

This growth has not been without an uphill struggle. Although all of the mills in our association are presently operating at a profit, operating losses in excess of \$2 million were sustained during the developmental stages of our entry into the Japanese lumber market. I mention this in order to bring to your attention that you cannot expect to leap into the Japanese lumber market and realize instant profits. Even though Ketchikan Spruce Mills, under the ownership of my family, had been in the world lumber markets for 60 years before we probed the Japanese market, we sustained annual losses at the rate of \$50,000 to \$100,000 per year during our "break-in period." During this same time, the Japanese sawmill at Wrangell, Alaska, even though under the leadership of one of the most experienced sawmill men in Alaska, lost in excess of \$900,000. As Mr. Park observed the other day in his testimony, although in another context, "you have to have a deep sock."

The members of our association have followed with more than a passing interest the round log export controversy which has made headlines in Washington and Oregon the past few years. The growth of the Alaska sawmill industry which I have outlined could not have taken place without the protection and encouragement of the long-standing and historic policy of both the Forest Service and the State of Alaska which prohibits the export of round log spruce and hemlock from either national forests or State lands.

At this point, Mr. Chairman, I would like to mention in the case of the State this has been a State policy since statehood under two administrations of both parties, or former Governor Egan for 8 years was very much in favor of our round log export ban, if you will, and our present Governor, Governor Hickel, is also in favor of it.

Senator MORSE. Mr. Daly, may I interrupt before you proceed, before I pass these pictures on?

I hold in my hand these photographs of pictures taken on the dock of Alaska Lumber Mills, about which you have been testifying. The pictures show what I judge to be, 4 by 4's and I would guess 4 by 8's and other dimensions of lumber that has gone through your sawmills and that would meet the definitions of finished lumber. In fact, I think three or four piles that I am looking at in one picture are obviously 2 by 4's and certainly dimensions other than 4 by 4's.

I hold in my hand another picture that shows piles of lumber that I would describe as boards.

Is it your testimony that these piles of finished lumber shown in these pictures are piles of lumber of the identical types that are exported out of Alaska to Japan?

Mr. DALY. No, those pictures, the big pictures, show my sawing. The large piles of lumber you see in there are basically the type we cut for Japan, 6 by 6 by 20, to 20 feet long. The piles of finished lumber you see there were manufactured in my sawmill for the local retail lumber trade. We have a retail yard right close to our sawmill which is why they are in the same picture.

Senator MORSE. You heard Mr. Davidson testify that his mill, when he was operating it at Wrangell, finished 4 by 4's that were put in so-called package form for loading on the vessels and went directly from the docks in Japan to the building sites, ready to go into houses. Does your lumber mill produce any such lumber as that for export to Japan?