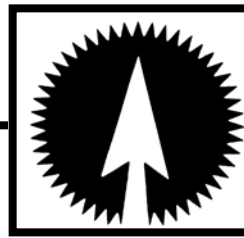


# Alaska Forest Association



111 Stedman Street  
Ketchikan, AK 99901  
Phone: 907-225-6114  
Fax: 907-225-5920

Date: October 3, 2018

To: Undersecretary James Hubbard

RE: Timber Supply is our critical issue.

The Tongass National Forest comprises the bulk of the land in Southeast Alaska:

## Land Ownership Distribution in Southeast Alaska:

Federal/Forest Service	16,774,000 acres
Glacier Bay National Park and Preserve	3,223,384 acres
State of Alaska	286,000 acres
Local Governments	44,000 acres
Native Regional Corp.	293,000 acres
Native Village Corps.	287,000 acres
Small Private Owners	<u>183,000 acres</u>
Total	21,090,384 acres

From 1980 through 1990, Congress set-aside about 6.7 million acres of Wilderness, National Monuments and LUD-II areas.

Since 1997, the Forest Service has been unable to implement more than about 30% of its annual timber sale projections due to excessive constraints that were adopted in the 1997 Tongass Land Management Plan (TLMP). Those constraints have increased over time.

In 2001, the Forest Service set-aside an additional 9.7 million acres of land with the nationwide Roadless Rule. These lands overlaid some of the existing TLMP land set-asides but also established new set-asides, which further diminished the amount of timberland available for timber sales.

The 2016 TLMP adopted 3.77 million acres of The Nature Conservancy and Trout Unlimited-77 conservation set-asides which also both overlaid and further diminished the amount of timberland available for timber sales.

Currently only 6% of the 5.5 million acres of commercial timberland on the Tongass is available for timber sales and only 0.7% of that 6% is mature timber that is usable for the local sawmills. The remainder of the timberland that is considered suitable and available under the current TLMP is comprised of young-growth trees that are 30 or more years from maturity. Some of these younger trees are being cut and exported to

China in order to sustain a few logging jobs, but the trees are much too small for the local sawmills to utilize.

The current mature (old-growth) timber available for timber sales under the current TLMP guidelines is comprised predominantly of higher-elevation, higher-cost, lower-volume, lower-value timberlands. This situation is preventing the agency from providing an adequate timber sale program to sustain local manufacturing.

Attached is a commentary regarding the Tongass timber sale program deficiencies and a 2008 memo from the Forest Service Chief outlining a course of action intended to overcome these deficiencies. The tasks listed in the Chief's memo were never implemented.

Our last surviving mid-size sawmill reports that the lumber markets are good, but there is less than a one year supply of timber available to our surviving industry (both manufacturers and export companies) and the agency's current 5-year timber sale schedule will not provide additional timber quickly enough to sustain our various operations. We have been relying on the State of Alaska and the Alaska Mental Trust to help bridge this timber sale gap, but those are simply not sufficient.

Sincerely,

A handwritten signature in cursive script that reads "Owen Graham". The signature is written in black ink on a white background.

Owen Graham  
Executive Director  
Alaska Forest Association  
111 Stedman Suite 200  
Ketchikan, AK 99901

Phone: 907-225-6114  
Email: owengraham39@gmail.com

## AFA Remarks for the Wrangell Island project Objection Meeting

October 30, 2017

**Beth,**

**The failure of the Wrangell timber sale project is largely the result of a 20-year old problem – the land management constraints that the Forest Service adopted in its 1997 TLMP Revision.**

At the end of 1997 timber under contract was around 498 mmbf.

Two years later the timber under contract had declined by 40% to 313 mmbf, plus half of the timber sales that had been prepared after the 1997 TLMP appraised very deficit; meaning the purchasers would lose money if they attempted to operate the timber sales. Here is a list of the worst of those timber sales:

### Deficit timber sales in 1999

Timber sale Name	Volume MMBF	Appraised rate \$/MBF	Total appraised loss \$
		\$	
Cable drop	10,218	(33.24)	(339,646.32)
		\$	
Rio Beaver	4,885	(82.54)	(403,207.90)
		\$	
Big Bob	6,174	(100.57)	(620,919.18)
Rush		\$	
Angel	4,945	(219.23)	(1,084,092.35)
		\$	
Crane	8,406	(86.14)	(724,092.84)
		\$	
Rush Fast	698	(139.28)	(97,217.44)
		\$	
Big Salt	6,871	(210.16)	(1,444,009.36)
Dumpy		\$	
ATC	16,753	(68.03)	(1,139,706.59)
		\$	
Hard Steel	3,985	(94.45)	(376,383.25)
		\$	
Summit	11,023	(97.45)	(1,074,191.35)
		\$	
Clover	17,364	(185.20)	(3,215,812.80)
		\$	
Crystal	7,017	(170.63)	(1,197,310.71)

		\$	
Wolf Pup	1,008	(274.74)	(276,937.92)
Rodman		\$	
Bay	30,940	(81.09)	(2,508,924.60)
		\$	
Fourleaf	21,767	(50.71)	(1,103,804.57)
		\$	
Lisa Creek	6,014	(25.61)	(154,018.54)
		\$	
Long Line	5,170	(95.00)	(491,150.00)
		\$	
Todahl	7,768	(115.51)	(897,281.68)
		\$	
Totals	171,006	(100.28)	(17,148,707.40)

Data from the 1998 706a Report and line 39 of individual 2400-17 timber sale appraisal summaries

By 2002 the deficit timber sale problem had grown and the timber supply began to suffer additional impacts from the Roadless Rule. Again the Forest Service refused to address timber sale economics. Meanwhile, both the agency and various environmental groups began making absurd allegations that much of the deficit timber being prepared was not being purchased because of a lack of demand for timber sales.

As a consequence, in 2002 Congress enacted legislation prohibiting the Forest Service from offering timber sales that appraised deficit. This pretty much ended the phony demand allegations, but did nothing to improve the economic problems.

By the end of 2004, the timber under contract had declined to 154 mmbf, just 30% of what it was when the 1997 TLMP constraints were adopted.

In 2004, as part of the Gate-1 Committee effort, AFA began a series of meeting with individual ranger districts to try again to help address the economic problems. The district personnel told us that the economic failures were beyond their control; they told us the problems are the result of the timber harvest constraints that were imposed on TLMP in 1997. Some of the District Rangers were hostile, but the planning teams were very cooperative. Still no action was taken to address the constraints.

By 2007 timber under contract had declined another 30% to 108 mmbf.

Again, AFA and the Southeast Conference made a major effort to persuade the Forest Service to address the constraints in the pending 2008 TLMP.

Reluctantly, the Forest Service directed its contractor, TetraTech, to perform a VCU by VCU economic analysis of the draft TLMP EIS. The analysis revealed that only 18% of the 767,000 acres of timber available for harvest under the draft plan would be economic.

Inexplicably, the Forest Service adopted the draft plan without addressing the economics problem. As a result, AFA appealed the 2008 TLMP ROD. In order to resolve AFA's appeal, the Forest Service agreed to perform three extensive economic analyses and to prepare four 10-year timber sales – each with a volume of 150 to 180 mmbf. Not a single part of the Settlement was ever honored by the Forest Service.

In 2011 the Forest Service started the Wrangell project with the intent to provide 91 mmbf (far short of the minimum volume agreed to in the Settlement agreement. Interestingly, the Forest Service' Logging System Transportation Analysis (LSTA) indicates that there is actually 265 mmbf of suitable, available timber on Wrangell Island.

2016 another TLMP Amendment was adopted and again the constraints were not addressed. The 2016 plan caps the volume at 46 mmbf, but the cap is meaningless because the economic inhibiting constraints are effectively unchanged.

This year the Wrangell project was completed but now the Forest Service reports that only about 6% (5 to 7 mmbf) of the 91 mmbf in the Notice of Intent is economic. That's even worse than the Tetrattech analysis projected.

This Wrangell project reportedly cost some \$5 million. That's a thousand dollars per thousand board feet. That's roughly \$20 thousand an acre for the 5 mmbf of economic timber. That's double what it might cost to log this volume.

The timber under contract is now at 78 mmbf and the Forest Service was able to sell only 31 mmbf this year and 29 mmbf of that was young growth that the local mills cannot utilize.

Two week ago the Forest Service explained they would be able to offer only 36 mmbf in 2018 including 5 from this Wrangell project and 13 from a timber sale on Kuiu Island that the industry already rejected as uneconomic. 36 mmbf is 40% less than was projected in March of this year and few people believe that there will actually be 36 mmbf made available next year.

During the 5-year period 2013 to 2016 the Forest Service reports that it worked on 1.394 billion board feet of NEPA projects. 257 mmbf was abandoned or delayed and of the 1.137 billion board feet that was completed, only 15% (171 mmbf) was offered for sale. The other 85% was uneconomic volume. Again, this result is slightly worse than the TetraTech projection. Using the Forest Service estimate of NEPA costs (\$45/mbf), that 85%, the uneconomic volume from just the completed projects, amounts to \$43 million wasted.

20 years of consistent timber sale failures and still the agency has taken no action to correct the constraints that cause this pathetic performance.

**AFA recommends that the Forest Service quit wasting money on this project, then withdraw the 2016 TLMP Amendment, honor the 2008 Settlement agreement, do the necessary analyses to modify and fix the TLMP constraints in order to allow full implementation of the timber sale program and then prepare the four promised 10-year timber sales, including one on Wrangell Island.**

Thank you,

Owen Graham



United States  
Department of  
Agriculture

Forest  
Service

Washington  
Office

1400 Independence Avenue, SW  
Washington, DC 20250

INFORMATIONAL MEMORANDUM FOR MARK REY, UNDER SECRETARY, NRE

FROM: Abigail R. Kimbell */s/Abigail R. Kimbell 10/31/2008*  
Chief

SUBJECT: Tongass National Forest Land Management Plan Implementation

On September 17, 2008, you issued a memorandum to me announcing your decision not to conduct a discretionary review of my appeal decision affirming the Record of Decision and Final Environmental Impact Statement for the 2008 Amendment to the Tongass Land and Resource Management Plan. In your memorandum, you directed the Tongass National Forest to address five issues during implementation of the Plan. You also requested the Forest Service to prepare a response outlining how the issues will be addressed.

Enclosed is my response to your request to outline how the Forest Service will address the five issues. We are still working with the Regional Forester on the cost estimates for planning the 10-year sales. We will share the cost information with you as that becomes available.

Enclosure



**Tongass National Forest  
Land Management Plan Implementation  
Response to Direction from the Under Secretary  
October 31, 2008**

**Background:** On September 17, 2008, Under Secretary Natural Resources and Environment Mark Rey issued a memorandum to Forest Service Chief Abigail Kimbell, announcing his decision not to conduct a discretionary review of the Chief's appeal decision affirming the Record of Decision and Final Environmental Impact Statement for the 2008 Amendment to the Tongass Land and Resource Management Plan. In his memorandum, the Under Secretary directed the Tongass National Forest to address five issues during implementation of the Plan, and encouraged the Forest "to actively involve" the Tongass Futures Roundtable and the State of Alaska in these efforts. The Under Secretary also requested the Forest Service to prepare a response by October 30<sup>th</sup> outlining how the issues will be addressed.

This document is the initial response outlining how the Tongass National Forest intends to respond to the Under Secretary's direction. That direction states that:

None of the above direction is outside of the Record of Decision. Therefore, plan amendments should not be necessary.

This initial response includes the text of the Under Secretary's direction in each of the five areas the Forest is to address and a description of the analyses that will be conducted and other steps that will be taken by the Forest to respond to each part of the Under Secretary's direction. Also included is a description of how much funding will be required to complete this work and how much time it is likely to take after the required funds are made available. While it will take several months to complete much of the analysis required, a progress report will be completed by early January, 2009.

As directed by the Under Secretary, the Tongass National Forest has invited the Tongass Futures Roundtable to participate in the work described below to respond to Parts 4 and 5 of the Under Secretary's direction. The Forest has also taken steps to involve the State of Alaska in the work responding to Parts 1-3.

**Part 1: Comparison of 1997 Record of Decision with the 2008 Record of Decision  
Economic Differences.**

*Direction:* The Under Secretary's direction on this topic reads as follows:

Numerous comments on the DEIS [for the Forest Plan] Amendment stated that insufficient changes in the 1997 Forest Plan were offered to provide cost efficiencies sufficient to generate economical timber sales. With the modifications provided in the FEIS and Record of Decision for the Amendment, I am directing the Forest to address more specifically how the current decision differs in cost effectiveness from the 1997 Decision. This assessment should address specific cost differences as a result of



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modified Standards and Guides from the 1997 Decision to the present. To the extent the Standards and Guides as modified still fall short of allowing economic timber sales, the Forest should develop a plan of work to further improve timber sale economics through additional work, including (if necessary) modifications to Standards and Guides. If any Standards and Guides changes would require subsequent plan amendment that should be noted in the work plan before such a course of action is considered.

*Response to the Direction:* As directed in Part 1 of the Under Secretary's memorandum, the Tongass National Forest will conduct an assessment to compare the costs of harvesting timber under two versions of the Forest Plan—the version approved in the 1997 Record of Decision (ROD) and the version approved in the 2008 ROD, which is currently in effect. The analysis will be conducted by selecting one or more timber sales that have been completed under the 1997 Forest Plan, and analyzing appraisal data to determine the costs of implementing the Standards and Guidelines (S&Gs) contained in the 1997 Plan on individual harvest units. To the degree practical, the analysis will also try to display the costs of compliance with specific S&Gs in each Forest Plan, focusing in particular on those that have been reported anecdotally as imposing significant costs, including the 1997 S&Gs for marten and goshawk that were added to the Plan in the 1997 ROD, and comparing their costs with the estimated costs of implementing comparable S&Gs in the 2008 Plan, including the goshawk and legacy S&Gs.

Cost variations between the 1997 and 2008 S&Gs are expected to vary considerably from location to location, even from one harvest unit to another, depending on several highly site-specific conditions. These include whether the harvest unit contains a substantial number of Class IV streams, whether the harvest unit is in a biogeographic province where the 1997 marten S&G applied, and whether the unit is in a Value Comparison Unit (VCU, geographic units defined by watershed boundaries) where the network of small old-growth reserves was reconfigured in the 2008 Plan. Units that satisfy all of these conditions are likely to be far more costly to operate under the 1997 S&Gs than under the 2008 S&Gs; units where none of these conditions apply are likely to have lower cost savings under the 2008 S&Gs.

Although not required by the Under Secretary's direction, this analysis will also examine issues related to the differences between the characteristics of timber sales offered by the State of Alaska and those offered by the Tongass. These issues are often raised by industry. The Tongass plans to review how the differences in applicable laws, regulations, and policy between Federal and State timber sales affect the value of timber offered for sale. Residual value will be the yardstick for determining value and value differences.

The analysis required by Part 1 of the Under Secretary's direction would cost about \$200,000 to \$250,000, and take about 3 months to complete after funding is made available.

As discussed in the 2008 TLMP Amendment ROD, application of the S&Gs will be monitored over the next several years to determine whether they unnecessarily impede the Forest's ability to offer economic timber sales. Actual cost data from monitoring of sales yet to be prepared and implemented under the 2008 Forest Plan S&Gs will be a better indicator of the economic viability of those S&Gs than any estimates that can currently be developed. This approach





embraces the adaptive management philosophy that is embodied in the 2008 Forest Plan for both the conservation and economic timber strategies.

## **Part 2: Timber Sale Economics.**

*Direction:* The Under Secretary's direction on this topic reads as follows:

Throughout the Amendment process the issue of the Forest Service's ability to produce economical timber sales has been a center of considerable controversy. I am directing the Forest to aggressively assess the economics of timber sales on the Tongass National Forest to address this issue. This assessment should address short-term and long-term abilities and any additional authorities necessary to make timber sales offered for sale economical.

*Response to the Direction:* This analysis will provide an update on our cooperative work with the State of Alaska, and on other efforts to improve timber sale economics that are described in the 2008 TLMP Amendment ROD. This includes Forest Plan implementation training, which is being developed as a both a web-based system and as on the ground mentoring and review by State and Federal foresters to ensure consistency across ranger districts. The analysis will also describe the investments in infrastructure that will be needed as implementation of the Forest Plan moves into Phases 2 and 3 of the Timber Sale Program Adaptive Management Strategy.

Because "economic sales" are those that can be operated at a profit, this analysis must inherently consider all factors that could reduce the costs of harvesting and processing timber, as well as factors that could increase the prices that mill operators obtain for their products in the marketplace.

The assessment will begin with a trend analysis of various types of costs incurred by timber operators in Southeast Alaska, based upon Forest Service appraisal data that has been averaged to protect proprietary information. This analysis will illustrate which costs have increased the most in the last few years, which can help focus efforts to reduce costs to improve overall profitability of timber sales. Some costs, such as Workers Compensation, Davis-Bacon work requirements, or fuel expenses, are beyond the control of the Forest Service. To the degree that such costs pose major problems for the economic viability of timber operators, the analysis may help identify other parties that could be approached to assist in reducing these costs. Other types of costs, such as for road construction, may be suitable for cooperative efforts to control them. For example, recent bids for public works road contracts, issued in lieu of Forest Service construction of lower standard roads, were higher than expected. The Forest is eager to work with the timber industry and other interested parties to re-establish a committee to address this issue.

The assessment conducted under Part 2 will also address other factors that affect the economic viability of timber sales on the Tongass National Forest. It will examine potential changes to the appraisal system currently used in Region 10. The analysis will include an examination of current provisions of law, regulation, and policy that affect the timber appraisal system, and how



these restrictions—and potential changes to them—affect timber sale economics. For example, the Tongass is unique among the entire National Forest System in being prohibited from offering timber for sale unless it obtains a positive appraisal (other Forest Service regions can offer a sale with a negative appraisal if a purchaser requests it). Since the appraisals are based on average costs for all operators in Southeast Alaska, this provision prevents operators who are more efficient than average from being able to bid on timber that would be profitable for them to purchase. In addition, western redcedar must currently be appraised for processing in Southeast Alaska. If this species could be appraised for processing in the Lower 48, where much of it is currently processed, Forest Service appraisals would increase, and more sales could be offered. This analysis will maintain the principal purpose of the timber appraisal system, to ensure that the Federal Government receives fair market value for timber sold.

In addition to the above steps, the Forest Service will also work with the State of Alaska to complete a thorough review of its current timber sale program to ensure that the planning process to develop and offer sales is aligned with the goals enumerated in the Economic Timber MOU between the two parties. A joint unit pool team will be assembled to develop initial project acreage for the various NEPA interdisciplinary teams (IDTs) on the Forest and unit pool team members will provide technical support and advice through out the planning process.

The analysis required by Part 2 of the Under Secretary's direction would cost about \$200,000, and take about a year to complete after funding is made available.

### **Part 3: Additional Acres Suitable for Timber Harvest.**

*Direction:* The Under Secretary's direction on this topic reads as follows:

As with the issue of economical timber sales, there is considerable controversy over whether or not the lands available for timber harvest provide sufficient volume necessary to re-establish an integrated industry in Southeast Alaska. I am directing the Forest to assess volume availabilities both inside timber harvest land use designations and outside those lands (with the exception of Congressionally designated lands) to determine if additional acres will need to be included to accomplish the objective of establishing a fully integrated industry in the Southeast Alaska. Conversely, I would like the Forest to develop an assessment of whether any potential changes resulting from the above analysis might also merit recommendations to place additional acres in non-development LUD's to meet ecosystem service goals of the Forest. Once again, any recommendations that would require subsequent plan amendment should be noted in the assessment before such a course of action is considered.

*Response to the Direction:* The analysis required under Part 3 of the Under Secretary's direction will consider whether additional acres would need to be included in the suitable land base to accomplish the objective of establishing a fully integrated timber industry in Southeast Alaska. This will include an examination of each VCU in the development LUDs to see if the location of small OGRs can be modified further to enhance timber operability and economics. Given current staffing levels and vacancies, some of this work will probably have to be conducted by a



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contractor. This Part 3 analysis will also consider whether additional acres should be added to the Forest Plan's non-development LUDs to meet ecosystem service goals of the Tongass.

The analysis required by Part 3 of the Under Secretary's direction would cost about \$200,000, and take about 6 months to complete after funding is made available.

#### **Part 4: A Fully Integrated Forest Products Industry (Ten-Year Contracts).**

*Direction:* The Under Secretary's direction on this topic reads as follows:

I am also directing the Forest to develop a work plan and proposed budget necessary to offer four ten-year timber sales, each with an average volume of 15-20 MMBF per year. These longer sales, each are the best way to provide sufficient assurances to support the necessary investment in new and upgraded manufacturing facilities.

*Response to the Direction:* The response to this part of the Under Secretary's direction will include a work plan and proposed budget necessary to offer four ten-year timber sales, each with an average volume of 15-20 million board feet (MMBF) per year. It will also describe where each of the four sales could be located on the Forest. The Forest has contacted the Tongass Futures Roundtable and the State of Alaska, and invited both parties to participate in this effort. The Tongass will work directly with the Framework Committee of the Roundtable and directly with the State's Division of Forestry to determine where these projects would most appropriately serve their intended purpose.

The Tongass National Forest has three full-time timber planning NEPA interdisciplinary Teams working on projects in various phases of the NEPA process. As the NEPA process is completed for these projects, the planning teams will begin planning the 10-year timber sales. In 2009, if funding permits, the Forest will prepare a contract to begin work on the first 10-year timber sale project area. Over the next few months the Forest will analyze the best location for the first 10-year timber sale. The Forest has identified Northwest Revilla Island, Wrangell Island, Zarembo Island and/or the North Thorne/Polk Inlet area of Prince of Wales Island as the places to analyze for the 10-year sale program. These locations have also received initial review by The Nature Conservancy and the Alaska Forest Association. Other locations will be considered as well. Staff will also review the ongoing sale projects to see if any meet the parameters established for the 10-year timber sale program. It may be feasible to move ahead with this concept more quickly if sales being prepared by the IDT's could be repackaged into a 10-year sale format.

The Forest estimates that it will need approximately \$2.0 million dollars in FY 2009 above normal appropriations to initiate the NEPA planning process by contract on two 10-year timber sales. The Forest plans to fund a combination of Forest Service and State of Alaska employees to assist in the contract development, administration, and review process in Fiscal Year 2009. The Tongass estimates that it will need approximately \$1.0 million in FY 2010 for pre-sale layout work on the first two 10-year sales. The Forest will need approximately \$2.0 million above normal appropriations in FY 2011 to begin NEPA work on the third and fourth 10-year timber sales. The NEPA process will take about 3 years for each sale, if funding is available.

