Alaska Timber Jobs Task Force

Preliminary Report to the Governor

September 15, 2011

Alaska Timber Jobs Task Force

The Alaska Timber Jobs Task Force is a combined federal, state, private industry, and community group appointed by Governor Parnell to review and recommend actions related to:

- management of state-owned forest land, establishment and expansion of legislatively-designated State Forests, and state timber harvesting statutes and regulations, and
- Tongass National Forest management, land ownership in Southeast Alaska, Tongass timber demand and supply, current and potential Tongass wood products, and research needs.

Task Force members:

Susan Bell	DCCED Commissioner	AIDEA designee
Brad Cox	Logging & Milling Associates	Alaska forest products industry
Bryce Dahlstrom	Viking Lumber Company	Alaska forest products industry
Owen Graham	Alaska Forest Association	Alaska forest products industry
Chris Maisch	State Forester	DNR designee
Kyle Moselle	Habitat Biologist	ADF&G designee
Elaine Price	City of Coffman Cove	Southeast Alaska communities
Randy Ruaro	Deputy Chief of Staff	Governor's designee
Ruth Monahan	Deputy Regional Forester	USFS liaison to Task Force (Non-voting)

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This report summarizes initial issues and recommendations from the Alaska Timber Jobs Task Force ("Task Force") regarding timber job creation and economic development in Southeast Alaska, and forest management on state land across Alaska.[1]

Recommendations have a short-, mid-, or long-term designator which refers to the timeframe for action on the item. ((S) = 1-2 years, (M) = 3-4 years, and (L) = 5 or more years).

Federal land issues and recommendations

- **(S)** Increase Tongass National Forest timber supply. Eighty percent of Southeast Alaska is in the Tongass National Forest ("Tongass"), and 15% is in Glacier Bay National Park. Therefore, it is essential that the U.S. Forest Service (USFS) manage the Tongass in consideration of the regional economy and the communities that depend on development of its natural resources. The main hurdle to timber job creation in Southeast Alaska is the inadequate timber supply from the Tongass. The uncertainties and exorbitant costs associated with the National Environmental Policy Act (NEPA) and reapplication of the National Roadless Rule exacerbate the challenge of supplying sufficient timber volume.

  The USFS should ensure that the Tongass timber supply "pipeline" has adequate volume at all times to meet the market demand requirement of Sec. 101 of the Tongass Timber Reform Act (TTRA), and support an integrated timber industry. The pipeline volume should account for planning and litigation delays and the USFS should annually offer at least the minimum volume (calculated by the "Morse methodology") that meets the TTRA annual demand requirement. The State of Alaska ("State") should advocate for sufficient federal appropriations to the USFS to enable them to meet this obligation.

- Revamp timber demand estimates. The USFS's estimates of timber demand are heavily influenced by the amount of timber purchased and harvested, which discounts unmet industry capacities and past offerings of uneconomical ("deficit") timber sales.
  - **(S)** Prepare an independent assessment of the demand for Tongass timber sales:
    - The demand for wood products from the Tongass remains very high. Most of the Tongass old-growth hemlock is manufactured into tight-grained, shop-grade lumber that sells at a

[1] Note: the USFS abstains from endorsing the findings and recommendations in this report. The USFS disagrees with several of the findings in Administrative Order No. 258. Many of those findings are at issue in ongoing litigation, including litigation that the State of Alaska has initiated against the federal government. The USFS participation on the Task Force is limited to furthering the exchange of information and participation and should not be interpreted as agreement with findings or recommendations of the Task Force. The USFS is committed to continuing to manage the Tongass in accordance with applicable federal law and the Tongass forest plan, including the objectives of creating economic development opportunities and jobs for Alaska communities.

premium. Similarly, Tongass spruce logs are mostly custom-cut for Pacific Rim customers.
    - The prices for hemlock, spruce, and cedar lumber are all very good and are not subject to the large price swings of construction lumber markets that dominate in the Pacific Northwest.
    - Southeast sawmills cannot be competitive until an adequate economy of scale is restored for road builders, loggers, mills, and suppliers.
    - It is unrealistic to expect the USFS to adequately prepare a demand assessment that indicates that they have failed to meet the market demand for timber.
- **(S)** Address the proposed National Forest Planning Rule. Pursue all avenues available to ensure that the proposed rule recognizes State authorities, such as fish and wildlife management, as well as the Alaska National Interest Lands Conservation Act and the Tongass Timber Reform Act. The State of Alaska should be vigilant in ensuring that both the Tongass and Chugach National Forests are managed based on long-standing principles in the federal Organic Administration, Multiple-Use Sustained-Yield, and the National Forest Management acts.
- **(S)** Exempt the Tongass National Forest from the National Roadless Rule. This policy removes approximately 65% of the land base available for timber harvest on the Tongass and circumvents the TLMP Timber Sale Adaptive Management Strategy. Implementation of the Rule makes it impossible to implement the 2008 TLMP as envisioned. The State of Alaska should continue to aggressively oppose application of the National Roadless Rule on the Tongass.
- **(M)** Streamline NEPA. NEPA requirements have the biggest impact on individual timber sales. Work with other states and Alaska's congressional delegation to address unnecessary barriers and delays created by NEPA, examine whether NEPA processes used by the Bureau of Land Management or other federal agencies work better than the USFS's approach, and collaborate with the USFS to strengthen the defensibility of documents subject to litigation under NEPA.
- **(M)** Evaluate Amendments to the 2008 Tongass Land Management Plan (TLMP). The USFS's initial economic assessment of TLMP (Tetra Tech 2007) indicates that only 18% of the development land base contains old-growth timber available for harvest that could support economically viable old growth timber sales. From FFY2008 through FFY2010, the USFS offered a total of 124 million board feet of timber, of which only 61 million board feet sold. This sold volume is 15% of the TTRA "seek to meet annual demand" calculation and only 8% of the maximum allowed under TLMP.
    - Re-select the suitable timberland base. Most of the recommendations below aimed at improving economics for individual timber sales conflict with the current TLMP wildlife conservation strategy. Consequently, a reasonable procedure for achieving a viable, operable timberland base would be to first select the timberland base from about 10% of the Tongass, and then devise a wildlife conservation strategy that meets at least the minimum requirements of law from the remaining 90% of the Tongass.
    - Conduct a comprehensive evaluation of the effectiveness of TLMP's conservation strategy and a separate investigation of the socioeconomic impacts from implementing an over-restrictive conservation strategy. Alaska can have viable wildlife populations and a viable timber industry.
    - Manage the TLMP Timber Production Land Use Designation under the Alaska Forest Resources and Practices Act and regulations. Examine opportunities for establishing congressionally-designated timber lands.

- **(S)** Improve and increase timber sale planning.
  - Offer more timber, earlier in the year, under longer-term contracts to allow the timber industry to secure capital for investing in equipment, facilities, and workers.
  - Develop a 20-year timber sale plan with 10 years of economically viable sales "on the shelf" available for contracting, to allow purchasers to seize market opportunities and maximize economic return.
  - Augment the Tongass timber sale planning budget to increase the volume of timber going into the NEPA process to increase sales coming out the other end.
  - Continue to supply old-growth and build a sufficient supply of young-growth acreage to justify investment in processing facilities.
    - The Alaska timber industry requires a wood supply comprised primarily of old-growth timber. The existing timber industry in Alaska is old-growth dependent; it needs old-growth wood to manufacture current products in existing mills. Furthermore, future supplies of young-growth wood depend on present old-growth harvest levels.
    - Over the long term young-growth can provide high volumes/acre of medium-quality wood. However, young-growth stands need decades to mature, products and markets must be developed, and harvesting and processing equipment must be re-tooled. Because of the lower value of young-growth products, it will take significantly more acreage of young-growth to sustain an industry.
    - Establish quarterly Tongass timber sale reports prepared by the USFS and the Task Force timber sale subcommittee to keep the pressure on moving the sales forward and reducing slippage. Reports should detail the status of Tongass timber sale scheduling, planning, and implementation.
- **(S)** Maintain and expand the State-USFS relationship and increase State participation in the Tongass timber sale process. Review, update, and where appropriate, consolidate State-USFS memoranda of understanding governing cooperative efforts.
  - State participation has the greatest impact when it is consistently included from the beginning (Gate 1) and throughout the timber sale planning process.
- **(S)** Continue the Gate 3 Committee, which includes state and federal staff and industry representatives. Include the committee in the annual monitoring and evaluation process of the Forest Plan.

State land issues and recommendations

- The Forest Resources and Practices Act (FRPA) is effective and efficient.
- The State timber program generally works well. Keep it efficient.
  - **(S)** Provide longer-term state sales in the interior to support industry development.
  - **(S)** Determine whether there are opportunities for more "bridge" timber sales in Southeast.
- **(S)** Include ADOT&PF in Southeast timber program issues to help design and build infrastructure that meets the needs of the industry in a timely manner, and build roads to appropriate standards for logging.
- **(S - M)** Streamline the DNR leasing and permitting process for state land with a clear check-list and finite timelines
- **(S - M)** Identify and assess the economics of opportunities to use wood energy in state facilities statewide.

- **(S – L)** Pursue opportunities to acquire additional state timber land or state management authority in Southeast Alaska, including land exchanges and other approaches.
    - Work with the Alaska's congressional delegation on legislation to establish a 1.5 million acre state forest in Southeast Alaska.
    - Work with John Katz and the Governor's Washington, D.C. office to keep Alaska land initiatives in front of the congressional delegation.
- **(M)** Provide financing for investments in the timber industry similar to programs for other development investments in Alaska.
- State funding needs: (in order from short-term to mid-term)
  (S) Provide sufficient funding to ADOT&PF for Roads to Resources projects that would support forest operations.
  (S) Provide adequate funding for FRPA implementation. Federal funding cuts have reduced FRPA funding for DNR, ADF&G, and DEC.
  (S - M) Develop and implement a public relations effort to promote the benefits of a viable timber industry throughout Alaska, and where necessary address misinformation about forest management.
  (M) State agencies may need mid-term funding to continue their involvement in implementing the 2008 TLMP under the memoranda of understanding (MOU) between the State and USFS.
  (M - L) Consider mid to long-term funding needs for road maintenance and silviculture in the Southeast State Forest. Capital funding will be needed to upgrade or replace existing bridges and expand access to state forest land. Pre-commercial thinning needs will require approximately $100,000 per year.
  State agencies may identify additional funding recommendations during the FY13 budget process.

Plan of work for Task Force prior to final report

- The Task Force established subcommittees that are working on tasks 1-8 and the required reports listed in Administrative Order 258. Initial recommendations for task 9 are included in this preliminary report.
    - The initial products report (task 8) and timber demand report (task 6), will be completed by October 31, 2011.
    - The first quarterly report on sales will be submitted on October 31, 2011 (task 7)
    - The first demand report will be submitted on October 31, 2011 (task 6).
    - The final report will be submitted by July 1, 2012.
- The Task Force has compiled relevant documents (see attachment). Attached excerpts from the Statewide Assessment of Forest Resources also provide an overview of Alaska's forest resources and industry issues.

Attachments

- Compilation of background documents for Task Force work
- Statewide Assessment excerpts