REPORT TO GOVERNOR SEAN PARNELL
PREPARED BY ALASKA TIMBER JOBS TASK FORCE

ADMINISTRATIVE ORDER 258:

FINAL REPORT

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, southeast Alaska land ownership, southeast Alaska timber demand and supply, statewide current and potential wood products, and additional research needs.

Membership

Name	Title	Affiliation
Chris Maisch	State Forester (Task Force Chair)	Alaska Department of Natural Resources, Division of Forestry
Randy Bates	Director	Alaska Department of Fish and Game, Division of Habitat
Brad Cox	Logging and Milling Associates	Alaska Forest Products Industry
Bryce Dahlstrom	Viking Lumber Company	Alaska Forest Products Industry
Owen Graham	Alaska Forest Association	Alaska Forest Products Industry
Nicole Grewe	Economic Analyst	Alaska Department of Commerce, Community, and Economic Development, Division of Economic Development
Ruth Monahan[1]	Deputy Regional Forester	United States Department of Agriculture, Forest Service, Alaska Region
Elaine Price	Resident	Southeast Alaska communities
Randy Ruaro	Deputy Chief of Staff	Office of Governor Parnell

Contact information, meeting notes, reports, and additional information about the Alaska Timber Jobs Task Force may be found at: http://forestry.alaska.gov/aktimber_jobs_taskforce.htm

[1] Note: USFS liaison to Task Force, non-voting member. 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 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.

EXECUTIVE SUMMARY

Between July 2011 and June 2012, the Alaska Timber Jobs Task Force (hereafter Task Force) reviewed and discussed numerous issues affecting Alaska's timber industry. This report summarizes the Task Force's recommendations to address all objectives detailed in Section 2 (Purpose) of Administrative Order 258 (Appendix 1), with a particular focus on job creation and economic development.

In sum, the Task Force identified the following priority statewide issues that present the greatest impediment to job creation and economic development for Alaska's timber industry:

1. Timber supply;
2. Workforce development; and
3. Public education and outreach.

ALASKA'S WORKING FORESTS

Alaska's federal and state forests have the potential to be a model of sustainability, including environmental, social, and economic objectives. The "Working Forest" concept embraces diverse and broad objectives related to utilizing natural resources, providing jobs, stimulating local economies, and supporting communities. These broad objectives have the potential to unify diverse stakeholders and interest groups while framing many of the State of Alaska's short- and long-term goals.

Working Forests:

1. Support industries that use Alaska's natural resources on a sustained-yield principle based on multiple-use management, consistent with public interest;
2. Manage timber resource production on a rotational basis to provide for a fully-integrated timber industry capable of producing a variety of products; and
3. Attract private-sector investment that establishes businesses, creates jobs, and provides community stability.

FINDINGS

The timber industry is vitally important to Alaska's statewide and regional economies. Timber industry challenges and opportunities vary by region, including Southcentral, Interior, and Southeast Alaska.

SOUTHCENTRAL AND INTERIOR

The timber industry in Interior Alaska is experiencing slow, but steady growth as wood biomass projects are developed to meet community needs for economic space heating and electrical generation. Projects at both small and large scales are made possible by state forest management policies that provide a sustainable, long-term supply of wood from state forests and other state lands.

In Southcentral, the creation of the Susitna State Forest would aid in developing access to lands, which in turn will increase timber sales for small mills and commercial firewood businesses. Other multiple use activities, such as personal use firewood, hunting, and other recreational uses will also benefit.

SOUTHEAST

The principal barrier to job creation in southeast Alaska's (Southeast) timber industry is insufficient timber volume from the Tongass National Forest (NF). Over the past decade (2001 – 2011), the Tongass NF has offered approximately 43% of the volume needed to meet its volume under contract (VUC) sale objectives identified in USFS annual timber demand reports (Appendix 9). Since the 2008 Tongass Land and Resource Management Plan (TLMP) amendment, the Tongass NF has offered only 33% of the volume the agency deems necessary to comply with Section 101 of the Tongass Timber Reform Act (TTRA), which requires the United States Department of Agriculture (USDA) to "…seek to provide a supply of timber from the Tongass National Forest which (1) meets the annual market demand for timber from the forest and (2) meets the annual market demand from such forest for each planning cycle."[2]

Uncertainties and exorbitant costs associated with the National Environmental Policy Act (NEPA) and invalidation of the Tongass Exemption to the 2001 Roadless Area Conservation Rule exacerbate the challenge of supplying sufficient timber volume from the Tongass NF to maintain an integrated timber industry capable of contributing meaningfully to the region's economy. The Task Force finds that:

1. The downward spiral of the Southeast timber industry has adversely affected Southeast communities, schools, and local economies;
2. Federal policies and management practices fail to provide sufficient timber supply for Southeast's timber industry;
3. The current USDA "Transition Framework" and associated USDA "Investment Strategy" for economic development being implemented in Southeast proposes to limit and then accelerate transition away from the traditional timber sale program on the Tongass NF in favor of young growth harvest and restoration activities, which is an uncertain alternative for sustaining Southeast communities; and
4. Environmental groups have exerted undue influence over USFS policy and direction related to national forest management in Alaska.

RECOMMENDATIONS

Task Force work and recommendations spanned eight substantive areas of interest including: 1) management of state-owned forests; 2) expansion of legislatively-designated state forests; 3) establishment of legislatively-designated state forests; 4) State of Alaska timber harvesting statutes and regulations; 5) Tongass National Forest ownership and management; 6) timber demand and supply; 7) wood products development; and 8) additional research needs.

Recommendations for each substantive area include short-, mid-, or long-term designations that refer to the estimated timeframe for action on the item: (S) = one to two years; (M) = three to four years; and (L) = five or more. Highest priority recommendations (Appendix 12) are denoted by an asterisk (*). Purpose statements from Administrative Order 258 are included to provide context and background for each set of recommendations.

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[2] To the extent consistent with providing for the multiple use and sustained yield of all renewable forest resources

MANAGEMENT OF STATE-OWNED FOREST LAND

Administrative Order 258, Section 2, Task 1
Review, analyze, and prepare recommendations regarding management and care of the state forests that will lead to economical traditional timber harvests in the future.

1. (S) Establish a "Roads Office" in the Department of Natural Resources (DNR) to facilitate the planning and construction of resource development roads and access. As part of this recommendation, increase DNR's one time procurement level to $20 million. (See Appendix 2).
2. (S-M) Provide funding for basic and increased road maintenance and infrastructure development on the expanding statewide forest road system on state lands, especially on state forests. Current funding needed to implement this recommendation is estimated at $2.0 million.

EXPANSION OF LEGISLATIVELY-DESIGNATED STATE FORESTS

Administrative Order 258, Section 2, Task 2
Review, analyze, and prepare recommendations for future additions of state land to existing state forests.

1. (S) Tanana Valley State Forest: add remaining 1,124,613 acres of forest classified lands from the Tanana Basin Area Plan.
2. (M-L)* Southeast State Forest: add two million acres of National Forest System lands from the Tongass NF (also see recommendation 1 under Task 5).

ESTABLISHMENT OF LEGISLATIVELY-DESIGNATED STATE FORESTS

Administrative Order 258, Section 2, Task 3
Review, analyze, and prepare recommendations for the creation of new state forests where the primary emphasis on use will be for timber harvests and creation of economic development opportunity and jobs for Alaskans and their families

1. (S-M) Pursue creation of the following new State Forests:
   - Susitna State Forest – 763,200 acres[3]. (See Appendix 3).
   - Copper River Valley State Forest – 435,179 acres
   - Kenai State Forest – 154,726 acres (83,179 Kenai Peninsula and 71,547 Cook Inlet)
   - Icy Bay State Forest – 34,686 acres

STATE TIMBER HARVESTING STATUTES AND REGULATIONS

Administrative Order 258, Section 2, Task 4
Review, analyze, and prepare recommendations for amendments to state statutes or regulations governing timber harvesting that will lead to the creation of economic development and jobs for Alaskans and their families and communities

1. (S) 11 AAC 71.045. Negotiated Sales (e). This regulation currently limits the length of a contract negotiated under the conditions of AS 38.05.115 to one year, and prevents contract extensions. Amending 11 AAC 71.045 (e) to allow 2-year contracts for small negotiated sales would provide the

[3] Total acres from Susitna Area Plan (1985), Southeast Susitna Area Plan (2009), and Susitna Matanuska Area Plan (2011).

state a better tool for addressing the needs of small operators by providing them with longer windows of secure timber for their businesses (Appendix 4).

2. (S) AS 38.05.118. Negotiated Sales. Amending the following sections of this statute would allow the state increased flexibility using negotiated timber sales to meet local manufacturing needs (Appendix 4).
   - Amend statute AS 38.05.118(a) to require that the appraised value of the timber be re-determined every five years.
   - Amend statute AS 38.05.118(c) so only one of the three conditions has to exist within two years.
     - 11 AAC 71.055. Negotiated sales under AS 38.05.118. This regulation would require amendment to reflect changes to AS 38.05.118 recommended above.
3. (S) AS 38.05.945. Notice. Add the following language as Section (E) under AS 38.05.945(b)(3):
   - (E) Notice at least 30 days before the action by publication in newspapers of statewide circulation is not required for the sale of timber on less than 640 acres or the appraised value of the timber is less than $100,000 or the sale of timber is for a period less than five years.
4. (S) Archeological resources are important and need to be identified and protected; however, the cost of conducting required archeological surveys can often make an otherwise economical small timber sale uneconomical. Moreover, these surveys present significant costs for the DNR, Division of Forestry (DOF) when preparing larger state timber sales. Although the Task Force did not identify any statutory or regulatory amendments related to the State Historical Preservation Act (Appendix 5), the Task Force recommends the DOF and State Historical Preservation Office (SHPO) continue to work cooperatively to develop:
   - Programmatic work agreements;
   - Joint funding agreements/requests to fund survey work; and
   - Increased communications (formal and informal).

TONGASS NATIONAL FOREST LAND OWNERSHIP AND MANAGEMENT

> **Administrative Order 258, Section 2, Task 5**
> Review, analyze, and prepare recommendations related to state land selections in the Tongass National Forest and identification of lands already selected and conveyed or pending that have little or no economic use but may have other value and identification of federal lands for which an exchange could be offered to the federal government.

1. (M-L)* Pursue state ownership and/or management authority of two million acres of National Forest System lands in the Tongass NF to support an integrated timber industry in Southeast.

2. (S-L)* Work jointly with other states/entities seeking change in the management of federal lands. Possible changes include the concepts of "trust" or state management of federal lands, the transfer of federal lands into state ownership, adjustments to the Alaska Statehood Act by Congress and measures to force the federal agencies, primarily the USFS, to increase timber harvest.

3. (S) Support finalization of Sealaska's outstanding land entitlements, Alaska Mental Health Trust's administrative land exchange with the USFS, and settlement of land entitlements for the unrecognized Southeast Alaska Native Communities.

4. (M) Pursue an administrative land exchange with the federal government of approximately 250,000 acres of existing state-owned lands; dispersing the newly-acquired lands among Southeast communities and boroughs for community development and economic diversification.

TIMBER DEMAND AND SUPPLY

Administrative Order 258, Section 2, Task 6
Survey, study, and submit report to the state and federal government on current demand for timber in the Tongass National Forest and specific business and economic opportunities that could be supported by such demand, if timber were supplied.

1. (S) Support management, research, and legal efforts to assure access to adequate, consistent, and sustainable timber supply on federal and state forest lands. The development of new wood products and increased product diversity will lend strength to obtaining increased supply to support a diversified and sustainable forest products industry.
2. (S) Provide substantive state comments during the scheduled five-year TLMP review process advocating for community-based timber sales and timber supply appropriate to all types of business.
3. (S) Support additional research regarding local and regional socioeconomic impacts of declining timber supply, declining timber industry, and USFS forest management policy and practices in southeast Alaska.
4. (S) Support additional research regarding the timber supply needed to support a fully-integrated timber industry, including all direct and indirect forestry support enterprises.
5. (S-M) Support efforts to frame State and National Forests in Alaska as working forests for Alaska's communities and economies. This effort is largely one of providing resources for developing a public education and outreach strategy regarding Alaska and its communities, peoples, and forests. Where necessary, address misinformation about forest management in Alaska.

Administrative Order 258, Section 2, Task 7
Review, identify, and report quarterly to state and federal governments on possible timber sales in the Tongass National Forest that would meet demand with economical timber sales, including the identification of possible ten-year timber sales.

1. (S)* Utilize all political and policy avenues to ensure – in addition to all current timber sale projects on the Tongass NF – the USFS begins the planning process necessary to advertise four ten-year timber sales, each with an average timber volume of 15 – 20 million board feet (MMBF) per year.
2. (S) Under existing memorandums and agreements with the USFS, direct state agencies to actively participate in the scheduled five-year review of TLMP with a goal that includes promoting revisions to TLMP that would provide an economic timber volume capable of sustaining a fully-integrated timber industry. Revisions to the Wildlife Conservation Strategy, Land Use Designations, Scenic Integrity Objectives, and Visual Priority Routes of TLMP are critical for achieving this objective.
3. (S)* Pursue all opportunities for exempting Alaska national forests from the 2001 Roadless Area Conservation Rule.
4. (S) Maintain and expand the state-federal relationship and increase state participation in the internal design and review process for timber sales and Integrated Resource Management Projects (IRMP) on the Tongass NF.

5. (S) Review, revise, renew, and where appropriate, consolidate state-federal memorandums of understanding governing cooperative efforts.
    - State participation has the greatest benefit when it is consistently provided from the beginning (Gate 1) and throughout the timber sale planning process; especially participation on the Joint Review Team.
    - Formalize state cooperation and collaboration regarding implementation of TLMP through an updated Memorandum of Understanding. Clarify communication, roles, points of engagement in project planning processes, and frequency of coordination meetings.
6. (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 TLMP.
7. (S) Consider seeking Cooperating Agency status available under NEPA, when appropriate, to ensure greater participation by the state in federal decision-making.
8. (S) Support the State Tongass Team by clarifying its organization and responsibilities for engaging with the USFS.
9. (S) Develop cooperative agreements with the USFS to improve project and permit coordination and approval.

WOOD PRODUCTS DEVELOPMENT

Administrative Order 258, Section 2, Task 8
Review, identify, and report to the state and federal governments on current wood products and potential new products and uses, such as biofuel and cellulosic ethanol, that could be made from timber supplied by the Tongass National Forest.

1. (S) Increase focus and support for products that utilize all primary and secondary timber resource materials.
2. (S) Promote new wood products and increased wood product diversity.
3. (S-M) Support workforce development, through established public sector programs, to improve workforce skills, knowledge, and abilities.
4. (S-M) Support additional research regarding grading impacts, market feasibility of new wood products and value-added wood products, full resource utilization, and maximizing product manufacturing efficiencies.
5. (S) Provide additional marketing support for high-value wood products manufacturers. Greater access to local markets and greater marketing tools for small operators will improve this segment of the industry.
6. (S) Provide technical assistance for entrepreneurs and small businesses considering new wood products, expanding business operations, or considering other innovative business or product development ideas.

ADDITIONAL RESEARCH NEEDS

AO258, Section 2, Task 9:
Review and submit recommended areas of research related to use of the Tongass National Forest and impacts on wildlife.

1. (S-M) Provide sufficient funding to the Alaska Department of Fish and Game to conduct research necessary for (Appendix 11):
    - Estimating wolf populations in Game Management Units (GMU) 2 and 3;

- Completing development and evaluation of DNA-based methods for estimating deer population abundance in southeast Alaska; and
- Estimating deer numbers in GMU 3 using DNA-based methods, and assessing causes and rates of mortality.

APPENDICES

Appendix 1: Administrative Order 258
Appendix 2: Division of Forestry Engineering Needs for Large Construction Projects (Task 1)
Appendix 3: Susitna State Forest Public Briefing Paper and Map (Task 2)
Appendix 4: Review of Alaska Timber Sale Statutes (Task 4)
Appendix 5: SHPO Evaluation (Task 4)
Appendix 6: Task 5 Final Report
Appendix 7: State Lands and Future Exchange (Task 5)
Appendix 8: Task 6 Final Report
Appendix 9: Tongass Timber Sale Program 2001-2011 (Task 7)
Appendix 10: Task 8 Final Report
Appendix 11: ADF&G Research (Task 9)
Appendix 12: High Priority Recommendation Matrix
Appendix 13: Timber Jobs Task Force Preliminary Report to the Governor (9-15-11)

ACKNOWLEDGEMENTS

The Task Force appreciates the hard work demonstrated by countless DNR, DCCED, ADFG, DOTPF, and USFS staff. Information provided by the aforementioned agencies and respective staffs was instrumental in completing Task Force work and compiling the final report. The Task Force equally appreciates individuals of the public that attended meetings and provided public comment that contributed to our understanding of these important, complex issues. Finally, the Task Force thanks the community of Coffman Cove. Your hospitality laid the foundation for one of the most productive and memorable Task Force meetings.

Alaska Timber Jobs Task Force

Final Report

APPENDIX 1

Administrative Orders

FROM THE OFFICE OF THE GOVERNOR OF ALASKA

Sean Parnell
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

May 5, 2011

ADMINISTRATIVE ORDER NO. 258

I, Sean Parnell, Governor of the State of Alaska, under the authority of Article III, Sections 1 and 24, of the Alaska Constitution, and AS 44.19.145(c), find and order the following:

SECTION 1: FINDINGS

1. Traditional timber harvesting and the economic development, jobs, and other benefits provided by traditional timber harvesting are vitally important to the communities, schools, and families of Southeast Alaska now, and will continue to be important far into the future.

2. Southeast Alaska communities, schools, and families have been hit very hard by the loss of major timber processing facilities and infrastructure on Prince of Wales Island (a 25 employee sort yard, and 700 jobs in road building and logging), Ketchikan (a 500 employee pulp mill, two 50-100 employee sawmills, and a 50-100 employee veneer mill), Sitka (a 500 employee pulp mill), Wrangell (a 100 employee sawmill, and 100 jobs in road building and logging), and the Metlakatla Indian Reserve (the 100 employee Hemlock Mill, and 100 jobs in road building and logging). The region has lost thousands of good paying traditional timber harvesting jobs in the last few decades.

3. The Tongass Timber Reform Act of 1990 (TTRA) requires the federal government to seek to produce timber sales in an amount that will meet demand.

4. Despite the Tongass Land Management Plan (TLMP) and TTRA, the federal government has not produced enough timber to meet demand, and two of three remaining mills (the Seley sawmill and the Silver Bay mill) have closed since the TLMP was revised in 2008.

5. Current demand from a single remaining mid-size mill for timber, the Viking sawmill, is greater than the amount of economic timber sales supplied by the federal government. If this demand were met, it would allow the sawmill to add a second shift and create jobs for more Alaskans and their families.

6. Despite the TLMP and TTRA, the federal government is currently pursuing an

approach to timber management on the Tongass that was not selected as the preferred alternative in the 2008 TLMP and that fails to meet demand for timber.

7. Sustaining the current number of jobs and Alaskan families that depend on traditional timber harvesting, and growing more jobs, can only be accomplished in partnership with industry, communities, the State, and the federal government, with a better understanding of the industry, the amount of timber needed, how to prepare economical timber sales, and current and new wood products and markets.

8. A key goal and purpose of the Tongass Futures Roundtable, the stakeholder group established in 2007, was to restore economic viability and jobs to the communities of Southeast Alaska. The key to reaching this objective is restoring a reliable and stable continuous supply of timber from the Tongass for traditional timber harvesting. Unfortunately, the proposals to accomplish this goal have either been rejected or failed to advance. The Tongass Futures Roundtable seems unable to achieve a consensus or make any progress. Proposals that have been rejected or failed to advance include support for construction of multiple-use roads, support for United States Forest Service (USFS) timber sale plans, support for full implementation of the 2008 TLMP, and even a proposal to support the only timber sale available to Southeast Alaska's last mid-size sawmill.

9. While timber supply efforts have been stalled, environmental groups have worked with the federal administration to have the USFS abandon its traditional timber sale program for a harvest plan focused on young growth, most of which is not even mature for harvest. This is against the procedures for adopting an amendment to a forest plan, National Environmental Policy Act (NEPA), the TTRA, and the 2008 TLMP.

10. The inability of the Tongass Futures Roundtable to provide a solution or assistance in meeting the demand for timber for traditional harvesting requires a new approach to the issues.

SECTION 2: PURPOSE

The purpose of the Order is to establish the Alaska Timber Jobs Task Force (task force) as a combined federal, State, and private industry task force:

1. to review, analyze, and prepare recommendations to the Governor regarding management and care of the State forests that will lead to economical traditional timber harvests in the future;

2. to review, analyze, and prepare recommendations to the Governor for future additions of State land to the existing State forests that will increase the acreage of

those forests;

3. to review, analyze, and prepare recommendations to the Governor for the creation of new State forests where the primary emphasis on use will be for timber harvests and creation of economic development and jobs for Alaskans and their families;

4. to review, analyze, and prepare recommendations to the Governor for changes or amendments to the State statutes or regulations governing timber harvesting that will lead to the creation of economic development and jobs for Alaskans and their families, and Alaskan communities;

5. to review, analyze, and prepare recommendations to the Governor related to State land selections in the Tongass National Forest and identification of lands already selected and conveyed or pending that have little or no economic use but may have other value and identification of federal lands for which an exchange could be offered to the federal government;

6. to survey, study, and submit a report to the State and the federal governments of current demand for timber in the Tongass National Forest and the specific business and economic opportunities that could be supported by such demand, if the timber were supplied;

7. to review, identify, and report quarterly to the State and federal governments on possible timber sales in the Tongass National Forest that would meet demand with economical timber sales, including the identification of possible 10-year timber sales;

8. to review, identify, and report annually on July 30, to the State and federal governments on current wood products and potential new products and uses, such as biofuel or cellulistic ethanol, that could be made from timber supplied by the Tongass National Forest; and

9. to review and submit recommended areas of research related to use of the Tongass National Forest and impacts on wildlife.

SECTION 3: ALASKA TIMBER JOBS TASK FORCE

1. The task force is composed of the Governor or the Governor's designee, and eight additional members appointed by the Governor:

   (a) the Commissioner of the Department of Natural Resources, or the Commissioner's designee;

   (b) the Commissioner of the Department of Fish and Game, or the Commissioner's designee;

(c) the Executive Director of the Alaska Industrial Development and Export Authority (AIDEA), or the Executive Director's designee;

(d) the United States Department of Agriculture Regional Forester for Alaska, or the Forester's designee;

(e) a member representing the interests of communities in Southeast Alaska; and

(f) three members representing the Alaska forest products industry.

2. The Governor shall appoint one member as chairman of the task force. All public members of the task force serve at the pleasure of the Governor.

SECTION 4: RESPONSIBILITIES AND REPORTS

The task force shall submit a preliminary report on or before July 30, 2011, to the Governor, and a final report on or before July 1, 2012, that addresses all the areas set out in Section 2 of this Order, with a particular focus on creating jobs for Alaskans and their families, and identifies specific federal policies or procedures that stand in the way of job creation and economic development.

SECTION 5: ADMINISTRATIVE SUPPORT

The Department of Natural Resources shall provide necessary administrative support to the task force.

SECTION 6: GENERAL PROVISIONS

The task force members do not receive compensation as members of the task force. Members of the task force who are not State or federal employees are entitled to per diem and travel expenses in the same manner permitted for members of State boards and commissions. Per diem and travel expenses for members of the task force who are appointed as a member of a State or federal agency are the responsibility of that State or federal agency.

The task force may use teleconferencing or other electronic means, to the extent practicable, in order to gain the widest public participation at minimum cost.

Meetings of the task force shall be conducted, and notice of regular meetings provided, in accordance with AS 44.62.310 and 44.62.312 (open meetings of governmental bodies). A majority of appointed voting members of the task force constitutes a quorum for conducting business. Records of the task force are subject to inspection and copying as public records under AS 40.25.110 - 40.25.220.

This Order takes effect immediately.

DATED at Juneau, Alaska this 5th day of May, 2011.

/s/Sean Parnell
Governor

Alaska Timber Jobs Task Force

Final Report

APPENDIX 2

DIVISION OF FORESTRY ENGINEERING NEEDS FOR LARGE CONSTRUCTION PROJECTS

Existing Situation

The Division of Forestry (DOF) in the course of managing the forest resources for the State of Alaska controls:

- The disposal of timber resources on State land managed by the Department, primarily through timber sales.
- The design and layout of harvest units and logging roads for our timber sales.
- The activity of timber purchasers as they construct logging roads, log storage and transfer facilities, and other improvements needed to facilitate the removal of timber.

Generally, the cost of logging roads are part of the operating cost for a timber sale and are covered by the value of the stumpage. The purchaser builds or contracts out the road construction to harvest and remove the timber as part of the timber sale contract. With increasing frequency the DOF has needed to construct access roads and other infrastructure using State CIP funding that serves multiple sales and uses, which can't be funded through the initial timber sale. Large construction projects that use State funding require the oversight of a licensed engineer. The level of Professional Engineering use is governed as follows:

- AS 38.95.160 (a) Improvements on State Land states, "The location and design of a publicly financed improvement on state land that costs more than $100,000 shall be supervised by a professional registered to practice under AS 08.48. This is further developed and reinforced in the procurement statutes to construct highways (any public road or trail) and facilities.
- All construction procurement authority (AS 36.30.005) is vested in the Alaska Department of Transportation (DOT). AS 36.30.015 allows delegation of authority to another agency when DOT makes a written determination it is capable of implementing the authority. At this time,DNR is delegated to "construct" through DNR Support Services with warrant authority up to $2.5 MM for horizontal work and $0.5MM for vertical work. The DNR projects typically are supported by engineers in Division of Parks Office of Design and Construction.

Past DOF Construction Projects

Within the last 7 years DOF has completed several large construction projects to access new timber sale areas. These projects were funded through an RSA with DOT's Roads to Resources CIP funding. The projects were all developed, managed and inspected by DOF staff or its engineering contractors. The following is a short summary of actions to date:

- Bostwick Timber Access Road. *RSA amount: $1.5 MM.* Construction of 7.1 miles of single lane, hard rock logging road across three different ownerships.
- Shirley Towne Bridge. *RSA amount: $0.3 MM.* The project paid for the contract engineering and refurbishment of the Mat-Su Borough-owned Shirley Towne Bridge, located 7 miles east of Willow. With the replacement and upgrade of the bridge deck structure, 11,000 acres of State land are accessed for potential timber harvesting.

- Willer-Kash Timber Access Road. *RSA amount: $0.2 MM.* This project provided initial access into the Willer-Kash Area, east of Willow, by reconstructing a mainline logging road and installing a DOF owned, 36-foot modular bridge.
- Southeast Timber Access. *RSA Amount: $0.6 MM.* This project's purpose was to purchase modular bridges for accessing geographically isolated blocks of timber in the Southern Southeast Area. DOF worked with the DOT Bridge Design Section to develop the standards for procuring these structures. DOF has purchased two bridges to date with another two scheduled.

Situation:

At this time we have no licensed engineer within DOF. We have utilized RSAs with the Division of Parks Design and Construction office for engineering review, construction procurement and management oversight. The Design and Construction office has been supportive with their staff but not generally able to devote significant resources to DOF's projects, due to their own scheduled projects. In order for DOF to complete our construction projects we will either need to wait for available engineers in Parks or contract with a private engineering firm for the project design. We will still need State procurement oversight and a licensed project engineer.

Current Funded Projects with DOF interest

- Southeast Timber Access CIP (DOF) $2.0 MM. Targets include an 80 foot modular bridge, Logging spur construction on Mitkof Island, Edna Bay Road and the Coffman Cove Road.
- Bostwick Road to Vallenar Bay CIP (DOT) $5.0 MM. This CIP targets the construction and upgrade of existing and planned logging roads for two parcels of the Southeast State Forest and other State parcels on Gravina Island.
- Seley Mill Access Road Improvements CIP (DOT) $2.5MM. This CIP will upgrade 3 miles of basic logging road and replace 4 railroad car bridges with modular structures. This is the main haul road used to truck logs to the existing LTF on Gravina.
- Roads to Resources CIP (DOT) $2.0MM. In consultation with DNR these funds are expected to be spent on the development of access to North Hollis, Crittenden Creek and the purchase of several modular bridges, for new timber sales and the long term management of the Southeast State Forest.
- DOT State Access Roads Bond Package (Shelter Cove and others) $10MM to $29MM. This project accesses parcels of the Southeast State Forest and other forested land owners and increases the drivable road base of the greater Ketchikan area.
- Kake to Petersburg CIP (DOT) $40.0 MM. This road will be used for Forest Service timber sales. This project enhances DOF's collaboration with the Forest Service to improve their timber sale economics.

Proposed Solutions:

1. Establish a small engineering staff in DOF that would manage just DOF construction projects. This would be a staff of two engineers, supported by the central office. They would only be able to handle one,

or at the most two, projects at a time. Any additional engineering needs would have to be contracted out. This would allow DOF to have singular control of all their projects, but would limit the amount of projects we could deal with.

2. Expand the size of the Division of Parks Design and Construction Office by adding additional engineers and support staff to handle the construction needs of DOF. This office would need increased procurement authority up to $20 MM for large projects.

We would just be expanding an existing office. The concern would be to ensure that DOF's need would be met in a timely manner and receive the same priority as the other Parks projects.

3. Establish a separate Engineering Office in DNR to provide engineering support to all of the various divisions within the Department, with the exception of the Division of Parks, which would keep it's own engineering office. The goal of the office will be to support the construction of access roads and facilities for natural resource extraction in the form of multiple use, timber, coal, minerals, recreation, oil, etc. on all State lands. Positions would be assigned to specific divisions as work load and funding dictated. The engineering office would be funded initially through CIPs but with a recommendation towards the use of an increment for stability of the workforce and responsiveness. This office would need procurement authority up to $20 MM for large projects. DOF estimates the following staffing increase will be needed based on the current DOF project funding:

- One High Level Procurement Officer (this may not be necessary if you hire an Engineer/Architect IV to head an independent office).
- Two-three Professional Engineers of class specification Engineer/Architect I/II/III (target II/III)
- Two Engineering Assistants II (contract inspection).
- One Administrative Assistant (information and budget management assistance)

This would ensure that each Division's needs would be met, as this would be a Department office. The down side is that we would be creating a redundant office.

4. Make Division of Park's Design and Construction office a separate office within the Department that would provide engineering support to all of the Divisions within the Department. We would need to expand the size of that office and its procurement authority to $20MM, to ensure that everyone's needs would be met.

Alaska Timber Jobs Task Force

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APPENDIX 3

Alaska Department of NATURAL RESOURCES

Public Briefing:
Susitna State Forest
DEPARTMENT OF NATURAL RESOURCES -- DIVISION OF FORESTRY

January, 2012

Background. The state Department of Natural Resources manages over 9.5 million acres of forest land in the Matanuska and Susitna Valleys. Of this land, timber management is allowed on approximately 2.1 million acres. The state actively manages this timber base to supply wood to local processors. Remaining land is designated primarily for other uses including land sales, recreation, water resources, and fish and wildlife habitat, including over 3.1 million acres of legislatively designated state parks, refuges, and public use areas.

In the region, demand for state timber sales is steady and growing and personal use sales for fuelwood have also increased. Local mills depend heavily on state timber for their raw material supply and there is a growing interest in the use of wood in the form of roundwood, chips or wood pellets for both commercial and residential space heating.

There is also a need to more actively manage lands and vegetation to promote a variety of forest ages to provide for diverse and healthy habitats for wildlife. At the same time, active management will also help reduce wildland fire risk by breaking up large fuel types and encouraging initial regeneration by hardwood species.

The state is committed to long-term management solutions by:

- maximizing the sustainable supply of timber from the state timber base;
- developing access and encouraging a broad range of multiple uses on state forest lands including motorized uses;
- providing economic opportunities to the communities, businesses and residents of the region.

Legislatively designating a State Forest would ensure that some land will remain available for long-term forest management and the region will retain large open spaces of public lands for the range of benefits residents of the region currently enjoy.

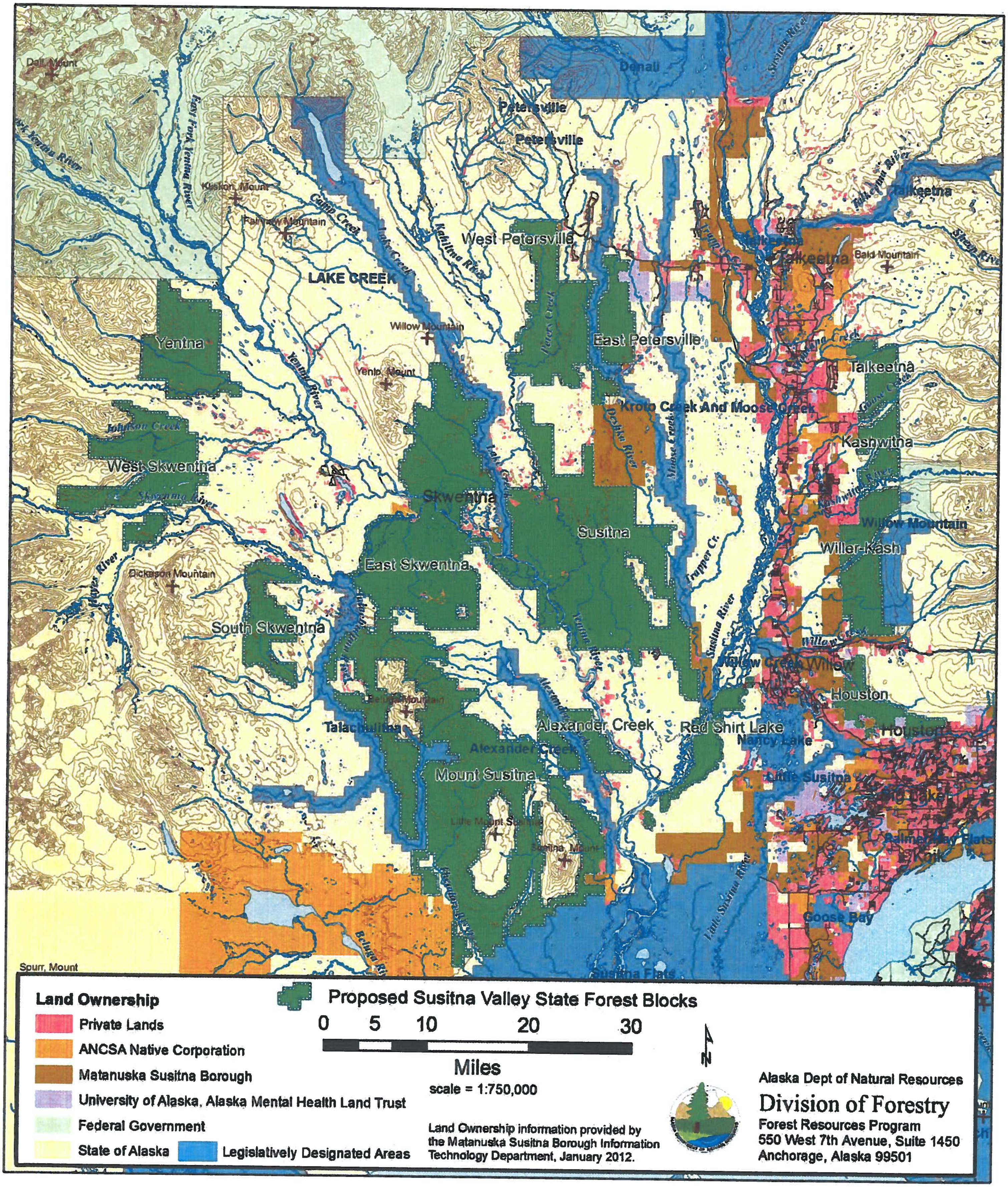
Purpose. This bill would establish a new Susitna State Forest from state lands presently used for timber harvest. The Division of Forestry will be able to manage the State Forest for a long-term supply of timber to local processors, and retain the land in state ownership for multiple uses.

Proposed State Forest Land. The proposed Susitna State Forest includes 33 parcels totaling approximately 763,200 acres (see chart). The parcels are Forestry classified lands located in 14 large management blocks listed below. The Division of Forestry worked with the Division of Mining, Land, and Water (DML&W) management to identify and exclude lands that are priorities for the state land disposal program.

State Forest Management. The Susitna State Forest would be managed as part of the State Forest System under AS 41.17.200-.230. Lands in the State Forest would continue to be open for multiple uses, including wildlife habitat and harvest and recreational activities. State Forest lands would be managed consistent with the management intent under the current Susitna Matanuska and the Southeast Susitna Area Plans. Changes to management intent would require public and interagency review through adoption of a State Forest Management Plan under AS 41.17.230. The States Forest Resources Practices Act (FRPA) would apply to management activities on the forest and is designed to protect both fish habitat and water quality. (AS 41. 17.010 - .955.) A forestry inventory was completed in 2010 for approximately 75% of the acreage and work is ongoing to complete the project. An interim forest inventory report is available.

PROPOSED SUSITNA STATE FOREST			
Parcel	**Acreage**	**General Location**	**Block**
Susitna-Matanuska Area Plan			
P-13a	18,100	Kroto Creek East	East Petersville
P-13b	49,600	Kroto Creek West	West Petersville
P-13c	3,300	Amber Lake	West Petersville
U-26a	35,400	Yentna River West	Yentna
R-03a	6,500	Nakoshna River	Yentna
R-03b	33,600	Skwentna River North	West Skwentna
U-26b	15,500	Skwentna River North	West Skwentna
R-03c	5,100	Hayes River	West Skwentna
M-07a	24,200	Canyon Creek	South Skwentna
M-07b	187,000	Mount Susitna	Mount Susitna
M-07c	2,500	Theodore River	Mount Susitna
M-07d	5,800	Alexander Creek West	Alexander Creek
U-24a	10,300	Alexander Creek East	Alexander Creek
U-04a	500	Kroto Slough	Susitna
U-04b	155,800	Kahiltna River	Susitna
U-07e	104,100	Skwentna Village	East Skwentna
B-10	15,200	Yenlo Creek	East Skwentna
S-35	12,800	South Fork Montana Creek	Talkeetna
Southeast Susitna Area Plan			
U-01a	1,200	Sheep Creek North	Talkeetna
U-01b	6,500	Sheep Creek South	Kashwitna
U-01c	5,800	Kashwitna River	Kashwitna
U-01d	13,900	Little Willow Creek North	Willer-Kash
U-01e	18,600	Willow Creek North	Willer-Kash
U-01f	10,500	Deception Creek	Houston
W-01g	600	Houston	Houston
H-06a	800	Houston	Houston
H-32	500	Houston	Houston
H-06b	3,000	Houston	Houston
P-03	600	Little Susitna North	Houston
P-02	1,600	Little Susitna North	Houston
S-03a	300	Deshka Landing	Red Shirt Lake
S-03b	13,300	Deshka Landing South	Red Shirt Lake
S-03c	700	Susitna Village	Red Shirt Lake
TOTAL	**763,200**		

Susitna Valley State Forest Blocks



Alaska Timber Jobs Task Force

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APPENDIX 4

Review of Alaska Timber Sale Statutes and Regulations

The Governor's Administrative Order No. 258 created the Alaska Timber Jobs Task Force to report and recommend actions to maintain and encourage the development of the forest industry in Alaska. Among the items for review were limitations State statutes and regulations may have on the "creation of economic development and jobs for Alaskans and their families, and Alaskan communities" (Task 4). The following are recommendations that will help the state better meet the needs of businesses reliant on our state's forests. Deletions are noted by ~~strikethrough~~, while additions are noted in **[bracketed bold].**

AS 38.05.118. Negotiated Sales. This statute allows the state to negotiate timber sales for a period not to exceed 25 years to local manufacturers. The contract under this statute needs to provide that the appraised value of the timber be redetermined every 5 years. The law further requires:

> "(c) A sale of timber may not be negotiated by the commissioner under this section except on a finding that, within an area proximate to the business site that the manufacturer may economically serve, there exists, or will exist within two years,
>
> (1) a high level of local unemployment; **[or]**
>
> (2) an underutilized timber manufacturing capacity; ~~and~~ **[or]**
>
> (3) an underutilized allowable cut of state timber, timber that will lose substantial economic value due to insects, disease, or fire, or timber to be cleared for the conversion of land to non-forest uses."

By adding "or" to the end of the first two requirements to the finding as shown above, the state can better utilize this vehicle for providing long term timber sales for Alaska businesses. Having a long term supply of raw material is essential when a business is seeking to secure loans for new facilities or expanding and modernizing existing facilities.

While the statute, as written, can serve many businesses and communities, there are other businesses located in communities that have unemployment rates equal or lower than the state average and also have underutilized allowable cut. In these cases , the state would not be able to encourage businesses to expand or modernize by making available, at a fair market value, an underutilized resource for a term long enough to meet financing concerns.

The state also cannot use the current statute to negotiate long term contracts with businesses who would like to establish a new plant in an area even if the area had high unemployment and an underutilized allowable cut. Since there is no existing plant, a business cannot demonstrate to the state an underutilized manufacturing capacity, and the state, consequently, cannot negotiate a long term contract. The business, however, cannot secure funding without demonstrating the ability to secure a long term supply of raw material.

AS 38.05.945. Notice. The requirement to post a notice in a statewide newspaper for smaller timber sales can add a considerable percentage to the total cost of producing the sale. To reduce this cost, the DOF would not need to advertize in a statewide newspaper if the sale is less than 640 acres or less than $100,000 or less than 5 years duration. Any sales that do not meet one of these criteria would have to use the current notice process. These smaller sales will continue to be noticed statewide through the state's online public notice system and with mailings to organizations and individuals who have expressed an interest in the DOF's timber sale program. Notices in local newspapers will continue to inform the public most affected by the sales.

Sec. 38.05.945. Notice....

> (b) When notice is required to be given under this section,
>
> (1) the notice must contain sufficient information in commonly understood terms to inform the public of the nature of the action and the opportunity of the public to comment on it;...
>
> (3) if the notice is of an action described in (a) of this section, other than notice of an action under (a)(3)(A) of this section, the department shall give notice at least 30 days before the action by publication in newspapers of statewide circulation and in newspapers of general circulation in the vicinity of the proposed action and one or more of the following methods:
>
> (A) publication through public service announcements on the electronic media serving the area affected by the action;
>
> (B) posting in a conspicuous location in the vicinity of the action;
>
> (C) notification of parties known or likely to be affected by the action; or
>
> (D) another method calculated to reach affected persons.
>
> **[(4) notice at least 30 days before the action by publication in newspapers of statewide circulation is not required for the sale of timber on less than 640 acres or the appraised value of the timber is less than $100,000 or the sale of timber is for a period less than 5 years.]**

The changes in the statutes will, in most cases, require changes to the corresponding regulations as shown below:

11 AAC 71.045. Negotiated Sales. (e). This regulation currently limits the length of a contract negotiated under the conditions of AS 38.05.115 to one year, and prevents contract extensions. In Southeast Alaska, small sales less than 10 acres can contain more timber than the milling capacity of many small operators. The ability to issue 2-year contracts for small negotiated sales would provide the state with a better tool to address the needs of these small operators and allow these small operators to have longer windows of secure timber for their businesses.

> (e) A negotiated timber sale, other than a timber sale negotiated under AS 38.05.118 **[or AS 38.05.123]**, is for a period of time that may not exceed ~~one~~ **[two]** year. The division will not grant an extension of time under this subsection.

11 AAC 71.055. Negotiated sales under AS 38.05.118. The changes to this regulation reflect the changes made to the statute AS 38.05.118 described above.

~~(a) The division may negotiate with a local manufacturer for a timber sale under AS 38.05.118 if the director determines that~~

~~(1) the rate of unemployment in the area in which the timber is located is at least 135 percent of the statewide average rate of unemployment for the preceding 12-month period for which a statistical comparison is available, or the rate of unemployment is expected to exceed 135 percent of the statewide average within two years;~~

~~(2) a permanent manufacturing facility exists in the area in which the timber is located with the capacity to process at least 50 percent more on a board-foot-per-day basis than the average daily production of the manufacturing facility during the three-year period immediately preceding the date of the sale or such a facility is expected to exist within two years; and~~

~~(3) an economically operable state timber resource exists in the area in which the timber is located and the state timber resource has the capacity to sustain a level of harvest on a sustained-yield basis that is at least 20 percent greater than the level of harvest of the state timber resource on the date of the sale.~~

~~(b)~~ **[(a)]** In determining whether a negotiated sale under this section is in the best interests of the state, the commissioner will consider

(1) the local manufacturer's

(A) financial backing and capability;

(B) experience in the proposed undertaking; and

(C) ability to meet bonding or insurance requirements; and

(2) any other factors the commissioner determines to be in the best interests of the state.

The suggested changes in the statutes and regulations is aimed at creating opportunities for the state to use its resources to help existing businesses keep the jobs they have and encourage new businesses to create new jobs for the people of Alaska. This is especially true with the current timber supply problems in Southeast Alaska and the increased interest in biomass projects across the state.

Alaska Timber Jobs Task Force

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APPENDIX 5

Timber Jobs Task Force

Work Group on state statutes and regulations governing timber harvesting

(Administrative Order No. 258, Task No. 4)

Overall purpose: review, analyze, and prepare recommendations to the Governor for changes or amendments to the State statutes or regulations governing timber harvesting that will lead to the creation of economic development and jobs for Alaskans and their families, and Alaskan communities (Task #4, AO 258)

Specific purpose: review the Alaska Historical Preservation Act, identify potential inefficiencies resulting from the current implementation of the Act, and prepare recommendations to the Timber Jobs Task Force for addressing the identified issues.

Applicable Alaska Statutes: Chapter 41.35 Historic Preservation

Article 01. ALASKA HISTORIC PRESERVATION ACT

Sec. 41.35.010. Declaration of policy.

It is the policy of the state to preserve and protect the historic, prehistoric, and archeological resources of Alaska from loss, desecration, and destruction so that the scientific, historic, and cultural heritage embodied in these resources may pass undiminished to future generations. To this end, the legislature finds and declares that the historic, prehistoric, and archeological resources of the state are properly the subject of concerted and coordinated efforts exercised on behalf of the general welfare of the public in order that these resources may be located, preserved, studied, exhibited, and evaluated.

Sec. 41.35.070. Preservation of historic, prehistoric, and archeological resources threatened by public construction.

(a) The department shall locate, identify, and preserve in suitable records information regarding historic, prehistoric, and archeological sites, locations, and remains. The information shall be submitted to the heads of the executive departments of the state.

(b) Before public construction or public improvement of any nature is undertaken by the state, or by a governmental agency of the state or by a private person under contract with or licensed by the state or governmental agency of the state, the department may survey the affected area to determine if the area contains historic, prehistoric, or archeological values.

(c) If the department determines that historic, prehistoric, or archeological sites, locations, or remains will be adversely affected by the public construction or improvement, the proposed public construction or improvement may not be commenced until the department has performed the necessary investigation, recording, and salvage of the site, location, or remains. All investigation, recording, and salvage work shall be performed as expeditiously as possible so that no state construction project will be unduly impaired, impeded, or delayed.

(d) If in the course of performing public construction or improvements, historic, prehistoric, or archeological sites, locations, remains, or objects are discovered, the department shall be notified and its concurrence shall be requested in continuing the construction or improvement. Upon receipt of this notice, the department shall survey the area to determine whether the area contains historic, prehistoric, or archeological data which should be preserved in the public interest. The survey shall be conducted as expeditiously as possible. If, as a result of the survey, it is determined that (1) this data exists in the area, (2) the data has exceptional historic, prehistoric, or archeological significance, and should be collected and preserved in the public interest, and (3) it is feasible to collect and preserve the data, the department shall perform the necessary work to collect and preserve the data. This work shall be performed as expeditiously as possible.

(e) If the concurrence of the department required under (b) and (c) of this section is not obtained after 90 days from the filing of a request for its concurrence to proceed with the project, the agency or person performing the construction or improvement may apply to the governor for permission to proceed without that concurrence, and the governor may take the action the governor considers best in overruling or sustaining the department.

(f) The costs of investigation, recording, and salvage of the site shall be reimbursed by the agency sponsoring the construction project.

(g) Notwithstanding (a) - (f) of this section, all actions to stop any project shall first be approved in writing by the commissioner.

Problem statements:

1. DOF and SHPO operate administratively independent of each other, but their scopes of work directly affect one another.
2. Costs associated with conducting required archeological surveys can present an economic barrier to lower-value timber or biomass development projects.
3. SHPO has limited resources (i.e. staff, funding, etc.) to directly support proposed DOF projects, which presents operational inefficiencies for the department.

Potential recommendations to Timber Jobs Task Force:

1. To avoid conflicts and address inefficiencies between their respective programs, DOF and SHPO should continue to work cooperatively to develop the following:
    a. Programmatic work agreements;
    b. Joint funding agreements/requests to fund survey work; and
    c. Increased communications (formal and informal).

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APPENDIX 6

TIMBER JOBS TASKFORCE
TASK 5
STATE LAND ACQUISITION

to review, analyze, and prepare recommendations to the Governor related to State land selections in the Tongass National Forest and identification of lands already selected and conveyed or pending that have little or no economic use but may have other value and identification of federal lands for which an exchange could be offered to the federal government

BACKGROUND/ACCOMPLISHMENTS

- During discussions of the Task 5 Subcommittee, the USFS expressed general interest in some State Lands. The USFS was requested to provide a listing of State lands that they are interested in obtaining, but declined to provide a specific list at this time, due to other on-going land adjustment projects. The USFS provided a 2 page overview on agency Land Adjustment processes, citing the Tongass and Chugach Forest Plans for direction regarding land adjustment. Neither plan provides a specific list of parcels, but both Forest plans provide a description of characteristics and objectives for acquisition including consolidation of lands. Land Exchanges are guided by USFS national policy and the Forest Plans.
- Administrative land exchanges are discretionary from the USFS standpoint and are only entered into when determined to be "in the public interest". Land exchanges are of equal value; there are exemptions from that requirement in Alaska but that requires additional approval on the federal side. The State of Alaska also has a land exchange process with criteria that must be met. The administrative land exchange process tends to be lengthy.
- Parcel location can be extremely important when considering a land trade. The Forest Service (FS) can make trades involving lands within national forest boundaries but trade authority becomes questionable with lands adjacent to or outside national forest boundaries
- In general, the majority of lands within the Tongass were conveyed as National Forest Community Grant lands. Section 6(a) of the Alaska statehood Act states in part..."all of which shall be adjacent to established communities or suitable for prospective community centers and recreational areas..."
- The Subcommittee has developed a draft list (see Appendix 7) of approximately 255,000 acres of State owned lands in SE that could potentially be included in a future land exchange.
- That acreage is located either within the boundaries of the Tongass National Forest (87,275 acres) or adjacent to the boundaries of the Tongass (167,727 acres)
- Proposed trade parcels include uplands adjacent to State Marine Parks and parcels of the Southeast State Forest that have questionable economics due to size and remoteness. These State Forest parcels could become economical w/ additional acreage.

IDENTIFICATION OF FEDERAL LANDS

- The State owned acreage proposed for trade (255,000 acres) would provide for an annual harvest level of 43.5 mmbf to 49 mmbf (net + net) over a 100 year rotation. The State of Alaska estimated during the development of the 2008 Forest Plan that an efficient/sustainable harvest level for the current industry was 200 mmbf (TLMP ROD pg 65). [1]

- The acreage proposed for trade does not provide the annual volume needed to meet the USFS Tongass Timber Reform Act demand calculation (127 MMBF for 2012), the TLMP demand estimate of the State of Alaska (200 MMBF), or the annual volume estimate (400 MMBF) for a fully integrated industry advocated for by the Alaska Forest Association.

- The subcommittee did not identify federal lands for inclusion in a land exchange since the State acreage proposed for trade does not provide enough annual volume to meet any of the demand calculations listed in this report.

RECOMMENDATIONS

The Task 5 subcommittee offers the following recommendations for consideration of the Governor's Timber Jobs Taskforce:

- Pursue withdrawal of two million acres from the Tongass NF from federal management and/or ownership to support an integrated timber industry.
  - This would entail federal legislation amending the Statehood Act to allow the State to reprioritize remaining state selections under the original legislation.[2]
  - Approximately 5.5 million acres of state-selected lands still need final adjudication and title transfer. The above recommendation would pursue up to two million acres to be selected from unallocated and vacant lands in the Tongass NF. The original Statehood Act restricted state selections to 400,000 acres "for the purposes of furthering the development of and expansion of communities" in the Tongass and Chugach National Forests.[3] Approximately

---

[1] Annual volume to acreage estimates based on an average volume of 23 mbf per acre (based on TLMP data), net Scribner sawlog and net utility volume (net+net) and a 15% falldown in acres to meet AFPRA standards (low volume/acres estimate) and a falldown factor of 26% to meet Tongass Land and Resource Management Plan standards (high volume/ acres estimate).

[2] Statehood Act (PL 85-508,72 Stat. 339, July 7, 1958) authorized selections within 25 years from the date of admission of the State of Alaska to the Union. The admission date was January 3, 1959. A subsequent amendment by Alaska Native Claims Settlement Act (ANCSA) 43 USC, §1609, §906(a)(1) and (2) allowed for an additional 10 years.

[3] Section 6 (a), PL85-508, 72 Stat. 339, July 7, 1958.

408,000 acres were selected in the Tongass NF and title to these lands has largely been transferred. The rational for restricting state selections in the Tongass NF was due, in part, to long-term timber sale agreements in place between the USFS and private companies operating pulp and paper mills (i.e., Alaska Pulp Corporation and Ketchikan Pulp Corporation), which the USFS claimed would provide for the future timber needs of southeast Alaska. The USFS terminated those agreements in1994 and 1997 respectively.

❖ Work jointly with other states/entities seeking change in the management of federal lands. Possible changes include the concepts of "trust" or state management of federal lands, the transfer of federal lands into state ownership, adjustments to individual statehood acts by congress and measures to force the agencies, primarily the USFS, to increase timber harvest. As an example of this last point, during February 2012 Representative Doc Hastings (R-WA), chair of the House Natural Resources Committee, introduced the Federal Forests County Revenue, Schools, and Jobs Act (HR 4019). Representative Hastings noted, "HR 4019 would replace the current Rural Schools program with one that restores active management of our national forests." The legislation would establish an annual revenue requirement for each national forest equal to 60% of the average annual gross receipts derived from 1980 to 2000. It would require 65% of the amounts derived from trust projects such as timber sales, mineral development, power generations, and community wildfire protection plans be deposited in the trust with the remaining 35% going to the USFS via the US Treasury.

❖ The State support the general concept of land ownership changes as proposed in the Sealaska land entitlement act, the AMHT administrative land exchange and the Unrecognized Southeast Alaska Native Communities land conveyance request.

❖ Pursue an administrative land exchange with the federal government of approximately 250,000 acres of existing state-owned lands; dispersing the newly-acquired lands among Southeast communities and boroughs for community development and economic diversification.

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APPENDIX 7

Location	Land Use	Acres	Proposal	Area Plan/Parcel	Status	Reason
Salmon Bay	Undeveloped Recreation	170.00	trade	POW / Unit 1		AK - community rec - recommended SP / FS - LUD II
Hole-in-the-wall	Undeveloped Recreation	675.00	trade	POW / Unit 2a		AK - recreation - F&W harvest values / FS - LUD II - Timber Prod
Merrifield Bay	Undeveloped Recreation	420.00	trade	POW / Unit 2b		AK - community recreation / FS - Timber Prod - Mod Landscape
El Capitan Island	Commercial Settle/Rec	865.00	trade	POW / Unit 4b		AK - comm/indust. develop. - settlement / FS - Semi-Remote Rec
Whale Pass addition	General Use	905.00	trade	POW / Unit 5a		AK - ? / FS - north end timber prod - south OGR
Jinhi Bay	State Forest / General Use	893.00	change/trade	POW / Unit 7b		AK - small parcel on island / FS - Timber Prod
Salt Lake Bay	Undeveloed Recreation	917.00	trade	POW / Unit 10b		AK - Rec - F&W habitat / FS - Semi-Remote Rec
Grindall Island	Undeveloped Recreation	515.00	trade	POW / Unit 12c		AK - Community Rec - State owns entire island
Grindall Passage	Undeveloped Recreation	400.00	trade	POW / Unit 12c		AK - Community Rec / FS - OGR
Little Coal Bay	General Use	970.00	trade	POW / Unit 12c		AK - Settlement along coast / FS - Timber Prod
Kitkun Bay	GU/Ru/State Forest	2,360.00	trade	POW / Unit 13b		AK - small remote parcel / FS - Timber Prod - mineral exploration
Menefee Anchorage	Developed Recreation	570.00	trade	POW / Unit 14b		AK - Community Rec / FS -south & west OGR - east Timber Prod
Ingraham Bay	General Use	1,345.00	trade	POW / Unit 14c	selected	AK - community develop.-settlement / FS - Timber Prod - OGR
Moira - North Arm	General Use	0.00	trade	POW / Unit 14a	?	AK - support timber / FS - OGR
Kendrick Bay	General Use	680.00	trade	POW / Unit 15a		AK - Community Development / FS - NE OGR - West timber Prod
Sanford Cove	Undeveloped Recreation	4.90	trade	C/S - S-01		surrounded by USFS Wilderness
Roberts & Crow Islands	Undev Rec / Habitat	1,090.00	trade	C/S - S-03		wildlife viewing/USFS OGR
Cleveland Passage/Foot Island	Undev Rec / General	1,506.00	trade	C/S - S-04		FS-Research Natural Area/OGR
South Whitney Island	Undeveloped Recreation	316.00	trade	C/S - S-05		FS - Semi Remote Rec/wildlife viewing
Read Island	Undev Rec / Harvest	706.20	trade	C/S - S-06		AK-commercial fishery area/marine park
Farragut River	Undev Rec / Habitat	82.00	trade	C/S - S-07		FS-Farragut is Wild & Scenic River/Semi Remote Rec
Security Bay	Undev Rec / Public Fac	470.80	?	C/S - U-01		AK-State Marine Park / FS timber production
Rowan Bay	State Forest	665.00	trade	C/S - U-02		remote site / small acreage
High Island	Undev Rec / Public Fac / Harvest	605.00	trade	C/S - U-07		Surrounded by State Marine Park
Seclusion Harbor	Undeveloped Recreation	3.50	trade	C/S - U-09		USFS - OGR
Thomas Bay	GU / Materials / Harvest	2,273.00	?	C/S - P-01		subdivision ? / hunting / FS - Mod Land & Scenic Viewshed
Protewy Point	Undeveloped Recreation	600.00	trade	C/S - P-02		FS - Scenic Viewshed
Coho Creek	General Use / Undev Rec	3,515.00	trade	C/S - P-03		AK-water supply - City of Kupreanof / FS - Scenic-Mod L-TP-Wild
Mitkof Island Reservoir & Quarry	Undev Rec / Settle/Public Fac	2,294.30	part trade	C/S - P-05		keep settlement - trade recreate/water reservoir
Falls Creek	General Use	640.00	trade	C/S - P-14		AK-Timber Mgmt YG only - habitat / FS Modified Landscape
Ideal Cove	Undeveloped Recreation	910.00	trade	C/S - P-15		FS - Semi Remote Rec/wildlife viewing
SE tip Lindenberg Peninsula	Undev Rec / Habitat	218.30	trade	C/S - P-17		AK-Parcels adjancent to subdivisions / FS - OGR
Beecher Pass State Marine Park	Undev Rec / Public Fac	658.20	trade	C/S - P-18		State Marine Park / FS - OGR
Coastal Plain along Narrows	Undev Rec / Habitat	161.40	trade	C/S - P-19		AK-Buffer to subdivision
Halfmoon Anchorage	Undev Rec / Habitat / Harvest	798.20	trade	C/S - P-20		FS -OGR / Scenic View / AK-recreation & scenic qualities
Burnt Island Reed / Burnt Island	Undev Rec / Habitat / Harvest	80.00	trade	C/S - P-21		FS - Scenic Viewshed / AK-recreation & scenic qualities
Boulder Point	Undev Rec / Habitat / Harvest	685.70	trade	C/S - P-24		FS- Scenic-Mod-OGR / AK - wildlife - recreation
Southern tip Lindenburg Pen.	General Use	1,007.20	trade	C/S - P-30		FS - OGR / AK - wildlife - viewshed- dispersed rec
SW tip Lindenburg Peninsula	Undeveloped Recreation	186.50	trade	C/S - P-31		AK - subdivision buffer - important habitat / FS - OGR
Crittenden Creek	General Use / State Forest	3,410.00	trade	C/S - W-01		Poor economics-visuals / FS - OGR-Scenic Viewshed - roadless
Mill Creek	Undev Rec / Public Fac /GU	975.70	trade	C/S - W-07		AK - State Marine Park / FS - OGR - Scenic V.
Thoms Lake	Habitat / Undev Rec / Public Fac	2,169.00	trade	C/S - W-13		FS - OGR / AK - habitat - fisheries -
West Coast and Thoms Creek	Habitat/Settle/General Use	3,555.00	trade	C/S-W-14	?	2 parcels - check status
Olive Cove drainage	General / Undev Rec	450.00	trade	C/S - W-15		FS - Scenic V - OGR / AK - habitat and wildlife - subdivision
Thoms Place	Public Fac / Habitat / Harvest	1,230.50	trade	C/S - W-17		Thoms Place State Marine Park
North Bank Bradfield Canal	State Forest / GU	880.00	trade	C/S - W-19		AK - small parcel - poor economics/ FS - Semi Remote Rec
South Bank Bradfield Canal	General Use	574.00	trade	C/S - W-20		Ak - fish streams-eagle nest-steep slopes / FS-Semi Remote Rec
McHenry Anchorage	Undeveloped Recreation	752.00	trade	C/S - W-23		AK - State Marine Park? / FS - South Etolin Wilderness

Location	Land Use	Acres	Proposal	Area Plan/Parcel	Status	Reason
West Thoms Place	Undeveloped Recreation	408.40	trade	C/S - W-28		AK - greenbelt-buffer - State Marine Park
Sunny Bay	General Use	2,514.00	trade	C/S - C-01		AK - dispersed recreation / FS - Timber Prod - Mod Land
Square Island	General Use	360.00	trade	C/S - C-02		AK - Dispersed Rec - scrub forest & muskeg
Spacious Bay	General Use	1,277.00	trade	C/S - C-03		AK - Dispersed Rec - Remote Settlement / FS-Mod Land
Union Point	Undev Rec / Public Fac	421.00	trade	C/S - C-04		AK - Dispersed Rec - State Marine Park? / FS-TP & ML - Minerals?
Boundry Creek Tramway Site	General Use	3.40	trade	C/S - H-01		AK - disposal of property
Salmon River Floodplain	Dev Rec / Undev Rec	61.00	trade	C/S - H-02	?	AK - check status - bear viewing / FS-developed bear viewing
Salmon River FP/Uplands	General Use	840.00	trade	C/S - H-03		AK - Recreation - wildlife and riparian habitat
Virgin Bay	Undev Rec / Public Fac	605.00	change/trade	C/S - K-03		AK - State Marine Park? / FS - timber production
Margaret Creek / Traitor's Cove	State Forest	330.00	change/trade	C/S - K-04		288 acres YG / 68 acres OG
Grant & Joe Island	Undev Rec / Public Fac	135.00	trade	C/S - K-07		AK - State Marine Park? - recreation use
Clover Passage / Grant Is area	Settlement	186.50	?	C/S - K-08		AK - remote settlement
Moser Bay	Settlement / General / Habitat	989.80	trade	C/S - K-09		AK - visual concerns - recreation / FS -Scenic Viewshed / Naha
SE Betton Island	Undev Rec / Public Fac	280.00	trade	C/S - K-13		AK - recreation & State Marine Park? / FS - Semi Remote Rec
Lake Harriet Hunt	Undev Rec / Dev Rec	395.30	trade	C/S - K-16		AK-recreation use / FS - Scenic Viewshed & OGR
Gravina Island North	State Forest	1,531.30	trade	C/S - K-25		poor timber - poor economics - tough logging
Upper George Inlet - Herring Bay	Undev Rec / General Use	815.00	trade	C/S - K-39		AK - recreation and viewshed
Fawn Mountain	Gen Use / Water Resources	601.00	trade	C/S - K-43		AK - watershed and habitat
Judy Hill - Blank Is. - Black Sands	Undev Rec / Public Fac	730.00	trade	C/S - K-45		AK - Black Sands Beach is a State Park - retain part of parcel
Black Mtn. on Thorne Arm	Undev Rec	379.00	trade	C/S - K-46		FS - Semi-Remote Rec
Dall Bay - Gravina	Undev Rec / Public Fac	850.20	trade	C/S - K-47	?	AK - State Park? - has this been conveyed?
Salt Lagoon	Habitat / Harvest	881.70	trade	C/S - K-50		AK - wildlife - critical habitat??? Shelter Cove road location?
Duke Island	General Use	1,635.00	trade	M-01	?	Has this be conveyed? Mining support?
Kelp Island	General Use	535.00	trade	M-02	?	Has this been conveyed?
Total SSE Parcels		61,923.00				
Chilkat Peak-Nataga Creek	General Use	19,299.34	trade	NS - H-01	O-TNF	AK - multiple use including mining / outside TNF
Boulder Creek	General Use	8,915.19	trade	NS - H-01	O-TNF	AK - multiple use - low resource value / outside TNF
Flower Creek	General Use	73,301.77	trade	NS - H-07	O-TNF	AK - multiple use - Special Use Designation @ Flower Mtn
Chilkat Islands SMP	Public Fac	515.01	trade	NS - H-26		AK - State Marine Park
Sullivan Island SMP	Public Fac	44.96	trade	NS - H-27		AK - State Marine Park
William Henry Bay	General Use	321.86	trade	NS - H-28		AK - settlement, settlement-commercial, dispersed rec
Saint James Bay SMP	Public Fac	5,536.14	trade	NS - H-29		AK - State Marine Park
Lynn Islands Uplands	Public Fac / Undev Rec	1,358.12	trade	NS - H-30		AK - dispersed rec - recommended for SMP
Point Covererden	Public Fac / Undev Rec	2,747.09	trade	NS - H-38		AK - dispersed rec - recommended for SMP
Islands @ Point Covererden	Public Fac / Undev Rec	1,403.18	trade	NS - H-39		AK - dispersed rec - recommended for SMP
Dude Creek CHA	Public Fac	4,079.68	trade	NS - G-01	O-TNF	AK - Dude Creek Critical Habitat Area - outside TNF
West of Taiya River	General Use	12,683.53	trade	NS - S-02	O-TNF	AK - multiple use including mining / outside TNF
Chilkoot Pass	General Use / Undev Rec	3,690.44	trade	NS - S-03	O-TNF	AK - protect & maintain historic resources / Klondike GR Nat Park
Chilkoot Trail area	Undev Rec	3,521.36	trade	NS - S-05	O-TNF	AK - protect & maintain historic resources / Klondike GR Nat Park
Klondike Hiway / Mt Cleveland	General Use / Undev Rec	28,976.35	trade	NS - S-06	O-TNF	AK - protect & maintain historic resources / Klondike GR Nat Park
Taiya River	Undev Rec	513.28	trade	NS - S-07	O-TNF	AK - protect & maintain historic resources / Klondike GR Nat Park
West Creek	General Use	9,354.00	trade	NS - S-08	O-TNF	AK - multiple use including mining / outside TNF
White Pass Road	General Use	553.39	trade	NS - S-13	O-TNF	AK - multiple use - maintain hertiage resources / adjancent to TNF
North of Nakhu Bay - West	General Use	463.46	trade	NS - S-14	O-TNF	AK - no development planned / outside TNF
North of Nakhu Bay - East	General Use	339.08	trade	NS - S-15	O-TNF	AK - no development planned / outside TNF
Base of A B Mtn	General Use	280.98	trade	NS - S-16	O-TNF	AK - no development planned / outside TNF

Location	Land Use	Acres	Proposal	Area Plan/Parcel	Status	Reason
Twin Dewey Peaks	General Use	1,431.84	trade	NS - S-22		AK - viewshed / FS - Semi Remote Rec
Devils Punch Bowl	General Use	1,132.31	trade	NS - S-23		AK - scenic and recreational values / FS - Semi Remote Rec
Funter Bay	Public Fac	437.13	trade	NS - A-01		AK - Funter Bay SMP / FS - Semi Remote Rec
Funter Creek	Undev Rec	223.39	trade	NS - A-02		AK - Development not appropriate / FS - Semi Remote Rec
Ledge Island - Admirarlty	Undev Rec / Public Fac	18.50	trade	NS - A-03		AK - Development not appropriate / FS - Semi Remote Rec
Olive Inlet SMP	Public Fac	365.14	trade	NS - A-05		AK - uplands of SMP / FS - Admiralty Island National Monument
Big Bear / Baby Bear SMP	Public Fac / Undev Rec	1,038.04	trade	NS - B-01		AK - uplands SMP / FS - Timber Prod - OGR
Kalinin Bay - Kruzof	Public Fac / Undev Rec	133.87	trade	NS - B-02		AK - recommended SMP / FS - OGR
Kalinin Bay - Kruzof	Public Fac / Undev Rec	180.49	trade	NS - B-03		AK - recommended SMP / FS - OGR
Sealion Cove - Kruzof	Public Fac / Undev Rec	498.70	trade	NS - B-04		AK - recommended SMP / FS - OGR
Magoum Islands	Public Fac / Undev Rec	1,129.00	trade	NS - B-05		AK - uplands SMP / FS - Semi-Remote Rec - Special Interest Area
Lisianski Penninsula	General Use	238.45	trade	NS - B-06		AK - community expansion-recreation / FS - SR Rec - Mod Land
Lisianski Penninsula	General Use	667.89	trade	NS - B-07	O-TNF	AK - dispersed rec - remote settlement / FS - outside TNF
Lisianski Penninsula	General Use	1,087.99	trade	NS - B-08	O-TNF	AK - community expansion-recreation / FS - outside TNF
Indian River	Public Fac / Undev Rec	1,426.60	trade	NS - B-29		AK - public rec - watershed / FS - Municipal Watershed
Biorka Island	General Use	134.11	trade	NS - B-34		AK - remote settlement / FS - Semi-Remote Rec
Biorka Island - East	General Use	249.83	trade	NS - B-35		AK - remote settlement / FS - Semi-Remote Rec
Big Bay - Khuchef Pen	Undev Rec / Habitat	1,071.00	trade	NS - B-36		AK - exceptional wetlands value / FS - OGR (Redoubt Lake)
Black Lagoon - Port Alexander	Undev Rec	40.61	trade	NS - B-38		AK - natural condition/resources / FS - Semi-Remote Rec
Port Conclusion	General Use	9.61	trade	NS - B-40		AK - multiple use / FS - Semi-Remote Rec
Port Alexendar - Eastern	General Use	98.29	trade	NS - B-41		AK - multiple use / FS - Semi-Remote Rec
Port Alexendar - West	General Use / Undev Rec	109.33	trade	NS - B-43		AK - Rec & scenic resources / FS - Semi-Remote Rec
Port Alexendar -South - Alex Is.	General Use / Undev Rec	36.54	trade	NS - B-44		AK - Rec & Scenic Qualities / FS - Semi-Remote Rec
Idaho Inlet	General Use	539.27	trade	NS - C-03		AK - Multiple Use - potential settlement-wildlife / FS-LUD II
Pelican	Undev Rec	96.30	trade	NS - C-06		AK - Rec - habitat - scenic values / FS - LUD II
Pelican	Undev Rec	179.72	trade	NS - C-09		AK - scenic viewshed / FS - LUD II
Pelican	Undev Rec / Settlement	109.76	trade	NS - C-10		AK - coastal settlement - scenic viewshed / FS - LUD II
Pelican	Undev Rec	26.90	trade	NS - C-11		AK - scenic viewshed / FS - LUD II
Pelican	Water Resources / Settlement	800.00	trade part	NS - C-16		AK - retain settlement area / FS - LUD II
Pelican	Undev Rec	71.37	trade	NS - C-17		AK - scenic viewshed / FS - LUD II
Pelican	Undev Rec / Settlement	235.29	trade part	NS - C-18		AK - few small sites for lots - natural setting / FS - LUD II
Unlotted Areas	Undev Rec	224.80	trade	NS - C-20		AK - natural condition / FS - LUD II
Pelican - Islands	Undev Rec	34.16	trade	NS - C-21		AK - natural condition / FS - LUD II
Freshwater Bay	General Use	496.93	trade	NS - C-26	?	AK - remote settlement / FS - Timber Prod - Scenic Viewshed
Pavlof Harbor & Lake	Undev Rec	427.95	trade	NS - C-27		AK - recommended SMP / FS - OGR
Mite Cove - Yakobi Island	Undev Rec	180.00	trade	NS - C-37		AK - dispersed recreation / FS - Semi-Remote Rec
Total NSE - inside TNF		25,351.59				
Total NSE - outside TNF		167,727.73				
Total NSE		193,079.32				
Total SSE & NSE		255,002.32				

Alaska Timber Jobs Task Force

Final Report

APPENDIX 8

ADMINISTRATIVE ORDER 258, TASK 6: SOUTHEAST WOOD PRODUCT BUSINESSES AND TIMBER SUPPLY NEED

PURPOSE

During May 2011, Governor Sean Parnell established the Alaska Timber Jobs Task Force (hereafter Task Force) 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, Southeast Alaska land ownership, timber supply and demand, current and potential wood products, and additional research needs.

The purpose of this briefing is to provide information to meet Administrative Order 258, Task Six objectives with focus on Southeast Alaska and the Tongass National Forest (hereafter Tongass). Task Six objectives include determining timber supply needs to meet market demand for wood products ranging from unprocessed logs to manufactured products. Objectives also include determining business and economic development opportunities that could be supported pending additional Tongass timber supply availability. This report summarizes past and present Southeast wood product businesses, discusses select timber business survey findings, explores Southeast population and school enrollment longitudinal change, and summarizes timber supply need assessments per various stakeholders including the United States Forest Service, Alaska Forest Association, and Southeast Conference.

The Task Force broadened the scope of work in two substantive areas to better reflect the diversity, current status, and longitudinal change of the Southeast timber industry with focus on determining immediate and long-term timber industry needs:

1. Timeframe – In addition to studying current forest product businesses, timber businesses dating back to 2000 are included to better represent businesses lost and the potential for new activity pending additional timber supply.
2. Scope of Study – In addition to studying timber supply need and wood product market demand, the Task Force also opted to briefly explore workforce, business retention, and business expansion challenges.

PROJECT OVERVIEW

Core requirements of the Administrative Order's Tasks Six and Eight are interrelated. Consequently, the Task Force combined study and reporting responsibilities and assigned to one subcommittee led by the Department of Commerce, Community, and Economic Development (DCCED) with participation by Alaska Forest Association (AFA), two forest products industry representatives (Viking Lumber Company and Alaska Logging and Milling Associates), and one Southeast community representative (Coffman Cove). The Division of Economic Development (DED) staffs the subcommittee, fulfilling all research and reporting responsibilities with the subcommittee serving as project oversight.

Task Six and Task Eight are closely linked because determining total inventory of wood product businesses (i.e., Task Eight) is a prerequisite to determining timber supply need of all operating businesses (i.e., Task Six). Data and information for both tasks is gathered via secondary data review and forest product business telephone interviews. Results for both study efforts are presented in independent reports; however, Task Six and Task Eight reports should be reviewed in their entirety to fully understand the current status of the Southeast timber industry and associated timber supply needs. This report explores Task Six, organizing findings by substantive topic area. Longitudinal population and school enrollment change in Southeast Alaska are also discussed to provide community-level context for shifts in the timber industry.

SOUTHEAST ALASKA COMMUNITIES

The commercial timber industry peaked in Southeast Alaska during 1989 with more than one billion board feet harvested. The past ten years have yielded harvests measured only in millions board feet; only 30 mmbf were harvested during 2011 (Table 1). The timber industry and wood product businesses operate in an uncertain business climate and without sufficient Tongass National Forest timber supply. The recently-established Southeast State Forest remains relatively small (approximately 50,000 acres) and is insufficient to replace the total volume of federal timber supply on a sustained basis. Despite efforts to support a vital timber industry, the majority of Southeast communities have experienced significant population decline over the past ten years as families migrate out of the region in search of economic opportunity and security elsewhere. Secondary impacts of the population loss have had far reaching consequences in many communities including declining school enrollments, decreasing municipal tax bases, and difficulty transitioning to alternative local economic drivers.

Table 1. 2001 – 2011: USFS Southeast Timber Harvest

Federal Fiscal Year	Timber Sales [MBF]	Timber Harvest [MBF]
2001	45,385	39,802
2002	22,619	29,981
2003	33,262	44,101
2004	67,720	36,716
2005	50,709	38,582
2006	72,215	38,582
2007	26,261	14,788
2008	4,807	24,044
2009	21,082	25,289
2010	40,185	30,277
2011	39,998	30,163
Average	38,568	32,025

Note: Table contains USFS sawtimber quantities only.

The decline of the timber industry has been a causal factor in overall population decline for the Southeast region – impacting the majority of communities and school districts. In total, there are 34 distinct communities located across Southeast Alaska. Recently released 2010 U.S. Census statistics indicate the total Southeast population has declined over the past decade (-5%) from 73,082 (2000) to 69,849 (2010). Furthermore, 24 out of 34 Southeast communities (71%) have lost population ranging from -2 percent (Hydaburg) to -57 percent (Point Baker) (Table 2). Nine Southeast communities have maintained or grown their total population during the past ten years including Gustavus, Juneau, Kasaan, Kupreanof, Metlakatla, Sitka, Skagway, Tenakee Springs, and Wrangell. On average, Southeast communities have lost population over the past two decades with -7 percent and -12 percent consecutive population losses. Notably, wood product businesses have existed in 25 of 34 Southeast communities (74%).

Nearly all (31 of 34) Southeast communities have had a public community school at one point in time; however, similar to population decline trends, the majority of communities have experienced enrollment declines over two decades. In total, there has been a 15 percent decline in Southeast student enrollment since 1990. During the past 20 years, six communities (19%) have seen their school close including Edna Bay, Elfin Cove, Hyder, Kasaan, Meyers Creek, and Whale Pass; only two schools, Kasaan and Hyder, re-opened. Unfortunately Hyder's school closed again during 2010 due to lack of students. Of the 31 communities with schools, the majority (87%) have experienced a declining student enrollment sustained over nearly two decades; only three (10%) have increasing school enrollments including Craig, Gustavus, and Kasaan.

Several schools that are currently open are hovering on the brink of closure due to enrollments that barely meet the State of Alaska's ten-student minimum requirement including Coffman Cove, Edna Bay, Hollis, Kasaan, Klukwan, Pelican, Port Alexander, Port Protection, and Tenakee Springs. In these communities, one family makes the difference between an open or closed school. If the aforementioned schools were to close for the 2012/2013 school year, Southeast will have lost 42 percent of all community schools since 1990.

Kasaaan School [2010 = 14 Students]

Hollis School [2010 = 10 Students]

Port Protection School [2010 = 10 Students]

Table 2. 1990 – 2010: Southeast Community Population and School Enrollment

Community	Timber Business	1990 Pop	2000 Pop	2010 Pop	1990 - 2010 Percent Change	2000 - 2010 Percent Change	1990 Enroll	2000 Enroll	2010 Enroll	1990-2010 Percent Change	2000-2010 Percent Change
Angoon	√	638	572	459	-28%	-20%	189	154	77	-59%	-50%
Coffman Cove	√	186	199	176	-5%	-12%	47	31	11	-77%	-65%
Craig	√	1260	1397	1201	-5%	-14%	308	551	630	105%	14%
Edna Bay	√	86	49	42	-51%	-14%	15	Closed	9	-40%	-
Elfin Cove		57	32	20	-65%	-38%	9	Closed	Closed	-	-
Gustavus	√	258	429	442	71%	3%	76	48	57	-25%	19%
Haines	√	1238	1811	1713	38%	-5%	470	402	304	-35%	-24%
Hollis		111	139	112	1%	-19%	16	14	10	-38%	-29%
Hoonah	√	795	860	760	-4%	-12%	237	226	123	-48%	-46%
Hydaburg	√	384	382	376	-2%	-2%	109	91	61	-44%	-33%
Hyder		99	97	87	-12%	-10%	Closed	12	Closed	-	-
Juneau	√	26751	30711	31275	17%	2%	5081	5483	4968	-2%	-9%
Kake	√	700	710	557	-20%	-22%	177	165	85	-52%	-48%
Kasaan	√	54	39	49	-9%	26%	10	11	14	40%	27%
Ketchikan	√	13828	14070	13447	-3%	-4%	2799	2469	2116	-24%	-14%
Klawock	√	722	854	755	5%	-12%	203	190	136	-33%	-28%
Klukwan	√	129	139	95	-26%	-32%	36	15	14	-61%	-7%
Kupreanof**		23	23	27	17%	17%	-	-	-	-	-
Metlakatla		1464	1375	1405	-4%	2%	378	325	272	-28%	-16%
Meyers Chuck		37	21	Not Available	Not Available	Not Available	4	Closed	Closed	-	-
Naukati	√	93	135	113	22%	-16%	25	36	19	-24%	-47%
Pelican	√	222	163	88	-60%	-46%	51	23	12	-76%	-48%
Petersburg	√	3207	3224	2948	-8%	-9%	678	678	487	-28%	-28%
Point Baker**	√	39	35	15	-62%	-57%	-	-	-	-	-
Port Alexander		119	81	52	-56%	-36%	25	18	10	-60%	-44%
Port Protection		62	63	48	-23%	-24%	9	27	10	11%	-63%
Saxman**		369	431	411	11%	-5%	-	-	-	-	-
Sitka	√	8588	8835	8881	3%	1%	2008	1945	1749	-13%	-10%
Skagway	√	692	862	920	33%	7%	148	132	82	-45%	-38%
Tenakee Springs	√	94	104	131	39%	26%	10	11	8	-20%	-27%
Thorne Bay	√	569	557	471	-17%	-15%	168	136	73	-57%	-46%
Whale Pass	√	75	58	31	-59%	-47%	11	Closed	Closed	-	-
Wrangell*	√	2479	2308	2369	-4%	3%	498	491	344	-31%	-30%
Yakutat	√	534	808	662	24%	-18%	145	167	117	-19%	-30%
Average [N = 34]					-7%	-12%				-29%	-28%

* Wrangell 2000 to 2010 population increase likely due to formation of Wrangell Borough and resultant boundary and population census consequences.
** Children attend school in a neighboring community (i.e., Kupreanof to Petersburg, Saxman to Ketchikan, and Point Baker to Port Protection).

METHODOLOGY

Objectives:

- ✓ Explore past and present wood products
- ✓ Determine current business operating capacity
- ✓ Determine timber supply to maintain/grow business
- ✓ Explore challenges to business operations

The scope of work for Task Six includes studying past and present Southeast wood product businesses to meet the following objectives: 1) explore wood products; 2) determine current business operating capacity; 3) determine timber supply needed to maintain and grow business activity; and 4) explore challenges to current and future business operations. Data was collected via key-informant interviews with a variety of timber industry businesses including timber tract operations, sawmills, direct forestry support, indirect forestry support, and value-added wood product manufacturing.

In contrast to traditional community or stakeholder surveys that typically utilize a random sample method to collect input, the Task Force elected to telephone survey the entire population of Southeast timber businesses, dating back to 2000, to provide opportunity for all stakeholders to provide input including loggers, millers, and wood product manufacturers. The telephone survey population frame included past and present business license holders, Alaska Forest Association members, Prince of Wales Forest Products Task Force members, and other businesses known to be operating and identified by stakeholders (Appendix A).

Methods:

- ✓ Telephone Survey
- ✓ 186 Businesses identified via business license, Alaska Forest Association membership, Prince of Wales Forest Products Task Force membership, and other known businesses.
- ✓ 86 Businesses Surveyed (46%)

In total, 186 independent Southeast forest product businesses were identified and telephone or in-person interviews were conducted from November 2011 through February 2012. Telephone interviews were guided by a survey instrument (Appendix B); however, conversations can best be described as qualitative in nature and did not necessarily follow a linear path of questioning. Furthermore, developing an instrument that applied equally to a very diverse group of businesses proved difficult; questions that apply to a large logging operation may not apply to a small value-added manufacturing business. Survey results are aggregated, where appropriate, by business type including timber tract operation, sawmill, and manufacturing.

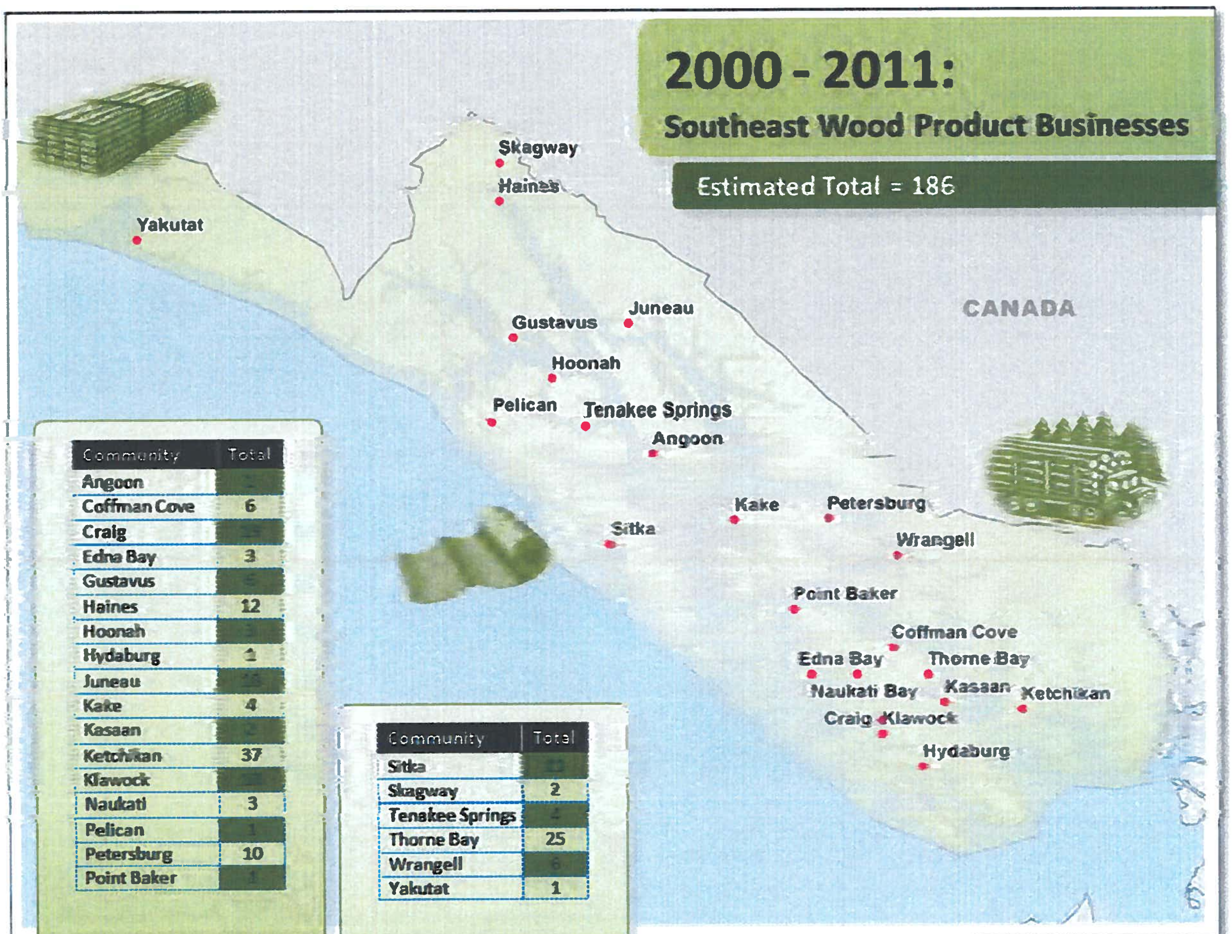
This report briefly summarizes stakeholder survey results that are of greatest value to immediate Task Force activities; the survey instrument and interviews yielded significantly more information than is presented throughout this report. To effectively summarize information and make figures more concise, "don't know," "not applicable," "other," and missing responses are generally excluded from calculations and graphics. To simplify the presentation, some response categories are collapsed into fewer categories than actually used in the survey instrument. Examples of collapsed categories include: 1) "significant growth" and "moderate growth"; and 2) "significant downsize" and "moderate downsize".

RESPONSE RATE

In total, 186 forest product businesses and other industry stakeholders were identified as prospective respondents based on multiple data sources. These businesses and stakeholders span 23 Southeast communities and encompass businesses identified via a variety of government business identification datasets, trade group membership rosters, and local knowledge. In total, 86 interviews were completed yielding a 46% overall response rate (Table 3). Notably, as many businesses have closed and owners and operators have left the region, contact information for over one-quarter (29%) is unavailable. Very few timber industry stakeholders (8) refused an interview (4%).

Table 3. Interview Population Frame Summary

Outcome	Subtotal	Percent
Completed Interview	86	46%
Refused Interview	8	4%
Postive Contact – Follow-Up Required	3	2%
Failed Contact – Contact Info Available	21	11%
Missing Contact Information	53	29%
Balance	15	8%
Total	186	100%



While 186 businesses is a significant quantity, it does not necessarily reflect quantity of jobs or measure local economic impact of business activity as many do not employ additional staff, have limited economic activity, and may only operate intermittently. Similarly, many have closed over the past decade, representing an economic loss to the region; few timber businesses remain as significant regional employers. To ensure the response sample is representative of the industry's past performance and future potential, Task Force subcommittee members identified critical past and present timber industry stakeholders (Table 4). In total, 23 businesses were identified as critical and 20 interviews completed yielding an 87% response rate for high-priority businesses.

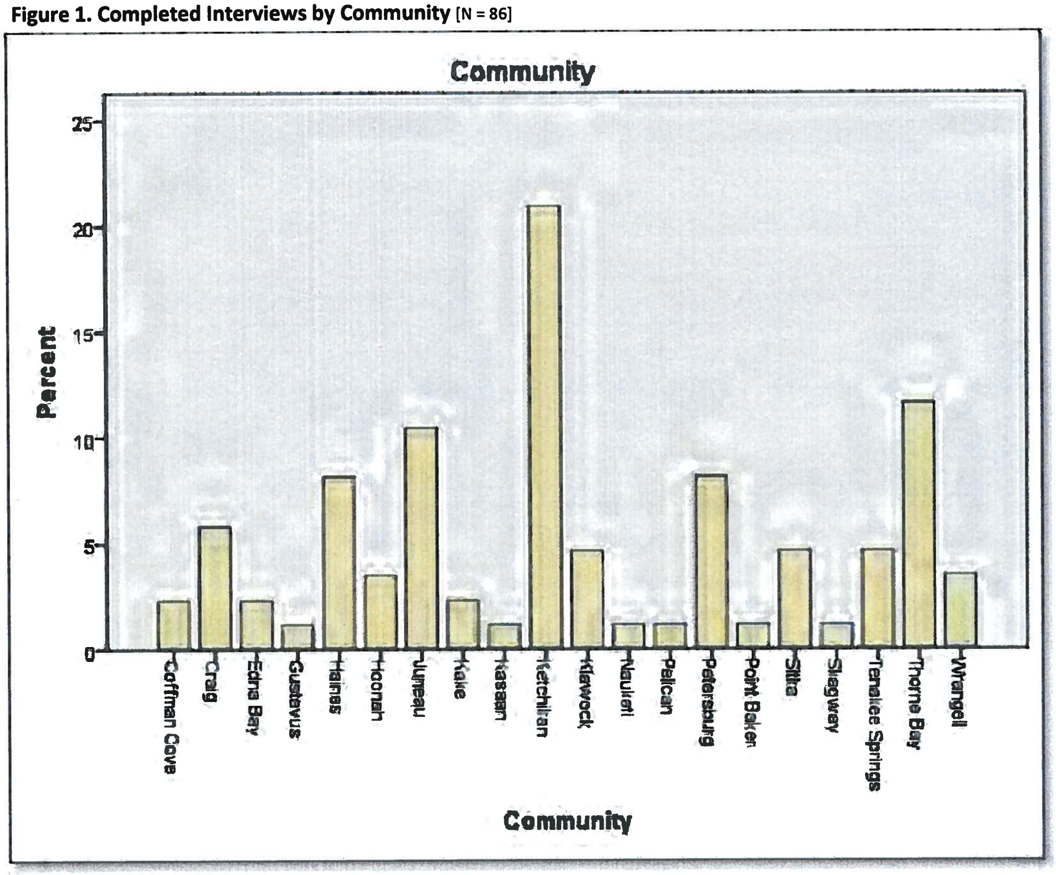
Table 4. Critical Interview Summary

Business	Contact	Community	Interview Completed
Sharp Lumber, Saint Nick Forest Products	Ron Sharp	Craig	√
PAPAC Alaska Logging	Mike and Kate Papac	Craig	√
Viking Lumber	Bryce or Kirk Dahlstrom	Klawock	√
Icy Straits Lumber and Milling	Wes or Sue Tyler	Hoonah	√
Hoonah Totem Corporation	Clare Doig	Hoonah	√
Whitestone Logging	Bud Steward or Cliff Walker	Hoonah	√
ALCAN Forest Products, Evergreen Timber	Brian Brown	Ketchikan	√
Phoenix Logging Company	Linda Lewis	Ketchikan	√
Pacific Log and Lumber	Scott Seeley	Ketchikan	√
Sealaska Timber Corporation	Wade Zammit	Ketchikan	√
Columbia Helicopters	Eric Stamert	Ketchikan	√
Gildersleeve Logging	Keaton Gildersleeve	Ketchikan	√
Thuja Plicata	Ernie Eads	Thorne Bay	√
Western Gold Cedar Products, Thorne Bay Wood Products	James Harrison	Thorne Bay	√
Thorne Bay Wood Product Enterprises	Richard Cabe	Thorne Bay	√
Wood Cuts	Bill Thomason	Thorne Bay	√
Porter Lumber	Ralph Porter	Thorne Bay	√
Peavey Log	Dan Peavey	Thorne Bay	
Reid Brothers Logging and Construction	Tracy Reid	Petersburg	√
Silver Bay Logging	Dick Buhler	Wrangell	
Timberwolf Cutting	None	Craig	
Durette Construction	Jackie Durette	Ketchikan	√
Southeast Roadbuilders	Brenda Jones	Haines	√
Total Critical Interviews = 23			87%

BUSINESS RESPONDENT PROFILE

In total, 86 interviews were completed across 20 Southeast communities. The largest quantity of interviews were completed in Ketchikan (21%), Thorne Bay (12%), Juneau (11%), Petersburg (8%), and Haines (8%) (Figure 1). Approximately half (51%) of all interviews were completed with southern Southeast businesses including eight Prince of Wales communities (30%) and Ketchikan (21%).

Figure 1. Completed Interviews by Community [N = 86]

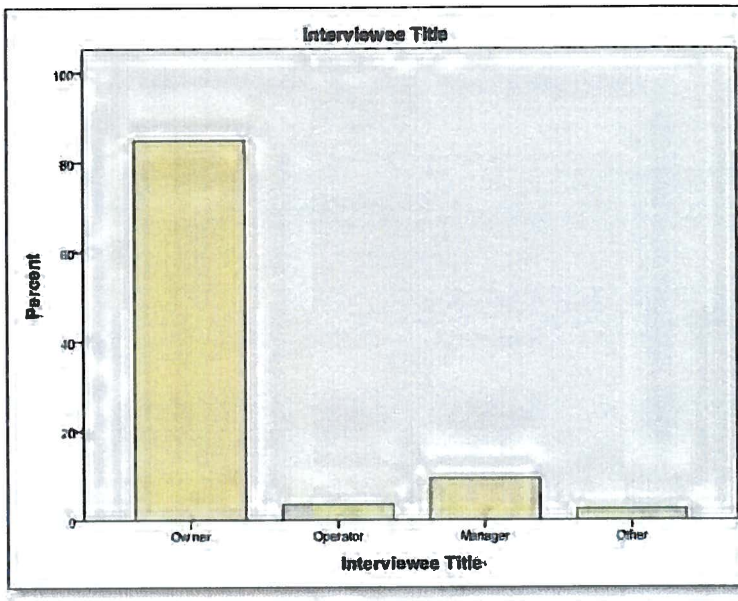


One-quarter (24%) of interviewed businesses are identified as significant past and/or present industry businesses and labeled a "critical" interview to complete; three-quarters (76%) of all completed interviews are largely small enterprises with few to no employees beyond owner/operators.

Unlike other natural resource industries, the timber industry is largely typified by local ownership and management. Nearly all past and present businesses interviewed are Alaska-based enterprises with the majority of ownership and management staff located in Southeast Alaska. While ownership and management is largely Alaska-based, large timber industry employers often utilize a non-resident workforce due to reported challenges in recruiting available and qualified resident employees.

The majority of interviewees can be described as business owners (85%) followed by managers (9%) (Figure 2). On average, interviewed businesses have been operating 18 years; range one year to 66 years.

Figure 2. Completed Interviews by Interviewee Type [N = 86]



Completed interviews represent a variety of federally-designated business types (i.e., NAICS) including timber tract operations (36%), sawmills (17%), forestry support (8%), cabinet and counter top manufacturers (5%), and wood building manufacturing (4%), and musical soundboards (4%). Less than one-quarter (18%) of completed interviews indicate miscellaneous wood product manufacturing (Figure 3).

Interviewed businesses often indicate a business activity that is not congruent with the assigned NAICS code, indicating significant error in business activity self-reporting. In order to create an accurate profile of businesses, all interviewees were asked to identify themselves as timber tract operation, sawmill, forestry support, wood product manufacturing, or other business. Nearly one-third of interviews represent value-added manufacturers (29%), followed by sawmills (27%) and forestry support (27%). Timber tract operations includes 14 percent of all interviews. (Table 5).

Figure 3. Completed Interviews by NAICS Business Activity [N = 83]

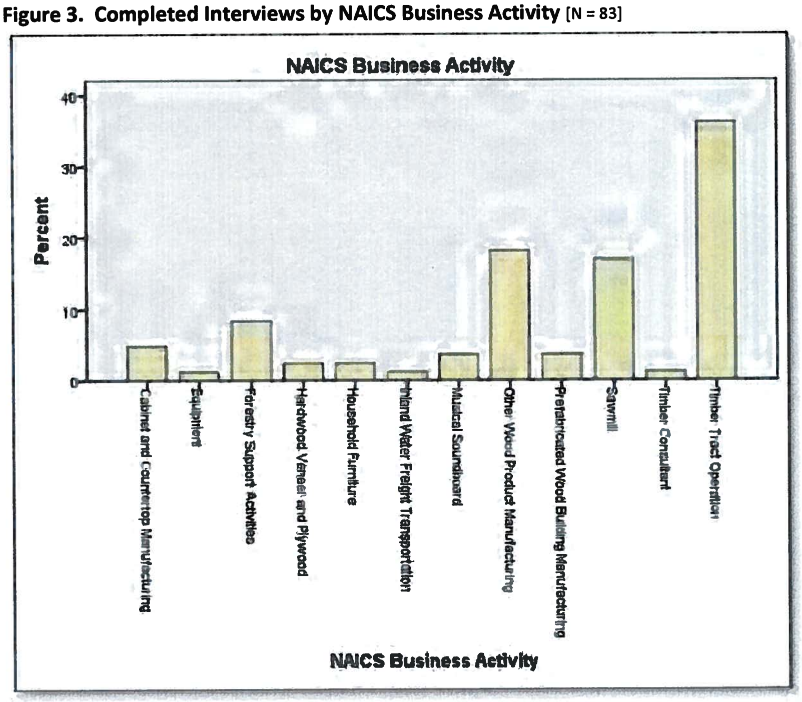


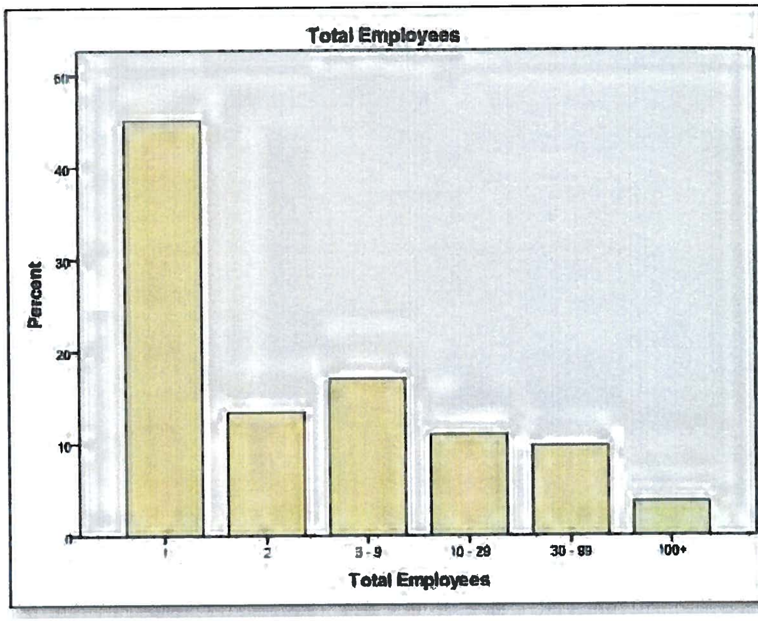
Table 5. Primary Business Type Aggregate

Business Type	Subtotal	Percent
Wood Product Manufacturing	25	29%
Timber Tract Operation	12	14%
Sawmill	23	27%
Forestry Support	23	27%
Other	3	3%
Total	86	100%

Note: Includes closed and open businesses.

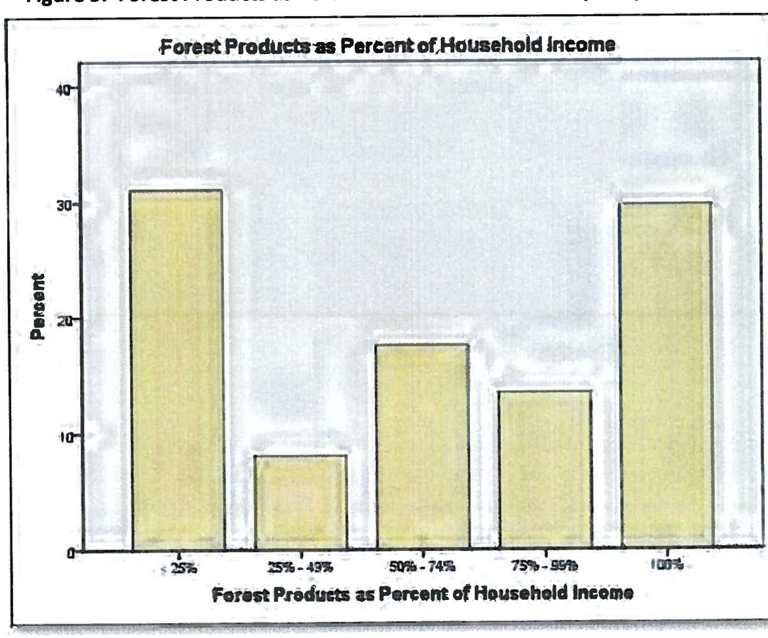
Interviewed businesses report employing an average of 14 employees (mean); range from one to approximately 200 employees. The median is the more appropriate indicator of employment level as there are two large employers that greatly skew the average. In short, the largest quantity of businesses only employ two people (mode) – likely a family owned and operated enterprise. Over half (59%) employ two or less people. In contrast, only three businesses (4%) employ over 100 (Figure 4).

Figure 4. Total Employees [N = 82]



Interviewed businesses were queried regarding total household income attributable to forest product industry activities. Nearly one-third (31%) indicate timber industry activities account for less than 25 percent of total household income (Figure 5). Slightly less than one-third (30%) indicate timber is 100% of total household income. As with many families in Southeast, one industry accounts for only a portion of total household income.

Figure 5. Forest Products as Percent of Household Income [N = 74]



On average interviewed businesses have been operating for 18 years (mean); range one to 66 years. Notably, even during a decade of diminished timber supply, aggressive environmental movements, and challenging Tongass management, 31 businesses have started operations in Southeast (Table 6).

Table 6. Business Tenure

Business Type	Subtotal	Percent
Less than 5 Years	18	21%
5 – 9 Years	13	16%
10 – 20 Years	24	29%
Greater than 20 Years	29	34%
Total	86	100%

Note: Includes closed and open businesses.

CURRENT BUSINESS STATUS

Businesses were queried regarding the current status of their business in order to determine current activities, level of overall operation, and conditions. Survey results are biased towards businesses that are currently operating as they are easily located and contacted. Unfortunately contact information could not be located for 28 percent of all identified businesses and they are subsequently not reflected in survey results. This group of businesses are largely representative of entities that have ceased operations and departed the region. To accurately reflect the overall level of impact of the decline of the timber industry, further attention should be given to locating and contacting closed businesses including owners, managers, and operators that may no longer reside in Southeast Alaska.

In total, over three-quarters (83%) of all interviewed businesses are currently operating; 12 percent report no longer being in business (Figure 6). Nearly five percent indicate they operate intermittently and are largely contract or project-based entities.

Open businesses were also questioned regarding general schedule of business operations; namely, whether they operate seasonally or on a regular year-round schedule. The large majority (88%) operate on a regular schedule on either a year-round (67%) or seasonal (21%) basis. An additional ten percent (12%) indicate their schedules are contingent upon projects, contracts, or requested service (Figure 7).

In addition to generalized statements of current business status and operating schedule, open businesses were asked to identify current operations as a "percent of total operating capacity". In this scenario, 100 percent means operating at full capacity with no room for growth without adding staff, equipment, or other business resources. This question proved difficult to answer for many businesses as evidenced by nearly half (49%) not able to assign a numeric value to describe current operations.

Figure 6. Current Business Status [N = 86]

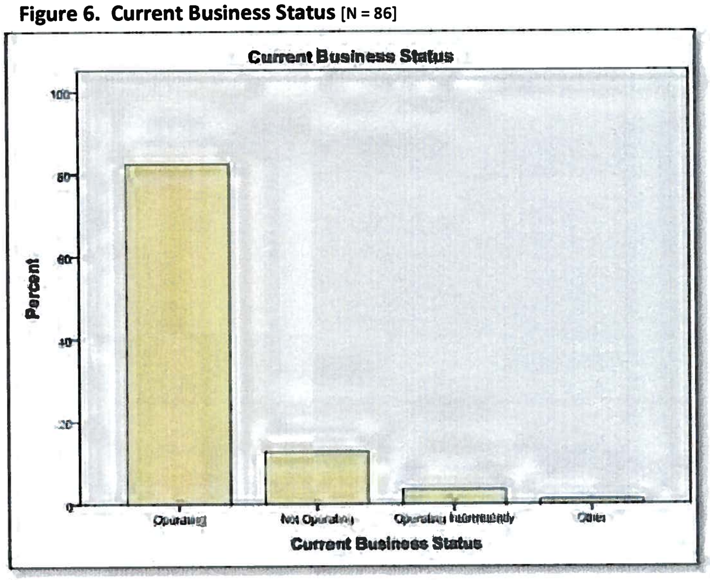
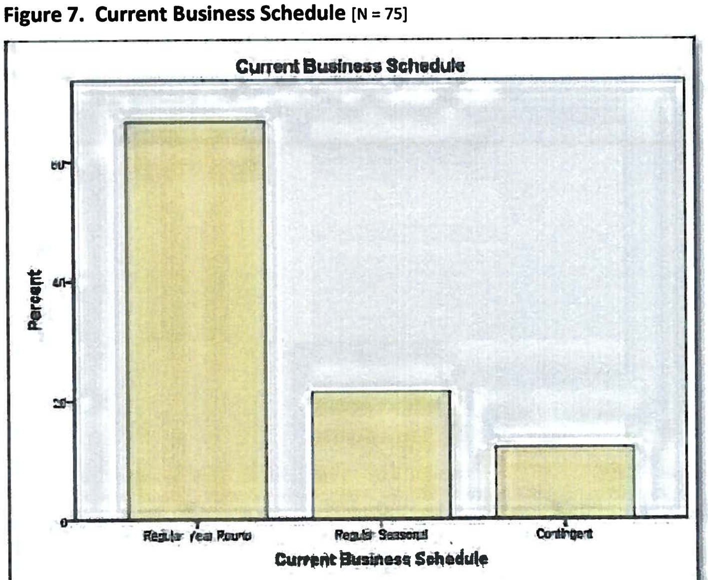


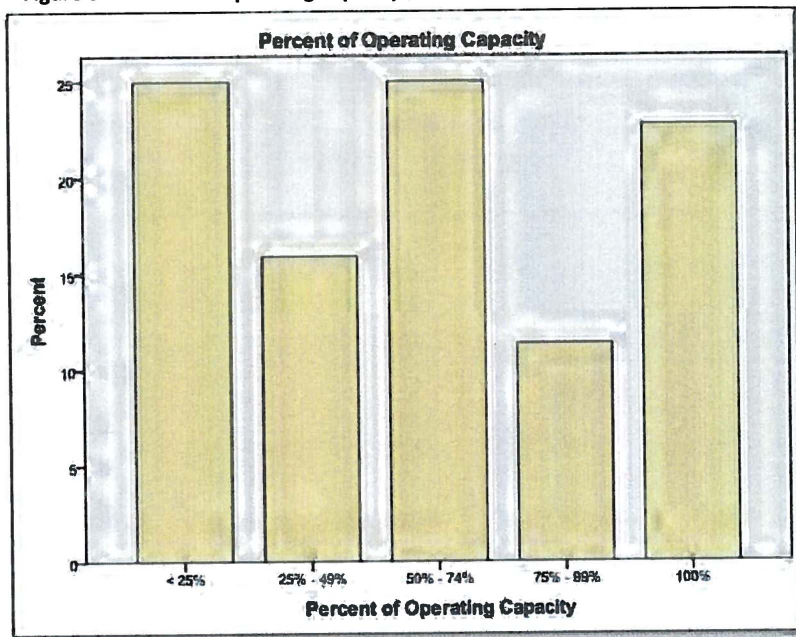
Figure 7. Current Business Schedule [N = 75]



Note: Excludes closed businesses.

Of the businesses that were able to answer the question (51%), one-quarter (25%) report operating at less than 25 percent of full capacity (Figure 8). In contrast, nearly one-quarter (23%) indicate operating at 100% capacity with no room for growth without significant investment. One-quarter (25%) also indicate operating at 50 to 74 percent of full capacity. Although businesses are widely distributed across the continuum of operations as a percent of total capacity, it is notable that over three-quarters (77%) note diminished operations (less than 100%), which equates to lost economic opportunity for Southeast communities. On average, Southeast wood product businesses operate at half (53%) capacity (mean); range five percent to 100 percent.

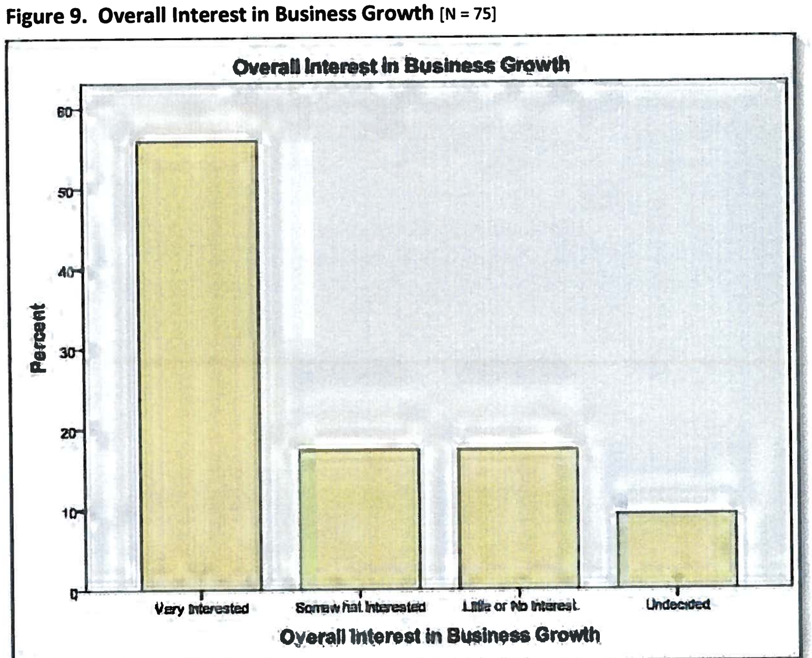
Figure 8. Percent of Operating Capacity [N = 44]



Note: Excludes closed businesses.

Despite current diminished operations, nearly three-quarters (73%) of all businesses are interested in business growth; 56 percent are very interested in growth (Figure 9). Less than one-quarter (17%) have little or no interest in business growth; nine percent are undecided. In short, the majority of Southeast forest product businesses are currently operating at a diminished capacity and are still interested in growing business operations.

Figure 9. Overall Interest in Business Growth [N = 75]

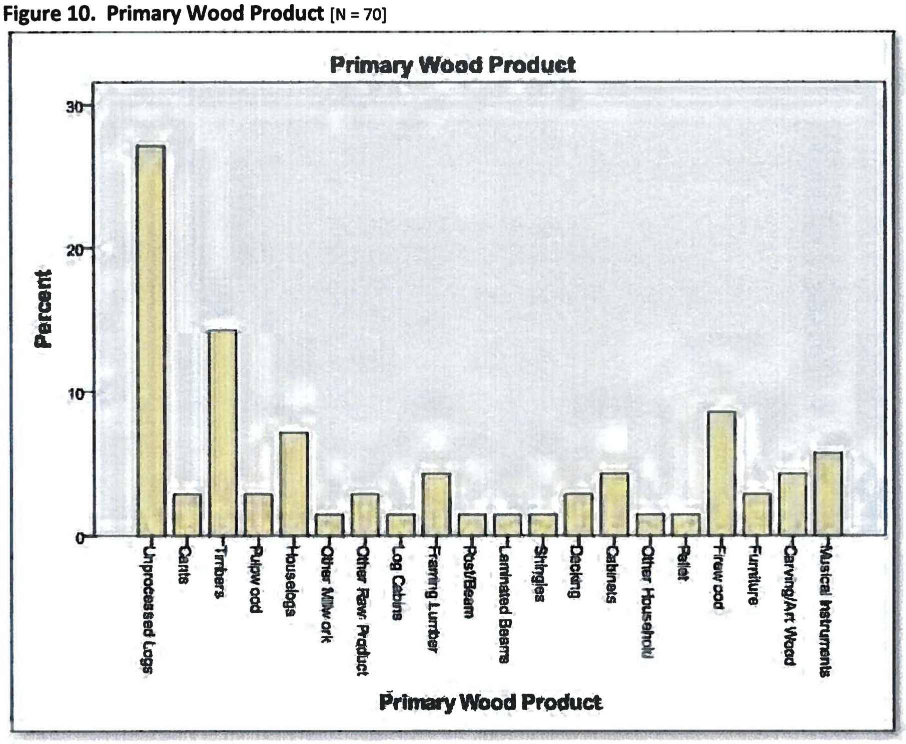


Note. Excludes closed businesses.

Businesses were asked to describe their primary wood product and to estimate overall level of market demand for the wood product. As reflected by federally-designated NAICS codes, Southeast forest product business represent a wide array of products ranging from unprocessed logs to firewood to musical instruments (Figure 10).

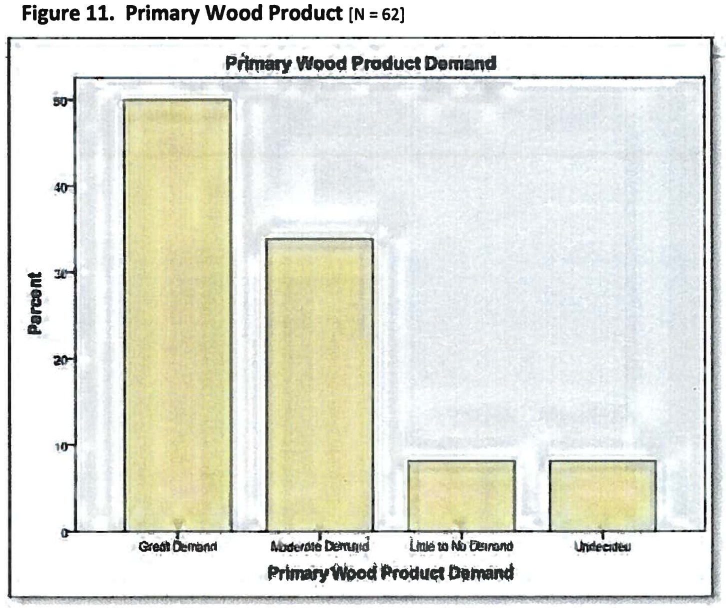
In total, enterprises selling unprocessed logs account for over one-quarter (27%) of interviewed businesses followed by timbers (14%) and firewood (9%). All other products are spread across many different forest products including house logs (7%), framing lumber (4%), cabinets (4%), carving/art wood (4%), and musical instrument soundboards (6%).

Figure 10. Primary Wood Product [N = 70]



Businesses, in general, were highly optimistic regarding market demand for primary wood product. In total, half (50%) of all businesses report great demand for primary wood products (Figure 11). Approximately one-third (34%) indicate moderate demand; few businesses (8%) suggest there is little to no demand for their product.

Figure 11. Primary Wood Product [N = 62]



FUTURE BUSINESS PROJECTIONS

Although the majority of operational businesses (76) are interested in growing their business, there are mixed sentiments regarding what the future may hold. In particular, while a majority of businesses are relatively optimistic, there are also businesses that express concern and expect downsizing over the next one to ten years. Notably, businesses that have ceased operations (10) were not queried regarding future projections. Furthermore, a significant quantity of interviewed businesses was unable to answer questions (5% - 26%).

Businesses were asked to project the future regarding overall business size, total product yield, and total employment. The majority of respondents predict their business will grow during the short- and long-term. Specifically, the majority expect growth over the next year (57%), five years (65%), and ten years (60%) (Table 7). Southeast timber businesses are largely a group of optimists considering only a small minority expect their business will downsize over the next year (11%), five years (14%), or ten years (16%). Similarly, only 20 percent expect total output will decline and eight percent suggest a likely reduction in employees. Approximately one-quarter to one-third expect business operations to largely remain the same in the future.

Expectations regarding the future are closely associated with perceived challenges. In sum, timber supply, workforce, and forest management are noted as either a significant or moderate challenge in the near- and long-term future by the majority of businesses (Table 8). Notably, timber supply concerns increase over time. In contrast, taxation is of minimal concern as evidenced by over half (62%) indicating little to no challenge to their future. Despite concerns, three-quarters (76%) expect to be operating in one-year; however, this expectation decreases over time with only 40 percent expecting to still be in business in ten years (Table 9).

Table 7. Future Business Projections

Projection	Growth	Remain the Same	Downsize
Overall Business Size [1 year]	57%	32%	11%
Overall Business Size [5 year]	65%	21%	14%
Overall Business Size [10 year]	60%	24%	16%
Total Product Yield	54%	26%	20%
Total Employment	56%	36%	8%

Table 8. Challenge to Business Future

Challenge	Significant Challenge	Moderate Challenge	Little or No Challenge
Timber Supply [1 year]	35%	27%	38%
Timber Supply [5 year]	52%	27%	21%
Timber Supply [10 year]	59%	24%	17%
Workforce Availability	38%	23%	39%
Workforce Quality	47%	21%	32%
Forest Management	43%	26%	31%
Financial Resources	28%	25%	47%
Taxation	12%	26%	62%
Government Regulation	37%	32%	31%

Table 9. Likelihood of Business Viability

Projection	Very Likely	Somewhat Likely	Not Likely
Operating in 1 year	76%	16%	8%
Operating in 2 years	64%	25%	11%
Operating in 5 years	56%	23%	21%
Operating in 10 years	40%	33%	27%

TIMBER SUPPLY DEMAND

The most critical element of Task Six is to determine the amount of raw material (i.e., timber supply) needed to: 1) maintain current operations; 2) operate at full capacity; and 3) grow operations. While Administrative Order language requests an analysis of "demand for timber in the Tongass National Forest and the business and economic opportunities that could be supported by such demand", this equates to an interpretation of total timber supply needed to support and grow current and potential Southeast timber businesses. These proved to be difficult queries due to the diversity of business types, diversity in units of measurement, and the challenge of combining component estimates. Of the 86 businesses that participated in the timber business survey, 50 businesses (58%) provided input regarding the type and quantity of raw material needed to ensure overall business viability.

Businesses were asked to estimate total annual "through put" quantity needed to continue operations. Alternatively stated, "through put" is analogous to the total amount of raw material passing through the business entity on an annual basis to create wood products. The diversity of businesses was highlighted in the variety measurement units provided, including board feet (bf), thousand board feet (mbf), to millions board feet (mmbf), cords, acres, and total quantity of finished product. When possible, timber supply "through put" responses were converted into board feet, summed, and converted into mmbf, resulting in total estimated industry timber supply need.

To better reflect the diversity of business types and unique timber supply needs, responses are aggregated by business type including: 1) timber tract operation; 2) sawmill; and 3) wood product manufacturing. Direct forestry support, indirect forestry support, and businesses identified as "other" were excluded from annual timber supply need calculations to limit challenges associated with double-counting and/or overestimating total timber supply need. These businesses most often work as contractors for primary timber businesses including timber tract operations, sawmill, and wood product manufacturers. In short, the following analysis focuses exclusively on timber tract operations, sawmills, and wood product manufacturers as these businesses represent the large majority of all Southeast timber-related businesses and present the largest potential for overall economic impact.

TIMBER TRACT OPERATIONS

- ✓ Maintain Current Operation = 109 mmbf
- ✓ Operate at Full Capacity = 264 mmbf
- ✓ Grow Business = 356 mmbf

Timber tract operations (i.e., logging) comprise 14 percent of total respondents. When queried regarding total annual timber supply needed to operate businesses at current and likely diminished levels, the cumulative response totaled 109 mmbf. Over half of all Southeast timber-related businesses are operating at half capacity. To operate at full capacity, utilizing all staff and equipment, timber tract operations would require 264 mmbf. To grow operations, including low, moderate, and high growth scenarios, timber tract operations would demand 356 mmbf on an annual basis.

SAWMILLS

- ✓ Maintain Current Operation = 32 mmbf
- ✓ Operate at Full Capacity = 144 mmbf
- ✓ Grow Business = 225 mmbf

Sawmills, also including preliminary processing, make up the second largest business type at 27 percent of respondents. For sawmill operators to maintain current operations, they require access to 32 mmbf on an annual basis. If sawmill businesses were able to access raw material needed to operate their business at full capacity, they would require 144 mmbf annually. These numbers indicate Southeast sawmills are significantly underutilized with businesses operating at only 22 percent of total raw material through-put capacity. When considering the ability to grow overall business operations, sawmill would need access to 225 mmbf material.

WOOD PRODUCT MANUFACTURERS

- ✓ Maintain Current Operation = 2 mmbf
- ✓ Operate at Full Capacity = 5 mmbf
- ✓ Grow Business = 8 mmbf

Wood product manufactures comprise the largest of any business type surveyed. The manufacturers represent 28 percent of respondents, but require the least amount of raw material to maintain or grow operations. These businesses include fine lumber products, musical instruments, furniture, cabinets, and other carefully-crafted products. Manufactures indicate that to maintain current operations they need access to two mmbf on an annual bases, but to operate their facilities at 100 percent capacity they would require more than double (5 mmbf) annually. To grow these value-added product businesses, access to raw material would need to more than quadruple (8 mmbf) from their current level of operation.

SOUTHEAST FOREST PRODUCTS INDUSTRY

Table 10. Total Industry Timber Supply Demand [N = 50]

Industry Sector	Maintain Current Operation [MMBF]	Operate at Full Capacity [MMBF]	Grow Operation [MMBF]
Timber Tract Operations	109	264	356
Sawmills	32	144	225
Manufacturers	2	5	8
Total	143 mmbf	413 mmbf	586 mmbf

In total, Southeast timber tract operations, sawmills, and wood product manufacturing businesses (50 interviewed businesses) need annual access to 143 mmbf to maintain operations at their already diminished activities. In order to ramp operations up to 100 percent of total capacity (i.e., fully operational), the cumulative demand for raw material would grow to an annual demand of 413 mmbf. This number is even greater than the number released by the Alaska Forest Association (AFA), which recommends 360 mmbf to sustain a viable, integrated timber manufacturing industry (2002). The United State Forest Service (USFS) predicted 127 mmbf timber purchases for 2012 to meet volume under contract (VUC) sale objectives. At this level, the USFS will not meet the current raw material demands for the diminished operating levels of the Southeast timber industry.

Total quantity of timber supply needed to grow logging operations, sawmills, and manufacturers remains an elusive number due to: 1) limited response rate (27%); 2) under-representation of closed businesses; and 3) methodological considerations primarily related to double- and triple-counting timber requirements across industry sectors; the same tree is accounted for by loggers, millers, and manufacturers.

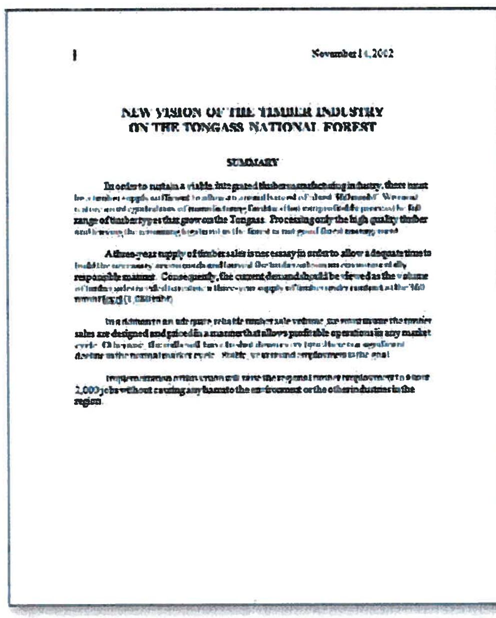
STAKEHOLDER GROUP INPUT: TIMBER SUPPLY DEMAND

The effects of a declining timber industry can be seen across Southeast Alaska communities. Steadily decreasing populations, school closures, and out migration of skilled labor are just some of the key issues that arise from the inability to provide the Southeast Alaska timber industry with the supply needed to maintain, grow, and stabilize timber-dependent communities. Organizations like the Alaska Forest Association and Southeast Conference have made it a priority to establish a sustainable and renewable timber industry in the Southeast. Each organization provides or supports an estimate of annual mmbf required to restore the Southeast timber industry. Furthermore, the United States Forest Service also conducts significant research and undertakes planning to recommend mmbf sales and harvest figures, based on an alternative methodology.

ALASKA FOREST ASSOCIATION

Alaska Forest Association (AFA) works to promote and maintain a healthy and viable forest products industry that will contribute to the economic and ecological health of Alaska's forests and communities. AFA has conducted extensive research into the Southeast timber industry and associated timber supply needs. A document titled *New Vision of the Timber Industry on the Tongass National Forest,* released by AFA in 2002, set forth a plan to restore the timber industry in the Southeast region (Figure 12). In total, AFA suggests 360 mmbf is required to restore a viable, integrated, and sustainable forest products industry. AFA estimates 360 mmbf will yield approximately 2,000 jobs including logging, road construction, sawmills, veneers, chipping, export, dry kiln planer, finger joint, moulding, shakes/shingles, music wood, reconstituted board products, and other manufactured products. In addition to increased total mmbf sales and harvest figures, AFA also stresses the need for sales to be priced economically to allow for profitability in any market. Economical access to raw material can result in stable employment and job opportunity growth in Southeast, AFA estimates that if provided with a long term, sustainable timber supply approximately 2,000 jobs could be restored across the Southeast region.

Figure 12. AFA Timber Industry Vision


NEW VISION OF THE TIMBER INDUSTRY
ON THE TONGASS NATIONAL FOREST

SUMMARY

SOUTHEAST CONFERENCE

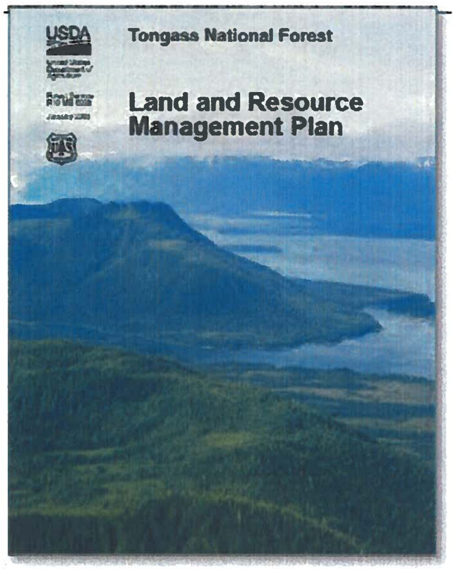
Southeast Conference (SEC) strives to restore a sustainable timber industry in the Tongass through collaboration with government agencies, non-government entities, and tribal organizations. SEC efforts are largely guided by overarching goals: 1) inform the government and public of the value of a viable timber industry; 2) support the transfer of lands from federal ownership and management to private entities; and 3) raise awareness on issues that directly impact the health of the Southeast timber industry. Both the Alaska

Forest Association and Southeast Conference endeavor to restore a fully-integrated Southeast timber industry, including thousands of jobs across multiple timber industry subsectors. This goal requires large annual, consistent, and economical timber sales that can also compete with changing worldwide markets.

UNITED STATES FOREST SERVICE

The United State Forest Service (USFS) mission is to sustain the health, diversity, and productivity of the nation's forests and grasslands to meet the needs of present and future generations. Tongass forest planning is guided by the 2008 *Tongass Land Management Plan* (TLMP) (Figure 13). The USFS has used the TLMP to guide timber sales and claims that timber sale reductions are largely related to declining industry markets.

Figure 13. *Tongass Land Management Plan*



"The Forest Plan incorporates an adaptive management framework, which involves a continuous process of action-based planning, monitoring, research, evaluation, and adjustment with the objective of improving implementation and achieving desired management goals and objectives. Monitoring and evaluation comprise an essential feedback mechanism designed to keep the Plan dynamic and responsive to changing conditions. The evaluation process also provides feedback that can trigger corrective action, adjustment of plans and budgets, or both, to facilitate feasible and meaningful action on the ground."

USFS economists annually survey existing operational Southeast mills to quantify demand estimates; results are published in an annual *Tongass Sawmill and Production Report*, produced since 2001 (Table 11). For over ten years the USFS have reported declining total sawmills and wood product volume. Specifically, the 20 largest and/or most active sawmills were included in the original 2001 survey. In 2007, the 20 original mills became 22 with the partial subdivision and sale of one mill. Of those 22 mills, ten were active in 2010, three were idle, and nine had been decommissioned or were no longer in production (i.e., "uninstalled"). A decline of total operational sawmills results in a decrease in total surveyed operations, which ultimately results in a decline in total estimated mmbf demand. A declining demand illustrates a decline in

Table 11. 2000 – 2010 USFS Sawmill Survey

Calendar Year	Active Mills	Installed Mill Capacity [MMBF]	Estimated Mill Production [MMBF]	Percent Mill Utilization	Total Employees
2000	16	502	87	17%	321
2001	14	454	40	9%	160
2003	13	370	32	9%	155
2004	13	370	31	8%	148
2005	11	360	35	10%	136
2006	11	354	32	9%	123
2007	13	292	32	11%	158*
2008	12	282	24	8%	94
2009	11	249	14	5%	58
2010	10	156	16	10%	64

* Included 35 positions reported at temporarily re-opened Ketchikan Renaissance Group veneer mill.
Source: *Tongass Sawmill Capacity and Production Report for CYXX* (USFS)

need, where in reality the decline in demand is due to the mill closure, likely the result on uncertain business climate and limited access to timber supply.

COMMENTARY

Each stakeholder group approaches timber supply demand a differently. AFA and SEC are intensely focused on restoring a fully-integrated timber industry that will result in maximum jobs and maximum local economic impact (360 mmbf). AFA's mmbf estimate, in particular, maximizes job growth with minimal regard for domestic or international market conditions and prices for finished wood product. USFS, in contrast, focuses on market demand and annual volume being processed at Southeast sawmills. There is little attention given to Southeast jobs, communities, or local economies. USFS methods warrant caution as they only account for currently operational sawmills and neglect diminished capacity, growth potential, or altogether new forest products that could be fostered by additional timber supply.

DCCED approached annual timber supply mmbf demand from a different perspective that recognized the diversity of the industry and the decline in total timber businesses over the past decade. While determining current volumes processed at operational sawmills is important, focusing exclusively on operational sawmills does not reflect the decline or growth potential of the industry. It also does not address anecdotal concerns of Alaska business owners that claim unlimited growth potential pending additional Tongass supply. On an annual basis, DCCED estimates 143 mmbf is required to support operating timber businesses at their current level; 412 mmbf is required for businesses to be operating at full capacity. There are also significant limitations to DCCED's estimates including: 1) limited survey response rate; 2) rough estimating; and 3) repeated counting of mmbf across industry sectors. Regardless of limitations, there is strong evidence that the Southeast timber industry would make use of additional Tongass timber supply, under any scenario.

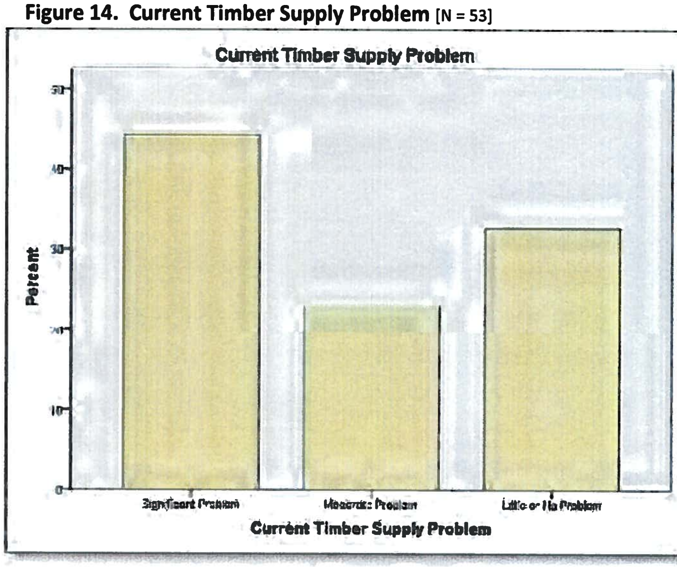
TIMBER SUPPLY THREAT

Timber supply is core to Task Force efforts and evaluating timber supply need and the threat of limited supply to overall business operations is critical to assessing economic risk and impact to the Southeast region. Timber supply, as an overall threat to business viability, was posed multiple times to operational and closed businesses. In short, timber supply presents a significant threat to business viability for the majority of currently operational businesses; timber tract operations express the greatest level of threat while manufacturers are less concerned with timber supply. Businesses that have ceased operations indicate that timber was a significant factor in their decision to close the operation and that timber is likely the only consideration in deciding whether to reopen the business.

OPEN BUSINESSES

Operational businesses were queried regarding whether timber supply is a current problem. In total, over two-thirds (68%) of all open businesses indicate timber supply is a problem (i.e., significant or moderate). Nearly half (43%) indicate timber supply is a significant problem. Only one-third (32%) of all operational businesses suggest timber supply is not a problem (32%) (Figure 14).

Figure 14. Current Timber Supply Problem [N = 53]



Perceived challenges vary greatly across timber industry sectors including logging, milling, support, and manufacturing. Specifically, three-quarters of forestry support (75%) perceive timber supply as a significant problem, followed by over half of sawmills (58%) (Table 12). In contrast, over half (54%) of wood product manufacturers indicate timber supply is not a current problem for their business.

Table 12. Current Timber Supply Problem by Business Type

Business Type	Significant Problem	Moderate Problem	Little or No Problem
Timber Tract Operation	38%	25%	37%
Sawmill	58%	26%	16%
Forestry Support	75%	13%	12%
Wood Product Manufacturing	13%	33%	54%

Not only are currently operating businesses concerned about timber supply, but many are able to quantify how long their business can likely operate with current timber supply, either on the yard or under contract. Half (50%) of all businesses can likely only maintain operations for less than 12 months; 34 percent for less than six months (Figure 15). Over one-quarter (28%) can maintain current level of operations for one to two years; only 22 percent can maintain operations for more than two years. Clearly the majority of operational Southeast wood product businesses operate in an uncertain business climate; planning more than six months into the future presents significant concern.

The length of time to maintain operations with current timber supply also varies by timber industry sector. Sawmills are at greatest risk with nearly half (47%) indicate they can only survive with current supply for less than six months (Table 13). In contrast, two-thirds (67%) of timber tract operations note current timber supply will provide business opportunity for one to two years; only a minority (17%) note high risk with less than six months of supply. Wood product manufacturers can survive the longest with 70 percent reporting at least a one year of supply either on the yard or under contract.

Figure 15. Length of Operations with Current Timber Supply [N = 50]

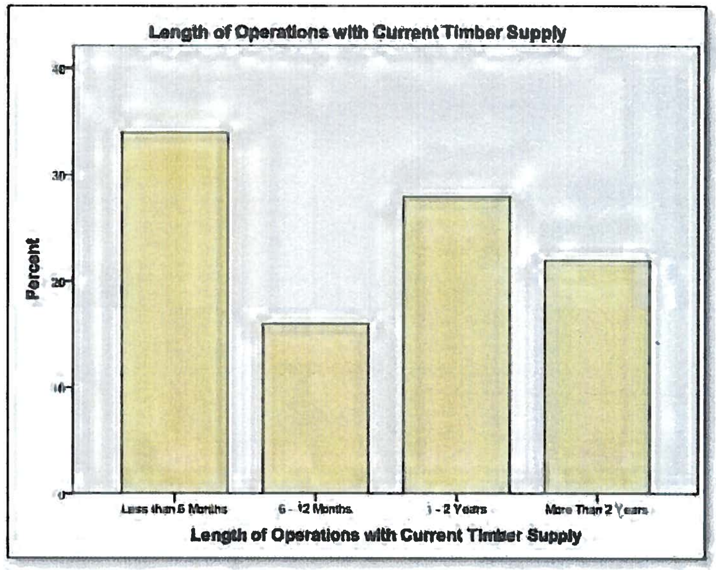


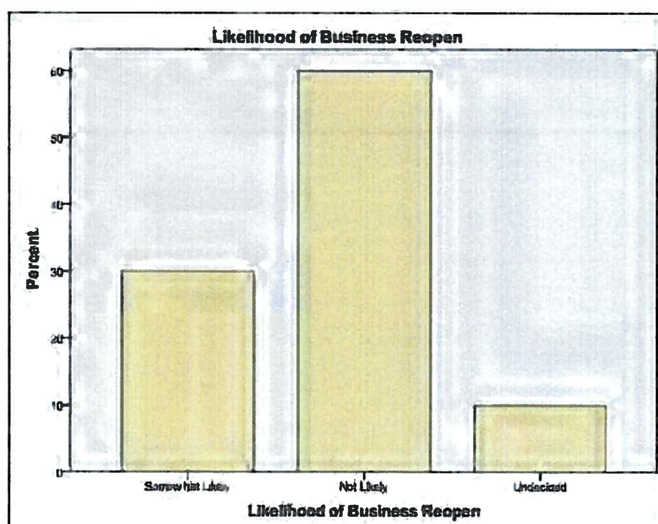
Table 13. Length of Operations with Current Timber Supply by Business Type

Business Type	Less than 6 Months	6 – 12 Months	1 – 2 Years	More than 2 Years
Timber Tract Operation	17%	0%	67%	16%
Sawmill	47%	32%	11%	10%
Wood Product Manufacturing	24%	6%	35%	35%

CLOSED BUSINESSES

In total, ten businesses that have ceased operations completed an interview. Timber supply ranked as a top reason for business closure and also a top consideration or reopening the business. Specifically, 90 percent of all closed businesses suggest timber supply was a very important consideration in the decision to cease operations. Notably, not a single closed business (0%) suggested that timber supply was not a consideration in closing the business. Notably, over half (60%) of closed businesses indicate that it is not likely the business will re-open (Figure 16). Furthermore, all (100%) closed businesses indicate that timber supply is very important to decision-making regarding reopening the business.

Figure 16. Likelihood of Business Reopen [N = 10]



GREATEST CHALLENGES

In addition to focusing attention on timber supply challenges, operating businesses were also queried regarding business retention and expansion challenges common to small and large businesses. Specifically, operating businesses (76) were asked to evaluate a list of 26 business threats, assigning a rating ranging from severely threatens to little or no threat to business viability. Results are not surprising considering timber supply and Tongass National Forest management remains top concerns for businesses still operating in Southeast. Taxation and government regulation are minimal concerns to business owners and operators. Businesses are divided regarding management of the Southeast State Forest; nearly equal numbers suggesting management practices threaten (i.e., severely and somewhat) or does not threaten business viability.

The top three challenges that are considered severe threats to the timber industry by over half of all respondents include fuel costs (60%), management of the Tongass National Forest (56%), and the environmentalist movement (54%) (Table 14). Not surprisingly, additional significant severe threats include long-term timber supply (49%) and short-term timber supply (42%).

In contrast, the majority of operating businesses consider the following little or no threat to their business operations: competition (64%), utilities and services availability (63%), telecommunications availability (70%), telecommunications cost (67%), transportation availability (56%), federal/state taxes (60%), local taxes (83%), physical space (70%), marketing capacity (55%), product demand (56%), production process (65%), and grading (57%).

Table 14. Threats to Business Viability

Threat	Severely Threatens	Somewhat Threatens	Little or No Threat
Short-Term Timber Supply (< 2 years)	42%	17%	41%
Long-Term Timber Supply (> 2 years)	49%	32%	19%
Workforce Quantity	18%	38%	44%
Workforce Quality	21%	36%	43%
Workforce Cost	35%	27%	38%
Competition	19%	17%	64%
Management of the Tongass National Forest	56%	15%	29%
Management of the State Forest	23%	28%	49%
Utilities/Services Availability	20%	17%	63%
Utilities/Services Cost	30%	26%	44%
Telecommunications Availability	4%	26%	70%
Telecommunications Cost	4%	29%	67%
Transportation Availability	21%	23%	56%
Transportation Cost	30%	35%	35%
Federal/State Taxes	18%	22%	60%
Local Taxes	9%	8%	83%
Government Regulation	28%	24%	48%
Physical Space	8%	22%	70%
Environmental Issues	36%	24%	40%
Environmentalist Movement	54%	13%	33%
Marketing Capacity	12%	33%	55%
Product Demand	13%	31%	56%
Capital	27%	27%	46%
Production Process	7%	28%	65%
Grading	29%	14%	57%
Fuel	60%	32%	8%

As a close to the survey, interviewees were asked two qualitative open-ended questions: 1) three greatest challenges to their business; and 2) three greatest challenges to the industry. These final queries provided opportunity for respondents to articulate their greatest concerns or share concerns that did not arise during prior questioning. In total, 65 of 86 interviewed businesses (76%) provided additional commentary regarding top challenges to their business and industry.

Respondents generally echoed prior concerns regarding greatest challenges to business. Namely, access to timber supply (25%), government regulation (17%), cost of business operations (14%), and access to quality workforce (9%) remain top concerns for the majority (Table 15).

Table 15. Greatest Challenges to Business

Challenge	Percent	Select Responses
Access to Timber Supply	25%	Timber supply is not steady and it needs to be. A steady timber supply would produce/create jobs and stimulate the economy stabilizing communities allowing them to become viable again. Timber supply. More wood needed to continue operation.
Federal and State Government Regulation	17%	Between federal and state government, any hope of timber based income in the area is eradicated. There is no middle ground for people making decisions. Timber sales that are put up are impossible to log and are just for show. 99 percent of sales would require a barge, helicopter, and crew - the timber isn't valuable enough to justify this. The State of Alaska needs to recognize that Alaska businesses operating in the forest products Industry need support. The state needs to open up more state timber lands in SE AK to supplement the loss of federal land availability.
Cost of Business Operations	14%	Operating expenses including building materials. High cost of energy
Access to Quality Workforce	9%	Workforce challenges in availability and quality. Skills and training for log home builders.

Challenges to individual businesses largely equate to challenges for the entire industry. The majority of respondents indicate access to timber supply (24%) and government regulation (22%) are the greatest challenges to the industry (Table 16). The majority of respondents also indicate environmental issues (19%) are of great concern with primary focus on the threat the environmental movement presents to long-term industry viability.

Table 16. Greatest Challenges to Industry

Challenge	Percent	Select Responses
Access to Timber Supply	24%	Need timber supply to keep everyone going, there are no lumber mills anymore. Old growth, still the highest quality wood. Second growth will have considerable competition from Canada, New Zealand, and elsewhere.
Federal and State Government Regulation	22%	Lawsuits, litigants, federal regulations invite appeals to timber sales and other land management decisions. Federal government and Washington, DC USDA attitude
Environmental Concerns	19%	Interest groups that curtail timber acquisitions – groups fighting sales. Culture of anti-export growing in Southeast and Southcentral Alaska

Individual business and timber industry challenges are interrelated. Without sufficient, consistent, and cost effective access to raw material, timber businesses and the industry as a whole will continue to decline. The already lagging economic climate, population decline, and increased costs of doing business and living (i.e., energy and transportation) will likely continue to fuel a steady out migration from Southeast Alaska.

APPENDIX A: FOREST PRODUCTS BUSINESS POPULATION FRAME

Completed Survey	Business Name or Contact	Community	State
	ADAM BASKETT	Thorne Bay	AK
	ALASKA CUTTERS, INC.	Klawock	AK
√	ALASKA FIBRE	Petersburg	AK
√	ALASKA FOREST ASSOCIATION INC	Ketchikan	AK
	ALASKA HANDCRAFTED	Thorne Bay	AK
√	ALASKA LASER MAID	Thorne Bay	AK
	ALASKA LUMBER MILL, INC	Juneau	AK
	ALASKA SALVAGE AND RESTORATION	Craig	AK
√	ALASKA SPECIALTY WOODS	Craig	AK
	ALASKA TIMBER MANAGEMENT	Ketchikan	AK
	ALASKA TREE EXPERT COMPANY	Ketchikan	AK
	ALASKAN LOG CRAFT LLC.	Thorne Bay	AK
	ALASKAN WOOD PRODUCTS	Thorne Bay	AK
√	ALCAN FOREST PRODUCTS/EVERGREEN TIMBER LIMITED PARTNERSHIP	Ketchikan	AK
	ALVARADO BROTHERS REFORESTATION	Sitka	AK
√	AMERIKANUAK, INC	Juneau	AK
√	ARCTIC LOG HOMES, LTD	Haines	AK
	B AND C MILLING	Gustavus	AK
	BEAR PAW FURNISHING	Craig	AK
	BELK'S LOGGING	Ketchikan	AK
	BILL WALKER	Craig	AK
√	BLACKWELLS CUSTOM WOODWORKS	Juneau	AK
	BLADES ENTERPRISES	Sitka	AK
√	BLUE EDDY ENTERPRISES	Kasaan	AK
	BOARDFEET	Coffman Cove	AK
√	BOATRB	Petersburg	AK
√	BOYER TOWING COMPANY	Ketchikan	AK
	BUCCANEER ENTERPRISES	Juneau	AK
	BYRON BROTHERS CUTTING	Ketchikan	AK
√	CAPITAL CABINETS & COUNTERS	Juneau	AK
	CARLSON LOGGING	Thorne Bay	AK
	CARTER AND CARTER ENTERPRISES, INC	Coffman Cove	AK
	CHANSON CHING	Craig	AK
	CHASE LOGGING, MILLING, AND HAULING	Gustavus	AK
	CLARK ENTERPRISES	Thorne Bay	AK
	CLEARCUT TREE SERVICE	Juneau	AK
√	COLUMBIA HELICOPTERS, INCORPORATED	Ketchikan	AK
√	CORNERSTONE EXCAVATION SERVICES (A SMALL NOTION)	Thorne Bay	AK
√	CREW ENTERPRISES	Sitka	AK

Completed Survey	Business Name or Contact	Community	State
√	CREW LUMBER	Edna Bay	AK
	CROWN ALASKA	Florence	OR
	CSC TREE SERVICE	Kake	AK
√	CSL FARM AND SERVICES	Edna Bay	AK
√	CUTTING EDGE WOOD PRODUCTS	Ketchikan	AK
	D AND L WOODWORKS	Hoonah	AK
√	D AND M ENTERPRISES	Coffman Cove	AK
√	D. ALAN ROCKWOOD	Ketchikan	AK
√	D. J. ENTERPRISES	Wrangell	AK
	DALE R BAKKELA CONSTRUCTION	Ketchikan	AK
	DARLENE AND JOSE CHILDREN REYES ENTERPRISE TREE THINNING	Klawock	AK
	DARRELL HARMON	Coffman Cove	AK
√	DEB SPENCER SAWMILL	Pelican	AK
√	DROSON COMPANY	Klawock	AK
√	DURETTE CONSTRUCTION COMPANY, INCORPORATED	Ketchikan	AK
	EAGLE WOODS PRODUCTS	Craig	AK
√	EIGHT STARS TREE SERVICE	Klawock	AK
	ELNINO ENVIRONMENTAL RESOURCE DEVELOPMNT	Ketchikan	AK
	ERNIE KING	Gustavus	AK
	EVERYTHING WILD	Kake	AK
√	FALLS CREEK FOREST PRODUCTS	Petersburg	AK
	FINE LINE TIMBER	Haines	AK
√	FIREWEED CRAFTS OF JUNEAU	Juneau	AK
√	FIRST CITY WOOD HAULERS	Ketchikan	AK
	FOREST ENHANCEMENT OF THE WEST	Sitka	AK
√	FOREST INDUSTRY CONSULTING	Juneau	AK
√	FRANKS MILLING AND WOODWORKING	Coffman Cove	AK
√	FRITZ LACOUR	Thorne Bay	AK
√	GILDERSLEEVE LOGGING	Oregon	AK
√	GLACIERWOOD TURNING	Juneau	AK
	GOOSE CREEK SHINGLE	Thorne Bay	AK
	GREATLAND CONSULTANTS	Ketchikan	AK
	GREG CLARK	Edna Bay	AK
	H and H SALVAGE	Ketchikan	AK
	H AND L SALVAGE	Thorne Bay	AK
	HELGESON WOODWORKING	Wrangell	AK
	HELICOPTERS IN TIMBER	Kasaan	AK
√	HOONAH TOTEM CORPORATION	Hoonah	AK
√	HTR SELECT WOODS	Sitka	AK
	HUMMER ENTERPRISES	Thorne Bay	AK
	ICE WORK ENTERPRISES	Thorne Bay	AK

Completed Survey	Business Name or Contact	Community	State
√	ICY STRAITS LUMBER AND MILLING, INC	Hoonah	AK
	J AND S Timber	Ketchikan	AK
√	JASON ROONEY'S WOODCUTTING	Wrangell	AK
√	JAY'S TREE AND BUSH SERVICE	Sitka	AK
√	JE CARLSON CUSTOM FURNITURE & CABINETRY	Haines	AK
	JERRY HILDREN	Klawock	AK
	JERRY RYGGS	Naukati	AK
	JOHNSON AND SON LLC	Klawock	AK
	JUNEAU HAND MADE BOXES BY MACK PARKER	Juneau	AK
	JUNEAU TRUSS INC	Juneau	AK
√	JUNEAU WOOD AND TIMBER	Juneau	AK
	K AND G CONSTRUCTION	Ketchikan	AK
	K AND K CEDAR SALVAGE	Thorne Bay	AK
	KETCHIKAN PULP COMPANY-TIMBER DIVISION	Ketchikan	AK
	KILLISNOO WOOD AND LUMBER	Angoon	AK
√	KLEHINI VALLEY LOG WORKS	Haines	AK
√	KUPREANOF LUMBER	Kake	AK
	LAST CHANCE ENTERPRISES	Thorne Bay	AK
	LITTLE WOOD PRODUCTS	Gustavus	AK
	LITTLE WOOD PRODUCTS	Sitka	AK
	LLOYD WILSON	Naukati	AK
	LOGAN LUMER	Craig	AK
	MAD DOGS FOREST IMPROVEMENTS	Craig	AK
√	MADISON LUMBER AND HARDWARE	Ketchikan	AK
	MIKE ALLEN ENTERPRISES	Wrangell	AK
√	MIKE OXFORD	Naukati	AK
	MILLER INCORPORATED	Ketchikan	AK
	MOOSE CREEK MILLWORKS	Haines	AK
√	MORGAN DEBOER SAWMILL	Gustavus	AK
√	MRA'S TREE SERVICES	Kake	AK
√	MUSKEG ENTERPRISES	Ketchikan	AK
	NEW SAUNA THERAPY, LLC.	Juneau	AK
	NICHOLAS BAY BASKERTY	Craig	AK
	NORTHERN LIGHTS REFORESTATION	Ketchikan	AK
√	NORTHERN STAR CEDAR PRODUCTS	Thorne Bay	AK
√	NORTHERN STAR WOODWORKING	Tenakee Springs	AK
√	NORTHERN TIMBER	Haines	AK
√	NORTHERN WOOD PRODUCTS	Ketchikan	AK
	NORTHSTAR TIMBER SERVICES,LLC	Ketchikan	AK
	OUT ON A LIMB	Thorne Bay	AK
√	PACIFIC LOG AND LUMBER, LTD	Ketchikan	AK

Completed Survey	Business Name or Contact	Community	State
√	PAPAC ALASKA LOGGING, INC.	Craig	AK
	PEAVEY LOG	Thorne Bay	AK
	PERFECT NOTE MUSIC WOOD	Craig	AK
√	PHOENIX LOGGING COMPANY	Ketchikan	AK
√	PORTER LUMBER	Thorne Bay	AK
√	POW BIOFUELS COOP	Thorne Bay	AK
	QUAKER WOOD WORKS	Thorne Bay	AK
	QUIGCO, LLC	Juneau	AK
	R AND R REFORESTATION	Klawock	AK
	RAINFOREST WOOD PRODUCTS	Petersburg	AK
√	REID BROTHERS LOGGING AND CONSTRUCTION	Petersburg	AK
√	ROCK-N-ROAD CONSTRUCTION, INCORPORATED	Petersburg	AK
	S.E.A. LUMBER	Sitka	AK
√	SAINT NICK FOREST PRODUCTS, INC.	Craig	AK
	SAINT NICKS FOREST PRODUCTS	Craig	AK
	SAMSON TUG AND BARGE COMPANY	Sitka	AK
	SCHULTZ'S WOOD PRODUCTS	Ketchikan	AK
√	SEALASKA TIMBER CORPORATION	Ketchikan	AK
	SEAOTTER WOODWORKS INCORPORATED	Haines	AK
√	SHARP LUMBER, LLC	Craig	AK
	SILVER BAY LOGGING, INC.	Wrangell	AK
	SITKA FOREST PRODUCTS	Sitka	AK
√	SOUTHEAST ALASKA RESOURCES	Ketchikan	AK
	SOUTHEAST ALASKA WOOD PRODUCTS	Petersburg	AK
√	SOUTHEAST CEDAR HOMES	Sitka	AK
√	SOUTHEAST ROADBUILDERS	Haines	AK
	SOUTHEAST STEVEDORING CORPORATION	Ketchikan	AK
	STUMP TO YOUR RUMP	Coffman Cove	AK
	STUMPTOWN WOODWORKS	Ketchikan	AK
	T AND T LUMBER	Yakutat	AK
	T.A.G., LLC	Juneau	AK
√	TENAKEE LOGGING COMPANY	Tenakee Springs	AK
√	TENAKEE WOOD	Tenakee Springs	AK
√	THE MILL, INCORPORATED	Petersburg	AK
√	THE STUMP COMPANY	Haines	AK
	THE WOOD SHOP	Ketchikan	AK
√	THORNE BAY WOOD PRODUCT ENTERPRISES	Thorne Bay	AK
√	THUJA PLICATA	Thorne Bay	AK
√	TIMBER AND MARINE SUPPLY	Ketchikan	AK
	TIMBER WOLF CUTTING, INC.	Craig	AK
√	TONGASS CUTTING, LLC	Petersburg	AK

Completed Survey	Business Name or Contact	Community	State
√	TONGASS FOREST ENTERPRISES	Ketchikan	AK
√	TONSGARD LOGGING/CHANNEL CONSTRUCTION	Juneau	AK
√	TOP HAT LOGGING	Haines	AK
	TRINITY TREE SERVICE & CONTRACT CUTTING	Haines	AK
√	VIKING LUMBER COMPANY, INC.	Klawock	AK
	VINCE SHAFER	Gustavus	AK
	W.R. JONES AND SON LUMBER COMPANY	Craig	AK
√	WEST END WOODWORKS	Tenakee Springs	AK
√	WEST WIND WOODWORKING	Skagway	AK
√	WESTERN GOLD CEDAR PRODUCTS	Thorne Bay	AK
√	WHITESTONE LOGGING, INC.	Hoonah	AK
	WILLIAMS AND CLAN FOREST IMPROVEMENT	Craig	AK
	WINDY CITY TREE SERVICE	Skagway	AK
√	WINDY POINT SAWMILL AND BOBCAT SERVICE	Craig	AK
	WINROD LOGGING	Hydaburg	AK
	WKW REFORESTATION	Klawock	AK
	WOLF TIMBER	Haines	AK
√	WOOD CUTS	Thorne Bay	AK
√	WOOD EYE WOODWORKING	Juneau	AK
√	WOOD MARINE	Klawock	AK
√	WOODBURY ENTERPRISES	Wrangell	AK
	WOODCHUCKERS	Ketchikan	AK
	WOODSHED, THE	Petersburg	AK
√	ZIESKE, CHARLES H	Point Baker	AK
TOTAL BUSINESSES	186	Southeast	AK

APPENDIX B: SURVEY INSTRUMENT

Alaska Timber Jobs Task Force
Administrative Order 258, Item 6 and 8
Forest Products Business Survey
Survey Instrument and Codebook

OPENING REMARKS

The Alaska Department of Commerce, Community, and Economic Development (DCCED) is conducting a survey to learn more about Alaska's wood products and timber industry businesses. This work is part of Governor Parnell's current Alaska Timber Jobs Task Force, which was appointed during May 2011 and tasked with studying the industry in order to better manage the state's forests and also advocate for better management of the Tongass National Forest. A search of federal and state databases indicates you own or operate a timber-related business. I'd like to ask you a few questions; all responses will be kept confidential.

SECTION 1 – CONTACT INFORMATION

Business Name
Contact
Interviewee
Title – owner (1), operator (2), manager (3), other (4)
Current Business Status – operating (1), not operating (2), operating intermittently (3), other (4)
Address 1 – Street Address
Address 2 – P.O. Box
City
Community [best locator]
State
Zip
Email
Website

SECTION 2 – BUSINESS PROFILE INFORMATION

Residency – Alaska (1), Lower 48 (2), International (3)
Region – SE (1), SC (2), IN (3), GC (4), W (5), NW (6), and SW (7)
Business Tenure – total years in business or founding date conversion
Business Type 1 – product (1), direct service (2), indirect service (3), other (4)
Business Schedule – regular year round (1), regular seasonal (2), contingent (3), other (4)
Total Employees – total count regardless of employment type [Total = FT + PT + C + OT]
Total Full-Time Employees
Total Part-Time Employees
Total Contingent Employees
Total Other Employees
Household Income – Percentage of household income is provided by wood products-related work.
Other – all other business profile information that might be important.

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SECTION 3 – WOOD PRODUCT INFORMATION

Business Type 2

- Timber Tract Operation (1)
- Sawmill (2) – Includes other preliminary processing
- Direct Forestry Support (3) – directly related to harvest including helicopters, road builders, and barge
- Indirect Forestry Support (4) – support for indirect businesses including consultants, land managers
- Wood Product Manufacturing (5) – anything processed, manufactured, and value added.
- Other (6)

Raw Material (Specie) Use – What type of wood do you use? **[Note: collect percentage information.]**

Specie	Percent
Western Hemlock	
Sitka Spruce	
Red Cedar	
Alaska Cedar (Yellow)	
Other (i.e., Birch, Alder)	
Total	100%

Wood Product Description

Unprocessed [1]	Basic Building Materials [2]	Processed Building Materials [3]	Biomass [4]	Other Products [5]
1. Unprocessed Logs	12. Log Cabins	23. Decking	34. Pellet	45. Furniture/Parts
2. Cants	13. Plywood	24. Siding	35. Wood Chips	46. Hot Tubs
3. Timbers	14. Fiberboard/Particle Board	25. Flooring	36. Firewood	47. Carving/Art Wood
4. Pulpwood	15. Insulating Board	26. Doors	37. Biofuel	48. Musical Instruments
5. Houselogs	16. Framing Lumber	27. Window Frames	38. Cellulosic Ethanol	49. Paper/Cardboard
6. Other Millwork	17. Post/Beam	28. Paneling	39. Other Biomass	50. Ladders/Scaffolding
7. Other Raw Product	18. Laminated Beams	29. Molding/Trim	40.	51. Boat Building
8.	19. Veneers	30. Cabinets/Parts	41.	52. Boxes/Crates/Containers
9.	20. Sheathing and Subflooring	31. Countertops	42.	53. Bridge and Deck Building
10.	21. Shingles	32. Other Household	43.	54. Canoes/Paddles
11.	22. Other Building Material	33.	44.	55. Other Products

Overall Market Demand for Wood Product – What is the overall market demand for your product?

Specie	Great Demand	Moderate Demand	Little to No Demand	Undecided
Wood Product 1	1	2	3	4
Wood Product 2	1	2	3	4
Wood Product 3	1	2	3	4

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SECTION 4 – MARKET INFORMATION

Market Description:

Who are your buyers? [Note: percentage]

Mills
Wood Product Manufacturers
Retailers
Businesses as End Users
Consumers as End Users
Government
Other

Where are your buyers? [Note: percentage]

Local/Borough
Region
State
Lower 48
Export
Other

Market Assistance: Would you be interested in assistance identifying customers?

Yes (1), No (2), Don't Know (3)

SECTION 5 – OPEN: BUSINESS STATUS
[Note: Questions below for businesses that are currently operating only.]

Capacity – How do you define "through-put" capacity at your operation?

Eight-Hour Capacity – What is your standard "through-put" capacity during an eight-hour period?

Current Operation Status – At what percent of full capacity are you operating?

Operate at Current Capacity – Annual Raw MMBF Supply Need

Operate at Full Capacity – Annual Raw MMBF Supply Need

Grow Overall Business Operation – Annual Raw MMBF Supply Need

Is timber supply currently a problem for your business?

Significant Problem (1)
Moderate Problem (2)
Little or No Problem (3)
Don't Know (4)

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SECTION 6 – CLOSED: BUSINESS INFORMATION
[Note: Following questions for those businesses that are currently not operating or closed.]

Closure Year – What year did you close your operation and/or cease operations?

Tenure – How many years were you in business?

Reason – Primary reason for closing business?

Timber Supply Importance 1 – How important was quantity of timber supply to decision to close business?
- Very Important (1)
- Somewhat Important (2)
- Little or No Importance (3)
- Undecided (4)

Reopen Likelihood – How likely are you to reopen your business in the future?
- Very Likely (1)
- Somewhat Likely (2)
- Not Likely (3)
- Undecided (4)

Reopen Conditions – Under what conditions would you consider reopening your business, if any?

Timber Supply Importance 2 – How important is timber supply to potentially reopening your business?
- Very Important (1)
- Somewhat Important (2)
- Little or No Importance (3)
- Undecided (4)

SECTION 7 – FUTURE BUSINESS PROJECTIONS

Level of Interest in Business Growth
- Very Interested (1)
- Somewhat interested (2)
- Little or No Interest (3)
- Don't Know (4)

Future Business Projections – What are your expectations for the future of your business?

Dimension/Aspect	Significant Growth	Moderate Growth	Remain the Same	Moderate Downsize	Significant Downsize	Don't Know
Overall Business Size [1 year]	1	2	3	4	5	6
Overall Business Size [5 year]	1	2	3	4	5	6
Overall Business Size [10 year]	1	2	3	4	5	6
Overall Product Yield	1	2	3	4	5	6
Plant/Facility Size	1	2	3	4	5	6
Equipment Quantity	1	2	3	4	5	6
Employment Quantity	1	2	3	4	5	6
Other	1	2	3	4	5	6

Timber Survey – Outreach Version – Page 4

Challenges to Business Growth – Do the following challenge the future of your business?

Challenge	Significant Challenge	Moderate Challenge	Little or No Challenge	Don't Know
Timber Supply (1 year)	1	2	3	4
Timber Supply (5 year)	1	2	3	4
Timber Supply (10 year)	1	2	3	4
Workforce Availability	1	2	3	4
Workforce Quality	1	2	3	4
Forest Management	1	2	3	4
Financial Resources	1	2	3	4
Taxation	1	2	3	4
Government Regulation	1	2	3	4
Other	1	2	3	4

Overall Business Viability – What is your overall expectation regarding the following scenarios?

Challenge	Very Likely	Somewhat Likely	Not Likely	Don't Know
Operating in 1 year	1	2	3	4
Operating in 2 years	1	2	3	4
Operating in 5 years	1	2	3	4
Operating in 10 years	1	2	3	4
Other	1	2	3	4

SECTION 8 – TIMBER SUPPLY

Maintain with Current Supply – How long can you maintain your business' current level of operation with your on-yard timber supply and purchased timber sales (i.e., current timber resource)?

Less than 6 months (1)
6 – 12 months (2)
1 – 2 years (3)
More than 2 years (4)

Timber Supply Threat – What level of threat do the following present to your business?

[1 = severely threatens, 2 = somewhat threatens, 3 = little or no threat, 4 = don't know]

	Current Business Status				Future Business Growth			
1 Year Timber Supply	1	2	3	4	1	2	3	4
5 Year Timber Supply	1	2	3	4	1	2	3	4
10 Year Timber Supply	1	2	3	4	1	2	3	4
Limited Specie Diversity	1	2	3	4	1	2	3	4
Other	1	2	3	4	1	2	3	4

Raw Timber Supply Needed (Annual Raw MMBF Number Only)

	Maintain Current Operation (mmbf)	Operate at Full Capacity (mmbf)	LOW Future Business Growth (mmbf)	MEDIUM Future Business Growth (mmbf)	HIGH Future Business Growth (mmbf)
Total (all specie)					

Timber Survey – Outreach Version – Page 5

SECTION 9 – WORKFORCE

Total Employee Count – cross verify with prior questions.

Current Workforce Summary

Type	Percent
Professional/Management	
Skilled	
Semi-Skilled	
Unskilled	
Clerical	
Other	
Total	100%

Current Employee Residency

Distance	Percent
Southeast Resident	
Alaska Resident, non-SE	
Lower 48 Residency	
International Residency	
Other	
Total	100%

Workforce Status

Workforce Status	Hiring	Stable	Downsizing	Don't Know
Current	1	2	3	4
Short-Term Future (< 2 Years)	1	2	3	4
Long-Term Future (> 2 Years)	1	2	3	4
Other	1	2	3	4

Local Labor Pool Description – How would you rate the following segments of local labor pool?

(1 = very good, 2 = good, 3 = fair, 4 = poor, 5 = don't know)

Labor Pool Type	Rating				
Professional/Management	1	2	3	4	5
Skilled	1	2	3	4	5
Semi-Skilled	1	2	3	4	5
Unskilled	1	2	3	4	5
Clerical	1	2	3	4	5
Other	1	2	3	4	5

Workforce Recruitment Challenges – How would you rate the following potential recruitment challenges?

Problem	Significant Problem	Moderate Problem	Little or No Problem	Don't Know
Labor Supply Shortage	1	2	3	4
Skills Not Adequate	1	2	3	4
Distance to Job Site	1	2	3	4
Available Housing	1	2	3	4
Affordable Housing	1	2	3	4
Other	1	2	3	4

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SECTION 10 – GREATEST CHALLENGES

Please indicate the level of threat each of these presents to the overall viability of your business.

Threat	Severely Threatens	Somewhat Threatens	Little or No Threat	Don't Know
Short-Term Timber Supply (< 2 years)	1	2	3	4
Long-Term Timber Supply (> 2 years)	1	2	3	4
Workforce Quantity	1	2	3	4
Workforce Quality	1	2	3	4
Workforce Cost	1	2	3	4
Competition	1	2	3	4
Management of the Tongass National Forest	1	2	3	4
Management of the State Forest	1	2	3	4
Utilities/Services Availability	1	2	3	4
Utilities/Services Cost	1	2	3	4
Telecommunications Availability	1	2	3	4
Telecommunications Cost	1	2	3	4
Transportation Availability	1	2	3	4
Transportation Cost	1	2	3	4
Federal/State Taxes	1	2	3	4
Local Taxes	1	2	3	4
Government Regulation	1	2	3	4
Physical Space	1	2	3	4
Environmental Issues	1	2	3	4
Environmentalist Movement	1	2	3	4
Marketing	1	2	3	4
Product Demand	1	2	3	4
Capital	1	2	3	4
Production Process	1	2	3	4
Grading	1	2	3	4
Fuel	1	2	3	4
Other	1	2	3	4

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SECTION 11 – ADDITIONAL CHALLENGE QUESTIONS

What are the three greatest challenges to your business?

Challenge to Business	Response
Greatest Challenge	
Second Greatest Challenge	
Third Greatest Challenge	

In your opinion, what are the three greatest challenges to your industry?

Challenge to Industry	Response
Greatest Challenge	
Second Greatest Challenge	
Third Greatest Challenge	

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SECTION 11 – ADDITIONAL INFORMATION

Any other information you would like to share?

For Further Information:
Nicole Grewe
Division of Economic Development
Direct: (907) 465-3812
Email: nicole.grewe@alaska.gov

Alaska Timber Jobs Task Force

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APPENDIX 9

TONGASS NATIONAL FOREST TIMBER SALE PROGRAM 2001 - 2011

FISCAL YEAR	TTRA VOL. (MMBF)	TIMBER VOL. OFFERED (MMBF)	TIMBER VOL. SOLD (MMBF)	TIMBER VOL. HARVESTED (MMBF)	TIMBER VOL. UNDER CONTRACT (MMBF)	% TIMBER VOL. UNDER CONTRACT OFFERED (MMBF)	% TTRA VOL. OFFERED (MMBF)	
2001	119	68	50	48	282.6	24%	57%	
2002	110	57	24	34	295.8	19%	52%	
2003	151	89	36	51	193.3	46%	59%	
2004	153	73	87	46	148.5	49%	48%	
2005	143	110	65	50	103.7	106%	77%	
2006	143	24	85	43	110.5	22%	17%	
2007	116	32	30	19	114.1	28%	28%	POST-2008 TLMP AMENDMENT 48%
2008	99	42	5	28	96.9	43%	42%	
2009	146	36	10	28	84.4	43%	25%	
2010	173	46	46	36	98.4	47%	27%	POST-2008 TLMP AMENDMENT 33%
2011	110	43.5	37.5	32.6	104.9	41%	40%	
AVERAGE	133.00	56.41	43.23	37.78	148.46	43%		

TTRA VOLUME IS THE TONGASS TIMBER REFORM ACT SEC. 101 "SEEK TO MEET" MARKET DEMAND ESTIMATE
ALL VOLUME NUMBERS BASED ON FEDERAL FISCAL YEAR (OCT. 1 TO SEPT. 30)
TIMBER VOLUME OFFERED FOR ANY YEAR MAY INCLUDE VOLUME OFFERED PREVIOUSLY BUT NOT SOLD
AVERAGE % TTRA VOL. OFFERED IS PROVIDED FOR PRE-2008 TLMP AMENDMENT AND POST-2008 TLMP AMENDMENT
MMBF IS MILLION BOARD FEET

INFORMATION FROM USFS REGION 10 "TIMBER SALE SUMMARY REPORTS AND ACCOMPLISHMENTS" WEBPAGE

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APPENDIX 10

DEPARTMENT OF
COMMERCE, COMMUNITY
AND ECONOMIC DEVELOPMENT

ADMINISTRATIVE ORDER 258, TASK 8:
ALASKA'S TIMBER RESOURCE AND WOOD PRODUCTS

PURPOSE

During May 2011, Governor Sean Parnell established the Alaska Timber Jobs Task Force (hereafter Task Force) 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, Southeast Alaska land ownership, timber supply and demand, current and potential wood products, and additional research needs.

The purpose of this report is to provide information related to Administrative Order 258, Task Eight objectives including: 1) reviewing current wood products; and 2) identifying potential new products and uses that could be developed pending an increase in timber supply. Notably, while the Administrative Order notes a focus on the Tongass National Forest (hereafter Tongass), the Task Force agreed to adopt a wider scope and explore wood products across Alaska, with particular focus on Southeast. Furthermore, additional background is provided regarding the status of Alaska's timber industry across various regions and Alaska's timber resource.

BACKGROUND

Alaska's forests have supported families, businesses, and communities for generations. Alaska Natives harvested wood products for subsistence uses. Homesteaders utilized wood products as they built homes, infrastructure, and communities. Eventually Alaska's timber resource, particularly in Southeast, became heavily commercialized. The commercial timber industry became a major regional economic driver as a pulp industry grew, supported by ample Tongass timber supply. Pulp mill companies thrived, sawmills kept busy, and small businesses flourished across Southeast Alaska. In short, the timber industry and associated wood product businesses drove a population and economic boom across Southeast Alaska that lasted for decades.

The commercial timber industry peaked in Southeast during 1989 with more than one billion board feet harvested. In contrast, the past ten years have yielded harvests measured only in million board feet (mmbf); only 31 mmbf were harvested during 2011. Implementation of federal policy regarding the Tongass National

Forest continues to evolve through the varied and inconsistent execution of the 2008 *Tongass Land Management Plan* (TLMP). The timber industry and wood products businesses operate in an uncertain business climate and without sufficient timber supply. The industry that once drove an economic boom is a shadow of its former self. An overwhelming majority of Southeast communities have experienced significant population decline over the past ten years as families migrate out of the region in search of economic security elsewhere. Secondary impacts of population loss have had far reaching consequences in many communities including declining school enrollments, decreasing municipal tax bases, and difficulty in transitioning to alternative local economic drivers.

In contrast to Southeast, Southcentral and Interior are absent a history of heavily-commercialized wood product industries, but rather have significantly smaller businesses primarily supported by State of Alaska timber sales. Through changing times and as the cost of energy continues to escalate, the Interior has experienced increased demand for small diameter and waste raw material for woody biomass fuel development. Over the past decade, there has been a slow decline of small family-owned mills in the Interior, but an overall increase and focus on value-added wood product development. White spruce is the Interior's primary softwood, but only a handful of mills produce graded lumber. Although the large majority of the Tanana Valley State Forest is located within 20 miles of the state highway system, the high cost of fuel makes harvesting and transporting timber an economic challenge.

Southcentral and Gulf Coast regions have experienced significant declines in the quality of timber as both regions suffer from widespread bark beetle infestations. In the Anchorage and Matanuska-Susitna (Mat-Su) metropolitan areas, the State of Alaska continues to provide commercial timber sales as the Mat-Su Borough has not posted timber sales in over five years. Decreased housing starts have resulted in less land clearing and increased demand on the state to provide firewood sales for both personal and commercial markets. Much of the Southcentral industry focuses on value-added product development including log cabin kits, dimensional limber, custom beams, and other building materials.

ALASKA'S TIMBER RESOURCE

Alaska's timber resource is composed of boreal and coastal forest species primarily located in Southeast, Southcentral, and the Interior. The forests of Interior and Southcentral are generally referred to as boreal forests. South to north, these forests stretch from Kenai Peninsula to the Tanana Valley to the foothills of the Brooks Range. East to west, they extend from the Porcupine River near the Canadian border to the Kuskokwim River Valley. The nation's second largest national forest, the Chugach National Forest, is located in Southcentral Alaska and encompasses approximately five million acres, including Prince William Sound and much of the Kenai Peninsula.

Boreal forests are home to white spruce, quaking aspen, paper birch, black spruce, balsam poplar, and larch. Extreme climatological variation and short growing seasons cause most of the trees to have tight growth rings, making the wood prized for strength and beauty. The timber industry in Southcentral and the Interior are largely limited to small mills and cottage manufacturing industries.

Alaska's coastal forests range from the Southeast panhandle to Kodiak Island. Southeast, in particular, is the most densely-forested region in Alaska and home to the nation's largest national forest – the Tongass National Forest. The Tongass encompasses nearly 17 million acres and covers 80 percent of Southeast Alaska. As a coastal rainforest, primary species include Sitka spruce, western hemlock, mountain hemlock, western red cedar, and yellow cedar. Mountain hemlock dominates the upper slopes. Sitka spruce, both cedars, and western hemlock dominate the lower slopes. All species of the coastal rainforest are valued for durability, versatility, and beauty. Southeast's timber industry ranges from exporting unprocessed logs, to sawmills, to value-added wood product cottage industries.

ALASKA TIMBER, PROPERTIES, AND PRODUCTS

Although virtually any wood can be adapted to accommodate a particular use, certain species are far superior for certain applications. Notably, the critical factor is linking unique wood properties to their highest and best use. The properties of the wood materials will drive market values; a successful match between properties and highest use will yield the greatest market value. In total, there are approximately eight wood species, located primarily across three Alaska regions, with a strong market value based on properties and uses.

Table 1. Alaska Timber, Properties, and Products

Select Species	Location	Characteristics and Properties	Example Products	Grading Available
Alaska Hemlock - **Western** - **Mountain**	Western - Southcentral and Southeast Mountain - Southcentral, from the Kenai Peninsula to Southeast	- takes paint, glue, and varnish well - moderately hard, strong, and light weight - very wet - low decay resistance - Machines well	- framing lumber - posts and beams - laminated beams - plywood - pulping - molding and trim	Yes
Sitka Spruce	Southeast, Prince William Sound, Kodiak Island, Kenai Peninsula, and just north of Girdwood	- takes glue, paint, and varnish well - high strength to weight ratio - moderately soft and light weight - long and high density fibers - good resonance quality - clear and straight grain in higher grade spruce	- airplanes and boats - veneers - millwork - pulping - musical instruments - light framing - ladders/scaffolding	Yes
Western Red Cedar	Southeast	- takes paint, glue, and vanish well - low thermal conductivity - very light weight - dimensional stability - high resistance to decay	- siding - sheathing and subflooring - shingles / shakes - decking - furniture - posts and poles - outdoor uses	

Alaska (Yellow) Cedar	Southeast	- extreme durability - resistance to acid and fire - very workable - uniform texture - strong odor - dimensional stability - easy to kiln dry - low nail-holding capacity - heavy	- boat building - carving - window frames - storage tanks - canoes and paddles - bridge and dock decking - doors - molding and trim	Yes
Red Alder	Southeast	- uniform texture - moderately strong and lightweight - excellent for machining - takes glue, paint, and varnish well	- fine furniture - cabinets - pulpwood	
Black Cottonwood	Southcentral and Southeast	- lightweight - uniform texture - soft and moderately week - takes nails well, but low nail-holding capacity	- plywood care - boxes and crates - pulpwood - excelsior	
White Spruce	Throughout most of Alaska, but absent from the Northern, Western, and Southwest Regions	- good for machining - excellent resistance to nail splitting - good nail and screw holding ability - very good for gluing	- pulpwood - lumber - insulating board - particle board	Yes
Paper Birch	Throughout most of Alaska	- excellent for machining - good resistance to nail splitting - very good nail and screw holding - good for gluing	- pulpwood - utensils - flooring	

Source: *Southeast Timber Task Force Report* (1997)

STATEWIDE WOOD PRODUCTS

The federally-recognized North American Industry Classification System (NAICS) contains 34 forestry-related business types including timber harvesting, timber processing, direct and indirect forestry support, and manufacturing activities (Appendix A). In total, the Alaska Department of Commerce, Community, and Economic Development's (DCCED) Business License database contains 472 current licenses for wood product businesses spanning 24 distinct business activities across three NAICS lines of business including: 1) agriculture, forestry, fishing, and hunting; 2) manufacturing; and 3) trade. These 472 businesses can be further aggregated into 17 similar business activities (Table 2).

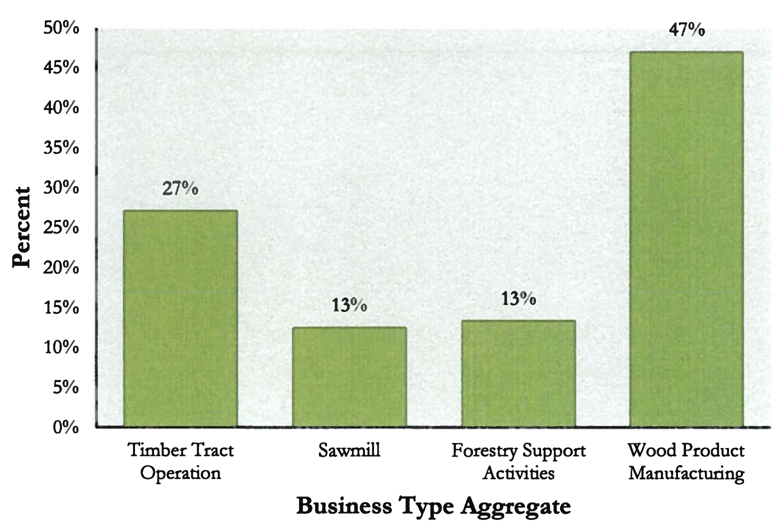
Approximately one-quarter (27%) of all licensed wood product businesses are timber tract operations (i.e., logging). Twelve percent (12%) are traditional sawmills and nine percent (9%) are forestry support activities. Notably, one-quarter (24%) are classified as "all other miscellaneous wood product manufacturing businesses", which generally represents small cottage wood product businesses that are not adequately described using traditional wood product terminology. The remaining 28 percent (28%) of Alaska's forest products industry includes a wide array of business types including building material manufacturing, household products, wholesale activities, and shipping material construction.

Table 2. 2012 Statewide Wood Product Businesses

Business Type	Statewide	Percent
Timber Tract Operations	128	27%
Other Wood Product Manufacturing	116	24%
Sawmill	56	12%
Forestry Support Activities	41	9%
Kitchen Cabinet/Countertop Manufacturing	43	9%
Furniture Manufacturing	23	5%
Wholesale	19	4%
Veneer/Plywood Manufacturing	9	2%
Custom Woodwork and Millwork Manufacturing	9	2%
Prefabricated Wood Building Manufacturing	7	1%
Woodworking/Sawmill Equipment	3	1%
Container/Pallet Manufacturing	5	1%
Window/Door Manufacturing	4	1%
Cut Stock, Resawing, Lumber, and Planning	3	1%
Other Millwork	4	1%
Reconstituted Wood Product Manufacturing	1	0%
Truss Manufacturing	1	0%
Total	472	100%

Considered more broadly, the 24 NAICS-based categories depicting Alaska wood product businesses can be further aggregated by general business type (Figure 1) ranging from timber harvesting activities (i.e., timber tract operation), to processing (i.e., sawmill), to value-added manufacturing (i.e., wood product manufacturing). Additional wood product businesses include a wide array of forest support activities that occur along the harvest to manufacturing industry continuum. Notably, timber tract operations are approximately one-quarter (27%) of all wood product

Figure 1. Business Type Aggregate



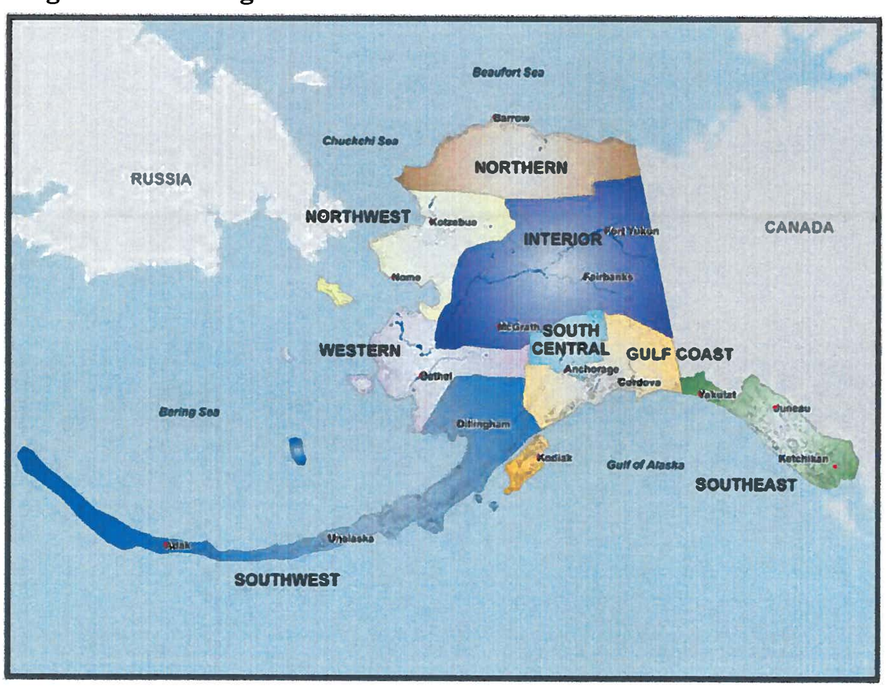
businesses, followed by sawmills (13%) and forestry support (13%). All types of product manufacturing, from household goods to packing materials, comprise 47 percent (47%) of all Alaska wood product businesses.

This brief analysis focuses on total businesses and does not address total jobs created by type of businesses nor does it account for the change in total wood products over time. Determining total business activity across all wood products and timber industry business types is a challenging task as it requires collecting and verifying data across multiple sources including federal data, state data, and on-the-ground research. Furthermore, there are many forest product businesses operating in Alaska that may not be adequately reflected in government data sources because business owners and/or operators may not fully-disclose or accurately self-report current enterprises or business activity. This brief synopsis is a point in time analysis of the DCCED business license database of current licenses.

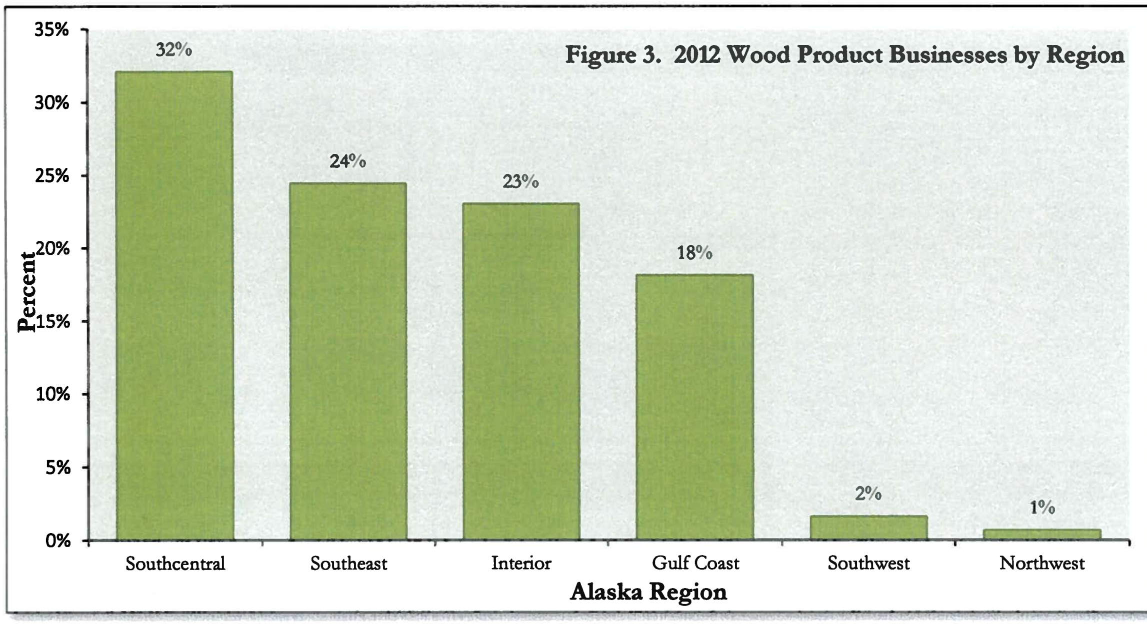
WOOD PRODUCT BUSINESSES BY REGION

Ninety-one percent (91%) of all currently-licensed Alaska forest products businesses (N = 472) are Alaska owned and operated businesses. Out-of-state businesses encompass nine percent (9%), or 42 businesses, of the entire wood products industry. Considering only Alaska-owned businesses (N = 430), Alaska's forest product businesses are spread across all six Alaska regions including Southcentral, Southeast, Interior, Gulf Coast, Southwest, and the Northwest. The highest concentrations of forest product businesses, by community, are located in Anchorage (14%), Fairbanks (10%), and Wasilla (8%) (Appendix B).

Figure 2. Alaska Regions



Although Southeast is home to the famed Tongass National Forest with world-class cedar, hemlock, and spruce timber, the region currently contains less than one-quarter (24%) of all current Alaska-owned wood product businesses (Figure 3). Southcentral has the highest percentage (32%) of all wood product businesses; just less than one-quarter (23%) of all businesses are located in the Interior. Notably, current data to describe regional distribution does not adequately represent the significant change Southeast has undergone over the past decade. Tongass National Forest timber supply has been nearly eliminated; both pulp mills and many forest product businesses have subsequently gone out of business.



Considering four aggregated types of forest products business activity, all regions reflect similar patterns of business-type distribution (Table 3). The largest quantity of businesses are wood product manufacturing entities, followed by timber tract operations; sawmills and forestry support activities comprise the fewest businesses across Alaska.

Table 3. Alaska Wood Product Business Type by Region

Alaska Region	Total Businesses	Timber Tract Operations Percent	Sawmill Percent	Forestry Support Activities Percent	Wood Product Manufacturing Percent
Southcentral	138	13%	8%	9%	70%
Southeast	105	32%	17%	19%	32%
Interior	99	31%	17%	16%	36%
Gulf Coast	78	29%	9%	18%	44%
Southwest	7	14%	29%	0%	57%
Northwest	3	0%	0%	33%	67%
Statewide Total	430				

Note: Table excludes non-Alaska owned and operated businesses (N = 42).

POTENTIAL NEW FOREST PRODUCTS

The development of value-added forest products and product diversification are critical to revitalizing and expanding Alaska's forest product industry. An increased focus on innovative products and processes demonstrates several exciting opportunities. The State of Alaska and other partners can provide assistance in overcoming some of the challenges to commercializing opportunities. In almost all cases, increasing the amount and diversity of wood products promotes Alaska's statewide, regional, and local economic interest. Not only will expanding activity increase economic wealth, but it will also serve to compete against imported goods that currently suffer costs associated with transportation.

WOODY BIOMASS

Woody biomass offers a wide variety of alternative fuel types. Through various levels of drying and/or processing, woody biomass can be converted into fuel types including wood pellets, briquettes, cord wood, wood chips, and wood flour. Sawmill residues and hog fuels (i.e., stumps, bark, tree branches) are also woody biomass options. For woody biomass to be considered as a viable replacement the fuel must be harvested, processed, and delivered at a price lower than the reported British Thermal Unit (BTU) alternative. Primary factors affecting profitability include wood availability, collection and transportation costs, processing costs, government regulation, and the relative cost of other fuels and associated BTUs. The cost of system conversation, both residential and commercial, is also a factor for buyers looking to save on energy bills.

As the cost of fossil fuels continue to escalate, woody biomass is becoming an increasingly cost-effective heating and energy option for Alaska – especially Interior and rural Alaska. The per million BTU cost of various traditional and alternative energy products widely varies. Using 2008 prices, one million BTUs generated by hydro-electric is estimated to cost $28.69. Only wood pellets ($26.52) and firewood ($27.22) air dried to 16% and with a burn efficiency of 80% can compete with hydro electric power.

Table 4. Energy Product Estimated Cost per Million BTUs Summary

Energy Product	Unit	BTUs/Unit	Burning Efficiency	Alaska Price October 2008	Estimated Cost per Million BTUs
Fuel Oil	gallon	138,690	78%	$4.39	$40.58
Fuel Oil	gallon	138,690	78%	$3.00	$27.73
Natural Gas	ccf	103,000	78%	$0.87	$10.83
Hydro-Generated Electricity	kwh	3,412	95%	$0.093	$28.69
Oil-Based Electricity	kwh	3,412	95%	$0.200	$61.70
Propane (not all taxes/cost included)	gallon	91,333	78%	$2.70	$37.90
Firewood (air dry 16%, GB 50% Efficient)	ton	13,776,000	50%	$300	$43.55
Firewood (air dry 16%, GB 80% Efficient)	ton	13,776,000	80%	$300	$27.22
Pellets	ton	16,500,000	80%	$350	$26.52
Kerosene (not all taxes/cost included)	gallon	135,000	75%	$3.55	$35.06

Source: Dr. Allen Brackley, USDA Forest Service, Pacific Northwest Research Station, Sitka Wood Utilization Center (Sitka, AK)

Sealaska Corporation, the United States Coast Guard, the Alaska Energy Authority, and other organizations are implementing woody biomass energy projects in Southeast Alaska. Each woody biomass project must be evaluated in terms of overall efficiency and cost effectiveness. Location, access, and the Southeast climate presents a variety of challenge not present in the Interior or rural Alaska. For example, air drying requires significant time in Southeast with high annual precipitation levels and a consistently humid environment. Furthermore, kiln drying and drum drying can greatly increase costs due the energy needed to reach desired moisture levels. As energy demand and fossil fuel costs increase, the use of woody biomass for energy is becoming increasingly cost effective, but overall economic viability on a large-scale basis remains elusive and small-scale determinations are made on a project-by-project basis.

In comparison to wood-based cellulosic ethanol, alternative wood energy products such as pellets and bricks display a higher degree of potential. Wood pellet processing requires low-quality wood waste and small-diameter timber to create a dense fuel with high BTU levels. Low-value material unsuitable for lumber is cost-effective raw material for wood pellets and wood chips. Other processed woody fuels, including bio-bricks and industrial or commercial grade wood pellets, are also potentially viable for production and utilization in Alaska. Notably, wood pellets and other wood byproducts also serve an important disposal tool for dealing with wood waste that would otherwise accumulate and require costly removal.

A development program that funds focused research in manufacturing techniques and alternative uses is one tool to expedite the success of these wood byproducts. Greater attention to market development may also open new avenues for businesses to create side products. Allowing for experimentation and consistent wood supply to foster a supportive environment for greater product diversification may be the most important step. Challenges related to improving access to foster growth, matching species to products and products to markets, and cultivating the right mix of research and development with innovation and productivity remains the primary role of development efforts.

CELLULOSIC ETHANOL

During the past decade, research and development has addressed significant technical challenges surrounding cellulosic ethanol production. In particular, research conducted by the National Renewable Energy Laboratory (NREL) yielded significant improvements in cellulosic ethanol per gallon production costs (2001 = $6.50 per gallon; 2010 = $2.00 per gallon). However, even with significantly reduced per gallon cost, there are several factors that must be applied regarding the Southeast Alaska operating environment that largely render cellulosic ethanol uncompetitive with gasoline.

Crop density is a significant consideration when evaluating woody biomass cellulosic ethanol production in Alaska. Specifically, most crops used for ethanol and cellulosic ethanol production are dense agricultural crops (i.e., Iowa-harvested corn). These types of biomass grow in a dense form with high per acre volume and yield. In contrast, using woody fiber requires harvesting over significantly larger geographic areas, resulting in increased harvest, collection, and transportation costs. Increase in production expense can be minimized by increased utilization of saw dust, bark, and other woody residue currently generated by the timber industry; however, it is unclear if waste can completely overcome challenges presented by limited per acre density.

A 2000 Sealaska Corporation and NREL study titled *Oregon Cellulose-Ethanol Study: An Evaluation of the Potential for Ethanol Production in Oregon using Cellulose-Based Feedstocks* determined 96,000 dry tons of Tongass woody biomass could be converted into six million gallons per year (MGPY) of ethanol. Of greater importance, the study also indicates a significant government subsidy is required to make Tongass ethanol competitive to wholesale gasoline prices nationwide. Under present manufacturing cost and market conditions, Tongass-generated ethanol cannot independently compete with gasoline prices.

Information gleaned from Alaska refineries and fuel suppliers indicate ethanol is not used as an additive due to its poor performance in extreme winter temperatures. Considering high production costs, limited local market, low per acre density, and climatological challenges, Alaska-woody fiber cellulosic ethanol is likely only viable for export markets when and if the production process is ever deemed economical.

In short, the economic viability of ethanol from Southeast woody biomass is remote at this time. Even in mega-agriculture environments where economies of scale can be quickly realized, ethanol production remains a subsidized venture. Like other forms of renewable energy, much of its success depends on the cost of available substitutes and the cost incentives are not currently at play to move this product form. While wood-derived ethanol is an important product form to continue exploring and one where the industry's "best thinking" should be encouraged, the economic potential appears further in the distance than other viable and alternative product uses.

NEW CONSTRUCTION PRODUCTS THROUGH INCREASED GRADING

Alaska has some of the highest quality wood in the United States. Currently only three grade stamps administered by the Western Wood Product Association (WWPA) are available for Alaska hemlock, spruce, and yellow cedar species. Grading demonstrates wood quality and properties that provide architects, engineers, and builders the ability and confidence to specify Alaska wood products for architectural and construction uses.

Grading stamps for Alaska's wood products are important, but gaps remain between marketable product and available grading stamp. A stepwise grading program, grading the highest demand and appropriate wood products first, will continue to expand the field of milled wood products for Alaska companies. An increase in lumber production and local construction activity will drive the need and support for a local grading service. With current low levels of lumber production, there is not enough business to support a local grading service. Alaska may potentially develop its own cohort of graders if supply becomes more predictable and sawmills can increase production.

SPECIALTY WOOD PRODUCTS

While specialty wood product manufacturers are a quiet segment in Alaska's forest products industry, data provided in Table 2 demonstrates a significant number of businesses. Trim, doors, cabinets, musical instruments, furniture, and other items can be produced out of local timber including birch, spruce, hemlock, and cedar. Local and regional production of these items serves a value-added niche market based on unique wood characteristics and local market sourcing.

NEW PRODUCT DEVELOPMENT

There are many new high-value products that could originate from Alaska's renewable timber resources given a consistent timber supply, motivated entrepreneurs, and ready markets. For example, Wood Wool Cement Board is widely used in Europe to build structures, but is currently unaccredited for building structures in the United States. This product is of particular interest to Alaska because it utilizes smaller diameter timber and lower-quality wood. The end product is a board used in place of standard building materials and is ideal for use in rural communities given its durability and reduced weight for shipping and transport.

Wood-Plastic Composites (WPC) is another high-value product that could be produced in Alaska. Low-grade raw material is processed through a hammer mill to create "wood flour". The wood flour is then combined with additives and run through an extruder resulting in WPC as the end product. WPC is ideal for siding, roofing, decks, outdoor furniture, fencing, patios, and playground equipment.

There is also growing interest across Alaska in creating products like cellulosic ethanol or bio-oil from wood (i.e., pyrolysis). Although these products have potential as a high-value alternative fuel source, the process is often too costly, greatly outweighing potential benefits.

DEVELOPMENT CHALLENGES AND PRIORITIES

Each potential new wood product presents unique challenges to overcome. DCCED has the statutory requirement to administer the *Alaska Forest Products Research and Marketing Program* (hereafter Program). The Program was established by the Alaska State Legislature to address many of the impediments faced by Alaska's forest products industry. Through connections with other public sector developers and greater networking with businesses, the Program will assist in addressing a number of the key challenges including:

1. Access to an adequate and consistent supply of timber. Dwindling access to timber resources is an area of intense public and private litigation that is beyond the scope of research and marketing; however, new products and increased product diversity lend strength to the argument that an increase in timber supply will result in a diversified and sustainable industry.

2. Further research is needed regarding grading impacts, new product development, full resource utilization, and maximizing manufacturing efficiencies. Additional research will redirect current public sector efforts with industry guidance on the most beneficial use of scarce public funds.

3. Workforce development remains a gap for every segment of the industry and relates directly to new product development. Many new products are artisan in nature, but core logging and milling skills remain essential to the majority of the workforce. Steady industry decline over

the past decade has resulted in a generational-void. The declining industry created a significant outmigration of skilled and knowledgeable industry workers. Greater focus on workforce development, through already established public sector programs, will provide the direction and modest funding required to improve the labor supply. Increased attention to wood manufacturing as an industry, through high school and vocational technical education, will increase the innovative energy, workforce skills, and overall productivity to obtain greater timber supply and maximize current industry efficiencies.

4. Full product utilization is an important feature for the industry. Increased focus and support should be given to products that utilize all primary and secondary timber resource materials. Many timber industries, especially those involved with wood biomass, originated as a way to utilize a waste byproduct from sawmills. In this instance, lumber was the primary product and the waste material became the secondary – both offer value to ready markets.

5. Marketing for some of the nascent high-value wood products manufacturers remains a small, but persistent need. Greater access to local markets and greater marketing tools for small operators will improve this segment of the larger industry.

APPENDIX A: ALASKA FOREST PRODUCT BUSINESSES BY NAICS

NAICS Code	Description	Total Alaska Businesses
Agriculture, Forestry, Fishing, and Hunting		
113110	Timber Tract Operations	22
113210	Forest Nurseries and Gathering of Forest Products	19
113310	Logging	87
115310	Support Activities for Forestry	41
Manufacturing		
321113	Sawmills	56
321114	Wood Preservation	0
321211	Hardwood Veneer and Plywood Manufacturing	9
321212	Softwood Veneer and Plywood Manufacturing	0
321213	Engineered Wood Member (except Truss) Manufacturing	0
321214	Truss Manufacturing	1
321219	Reconstituted Wood Product Manufacturing	1
321911	Wood Window and Door Manufacturing	4
321912	Cut Stock, Resawing Lumber, and Planing	3
321918	Other Millwork (including flooring)	4
321920	Wood Container and Pallet Manufacturing	5
321991	Manufacturing Home (Mobile Home) Manufacturing	0
321992	Prefabricated Wood Building Manufacturing	7
321999	All Other Miscellaneous Wood Product Manufacturing	113
322110	Pulp Mills	0
322121	Paper (except newsprint) Mills	0
322122	Newspring Mills	0
322130	Paperboard Mills	0
333210	Sawmill and Woodworking Machinery Manufacturing	3
337110	Wood Kitchen Cabinet and Countertop Manufacturing	43
337121	Upholstered Household Furniture Manufacturing	3
337122	Non-upholstered Wood Household Furniture Manufacturing	10
337127	Institutional Furniture Manufacturing	5
337129	Wood Television, Radio, and Sewing Machine Cabinet Manufacturing	0
337211	Wood Office Furniture Manufacturing	5
337212	Custom Architectural Woodwork and Millwork Manufacturing	9
339992	Musical Instrument Manufacturing	2
339994	Broom, Brush, and Mop Manufacturing	0
339995	Burial Casket Manufacturing	1
Trade		
423310	Lumber, Plywood, Millwork, and Wood Panel Merchant Wholesalers	19
Total Alaska Forest Products Business		472

APPENDIX B: WOOD PRODUCT BUSINESSES BY REGION AND COMMUNITY

Community	Total Businesses	Timber Tract Operation Percent	Sawmill Percent	Forestry Support Activities Percent	Wood Product Manufacturing Percent
Southcentral	**138**	**13%**	**8%**	**9%**	**70%**
Anchorage	63	6	3	4	50
Willow/Big Lake	6	2	0	2	2
Chugiak	6	0	0	1	5
Eagle River	8	1	0	2	5
Girdwood	3	0	2	0	1
Palmer	17	5	1	0	11
Talkeetna	3	1	2	0	0
Wasilla	32	3	3	3	23
Southeast	**105**	**30%**	**17%**	**20%**	**33%**
Gustavus	1	0	0	0	1
Haines	7	1	0	1	5
Juneau	13	3	0	2	8
Kake	2	0	1	1	0
Ketchikan	26	10	3	5	8
Petersburg	5	2	2	0	1
Prince of Wales	38	13	8	9	8
Sitka	7	2	1	3	1
Skagway	1	0	0	0	1
Tenakee Springs	2	0	1	0	1
Wrangell	3	0	2	0	1
Interior	**99**	**33%**	**15%**	**15%**	**37%**
Delta Junction	12	4	3	1	4
Fairbanks	47	10	6	8	23
Fort Yukon	1	0	0	0	1
Lake Minchumina	1	1	0	0	0
Manley Hot Springs	1	1	0	0	0
McGrath	5	2	1	1	1
Nenana	4	2	1	1	0
North Pole	17	6	4	2	5
Tok	11	7	0	2	2
Gulf Coast	**78**	**28%**	**9%**	**19%**	**44%**
Cooper Landing	1	0	0	0	1
Glennallen	6	4	0	1	1
Homer	20	2	3	7	8

Hope	1	0	1	0	0
Kenai	13	3	2	1	7
Kodiak	7	4	1	1	1
Seward	7	2	0	1	4
Soldotna	20	7	0	2	11
Valdez	3	0	0	2	1
Southwest	**7**	**14%**	**29%**	**0%**	**57%**
Aniak	2	0	2	0	0
Bethel	1	0	0	0	1
Dillingham	3	0	0	0	3
Red Devil	1	1	0	0	0
Northwest	**3**	**0%**	**0%**	**33%**	**67%**
Kiana	1	0	0	0	1
Nome	2	0	0	1	1
Statewide Total	430	25%	12%	15%	48%

Note: Table excludes non-Alaska owned and operated businesses (N = 42).

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APPENDIX 11

Wildlife Research Projects in Southeast Alaska that Relate to use of the Tongass National Forest and Impacts to Wildlife

Alaska Department of Fish and Game
Division of Wildlife Conservation[1]

Current Projects[2]

Additional funds would enhance these current Region I Wildlife Research Projects:

1) **Wolf population estimation on Prince of Wales Island, Southeast Alaska.**

   Objective: Develop a methodology to estimate the number of wolves on central Prince of Wales Island (POW) using aerial surveys of radio-collared animals and DNA-based mark-recapture techniques. Estimated cost: $237, 000.

2) **Assessment of black bear population status on Prince of Wales Island, Southeast Alaska, including harvest rate and seasonal movement patterns.**
   Objectives: Estimate the harvest rate of black bears on central POW Island using a DNA-based mark-recapture approach, and identify seasonal black bear use patterns, especially along streams and roads. Estimated cost: $80,000.

3) Assess **deer populations in Southeast Alaska using DNA-based methods.**

   Objective: Further evaluate the use of DNA-based methods to estimate deer population abundance in SE Alaska. This work would build on the work conducted previously on NE Chichagof Island. Estimated cost: $80,000.

4) **Marten population assessment on Kuiu Island, Southeast Alaska.**

   Objectives: Estimate population trends for the marten population on Kuiu Island; describe seasonal movements; and monitor annual survival and recruitment. Estimated cost: $60,000.

5) **Factors affecting mortality of deer fawns in central POW Island.**

   Objective: Determine factors affecting mortality patterns of deer fawns, including causes of death and habitat selection. Estimated cost: $40,000.

New Projects

Additional funds would make these new projects possible. These projects would require additional personnel.

6) **Wolf population estimation in Unit 3, Southeast Alaska.**

   Objective: Estimate the number of wolves in a portion of Unit 3 using aerial surveys of radio-collared animals and DNA-based mark-recapture techniques. Estimated cost: $240,000.

7) **Deer population assessment in Unit 3, Southeast Alaska.**

   Objective: Estimate deer numbers in a portion of Unit 3 using DNA-based methods and assess causes and rates of mortality. Estimated cost: $100,000.

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[1] Submitted to Doug Vincent-Lang, Acting Director, by Doug Larsen, Regional Supervisor, SE Alaska 12 March 2012

[2] Projects taken from the list compiled by Rod Flynn, Research Coordinator, SE Alaska 14 February 2012

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APPENDIX 12

Appendix 12
High Prioirty Recommendations Matrix

Task	Recommendation	Timeframe[1]	High Prioirty Recommendations by Task Force Member[2]									Tally
			Bates	Cox	Dahlstrom	Graham	Grewe	Maisch	Monahan	Price	Ruaro	
1	1	S										
	2	S-M					X					1
2	1	S		X							X	2
	2	M-L		X			X	X		X	X	5
3	1	S-M			X		X					2
4	1	S		X								1
	2	S		X						X		2
	3	S										
	4	S										
5	1	M-L	X		X	X	X	X		X	X	7
	2	S-L	X			X		X		X	X	5
	3	S					X					1
	4	M										
6	1	S										
	2	S										
	3	S										
	4	S										
	5	S-M										
7	1	S	X	X	X	X					X	5
	2	S	X			X						2
	3	S			X	X				X		3
	4	S										
	5	S										
	6	S										
	7	S										
	8	S						X				1
	9	S										
8	1	S							X			1
	2	S										
	3	S-M			X				X			2
	4	S-M							X			1
	5	S							X			1
	6	S							X			1
9	1	S-M	X					X				2

[1] (S) = one to two years; (M) = three to four years; and (L) = five or more

[2] Each Task Force member identified up to five (5) high priority recommendations.

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APPENDIX 13

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)

Alaska Timber Jobs Task Force
Preliminary Report to the Governor
September 15, 2011

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