaf. The heart of Shoaf's claim is that local Forest Service managers ignored the findings of the planning team and significantly exaggerated the amount of timber that can be cut from the Ketchikan Area of the Tongass in order to justify unsustainable cutting levels. The result will be a devastating loss of Southeast Alaska timber jobs.

The Office of Special Counsel has found a "substantial likelihood" that Shoaf's charges of violations of federal environmental laws, gross mismanagement, waste of taxpayer funds, and abuse of authority were correct. The OSC has ordered Agriculture Secretary Espy to investigate. That the Regional Forester felt compelled to approve the sale even in the face of an ongoing investigation is the clearest possible evidence that what's driving Tongass management is first and foremost the volume requirements of the 50-year contracts. All other forest resources and uses including wildlife, subsistence, tourism, and fishing are subordinated.

The bottom line is that the TTRA contract modifications have not been sufficient to protect the Tongass from the insatiable appetite of the two pulp companies. Today both contracts continue to result in the kind of environmental degradation that the TTRA sought to end. The warning signs of impending ecological and economic disaster are evident. The only cure is to cancel both 50-year contracts.

Canceling the contracts opens the way for developing a truly sustainable long-range plan for the Tongass that would balance the needs of fishing, tourism, subsistence, and a smaller, value-added wood products industry. As the CPOW example illustrates, the contracts are preventing the Forest Service from managing the Tongass in a way consistent with the TTRA and other laws including the National Forest Management Act, which requires the protection of viable populations of wildlife, and the Alaska National Interest Lands Conservation Act, which safeguards subsistence.

Southeast Alaska is a place where a stable and secure future can still be achieved, where economic security and environmental protection can go hand-in-hand. The TTRA was a major advancement in realizing that future. Today, however, it is clear that both long-term contracts must be cancelled if we are to achieve the promise of Tongass reform.

The Department of Agriculture has the discretion to take this action. We request that the Clinton Administration move to cancel both contracts.

Enclosed please find supporting materials from the Alaska Rainforest Campaign including a contract cancellation blueprint, a coalition letter to Jim Lyons, a press release on the CPOW timber sale decision, a letter to Jack Ward Thomas on CPOW, several Tongass fact sheets, and an op-ed from the Seattle Times.

We would be pleased to talk with you further about this matter.

Sincerely,

Chuck

Charles M. Clusen
Senior Associate
Natural Resources Defense Council (202) 624-9389
(for the Alaska Rainforest Campaign)

Alaska Rainforest Campaign
(Alaska Center for the Environment, American Rivers, Natural Resources Defense Council, Sierra Club, Sierra Club Legal Defense Fund, Southeast Alaska Conservation Council, The Wilderness Society, Trustees for Alaska)
National Audubon Society
National Wildlife Federation

November 15, 1993

Mr. James Lyons
Assistant Secretary for Natural Resources and the Environment
Department of Agriculture
Administration Building
12th Street and Jefferson Drive, S.W.
Washington, D.C. 20250

Dear Mr. Lyons:

We respectfully request a meeting with you to talk about the deteriorating situation on the Tongass National Forest in southeast Alaska. Driven by the two long-term pulp contracts, logging on the Tongass is proceeding at a rate that will soon result in economic displacement, a loss of subsistence opportunities, and an ecosystem collapse complete with endangered species listings. Unprecedented opportunities exist now to reverse this trend, opportunities that must be seized in order to avoid another ecological and economic "train wreck."

The warning signs are everywhere. An interagency viable wildlife populations study predicts widespread species declines. A fifteen year Forest Service veteran sheds light on logging practices on Prince of Wales island which endanger the economic future for local communities. A Native village on Kupreanof Island, right in the heart of the Tongass, voices concern about logging plans on nearby Kuiu Island which would destroy vital subsistence opportunities. While there are a number of factors associated with these problems, they are all driven by the two fifty year pulp contracts held by the Alaska Pulp Corporation (APC) and the Ketchikan Pulp Corporation (KPC). In order to meaningfully reform Tongass management, you must move to cancel these contracts.

You can achieve half of this goal by staying with the course you have already directed the Forest Service to follow and terminate APC's contract for material breach. APC closed its Sitka pulp mill indefinitely on September 30, 1993, thereby breaching its contract which requires operation of a pulp mill. The Alaska Regional Forester sent APC a letter notifying the company that it would be in breach upon closure of the mill unless it provided within thirty days a detailed plan to reopen. APC's October 22 response, along with their July decision to sue the United States over the unilateral contract modifications of the Tongass Timber Reform Act (TTRA), constitute a repudiation of the Forest Service's interpretation of APC's contract and a direct challenge to the TTRA compromise reached between the timber industry and advocates of Tongass reform. You have already taken a very strong line, through the Forest Service, with APC, and short of reversing yourself and exposing the government to liability under APC's lawsuit, your best choice is to cancel APC's contract.

While both pulp companies blame their economic woes on the Tongass Timber Reform Act, the real issue is a slumping international market for dissolving pulp. Forest Service implementation of the TTRA contract modifications has failed to protect the public resources of the Tongass and to promote fair competition within the southeast Alaska timber industry. For example, the pulp companies still pay considerably less for timber than independent operators because of advantages resulting from purchaser road credits. In 1991 and 1992, when prices for lumber were skyrocketing, APC paid on average just over two dollars in cash per thousand board feet. Blaming TTRA for the bad economics of the dissolving pulp business is a classic case of environmental blackmail.

The Tongass National Forest is the heart of our last intact temperate rainforest. Commercial fishing, tourism, and a sustainable timber industry can provide the backbone of a stable and secure long-term future for the region, its communities, and its ecosystem. The two fifty year contracts, however, are not compatible with this future and will continue to steer the Tongass toward a disaster similar to that which befell the Pacific Northwest. We have yet to have the opportunity to meet with you to talk about the Tongass and strongly hope that we can do so at the earliest possible time. Thank you for your attention.

Sincerely,

Charles M. Clusen
Senior Associate
Natural Resources Defense Council
(for the Alaska Rainforest Campaign)

Brock Evans
Vice President for National Issues
National Audubon Society

Fran Hunt
Forester/Resource Specialist
National Wildlife Federation

cc: Will Stelle, OEP
T.J. Glauthier, OMB

ALASKA RAINFOREST CAMPAIGN

ALASKA CENTER FOR THE ENVIRONMENT
AMERICAN RIVERS
NATURAL RESOURCES DEFENSE COUNCIL
SIERRA CLUB
SIERRA CLUB LEGAL DEFENSE FUND
SOUTHEAST ALASKA CONSERVATION COUNCIL
THE WILDERNESS SOCIETY
TRUSTEES FOR ALASKA

FOR IMMEDIATE RELEASE
December 3, 1993

CONTACT: Charles Clusen or Nicholas Lapham, NRDC (202) 783-7800
Susan Warner, SEACC (907) 586-6942
Eric Jorgensen, SCLDF (907) 586-2751

DEADLINE LOOMS FOR NEW FOREST SERVICE CHIEF TO PREVENT ENVIRONMENTAL DISASTER

Enormous Timber Sale Slated For Nation's Last Great Rainforest

Washington, D.C. -- To avoid an environmental disaster in Alaska's Tongass National Forest, the new head of the U.S. Forest Service must overrule the agency's top official in Alaska, a coalition of regional and national conservation groups charged yesterday in a letter to incoming Chief Jack Ward Thomas. Unless the Chief acts by December 9, the largest sale of ancient trees in the entire National Forest System will go forward, despite a pending investigation by the federal government's Office of Special Counsel.

Alaska regional forester Michael Barton decided, in the face of stiff opposition from conservationists and the Forest Service's own head planner for the sale, to offer the Central Prince of Wales Island (CPOW) timber sale for the benefit of one of the two pulp companies holding fifty-year contracts to purchase large volumes of Tongass timber at bargain prices. The conservation coalition, known as the Alaska Rainforest Campaign (ARC), recently called on the Clinton Administration to cancel both contracts, which cost U.S. taxpayers $64 million last year.

"This timber sale exemplifies what's wrong with the Forest Service's disastrous mismanagement of the Tongass," said Susan Warner of the Southeast Alaska Conservation Council, speaking for ARC. "Driven by the demands of the pulp company contracts, the agency is guilty of unsustainable cut-and-run practices that will destroy the nation's last intact temperate rainforest and leave the communities it supports high and dry."

The coalition's charges are bolstered by a "whistleblower" complaint filed by Bill Shoaf, a 15-year veteran of the Forest Service's timber program who led the interdisciplinary team that planned the sale. "If southeast Alaska is to avoid the kind of community disruption and human suffering which now plague the Pacific Northwest, harvest levels on the Tongass National Forest must be reduced immediately," Shoaf concluded.

-- more --

Shoaf has alleged gross mismanagement and violations of law in the planning and approval of the sale, and the Office of Special Counsel found there is a "substantial likelihood" that the allegations are true. It has ordered the Secretary of Agriculture to conduct an investigation. "The regional forester's approval of the Central Prince of Wales Island sale makes a mockery of the ongoing investigation of the Forest Service for gross mismanagement and violations of law related to that sale," said Eric Jorgensen of the Sierra Club Legal Defense Fund in Juneau, an attorney for the coalition.

The CPOW sale would provide 267 million board feet of timber from a project area of more than 300,000 acres to the Ketchikan Pulp Company (KPC), one of two long-term contract holders. KPC's mill turns Tongass ancient trees into dissolving pulp to produce products such as cellophane, rayon, and disposable diapers.

In addition to asking for reversal of the CPOW decision, the ARC coalition argues that the Clinton Administration must cancel both long-term contracts, putting the Tongass on an equal footing with all other national forests so that it can be managed for all its values. "The time has come to get the timber industry in Southeast Alaska off the dole and move the region toward a truly diversified and independent economy," said Charles M. Clusen of the Natural Resources Defense Council. "Who better than Jack Ward Thomas -- personally so familiar with the mistakes made in the Pacific Northwest -- to prevent another environmental and economic 'train wreck.' Before him lies the opportunity to develop a long-range plan for the Tongass that would protect both the natural and human communities by balancing the needs of fishing, tourism, and a stable, value-added wood products industry."

Conservationists point out that the pulp contracts have proven incapable of providing local economic stability. One pulp mill, operated by the Alaska Pulp Company (APC), has already shut down, apparently for good, and APC has sued the Forest Service seeking to undo contract changes mandated by Congress in the Tongass Timber Reform Act of 1990 (TTRA).

In addition to their unsustainable cut levels, severe problems with the CPOW and other sales the Forest Service seeks to provide to the pulp companies include: major impacts on subsistence hunting and fishing relied upon by Alaska Natives and other rural communities; long-term risks to healthy fish populations, water quality, soil stability, and the $200 million Southeast Alaska commercial fishing industry; destruction of a world class tourist destination, with associated impacts on the local tourism and recreation industry; and looming threats to several rare wildlife species such as the goshawk.

ALASKA RAINFOREST CAMPAIGN

ALASKA CENTER FOR THE ENVIRONMENT

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NATURAL RESOURCES DEFENSE COUNCIL

SIERRA CLUB

SIERRA CLUB LEGAL DEFENSE FUND

SOUTHEAST ALASKA CONSERVATION COUNCIL

THE WILDERNESS SOCIETY

TRUSTEES FOR ALASKA

December 1, 1993

Jack Ward Thomas
Chief, Forest Service
Department of Agriculture
P.O. Box 2417
Washington, DC 20013

Dear Dr. Thomas:

Late last week, the Alaska Regional Forester approved the largest timber sale currently pending on any national forest despite the fact that the Secretary of Agriculture is formally investigating that very sale for gross mismanagement and violations of law. This action subverts the authority of the Secretary of Agriculture and of the Office of Special Counsel, which ordered the investigation. To remedy this unacceptable situation, the Alaska Rainforest Campaign (ARC) requests that you reverse the decision of the Regional Forester on the Central Prince of Wales project in the Tongass National Forest.

The public is entitled to a full accounting of the allegations and of the results of the investigation before the Forest Service proceeds with this project. Anything less makes a mockery of the ongoing investigation and reveals it as a sham with a foregone conclusion.

ARC is a coalition of eight local, state and national organizations dedicated to protecting the natural resources of the Alaska rainforest, from Ketchikan to Kodiak, and to ensuring a sustainable economic future in this region. The members of the Alaska Rainforest Campaign are Alaska Center for the Environment, American Rivers, Natural Resources Defense Council, Sierra Club, Sierra Club Legal Defense Fund, Southeast Alaska Conservation Council, The Wilderness Society, and Trustees for Alaska. Several of these organizations participated in the five appeals of the Central Prince of Wales project, raising not only the issues surrounding the pending investigation, but also other serious issues that the Regional Forester failed to address adequately.

The Central Prince of Wales timber sale is unusual only in part because it is the largest in the country, encompassing 267 million board-feet of timber to be logged from 360,000 acres. The most important fact setting this sale apart is that the leader of the interdisciplinary team in charge of planning the sale -- Bill Shoaf -- filed a "whistleblower" complaint alleging gross mismanagement and violations of law. Shoaf is a 15-year veteran of the Forest Service's timber sale program with an exemplary service record. His allegations call into question the most critical assumptions affecting not only the Central Prince of Wales project, but also the entire timber program for the Ketchikan Area of the Tongass National Forest and for the Ketchikan Pulp Company 50-year contract. The Office of Special Counsel, charged with undertaking a preliminary evaluation of the complaint, found that there was a "substantial likelihood" that the allegations were true and ordered the Secretary of Agriculture to conduct an investigation.

According to information provided by the Government Accountability Project and the Association of Forest Service Employees for Environmental Ethics, Shoaf's affidavit summarizes his most important conclusion as follows:

> If southeast Alaska is to avoid the kind of community disruption and human suffering which now plague the Pacific Northwest, harvest levels on the Tongass National Forest must be reduced immediately.

The residents of southeast Alaska and the rest of the country have a strong interest in avoiding this result and are entitled to assurances that the Central Prince of Wales project is in compliance with law, is supported by competent science, and is consistent with sound public policy.

These assurances do not yet exist. Due to legitimate confidentiality concerns, the public has not had the opportunity to see Shoaf's 28-page affidavit or any of the 58 exhibits attached in support. Thus, the public is aware that there is a "substantial likelihood" of gross mismanagement and violations of law on the sale, and that the Secretary of Agriculture is conducting an investigation, but has no access to the underlying facts. Under these circumstances, it is intolerable for the Alaska Region to proceed with this sale until all the facts have been disclosed and the allegations fully answered.

Notwithstanding these facts, the Regional Forester last week denied five separate appeals of the sale in all material respects and affirmed the record of decision. None of his decisions even mentioned the Shoaf complaint.

This sale serves as a test of whether the Forest Service intends to take seriously allegations by its own professional staff of mismanagement and illegal actions. The Regional Forester's decision shows that the answer to this question in Alaska is currently a resounding "no." However, as you are well aware, experience in the Pacific Northwest teaches that the Forest Service pays a high price when it ignores the warnings of its experts. At a minimum, the Secretary of Agriculture must be allowed to complete a thorough investigation before the sale proceeds.

Shoaf supported his conclusion that current logging levels are unsustainable and must be reduced with numerous specific allegations. According to summaries provided by the Government Accountability Project and the Association of Forest Service Employees for Environmental Ethics, Shoaf alleged that the Forest Service:

(1) "grossly exaggerated" timber availability and suppressed data showing that current logging levels are not sustainable;

(2) expanded logging units from the 1989-94 logging plan to include over 5,000 acres that were not authorized in the record of decision or disclosed in the environmental impact statement;

(3) illegally began surveying roads and laying out clearcuts in the Central Prince of Wales project before a final decision was made authorizing the sale;

(4) refused to correct the public Notice of Intent on the project after changing the scope of the project, despite being informed that this would violate the National Environmental Policy Act;

(5) has offered timber and intends to offer more timber from supposedly independent timber sales to the Ketchikan Pulp Company to fulfill its contract, after preparing impact statements asserting publicly that these timber sales were designated for independent purchasers;

(6) is illegally authorizing clearcuts over 100 acres; and

(7) is not complying with statutory requirements to maintain existing proportions of rare, high-volume old growth forest.

Shoaf alleges that these actions violate numerous federal laws, including the National Environmental Policy Act, the National Forest Management Act, the Multiple-Use Sustained-Yield Act, the Alaska National Interest Lands Conservation Act, and the Tongass Timber Reform Act.

In addition to the claims made by Shoaf, the appellants and intervenors in the Central Prince of Wales project raised many other serious issues, too numerous to mention in this letter. However, we draw your attention to two issues of particular concern, closely related to Shoaf's allegations.

First, this project, combined with several other large timber sales at various stages of the planning process in the immediate vicinity of Central Prince of Wales, threatens the viability of several species of wildlife over a large geographic area. Neither the Central Prince of Wales EIS, nor any of the EISs for the other projects, nor the Tongass Land Management Plan adequately assess these impacts or include an adequate wildlife protection strategy. Of particular concern are the northern goshawk, the marbled murrelet, and the Alexander Archipelago wolf. This failure violates the National Forest Management Act and the National Environmental Policy Act.

The Fish and Wildlife Service has severely criticized the Forest Service for proceeding with these plans and has recommended that the Forest Service refrain from any further logging in the area until an adequate habitat conservation plan is implemented. However, the Alaska Region of the Forest Service has been determined to ignore these criticisms and requests. In fact, in a meeting last year with biologists from the Fish and Wildlife Service, leaders of the Forest Service planning team for the revision of the Tongass Land Management Plan candidly stated that the current high logging levels would continue until the Endangered Species Act forced reductions. This describes the "train wreck" that has hit the Pacific Northwest, and the actions and statements of officials in the Alaska Region lend support to Shoaf's prediction that southeast Alaska is currently on the same track.

Second, the Alaska Region has not given adequate consideration to alternatives to the Central Prince of Wales project or provided sufficient public participation in the decision making process. The environmental impact statement for the Central Prince of Wales project stated that the "purpose and need" for the project was to provide 290 million board-feet of timber, making it the largest timber sale in the country. The timber sale planners refused to consider any alternatives to this goal, asserting in the environmental impact statement that this decision was already made as a part of the timber sale planning process for the Ketchikan Area of the Tongass National Forest. However, the public never had any input into this planning process. These shortcomings violate the National Environmental Policy Act and the subsistence protection provisions in Title VIII of the Alaska National Interest Lands Conservation Act.

The timber sale schedule on which the Ketchikan Area relies is not a part of the Tongass Land Management Plan, nor has it been subject to any other public planning process. The decisions about when and where to cut such enormous volumes of timber have profound effects on the residents of the communities of Prince of Wales Island, who rely on the forest for subsistence food needs, the timber economy, tourism and recreation. These residents and other members of the public are entitled to participate in the planning process and to have the Forest Service consider alternatives that may avoid the results predicted by Shoaf and otherwise avoid severe adverse effects on subsistence and wildlife.

For these reasons, ARC requests that you exercise discretionary review over this sale pursuant to 36 C.F.R. § 217.17. Forest Service regulations provide that, in deciding whether to exercise discretionary review, you should consider "such factors as controversy surrounding the decision, the potential for litigation, whether the decision is precedential in nature, or whether the decision modifies existing or establishes new policy." 36 C.F.R. § 217.17. Under the circumstances of this case, all these factors argue in favor of exercising review.

ARC requests that you reverse the decision of the Regional Forester, remand the decision to the Forest Supervisor for the Ketchikan Area, and require a new environmental analysis addressing the issues raised by the appellants and intervenors. This analysis should also disclose fully the allegations of the Shoaf affidavit and the results of the Secretary of Agriculture's investigation.

Thank you for your prompt attention to this request.

Sincerely,

Thomas S. Waldo   Eric Jorgensen

SIERRA CLUB LEGAL DEFENSE FUND, INC.
325 Fourth Street
Juneau, AK 99801
Phone: (907) 586-2751
Fax: (907) 463-5891

On behalf of the Alaska Rainforest Campaign:

Alaska Center for the Environment
American Rivers
Natural Resources Defense Council
Sierra Club
Sierra Club Legal Defense Fund
Southeast Alaska Conservation Council
The Wilderness Society
Trustees for Alaska

cc: Jim Lyons

ALASKA RAINFOREST CAMPAIGN

Alaska Center for the Environment

American Rivers

Natural Resources Defense Council

Sierra Club

Sierra Club Legal Defense Fund

Southeast Alaska Conservation Council

The Wilderness Society

Trustees for Alaska

HISTORY AND STATUS OF THE TONGASS NATIONAL FOREST

The Tongass National Forest, designated by President Teddy Roosevelt in 1907, is the largest national forest in the United States, comprising nearly 17 million acres in the panhandle of Southeast Alaska. The Tongass contains the last great intact temperate rainforest in the world.

In an effort to provide year-round employment in Southeast Alaska, the federal government during the 1950s entered into 50-year contracts to supply large quantities of low-cost timber to two companies. These contracts, held by the Ketchikan Pulp Company (KPC) and the Alaska Pulp Corporation (APC), are unprecedented in the national forest system and grant the companies a virtual monopoly on Tongass timber. Each year they cost the American taxpayer millions of dollars, money spent to build logging roads, prepare timber sales, and cover other business costs associated with administration of the contracts. These expenditures exceeded timber receipts by $64 million in 1992. Contrary to their stated goal, the contracts are proving disastrous to the economic stability of the region and have ravaged the Tongass ecosystem and the traditional subsistence way of life.

Today, both pulp companies are failing to fulfill the requirements and original goals of the contracts -- the most fundamental of which is to provide stable, year-round employment. On September 30, 1993, APC indefinitely closed its pulp mill in Sitka, laying off 400 people. Meanwhile, KPC has been operating its mill only on an intermittent basis this year. The reason for this instability is the changing economics of the world market for dissolving pulp (the product of both mills).

Worldwide manufacturing capacity of dissolving pulp exceeds demand by 35 percent. New dissolving pulp facilities being built in South Africa, Indonesia, and possibly China will further stretch this gap. Indications are that world dissolving pulp prices are significantly lower than production costs for the Southeast Alaska pulp mills. These factors make it impossible for APC and KPC to run their mills profitably, even if timber were given to them for free.

Despite the economic realities, the companies are blaming the mill closures on a lack of timber supply and an "unfair" pricing system stemming from the 1990 Tongass Timber Reform Act contract modifications. While TTRA was supposed to level the playing field by increasing prices paid by the pulp companies for Tongass timber, that goal has not been realized. As an example, APC in 1991 and 1992 (when lumber prices were skyrocketing) paid on average just over two dollars per thousand board feet.

The long-term contracts require KPC and APC to operate their pulp mills. By permanently shutting its mill, APC has breached its contract. Furthermore, recent evidence indicates that natural resource damage stemming from logging mandated under the contracts is devastating the economy and environment of Southeast Alaska. The federal government should cancel both contracts and release our largest national forest from the bonds of a failed policy.

11/93

1350 New York Avenue., NW, Suite 300, Washington, DC 20005 ▲ (202) 783-7800 ▲ Fax (202) 783-5917

ALASKA RAINFOREST CAMPAIGN

THE LONG-TERM CONTRACTS CAUSE TREMENDOUS ENVIRONMENTAL HARM

Central to the contracts is the requirement that the Forest Service provide guaranteed high volumes of Tongass timber to the pulp mills. The timber volume requirements, therefore, dictate major forest management decisions. The effect is to prohibit the Forest Service from managing the Tongass consistent with existing law. The warning signs are everywhere that the Tongass, under the long-term contracts, is headed down the same disastrous path as the Pacific Northwest.

A 1992 report from an interagency scientific committee reveals that the Tongass Land Management Plan will fail to protect numerous species of Tongass wildlife including wolves, brown bears, and goshawks. While the National Forest Management Act of 1976 requires the protection of viable populations of wildlife well distributed throughout the Tongass, this mandate is virtually impossible to achieve under the volume requirements of the long-term contracts. Already, several species, including the goshawk, face such imminent threats that protection under the Endangered Species Act may be necessary.

Logging under the long-term contracts has already led to wildlife losses sufficient to restrict subsistence opportunities for communities throughout the Tongass. This is a violation of the Alaska National Interest Lands Conservation Act of 1980, which specifically provides for the protection of subsistence opportunities. Subsistence remains an important element of Native culture and is critical to Southeast Alaska communities where people still depend largely on fishing and hunting for food.

The Central Prince of Wales (CPOW) timber sale, largest in the national forest system, is the most egregious example of the long-term contracts driving unsustainable logging on the Tongass.

The environmental impact statement released in July on the 322,000 acre project area covered by the CPOW sale predicts radically reduced habitat for a variety of old-growth-dependent wildlife. A decline of 73 percent of habitat for the brown creeper, a small woodland bird dependent on old-growth forest, is expected by the end of the KPC contract term. Population declines for species including deer, marten, eagle, and wolf are predicted to range between 28 percent and 36 percent.

A recent whistleblower complaint filed by Bill Shoaf, a fifteen-year Forest Service veteran and leader of the CPOW planning team, alleges gross mismanagement and violations of law in the planning and approval of the sale. Shoaf charges that the CPOW sale, which will provide some 270 million board feet to the Ketchikan Pulp Company, violates the principles of sustained yield and directly threatens long-term community stability. Says Shoaf, "If southeast Alaska is to avoid the kind of community disruption and human suffering which now plague the Pacific Northwest, harvest levels on the Tongass National Forest must be reduced immediately."

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ALASKA RAINFOREST CAMPAIGN

ENSURING A HEALTHY FUTURE FOR SOUTHEAST ALASKA

Canceling both long-term pulp contracts is necessary to stop the economic and environmental destruction on the Tongass.

Canceling the contracts is the best way to ensure a sustainable economic future for Southeast Alaska. Commercial fishing is the region's largest employer and tourism the fastest growing industry. As a share of personal income, these industries combined are over three times as important as timber to Southeast Alaskans. Both commercial fishing and tourism depend upon a healthy forest. Developing these two industries over the long term along with a smaller, value-added timber operation will not be possible as long as the contracts are in place.

Canceling the contracts will allow the nation's largest national forest to be managed according to modern principles of good forest management, rather than subject to an obsolete and failed policy established forty years ago.

Canceling the contracts is not an attempt to shut down the timber industry on the Tongass. This action instead will create opportunities for the development of locally based, value-added, forest industries that are truly sustainable.

Canceling the contracts does not mean economic ruin for the mill towns. Consider the example of Sitka, where the APC mill is located. Sitka has a highly diversified economy, which includes a large commercial fishery and a booming tourism business.

Canceling the contracts will lift a burden from American taxpayers. The 50-year contracts have been a financial boondoggle and cost the Treasury $64 million last year alone.

Canceling the contracts is not a new idea. In 1989 the House of Representatives voted to cancel them in the House version of the Tongass Timber Reform Act. This provision was deleted during negotiations with the Senate.

This information is provided by the Alaska Rainforest Campaign, a coalition of state and national environmental groups dedicated to the protection of Alaska's coastal temperate rainforest ecosystem.

For more information contact:

Chuck Clusen, NRDC	***(202) 783-7800***
Nicholas Lapham, NRDC	***(202) 783-7800***
Susan Warner, SEACC	***(907) 586-6942***

11/93

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The Seattle Times

WASHINGTON'S LARGEST NEWSPAPER

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BUSINESS Business, D3

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WEDNESDAY, JUNE 23, 1993

35 CENTS IN SEATTLE METRO AR

Verging on a crisis we've seen before

BY CHRIS FINCH
Special to The Times

AS President Clinton is preparing to release his proposal for solving the Northwest forest crisis, the U.S. Forest Service is pushing a plan to eliminate below-cost timber sales across the country. Or is it?

The Forest Service plan, announced April 30, supposedly will end below-cost sales on 62 of the country's 156 national forests. This would promote the Clinton administration's previously stated goal of targeting money-losing timber programs for elimination in an effort to scale back wasteful subsidies, reduce the deficit, and help the environment.

What's surprising is that the Tongass National Forest in Alaska is not on the list. The Tongass is the largest national forest in the nation. It is also the biggest money-loser. Estimates by the Forest Service put the losses at roughly $23 million last year. Estimates by independent forest economists, however, put the losses at $64 million, nearly three times the Forest Service's figure. While taxpayers are underwriting these huge losses, the sales are liquidating the last intact area of the temperate rain forest that once stretched from California to Alaska.

U.S. taxpayers are still spending millions each year to turn this rare rain forest into pulp.

Rampant Forest Service mismanagement of the Tongass led Congress to pass, and President Bush to sign, the Tongass Timber Reform Act of 1990. Unfortunately, since then the Forest Service has largely ignored both the Act and congressional attempts to end fiscal waste and environmental devastation on the Tongass.

How does the Forest Service manage to lose so much money on a single forest? Each year, the agency spends upwards of $70 million to build roads and lay out timber sales on the Tongass, mostly for southeast Alaska's two pulp mills. In return, last year the pulp mills paid only $460,000 in cash for all of the timber they "purchased." Unprecedented 50-year timber contracts written in the 1950s allow the mills to buy Tongass timber for a fraction of what it costs the Forest Service to build the roads to the timber and make other preparations for the sale.

The trees that the pulp mills buy for a song (as little as $3 per tree in some cases) are ancient spruce, hemlock and cedar. The Tongass provides habitat for the world's largest concentrations of bald eagles and grizzly bears, and spawning grounds for five species of Pacific salmon. As an economic resource, the Tongass supports a strong commercial fishery and a growing tourism industry. It also provides food for native Alaskans who depend on deer for their subsistence.

In spite of these attributes, U.S. taxpayers are still spending millions each year to turn this rare rain forest into pulp, which is shipped to Japan and other Pacific Rim countries where it is used to make rayon, cellophane, disposable diapers, and other items, many of which find their way back to the U.S. as imports.

The situation in the Pacific Northwest is the legacy of an unsustainable logging industry and a federal agency captured by the industry it is supposed to regulate. The same danger signs are increasingly evident in Southeast Alaska. The difference is that it is not too late to prevent a similar disaster in the Tongass National Forest.

Unfortunately, though, the Forest Service's recently released plan ignores one of the best opportunities for doing things right because it does not list the biggest money-loser of all, the Tongass, as one of the national forests where below-cost timber sales will be eliminated.

It is time for substantive action to conserve what's left of the Northwest's forests and to avoid repeating the same crisis elsewhere. In Alaska, the northern extension of the Pacific Coast rain forest is threatened by the same policies that brought on the Northwest crisis. Instead of pumping millions of taxpayer dollars into clear-cutting the last rain forests of Alaska, the Forest Service plan to end below-cost timber sales nationwide should start with, not ignore, the Tongass. Let's not repeat history in our remaining temperate rain forest.

Chris Finch is program director for the Southeast Alaska Conservation Council, Juneau, Alaska. The council represents 15 conservation groups in the region.

Southeast Alaska Conservation Council

SEACC 419 Sixth Street, Suite 328 Juneau, Alaska 99801 (907) 586-6942

October 12, 1993

MICHAEL – 4/25 – PLEASE CALL TO ARRANGE THEN FILE [illegible]

Will Stell
Office of Environmental Policy
Old Executive Office Building, Rm. 358
Washington, DC 20501

Dear Mr. Stell:

On behalf of our coalition of 15 conservation groups from communities across the Alaska panhandle, the Southeast Alaska Conservation Council (SEACC) welcomes you in your role with the Office of Environmental Policy. Our members are scattered throughout this spectacular coastal panhandle of Alaska of which 80% is managed as the Tongass National Forest. For over 20 years, SEACC has worked diligently toward a sustainable future for the nation's largest and most magnificent national forest.

The Tongass is fast approaching a crossroads. Down one path is a scenario not unlike that in the Pacific Northwest, where unsustainable logging will bring endangered species and bitter controversy. Down another path, though, is a transition away from the mistakes of the past and towards an increased Forest Service emphasis on protecting wildlife, enhancing opportunities for tourism, recreation, and fisheries, and promoting a sustainable timber industry.

The Tongass presents the new Administration with an opportunity. Budgetary restraint, strong environmental protections, and a stable regional economy can go hand in hand on the Tongass. As it is, however, the Forest Service's program to log the Tongass continues to cost U.S. taxpayers tens of millions of dollars every year and to destroy our rare old growth rainforests and any hope of a stable economy for Southeast Alaska. We really need to enlist your help.

I will be in Washington D.C. November 8 and 9. Steve Kallick, manager of the national Alaska Rainforest Campaign, will be in the Capital at that time as well. We would very much like to meet with you. Please let us know if we can take a few minutes out of your busy schedule.

Thank you for considering this request.

Sincerely,

Susan

Susan Warner
Conservation Coordinator

Natural Resources Defense Council

1350 New York Avenue, NW
Suite 300
Washington, DC 20005

TO: Will Stelle

FAX NO:

FROM: Chuck Clusen

DATE: 1/7

Number of Pages Including Cover: 3

COMMENTS:

If there are any problems with this transmission, please call 202-783-7800 and ask for sender on "FROM" line.

Congress of the United States
House of Representatives
Washington, DC 20515

January 7, 1994

James Lyons
Assistant Secretary for Natural Resources and Environment
U.S. Department of Agriculture
14th Street and Independence Ave., S.W.
Washington, D.C. 20020

Dear Assistant Secretary Lyons:

We are writing in regard to the situation on the Tongass National Forest in southeast Alaska. The vision of the Tongass Timber Reform Act of 1990 (TTRA) has not been realized. The major culprits are the two 50-year Tongass pulp contracts. Actions taken by the contract holders directly challenge the TTRA while forest management under the contracts threatens to steer the Tongass toward an ecological "train wreck." We urge you to seize the tremendous opportunity now before you to reform Tongass management by moving to cancel both of these destructive contracts.

The central purpose of the TTRA was to "assure that valuable public resources in the Tongass National Forest are protected and wisely managed," and to "enhance the balanced use of resources on the forest and promote fair competition within the southeast Alaska timber industry." Today, the volume requirements of the contracts continue to drive management decisions on the Tongass at the expense of all other forest uses including tourism, recreation and subsistence. The monopolistic nature of the contracts still make it almost impossible for independent operators to do business. Although the TTRA attempted to improve the economics of the Tongass timber operation by requiring the contract holders to pay stumpage rates that more accurately reflect fair market value, the Tongass continues to be a big money loser. In 1992, the Tongass lost substantially more money than any other national forest in the country.

By closing its Sitka pulp mill, the Alaska Pulp Corporation (APC) has violated the central provision of its contract which requires operation of a pulp facility to provide stable year-round employment. Furthermore, APC has sued the federal government claiming the TTRA contract modifications are unconstitutional.

In light of this situation, we ask you to declare APC in breach, terminate the contract, and relieve the government of this tremendous economic and environmental burden. We understand that a failure to act quickly on APC will weaken the case for breach and force the Forest Service to offer a number of additional huge timber sales to the company.

The Ketchikan Pulp Company (KPC) has also failed to meet its responsibility to provide stable year-round employment. KPC has been running its pulp mill on an intermittent basis, choosing to send wood through its more profitable sawmill while idling the pulp facility. At the same time, KPC has filed a series of administrative claims against the Forest Service seeking "to recover damages and defend KPC's timber contract."

KPC has hardly been a model corporate citizen. The Environmental Protection Agency last year filed a civil enforcement action against the company alleging hundreds of Clean Air Act and Clean Water Act violations. A pending EPA administrative enforcement action raises three counts under the Clean Water Act. Lastly, KPC is the subject of a year-long criminal investigation by the EPA and the Justice Department into alleged water pollution violations.

Massive pending timber sales to KPC in the South Tongass threaten to dramatically reduce wildlife populations, curtail subsistence opportunities for Native and rural communities, and endanger the southeast Alaska timber industry by liquidating the forest at an unsustainable rate. The first of these big sales on Central Prince of Wales Island (CPOW) is currently under review by the chief of the Forest Service and is the subject of a whistleblower complaint filed by the leader of the CPOW planning team. The complaint alleges gross mismanagement and violations of law in the planning and approval of the sale and predicts massive community disruption if the sale goes forward.

As you well know, these contracts were the subject of much controversy during the TTRA debates. A number of us felt that canceling the contracts was the only way to achieve the kind of reform all of us wanted. The final TTRA compromise in effect gave the contract holders a chance to prove us wrong. We think the clear evidence is that they have failed to do so.

We will wholeheartedly support you in any actions to cancel the contracts and move toward a sustainable future for the Tongass National Forest.

Thank you for your attention to this important matter.

Sincerely,

Dan Glickman, M.C. — George E. Brown, M.C.

Charlie Rose, M.C. — Mike Synar, M.C.

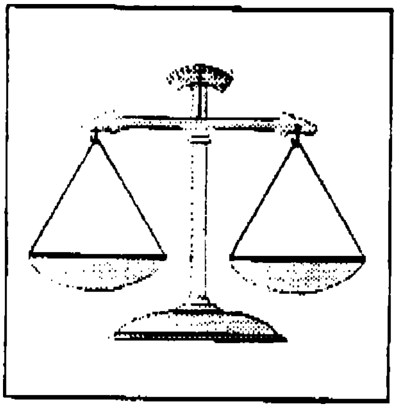
Tim Penny, M.C. — Sam Gejdenson, M.C.

UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF THE GENERAL COUNSEL
NATURAL RESOURCES DIVISION

PHONE: 202-720-7121 FAX: 202-690-2730

FACSIMILE TRANSMISSION COVER SHEET



DATE/TIME: 1-13-94

TO: Will Stelle

OF: The White House

FROM: Rhea Moore

TOTAL NUMBER OF PAGES (including cover page): 4

RECIPIENT'S FAX NO: 456-2710

RECIPIENT'S PHONE NO:

COMMENTS: Per Adela's request

CONFIDENTIALITY NOTICE

SENDER:

EXT:

United States Department of Agriculture | Forest Service | Alaska Region | P.O. Box 21628 Juneau, AK 99802-1628

12-12-93 **DRAFT**

Reply to: 2450

Date:

Mr. George Woodbury
Vice-President/Timber Operations
Alaska Pulp Corporation
4600 Sawmill Creek Road
Sitka, AK 99835-9801

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Dear Mr. Woodbury:

In response to my September 24 letter requesting additional information on your plans to reopen the Sitka pulp mill, you sent two letters, one dated October 21, and one dated October 22, with enclosures. My staff, counsel and I have carefully reviewed the information you have provided. Your responses compel me to conclude that APC is repudiating its contract obligation to operate a pulp mill, and that Contract No. 12-11-010-1545 should be terminated for material breach. This letter is formal notice of my intent to proceed with action for contract breach and demand for APC to show cause why termination should not occur.

Instead of responding to my letter with a firm commitment to resume pulp mill operations, APC argues that it has no remaining obligation to operate a pulp mill facility under the contract, and conditions further operation of the existing or converted facility upon contract modifications and other concessions from the government, including an increase of assured timber supply beyond the contract volume obligation.

The contract changes which APC has indicated it seeks would require amendment of the modifications enacted by the Congress in the Tongass Timber Reform Act (TTRA). The Forest Service cannot accomplish these changes administratively. The TTRA changes and Forest Service implementation of the changes do not excuse APC from operating a pulp mill. The material you have provided indicates that_international pulp market and other conditions independent from TTRA changes or Forest Service contract performance are the reasons for the pulp mill shutdown.

The central purpose of the contract is to establish and maintain a timber supply for operation of the pulp facility which section B0.11 explicitly requires to be constructed. Only continued year round operation provides the employment, economic development, and wood utilization considerations which the government bargained for in entering the contract. Prior to entering into the contract, the government rejected proposals for a long term contract agreement to supply sawmill facilities only. The course of contract dealing between APC and the Forest Service over the past 37 years has been premised upon continued operation of a pulp mill.

Contract section B0.5 provides for shutdown of the mill upon certain specified conditions in relation to extension of the contract period beyond the year 2011 termination date, for a time equivalent to the period of shutdown. This can only be read to authorize temporary and not permanent shutdowns. This provision is specific to extension of time to complete logging operations and discusses shutdown of the pulp mill in conjunction with shutdown of logging operations. It should therefore be read to provide for shutdown of the pulp mill only in conjunction with shutdown of logging.

The present shutdown of the pulp mill does not otherwise meet the conditions described for shutdown in B0.5. Section B0.5 limits causes for shutdown to those which are abnormal and beyond the control and without fault or negligence of APC. The material you have provided confirms that the present shutdown is due to the inability of the current pulp mill to compete in the prevailing international market for dissolving pulp and to increased costs of attaining environmental standards applicable to the mill. There is nothing abnormal or extraordinary about the evolving international market. Increases in mill environmental compliance costs have been part of the history of the contract and the entire pulp industry for many years.

The information and argument submitted in your letters and enclosures confirms that it is highly unlikely that APC will resume pulp operations at the Sitka mill, and indeed that APC has no intent to do so without significant alterations of the long term contract and other changes in current operating conditions which are unreasonable to expect in the foreseeable future. Your letters express no willingness to commit to the level of capital investment necessary to modernize the mill or convert to an alternate pulp facility, absent contract modifications and other concessions from the government. The written information you have submitted does not demonstrate a likelihood that APC can or will obtain financing for such a conversion.

Based on the lack of information and commitment by APC in the October letters concerning a realistic plan for reopening the pulp mill, and other available information, I am taking the following action.

<u>Notice of Breach and Intent to Terminate the Contract</u>

This is your notice that I have determined that APC is committing a serious breach of Contract 12-11-010-1545 by continuing the shutdown of the pulp mill, under circumstances where APC's actions and statements indicate little or no prospect for resuming operation of the existing or converted facility at the Sitka site. This is a continuing, material breach of the contract. In accordance with Section B9.3, I am providing you notice of this breach and affording you a reasonable time to remedy the breach prior to exercising the government's right to terminate the contract. You have 30 days from receipt of this letter to remedy the breach by resuming continued year-round operations of the Sitka pulp mill.

If the breach is not remedied within this time period, it is my intent to proceed to terminate Contract No. 12-11-010-1545 for material breach of contract requirements by APC, in accordance with the government's rights under common law and 36 CFR 223.116(a)(1). Upon termination, APC's right to proceed with performance under the contract will end, except for any demobilization, clean up, and other operations specifically authorized in the notice of termination. Your attention is otherwise invited to the respective rights of the Government and the liabilities that may be invoked if a decision is made to terminate for material breach.

If APC wishes to show any other cause why the contract should not be terminated, APC must present such facts, in writing, so that I receive them no later than 30 days from your receipt of this letter. Failure to present such facts within this time may be taken as an admission that no valid excuse for nonperformance exists.

No further offerings under the contract will be specified prior to a final contract termination decision, which I expect to issue no later than February 15, 1994. Operations on already specified offerings may continue until I reach a final termination decision, in APC's discretion and subject to applicable contract authorization and operational requirements. However, I reserve the government's right to suspend some or all operations at an earlier date upon determining that to be appropriate.

Unless and until I provide clear written notification otherwise, any assistance given to you on this contract or any acceptance by the Government of further performance will be solely for the purpose of mitigating damages. It is not the intent of the Government to condone any delinquency or to waive any rights the Government has under the contract.

Sincerely,

MICHAEL A. BARTON
Regional Forester
Contracting Officer
cc:
Chief
Forest Supervisor, Chatham Area
Forest Supervisor, Stikine Area

cc (Certified-RRR):
George Ishiyama, President, APC
Frank Roppel, Executive Vice-President, APC
APC Surety [fill in the correct name]

Natural Resources Defense Council

1350 New York Avenue, NW
Suite 300
Washington, DC 20005

TO: Will Stelle

FAX NO:

FROM: Chuck Clusen

DATE: 11/15/93

Number of Pages Including Cover: 3

COMMENTS:

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Alaska Rainforest Campaign
(Alaska Center for the Environment, American Rivers, Natural Resources Defense Council, Sierra Club, Sierra Club Legal Defense Fund, Southeast Alaska Conservation Council, The Wilderness Society, Trustees for Alaska)
National Audubon Society
National Wildlife Federation

November 15, 1993

Mr. James Lyons
Assistant Secretary for Natural Resources and the Environment
Department of Agriculture
Administration Building
12th Street and Jefferson Drive, S.W.
Washington, D.C. 20250

Dear Mr. Lyons:

We respectfully request a meeting with you to talk about the deteriorating situation on the Tongass National Forest in southeast Alaska. Driven by the two long-term pulp contracts, logging on the Tongass is proceeding at a rate that will soon result in economic displacement, a loss of subsistence opportunities, and an ecosystem collapse complete with endangered species listings. Unprecedented opportunities exist now to reverse this trend, opportunities that must be seized in order to avoid another ecological and economic "train wreck."

The warning signs are everywhere. An interagency viable wildlife populations study predicts widespread species declines. A fifteen year Forest Service veteran sheds light on logging practices on Prince of Wales island which endanger the economic future for local communities. A Native village on Kupreanof Island, right in the heart of the Tongass, voices concern about logging plans on nearby Kuiu Island which would destroy vital subsistence opportunities. While there are a number of factors associated with these problems, they are all driven by the two fifty year pulp contracts held by the Alaska Pulp Corporation (APC) and the Ketchikan Pulp Corporation (KPC). In order to meaningfully reform Tongass management, you must move to cancel these contracts.

You can achieve half of this goal by staying with the course you have already directed the Forest Service to follow and terminate APC's contract for material breach. APC closed its Sitka pulp mill indefinitely on September 30, 1993, thereby breaching its contract which requires operation of a pulp mill. The Alaska Regional Forester sent APC a letter notifying the company that it would be in breach upon closure of the mill unless it provided within thirty days a detailed plan to reopen. APC's October 22 response, along with their July decision to sue the United States over the unilateral contract modifications of the Tongass Timber Reform Act (TTRA), constitute a repudiation of the Forest Service's interpretation of APC's contract and a direct challenge to the TTRA compromise reached between the timber industry and advocates of Tongass reform. You have already taken a very strong line, through the Forest Service, with APC, and short of reversing yourself and exposing the government to liability under APC's lawsuit, your best choice is to cancel APC's contract.

While both pulp companies blame their economic woes on the Tongass Timber Reform Act, the real issue is a slumping international market for dissolving pulp. Forest Service implementation of the TTRA contract modifications has failed to protect the public resources of the Tongass and to promote fair competition within the southeast Alaska timber industry. For example, the pulp companies still pay considerably less for timber than independent operators because of advantages resulting from purchaser road credits. In 1991 and 1992, when prices for lumber were skyrocketing, APC paid on average just over two dollars in cash per thousand board feet. Blaming TTRA for the bad economics of the dissolving pulp business is a classic case of environmental blackmail.

The Tongass National Forest is the heart of our last intact temperate rainforest. Commercial fishing, tourism, and a sustainable timber industry can provide the backbone of a stable and secure long-term future for the region, its communities, and its ecosystem. The two fifty year contracts, however, are not compatible with this future and will continue to steer the Tongass toward a disaster similar to that which befell the Pacific Northwest. We have yet to have the opportunity to meet with you to talk about the Tongass and strongly hope that we can do so at the earliest possible time. Thank you for your attention.

Sincerely,

Charles M. Clusen

Charles M. Clusen
Senior Associate
Natural Resources Defense Council
(for the Alaska Rainforest Campaign)

Brock Evans

Brock Evans
Vice President for National Issues
National Audubon Society

Fran Hunt

Fran Hunt
Forester/Resource Specialist
National Wildlife Federation

cc: Will Stelle, OEP
T.J. Glauthier, OMB

TED STEVENS
ALASKA

UNITED STATES SENATE
WASHINGTON, D. C. 20510

December 9, 1993

Ms. Katie McGinty
Office of Environmental Policy
Old Executive Office Building
Room 360
17th Street and Pennsylvania Ave., N.W.
Washington, D.C. 20500

I have [illegible] CHRIS[illegible]

Dear Katie:

This is medium density fiberboard. I think Al will be interested in what we discussed. I hope we can work together on this. If you need anything while I am traveling over the holidays, you or your staff may get in touch Duane Gibson at 224-8479.

Thanks for taking time to listen.

With best wishes,

Cordially,

Ted

TED STEVENS

[illegible]

The Tongass National Forest: *America's last Rainforest*

Environmental activists around the nation claimed a major victory when Congress passed the Tongass Timber Reform Act of 1990 (TTRA). The TTRA was designed to end the extreme timber bias and large federal timber subsidies on Alaska's spectacular Tongass National Forest. But the Forest Service has neither followed the intent nor the letter of the law. Our largest national forest is still under the monopolistic grip of two multinational pulp companies and a Forest Service timber program that costs taxpayers millions of dollars each year.

At 17 million acres, the Tongass is three times larger than any other national forest. Stretching 500 miles along the southeastern coast of Alaska, the Tongass embraces hundreds of islands, majestic mountains, sparkling glaciers and deep fiords. Nestled in this rugged country, along the beach fringes and river valleys, are magnificent stands of temperate rainforest. Huge Sitka spruce and western hemlock tower over a lush understory, providing homes for the world's largest concentrations of brown bear, Sitka black-tailed deer, and bald eagles. Salmon spawn in the numerous clear-flowing streams, supporting a world-renowned fishery.

The Tlingit and Haida Indian have lived off the resources of the forest for thousands of years. Communities scattered throughout the region still depend on the fruitful rivers and forests of the Tongass. Commercial, sport, and subsistence fishing are an integral part of life. The Tongass supports a rapidly growing tourism industry, employing people throughout Southeast Alaska. But these self-sustaining mainstays of the Alaskan economy are threatened by a large-scale timber industry that depends on heavy federal subsidies.

The Forest Service began a massive logging program in the 1950's, benefiting two pulp mills which buy Tongass timber at bargain basement rates (as little as $2.26 per thousand board feet of timber with an export log value of over $2000). Because the Forest Service spends more money preparing timber than they receive from the sales, taxpayers are subsidizing these multi-national companies to the tune of $30 million a year, while losing irreplaceable old growth forests.

Congress responded when Americans called on them to save their forest and their pocketbook. The intent of the 1990 Tongass Timber Reform Act was to end the extreme timber bias on the Tongass. The Act requires the Forest Service to maintain habitat for fish and wildlife, and opportunities for recreationists, the tourism industry, sport and subsistence hunters and fishers, the commercial fishing industry and others who depend on intact ecosystems. It also ordered the Forest Service to charge fair market value for the timber it sells.

The Tongass Timber Reform Act set aside Wilderness areas that are now off-limits to chainsaws and bulldozers, but the Forest Service has ignored the meat of the legislation and is actually <u>accelerating</u> clearcut logging on the Tongass. And, contrary to the TTRA, the logging will continue to occur in the best wildlife areas. The Forest Service recently muzzled their own biologists on warnings of serious declines in bears, wolves, goshawks and deer, steering the Tongass into an endangered species crisis similar to the Pacific Northwest.

The TTRA requires logging units to be at least 100 feet from all salmon streams, but the Forest Service is often neglecting this provision. Siltation, caused by clearcutting, is still damaging critical spawning habitat.

(over)

The Tongass timber program continues to be a fiscal disaster and one of the worst examples of below-cost timber sales. In the three years following the TTRA, the total Tongass timber budget increased over 50%, costing the American taxpayer over $30 million annually (and these were considered "boom years" for the timber market). Each year, the Forest Service demands more and more of your tax dollars to clearcut your forest. In 1992 taxpayers lost over $64 million on this destructive timber program. Nearly 100% of Tongass timber is shipped to Asia in the form of pulp, cants, or logs. This minimizes the number of American workers who benefit from this "welfare" program.

The Forest Service's haughty contempt for the Congressional directives of the Tongass Timber Reform Act was given the nod by the Bush Administration. We now have an Administration promising environmental and fiscal responsibility; but the Forest Service and the pulp mills are putting up a strong resistance. The Forest Service has been asked by the White House to phase out below-cost timber sales, but the list of forests to be targeted by this new policy excludes the Tongass logging program -- the biggest money loser of them all!

It's not too late for the Clinton Administration and Congress to leave a legacy of sound management. Although logging is taking a serious toll on the Tongass, there are still sizable areas of intact old growth ecosystems. A fresh start with Tongass management could lead to a strong local economy without a standstill created by crises such as an endangered species listing. Congress and the Administration must work together to:

- **Substantially reduce appropriations for the Tongass timber program.** Excessive funding wastes taxpayer dollars and drives unsustainable logging practices.

- **Revise the new Tongass Land Management Plan.** The Plan must incorporate strategies for protecting biodiversity including viable populations of fish and wildlife. It must designate Wild and Scenic Rivers throughout the Tongass. The Plan must contain a comprehensive strategy for the growing recreational and tourism needs. Logging must be economical and sustainable. In short, the Tongass Land Management Plan must be revised to be a true multiple-use document that considers all uses of the Tongass instead of management by "timber target" alone.

- **Cancel the long-term logging contracts on the Tongass.** These contracts are draining the federal treasury and driving a destructive, unsustainable timber program. The pulp mills should be required to bid on timber sales just like every other purchaser of public timber. These sales should be designed by forest managers whose professional judgment is not swayed by contractual obligations.

For more information contact: Southeast Alaska Conservation Council 419 Sixth Street, Suite 328 Juneau, Alaska 99801
(907) 586-6942

(May 1993)

NATIONAL TAXPAYERS UNION

September 10, 1993

Dear Appropriation Committee Member:

During the House and Senate Interior Appropriations Conference, we would like to request that you look carefully at the subsidies from the timber program on the Tongass National Forest.

The Tongass National Forest in Alaska has been the focus of angry taxpayers for several years. Economists have long rated the Tongass as the nation's biggest money loser, and losses from the Tongass timber program continue to soar. By some reports, taxpayers were burdened with $64 million worth of red ink on the Tongass in 1992 alone.

This economic irresponsibility is paving the road for more fiscal disaster ahead. The National Taxpayers Union has just received reports confirming the suspicion that taxpayers are subsidizing a non-sustainable timber program which could lead to regional economic collapse in the very near future. Dwindling timber supplies and damaged salmon spawning streams may cause a drastic recession in Alaska, and in all likelihood, it will be the American taxpayers who will bail out the devastated communities.

With the deficit hovering around $300 billion, Congress has a responsibility to the nation's taxpayers to end these costly subsidies. During the House and Senate conference for Interior Appropriation, we urge you to support funding for no more than 280 million board feet of timber preparation on the Tongass National Forest.

Sincerely,

Jill Lancelot

Jill Lancelot, Director
Congressional Affairs

325 PENNSYLVANIA AVENUE • SOUTHEAST • WASHINGTON DC 20003 • TELEPHONE 202-543-1300 • FAX 202-546-2086

American Fisheries Soci ty • American Riv rs • B.A.S.S., Inc. • Center for Marine Conservation • Izaak Walton League of America • Pacific Rivers Council • Sport Fishing Institute • Trout Unlimited • Pacific Coast Federation of Fishermens Associations

September 21, 1993

Re: Interior Appropriations Conference

Dear Conferee:

Last Wednesday morning, without debate of any substantive identification of the issues, the Senate unanimously adopted Senator Stevens' Amendment No. 898 to the Interior Appropriations bill. This amendment prohibits the BLM and Forest Service from expending any funds to study or implement a fisheries habitat conservation strategy, "PACFISH," on the Tongass National Forest.

The undersigned groups are vitally interested in the wise management of our federal lands, waters and natural resources. We urge you to delete this ill-advised amendment from the Conference Committee's final report.

"PACFISH" is designed to provide management strategies to ensure that habitat conditions will contribute to the conservation and restoration of naturally reproducing stocks of Pacific salmon on Forest Service and BLM lands througout the range of Pacific salmon, including Alaska.

PACFISH has also formed the basis for the aquatic and riparian strategies in the President's Forest Plan. Forest Service scientists have determined that application of PACFISH is appropriate to the conditions on the Tongass.

Please remove Senator Stevens' amendment from the conference report and ensure that good science can be applied to management of salmon on the Tongass National Forest.

Sincerely,

Paul Brouha

Paul Brouha
American Fisheries Society

Thomas J. Cassidy Jr.

Tom Cassidy
American Rivers

Al Mills

Al Mills
B.A.S.S., Inc.

Maitland Sharpe
Izaak Walton League of America

Judy Guse-Noritake

Judy Guse-Noritake
Pacific Rivers Council

Norville S. Prosser

Norville Prosser
Sport Fishing Institute

Dave Allison
Center for Marine Conservation

Steve Moyer
Trout Unlimited

Zeke Grader -DN

W. F. "Zeke" Grader, Jr.
Pacific Coast Federation of Fishermens Associations

Alaska Trollers Association

130 Seward St., No. 505
Juneau, Alaska 99801
(907) 586-9400
(907) 586-4473 Fax

September 21, 1993

Senate and House Conference Committee for Interior Appropriations:

The Alaska Trollers Association (ATA) does not support Senator Stevens' amendment regarding the funding of PACFISH, the new Forest Service and BLM staff proposal for protecting the long-term health of fish and wildlife, in the Tongass National Forest. ATA requests that this amendment be dropped from the Interior Appropriation bill.

ATA represents Alaska's 100 year old commercial salmon troll fishery. Approximately, 2600 people hold Alaska troll permits and one out of every 25 people in Southeast Alaska works on a troll vessel. Nearly one thousand troll permit holders and their families live in small rural communities in Southeast Alaska. Overall, the commercial fishing industry is ***the largest employer in Alaska*** and second in the Southeast region only to state and federal government.

ATA is a strong advocate of habitat protection based on the best available scientific data. PACFISH and its supporting data is currently undergoing peer review, which includes an analysis of its applicability to Alaska. ATA believes Senator Stevens' amendment to block PACFISH funding was premature, as the analysis on how Pacfish will affect the Tongass has yet to be completed.

ATA is also disappointed that affected user groups, like the commercial fishing industry, were not consulted prior to advancing this amendment. The Tongass National Forest is a public resource and public comment is an important part of its management.

We thank you for considering our request to drop the amendment. If you have any questions, please feel free to contact us.

Sincerely,

Dale A. Kelley

Dale A. Kelley
Executive Director

cc: Senator Ted Stevens
Senator Frank Murkowski
Representative Don Young
Governor Walter Hickel
Commissioner Carl Rosier, Alaska Dept. of Fish and Game
United Fishermen of Alaska
Southeast Alaska Conservation Council
Alaska Coastal Rainforest Campaign

SEP 7 1993

UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 112
Juneau, Alaska 99801
907/586-2820
Fax: 907/463-2545

September 3, 1993

The Honorable James Lyons
Assistant Secretary of Agriculture
for Natural Resources
14th Street and Independence Avenue, S.W.
Washington, D.C. 20250

Dear Mr. Lyons:

On behalf of United Fishermen of Alaska, I am asking you to adopt the Pacfish interim guidelines for Alaska's fish bearing streams and tributaries on federal lands. We are a statewide organization, representing thousands of salmon fishermen whose livelihoods are dependent on healthy and productive shore, nearshore, and offshore habitat. Because we made the case that each and every salmon stream can be viewed as an economic nursery, UFA played a decisive role in securing some riparian habitat protection in the Tongass Timber Reform Act (TTRA) and the State Forest Practices Act.

There are those in Alaska who claim we don't need Pacfish guidelines in Alaska because the Tongass currently has riparian protection standards and regulations and because Alaska has strong salmon runs. These are superficial reasons.

If you look a little deeper, you will find that what is in the law is not being fully implemented. Here are some pertinent examples of not maintaining the integrity of the 100 foot no-cut buffer in TTRA:

- In a memo to Forest Supervisors and Staff Directors (dated November 29, 1990), field staff is directed to measure the 100 foot distance as slope distance instead of horizontal distance; thereby reducing the required buffer width on a vast number of streams.

- The Tongass Land Management Plan (TLMP) Draft (now being revised) allows timber harvesting within the 100 foot buffers for "opening the canopy," "personal use woodcutting," and "specialty wood products." As such, the composite effect of these timber harvesting exceptions within the riparian areas can be quite devastating to the integrity of the habitat. These provisions create substantial loopholes for timber harvesting.

- The 100 foot buffer on salmon streams was to be a minimum buffer requirement, allowing the Forest Service to add more protection for critical channel types. Channel types which the Forest Service previously recognized as needing more than 100 foot buffers, were no longer recognized in the TLMP DEIS as needing more than 100 feet. The 100 foot buffer minimum became the 100 foot buffer maximum.

The intent of TTRA was to provide a firm, minimum 100 foot no-cut buffer measured on horizontal distance. Instead, the Tongass National Forest offers a permeable, minimum and maximum 100 foot buffer measured on slope distance. The commitment to fisheries habitat appears to be lacking.

Yes, compared to other states, Alaska currently enjoys strong salmon runs in most regions of the state. We believe that the primary reason for healthy wild runs has more to do with favorable ocean conditions and good management. However, as favorable oceanic conditions decline (which is already happening given cyclic patters), freshwater habitat will become a controlling factor on salmon production. At the same time, the timber program will need to conduct timber harvests in tougher, more sensitive terrain. This long term perspective on the freshwater habitat and timber supply, strongly suggest to us, that a harvest of plenty is no reason to abandon protection recommendations of fisheries scientist. UFA has extended this long term ecosystem perspective into many other fisheries concerns, such as oil pollution and high seas driftnets. It is for these reasons that even with healthy salmon runs, UFA concurs with the ecosystem approach advanced by Pacfish scientist.

While commercial fishermen in Alaska have a history of being the guardians of the resource, we also have a history of seeking co-existence with other industries. As such, we understand the need to examine limiting the interim guidelines to streams and not to the forested wetlands. We understand that application of the guidelines to streams only would greatly reduce the negative impact of the allowable timber cut - from 40-45% of suitable acres to 17% suitable acres. Furthermore, we recognize that during watershed analysis, timber harvesting may be allowed provided that fisheries habitat and values are protected. It is also our understanding that watershed analyses would begin in earnest with the adoption of interim guidelines. We encourage you to consider these options which would reduce the impact to the timber industry while moving forward with the ecosystem approach of Pacfish.

You should also be aware that prior to making this request to include Alaska's streams in the Pacfish interim guidelines, we consulted the same fisheries scientist that we relied upon for guidance in the negotiations on TTRA and the State Forest Practices Act. He concurs with the Pacfish findings.

Commercial fishing and processing accounts for the state's largest private sector employment. Salmon harvesting and processing is considered to be the backbone of this vital and diversifying seafood economy. We fully recognize that even with hatcheries, habitat conservation is vital to keeping the salmon industry vibrant for future generations. We hope you concur and will seriously consider including Alaska's fish bearing streams and tributaries in the Pacfish guidelines for federal land management.

Sincerely,

Jerry McCune

Jerry McCune, President
United Fishermen of Alaska

cc: Congressman Mike Espy, Mississippi
Congressman George Miller, California
Congressman Don Young, Alaska
Senator Bennett Johnson, Louisiana
Senator Mark O. Hatfield, Oregon
Secretary Bruce Babbitt, Department of the Interior
Special Assistant to Secretary Cindy Scheely
Assistant Secretary George Frampton, National Park Service, Dept. of the Interior
Governor Walter J. Hickel, State of Alaska
Commissioner Carl Rosier, Alaska Department of Fish and Game
Commissioner Harry Noah, Alaska Department of Natural Resources
Mike Barton, Regional Forester, Alaska Region, U.S.D.A. Forest Service, Juneau

MEMORANDUM TO: KATIE McGINTY

FROM: MICHAEL GOERGEN MG

SUBJ: FOLLOW UP ON SENATOR STEVENS MEETING

DATE: 9 DECEMBER 1993

This memo is to explain what I have done to follow up on our December 9th meeting. I placed a call to Jim Lyons' office and spoke with Mark Gaede and Rick Grand. Due to the Tsongas Land Management Plan, currently in draft, the timber harvest in the forest will be REDUCED. Mark felt Senator Stevens was aware of this. If you'll recall from the meeting, the Senator felt harvest levels would stay the same.

As you know, the legal questions surrounding the 50 year contract are due to the October shutdown of the pulp plant. As of this time, the USDA General Counsel does not know if Alaska Pulp Corporation (APC) is in violation of the contract. The USDA OGC expressed their concerns to APC and asked a series of questions about APC's intentions. APC has not yet responded. USDA OGC has sent another letter asking for a response. According to Mark, Senator Stevens felt these letters were preventing APC from getting the necessary funding to convert the mill. Stevens wants to meet with Lyons to get the letter withdrawn.

Rick felt Senator Stevens was pushing this issue harder than APC. He feels the Japanese investors want to scrap the plant, cut their losses and avoid being sued over it.

The NGO's involved in the region are doing a legal analysis on the contract and will be submitting it to USDA in the next couple of weeks. USDA OGC is working with DOJ on a legal analysis, and Mark Gaede will make both available to us as soon as they are ready. He anticipates that being soon.

The only way USDA will back off on their letter will be if the Senator and APC commit to further environmental concessions in the Tsongas (i.e. PACFISH, etc.)

USDA is concerned of liability because there is a possibility that they are in violation of the contract. Lyons wants to get rid of the 50 year contract, without leaving the Federal government exposed to litigation.

OK. Hall apparently knows something about this as does George Frampton. Ask Will if any further follow-up at this time is necessary.

THE WHITE HOUSE
WASHINGTON

Still has 50 year contract; 17 left

Now: medium density fiberboard

1/3 the people — converted cheaper than building

Same cutting

* clean process developed w/ EPA

None other in tideH2O; one in Montana works

Need a sufficient supply of timber

Pending letter to cancel contract

SE Alaska Native Org. wd buy in

+ Montana plant that owns process

Most timber cut in 70s

Legal battle wd. prevent it fm going

"Insatiable" demand for product
- paint design
- strong 3/8" = 1" plywood
- not flammable

Prob:
- lose contract if Δ (Ag)
- have to change (EPA on pollution)

(It is Tongass timber)

If cancel, timber still cut bk wd have to adv. to bids

70% employees are natives
some Japanese, white black etc

"The most envio. sound wood plant
in US"

Need to get people to say "Why not"

George Ishiyama · President of Co.
(Alan Cranston's roommate)

Katie will call Jim
Justice if necessary

United States Senate

COMMITTEE ON APPROPRIATIONS

WASHINGTON, DC 20510-6025

NOV 19 1993

November 18, 1993

Katie?

The Vice President
The White House
Washington, D.C. 20500

Dear Al:

I'd like to meet with you at your earliest convenience about how we can work together to enable conversion of an older pulp facility into an environmentally sound, zero-discharge wood products plant in Alaska.

Realizing your commitment to promoting industrial processes with low environmental impact and to promoting environmentally sound economic activity that provides jobs, the benefit of working together to bring such new environmentally friendly technology to Alaska should be attractive.

As you know from dealing intimately with the Tongass Timber Reform Act while in the Senate, one of the long-term contracts for timber is held by the Alaska Pulp Corporation (APC). This was the first investment made in production facilities by the Japanese after World War II. Due to extraordinarily soft pulp markets and increased environmental costs, APC suspended operation of its Sitka pulp mill.

Seventeen years remain on APC's contract with the Forest Service. The company now wants to replace its current plant with a new pulp process technology to manufacture fiber board in a closed system with no chemical discharge. The plant would employ 100 workers and allow 650 others in the forest to keep their jobs as well. These people help to maintain a regional economy of 75,000 people in Southeast Alaska.

Al, I write to ask for a meeting with you to discuss APC's plans to continue operations with better environmental technology because I think it provides us with an opportunity to demonstrate that the environment and industrial growth are compatible. Your personal assistance with issues that impede APC's plans would substantially increase the likelihood that the new plant will become a reality. This will make a difference for over 750 workers who would otherwise lose their jobs.

I hope we can discuss this soon. Thank you.

With best wishes,

Cordially,

TED STEVENS

BS

BF This is scheduled for 3:30-4:15pm (12/9) Thur.

Does Ken need any Briefing materials? You should attend.

M. Davis
file w/ Tongass
file.

WWF

December 12, 1994

Mr. Phil Janik, Regional Forester
Interim Guidelines EA
Forest Plan Revision Team
8465 Old Dairy Road
Juneau, Alaska 99801

Subject: World Wildlife Fund's Comments on the Draft Environmental Assessment (EA) and Finding of No Significant Impact (FONSI) for the Proposed Amendment to the Tongass National Forest Land and Resource Management Plan (TLMP)

Dear Mr. Janik:

On behalf of the 1.2 million members of the World Wildlife Fund (WWF) in the United States, we are submitting the following comments regarding the EA and FONSI on the Proposed TLMP amendment. For the reasons discussed below, we believe that the proposed strategy for maintaining viable populations ("VPOP" strategy) of wildlife on the Tongass National Forest falls short of meeting the requirements of well-distributed populations as mandated by the National Forest Management Act (1976). The preferred alternative is inconsistent with the scientific peer review ("peer review") of the VPOP study conducted in 1993, and, thus, will place old-growth associated species on a direct course for future listings that have characterized forest planning in the Pacific Northwest.

Maintenance of Population Viability

Island systems such as the Tongass and the species they harbor are unique in that they (1) tend to have naturally high rates of extinction due to insularization effects, (2) often support sedentary species with limited dispersal capabilities, and (3) support endemic species or subspecies (see VPOP 1993 for reviews). Thus, conservation measures developed for wildlife species in mainland areas and other parts of their range (e.g., "Management Recommendations for the Northern Goshawk in the Southwestern United States") are inappropriate for maintaining viable populations of unique subspecies like the Queen Charlotte goshawk that occupy oceanic islands.

Because of its island setting, old-growth associated species on the Tongass are likely distributed as metapopulations, requiring large intact and well connected areas of suitable habitat to permit gene flow among populations and prevent insularization effects. However, forest management on the Tongass has fragmented many existing connections within and among most physiographic provinces necessary to reduce insularization effects and maintain metapopulation dynamics. Work conducted by Crocker-Bedford (see VPOP 1993) indicates that few watersheds within the entire Tongass National Forest remain that have not been highly fragmented by clearcut logging. Moreover, the cumulative impacts of logging on forested islands like Prince of Wales Island (see Polk Inlet Environmental Impact Statement (EIS), Central Prince of Wales Island Environmental Impact Statement (CPOW), Lab Bay Environmental Impact Statement, etc.) have been so severe (e.g., lands between North Prince of Wales and South Prince of Wales Island across Cholmondeley Sound contain a high proportion of intensively managed forests under Native Corporation ownership, see Polk Inlet EIS and CPOW for cumulative impacts) that entire physiographic provinces will become isolated over the next 150 years (see Tongass Land Management Plan Revision (TLMP) preferred alternative for North Prince of Wales Island province and others). As an example, additional measures above and beyond the incorporation of large and medium Habitat Conservation Areas (HCAs) in areas like CPOW and Polk Inlet are needed to maintain adequate connections within and among physiographic provinces. Without these connections, island populations will become increasingly isolated and regional extirpations are likely. Relying on existing beach fringe and stream buffers as wildlife corridors, will not maintain connectivity at appropriate ecological and landscape scales (e.g., between different ecosystem types such as low, mid, and upper elevation forests and among physiographic provinces). Moreover, these buffers are too narrow to maintain metapopulation dynamics and are inconsistent with the recommendations of the VPOP peer review.

It is important to note that because the VPOP committee used a least common denominator approach, the failure to maintain wolves and goshawks at viable levels will have similar consequences to the suite of old-growth associated species, including subsistence species like brown bear, marten, and Sitka black-tailed deer. The cumulative effects of multiple timber entries have been so severe in some areas (e.g., CPOW and Polk Inlet, deer and marten habitat capability values), particularly in low elevation wintering areas, that viability of subsistence species has already been significantly compromised. Moreover, the least common denominator approach to conservation is inappropriate for species that have unique nesting and behavioral requirements like the marbled murrelet. Murrelets require additional protection above and beyond the 30 acre nest-site buffers currently used to protect this species from logging on the Tongass National Forest. The available evidence indicates that murrelets in the Pacific Northwest nest in colonies and may use the same areas repeatedly for nesting. Thus, 30-acre nest buffers designed to protect species that nest as solitary pairs are inappropriate for colonial nesting birds and, although, the murrelet is currently in high numbers in the region, traditional nesting areas are threatened by logging.

Goshawks and Wolves

The decision to provide protection for historical rather than all goshawk nest sites has no biological basis and is driven primarily by economic needs. We see no biological reason for excluding recent (1994) and future goshawk nest sites from full protection and, for the reasons discussed above, implementing a modified and untested southwest goshawk management strategy for recently discovered nest sites of the Queen Charlotte goshawk is unlikely to maintain population viability of this important subspecies. None of the nest site buffers or habitat percentages identified in the preferred alternative has been field tested either in the Southwestern United States or on the Tongass, and these buffers are inconsistent with the scientific literature on goshawk response to logging (Crocker-Bedford 1990).

Given the extremely small sample size (n = 9) used to determine goshawk home ranges, it is dangerous to presume that goshawks north of Frederick Sound require a radius of 2 miles. Furthermore, it is unclear to us what level of sampling was used to calculate home ranges during radio tracking and how many of the radioed birds were from areas north of Frederick Sound. Given the lack of scientific support for this supposition it is best to err on the side of full protection, at least until monitoring provides more reliable sample sizes and better home range estimates. In addition, home range buffers in areas that are already fragmented should be extended to allow such areas to recover from logging.

Although habitat capability values used by the Forest Service to compare the relative effects of timber management alternatives may not correspond directly to population density, TLMP estimates that the Tongass National Forest is capable of supporting 314-381 nesting goshawks (TLMP 1991:3-489). Given that the preferred alternative provides full protection for only 9 of 30 known goshawk home ranges, we can find no biological basis for concluding that the preferred alternative would not affect population viability of the Queen Charlotte goshawk. Moreover, the decision to protect only a fraction of the goshawk nesting territories is inconsistent with the peer reviewed VPOP strategy that specifically called for providing full protection for all goshawk nesting territories. Forest management practices and management for population viability should be consistent with the peer review recommendations as follows:

(1) At a minimum, at least 3 of the largest blocks of unfragmented old growth should be maintained within each physiographic province, and connections among blocks and provinces maintained by corridors of sufficient width (e.g., 1000 to 1600 ft as proposed by the peer reviewers).

(2) HCA boundaries should be shifted only if monitoring reveals existing gaps between HCAs and goshawk territories and should not be shifted to accommodate timber sales and road building;

(3) all goshawk nesting territories (historic, current, and future) should receive full protection (i.e., protect the home range) provided by the peer reviewed strategy unless it can be scientifically demonstrated that the proposed nest site buffers and management prescriptions within goshawk foraging areas will not jeopardize population viability of goshawks and old-growth associated species;

(4) salvage and logging of second growth in HCAs should not be permitted unless monitoring reveals that such activities are consistent with population viability of goshawks and other old-growth associated species;

(5) no road building should occur within goshawk home ranges and within newly discovered nest areas unless it can be scientifically demonstrated that such activities will not contribute to additional fragmentation of large habitat blocks and population viability of goshawks and wolves; and

(6) incorporate additional measures to protect subsistence species and other old-growth associated species that have specialized nesting requirements (e.g., marbled murrelet).

The VPOP study identified 12 physiographic provinces having medium-low to very low viability ratings over a 150-year period. The preferred alternative should therefore incorporate the peer review recommendations for each physiographic province to improve these viability ratings, maintain connections within and among physiographic provinces, and further reduce fragmentation and insularization effects. We are greatly concerned that the preferred alternative does not go far enough to meet the requirements for population viability and that some areas have already lost most of their important landscape linkages (e.g., CPOW EIS, Polk Inlet EIS, and others).

Matrix Management

The VPOP committee requested that new information be used, through the adaptive management process, to fine tune both the HCA strategy and improve habitat conditions in second growth (i.e., the matrix). We recommend that the Forest Service (1) step up monitoring efforts within all proposed timber sale areas to identify goshawk nesting territories and provide full protection of these territories as indicated by the peer reviewers; and (2) review the recent literature on second growth, including new studies on Prince of Wales Island (e.g., DellaSala et al. 1992, 1994, wildlife retention tree and variable space thinning programs conducted in Thorne Bay) to improve matrix management and reduce the contrast in habitat quality between matrix areas and HCAs. Matrix management should include (1) adequate retention of old-growth components, including islands of large trees and snags; (2) adequate connections to larger blocks of unfragmented habitat; and (3) "stepping stones" (small HCAs and retention areas) for the movement of wildlife across HCAs.

In conclusion, we are greatly concerned that the preferred alternative continues the Forest Service policy of circumventing the scientific process at the expense of wildlife population viability. It has been a policy of the Clinton Administration to develop ecosystem management approaches that are both "scientifically credible and legally defendable". We believe that the above recommendations are necessary to achieve the President's goal for accomplishing ecosystem management on the Tongass National Forest. If you have any further questions, feel free to contact me at (202) 822-3465.

Sincerely,

Dominick A. DellaSala

Dominick A. DellaSala, Ph.D.
Senior Wildlife Ecologist

cc: J.W. Thomas
M. Beattie
M. Davis ✓
D. Barry

References Cited

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DellaSala, D.A., R.L. Fairbanks, D. Volsen, K. Barker, W. McComb, J. Hagar, and K. Raedeke. 1992. Annual Report 1991. Tongass National Forest evaluation of young-growth treatments for wildlife. USDA For. Serv., Region 10, Juneau. 85pp.

DellaSala, D.A., K.A. Engel, D.P. Volsen, R.L. Fairbanks, J.C. Hagar, W.C. McComb, and K.J. Raedeke. 1994. Final Report. Effectiveness of silvicultural modifications of young-growth forest for enhancing wildlife habitat on the Tongass National Forest, southeast Alaska. USDA For. Serv., Region 10, Juneau.

Management recommendations for the northern goshawk in the southwestern United States. 1991. USDA For. Serv. Southwestern Region. 184pp.

Name	Date
Peter Ruchdlett	3/14/82

Counsel