

In summary, the primary manufacture requirement of the U.S. Forest Service, for the Alaska national forests, brought our plant to Alaska. The retention of that policy is essential to its continued existence.

Thank you very much.

Senator MORSE. Mr. MacDonald, this is an excellent statement. Before I call on Senator Hatfield for questions, I might as well deal now with the point you make on page 4, the last page of your statement. At that point you say:

The hazards of an open export policy to our log procurement, and therefore our survival, were recently brought home very clearly when an established reliable supplier to us from the Yakutat area, was bid above a level that the domestic market could stand, and therefore lost a sale he needed to stay in timber and business to a group hoping to break the round log export restriction.

Is it possible for you to expand your explanation of that matter?

Mr. MACDONALD. Yes. We have a contract logger operating up in the Yakutat area, who was unable to operate with the stumpage as high as the last sale went. I believe that sale went at \$15.50, and Yakutat, of course, is a long way for towing, and thus the expense of towing from that area is much greater than any other area that we acquire logs from, and as a consequence there is a matter of several hundred thousand dollars of equipment idle at this time, because he was not able to get a sale, and has not been thus far to keep him in business. He is just waiting to see what happens.

Senator MORSE. These logs were bought by another purchaser at the sale?

Mr. MACDONALD. Yes.

Senator MORSE. Was that purchaser buying for Japanese interests?

Mr. MACDONALD. That person has not done any logging to my knowledge there, and the sale is lying dormant at this time. At least there is no operation going, while another man is there with, or, I would say \$200,000 or \$300,000 worth of equipment, and has no logs now to operate on or no stumpage.

Senator MORSE. But you say, quoting again from your statement:

Therefore lost a sale he needed to stay in timber and business to a group apparently hoping to break the round log export restriction.

Do I infer from that that you think that the purchaser hopes to export those logs?

Mr. MACDONALD. It would so appear. I believe there has been a press release from the State government's office dated I think January 15, indicating that they have been approached at the State level for assistance in getting the primary manufacturing requirements released or relieved or something along that line. I think Mr. Murkowski perhaps could cover that when his testimony comes. I am not entirely familiar with that.

Senator MORSE. These are logs derived from Federal timberlands?

Mr. MACDONALD. Yes.

Senator MORSE. Do you know of any instances in which round logs off of Federal timberlands have been exported to Japan?

Mr. MACDONALD. No; I do not know of any case where logs off of the Federal timberlands, U.S. Forest Service, have been exported except the species that have no market in Alaska, and that was cedar.