

Senator MORSE. Thank you very much, Senator Hatfield. Congressman Pollock?

Representative POLLOCK. Yes, Mr. Chairman.

Mr. MacDonald, would you go into a little more the problem at Yakutat, since it has been brought out. It is my understanding that this area is so isolated from any of the mills that the only way at the present time of removing any of the cut timber would be by barges rather than log floats, as is done in southeastern Alaska.

Mr. MACDONALD. That is true, and I think our company has the only barge system that is capable of moving logs from there to the mills, and this logger that has been logging quite successfully for us up there is totally dependent upon sending his logs to our mill at the present time, but he is unable to get timber at this time, and he is shut down now, just hoping that the State will make available some timber before he is in complete financial difficulty.

Representative POLLOCK. I want to pursue the matter of availability of timber in just a minute, but is it your understanding that the bid that was successful in the Yakutat area was a bid in your opinion that would be too high a cost to then tack the primary processing costs on top and sell it?

Mr. MACDONALD. That is right, because there is an expensive cost in the moving of the logs, you see, so that naturally is added to the total cost of the logs delivered to the mill. It does not matter whose mill.

Representative POLLOCK. Was this bid a much higher cost than any of the timber that has gone for sale in southeastern Alaska?

Mr. MACDONALD. Yes. I believe the bid price on that was \$15.50, and I think the previous price was around \$6.

Representative POLLOCK. I believe, Mr. Chairman, when Commissioner Murkowski testifies the record will show through his testimony that Governor Hickel and the Alaska State administration are not in support of the appeal which was made by this individual who was the successful bidder in Yakutat to ship round logs to Japan. The position of the Governor and the State administration is very much in support of primary processing.

Now, Mr. MacDonald, would you discuss a little bit the question of the availability of timber in Alaska, in the southeastern area as you are more familiar with it, vis-a-vis the allowable cut? In other words, is there a lot more timber available for cutting on a sustained-yield basis than has been made available?

You have been given a guarantee of a certain volume of timber in a 50-year period, but in the areas which have been allocated to you, the prediction of the available timber has been incorrect. There is not as much timber there as was anticipated?

Mr. MACDONALD. Yes.

Representative POLLOCK. So how are you going to resolve this matter with the Forest Service?

Mr. MACDONALD. There is a provision for contingency areas in the contract, and of course we have got to prove that the timber does not exist on the present sale areas as defined in our contract, and that is the purpose of this joint venture in reinventory. So that our foresters and foresters of the U.S. Forest Service will do a joint inventory together, so that when the final figures are in on that, I think there will