

DRAFT Minutes  
SE Region Timber Industry Task Force  
DCED Insurance Conference Room  
Juneau  
October 29, 1996

The Task Force Chairman, Wrangell Mayor Doug Roberts **Called the Meeting to Order** at 8:07 am.

At **Roll Call** all **Task Force members** were present except Bob Loescher of Sealaska. Those connected by phone: Ginny Tierney from the City of Thorne Bay; Bert Stedman, deputy Mayor of Sitka representing Mayor Halgren; and, Leroy Wilder, attorney for the Metlakatla Indian Community from Portland, Oregon.

Jim Caplan, U.S. Forest Service Region 10 Deputy Regional Forester and Fred Walk, U.S. Forest Service Region 10 Timber Manager, were present representing Regional Forester Phil Janik.

Marilyn Heiman, Special Assistant to Governor Knowles for Natural Resources and Transportation and Johnny Ceffalio of the Governor's office; Kathleen Morse of the Department of Commerce and Economic Development; and, Ruth Tadda of the Department of Natural Resources were present and serving as **Staff**.

**Others present:** David Creamer and Rick Rogers of the University of Alaska; Jack Phelps and Keaton Gildersleeve, President of the Alaska Forest Association; Mark Kirchhoff of Port Alexander representing himself; Walt Sheridan of Juneau representing himself; Mim McConnell of the Tongass Community Alliance and the SE Subsistence Regional Advisory Council; Mike McConnell of Port Alexander representing himself; Buck Lindekugel and Bart Koehler of Southeast Alaska Conservation Council; Scott Seabury, Wrangell City Manager; Marty Rutherford, Steve Planchon and Tom Boutin of the Department of Natural Resources; Jon Sportsman of Ketchikan representing himself; Thyes Shaub, consultant to Koncor Forest Products; and Karl Ohls of the Department of Commerce and Economic Development.


Chairman Robert's welcomed everyone back in his Opening Statements. He thanked everyone for their positive attitudes and commitment to the timber industry. He asked that the group stay on schedule in working their draft recommendations to the Governor by March or sooner.

The meeting moved to **Adoption of the Agenda**. There were no objections, additions, or changes, and the agenda was adopted.

The meeting moved on to **Timber Supply Overview**. Jim Caplan and Fred Walk of the USFS reported on the Forest Service Timber Program. They provided the Tongass National Forest Timber Sale Program for FY97 of 147.43 MMBF to be made available for the independent sale program. (The federal fiscal year begins October 1. The U.S. Forest Service representatives talked about potential new innovations including 7 - 10 year contracts, selling logs from sortyards and roadside decks, and selling timber to the State which would resell the timber. The U.S. Forest Service has no requirements for any particular type of manufacturing facility but usually requires in-state primary processing for most logs most of the time. They cannot administratively extend timber

sale contracts beyond 10 years. Timber sale contracts awarded for 7 or more years would require provisions for stumpate rate redeterminations, a more or less standard provision. They have sales incorporated into several different offerings in EIS stage which they could periodically design into 7 - 10 year contracts. They have authority to work on salvage sales. They talked about potential stewardship contracts for things such as thinnings, development of wildlife habitat, and development of recreational facilities. However, they need both a congressional authorization and an appropriation to start this program.


Another possibility would be a sort yard sale, where government would enter into a competitive service contract to harvest a stand, deliver the wood to one location and operate a sales yard. This could be either oral auction or sealed bid. The actual timber sale would be the sale of logs from that concentration point to anyone on a competitive basis, either log by log, or by species or log grade basis. He reiterated that the Forest Products Lab is interested in working with new concepts for marketable wood products in Southeast. There is a report from the Lab available upon request. They said their State and Private Forestry section could send a detailer to Ketchikan for oversight, grants, and provision of professional expertise on economic development.

The chairman suggested the creation of an industry subcommittee to work with the USFS on potential ASQ flexibilities. Jack Phelps said the Alaska Forest Association's (AFA) Timber Issues Committee is currently addressing the same issues. He recommended dovetailing that effort into the Task Force subcommittee. The chairman said it should be included on the next meeting agenda since it is one of the most important issues for industry. 

John Sturgeon provided an overview to the group on World Markets and Timber Operations on Private Land. First, he noted that the AFA had passed a resolution supporting this Task Force and had dedicated both staff and members to assist in providing information on markets, technology, and consumption. He then presented a slide presentation on global timber supply and outlook, consumption of lumber products, and roundwood importers and exporters. He outlined the changing market conditions, manufacturers, consumer preferences. He said Alaska is in a real good position on the market side and that the economics may be changing to favor more manufacturing of logs into primary products in Alaska over the export of round logs from Alaska.

The second part of Mr. Sturgeon's presentation covered private land where the major players are village corporations such as Sealaska, Koncor, Afognak, and Agognak Natives and Chugach Alaska. He said current harvest levels on private land will continue to drop as some private landowners reach the end of most of their timber supply. He added that there is a big basket of timber on the Kuskokwim and Yukon Rivers in the Interior on private land as well as some very good quality wood in the Tanana State Forest. The market will be changing drastically from rough cut round logs to manufactured products such as fingerjointed lumber and laminated veneer lumber in the future. He said Alaska has some high quality wood which could go into developing the secondary market and sold worldwide. He said a steady reliable fiber supply will help operators to create infrastructure environments in the communities in spite of the Tongass crisis. In response to Mayor Roberts questions, he said elected officials can

help by supporting AFA's White Paper which recommends getting back to science and a good public education of forestry principles. He said the best public relations is the use of a consensus process.

Mayor Roberts said there is a Mayors Committee Meeting in Petersburg on the 7th, 8th, & 9th of November. They will be talking about publicity on Alaska's natural resources. They will also discuss funding for State timber sales in Southeast. He invited the AFA and State to sit in on those meetings. 

Kathleen Morse noted the packet includes a study supplied by AFA entitled the Timber Supply From the Tongass National Forest: Meeting the Market Demand, and two articles from the Pacific Rim Wood Market Report on Japan's housing lumber and engineered wood products markets and outlook.

The Task Force took a Break at 10:05 and resumed with State Forester Tom Boutin's report on the State Timber Program in Southeast. The chair first introduced Marty Rutherford, Deputy Commissioner of DNR who has been assigned to help the Task Force. Tom Boutin provided the group with copies of information about State land and timber availability in Southeast. He briefed them on Alaska's statutory public process requirements and procedures. He said given the size of the allowable cut on DNR managed land in Southeast, DNR's main contribution to the timber industry is through the implementation as lead agency of Alaska's Forest Practices Act. If full funding of FPA is not maintained, Alaska will begin to incrementally lose private land forestry just as there have been cutbacks in public land forestry in much of the U.S. The FPA needs to be seen as an important part of the insurance that the timber industry we have can continue.

In response to a question, he explained that State timber sales receipts are deposited into the General Fund and directed funds are not allowed according to the State Constitution. He explained the only "call" on timber receipts to the General Fund is that the FPA says it is the intent of the legislature to put at least 25% of those receipts into reforestation, which rarely happens. Appropriations to produce timber sales are made each year during the Operating Budget process.

Ginny Tierney asked insofar as the shortage in preparing timber sales, if the communities might advance funds to the Division of Forestry to be recouped at the end of the sale as a possible opportunity to speed things up in that regard. Marty Rutherford said there are certainly various ways to accomplish something like that.

Steve Planchon, Director of the Mental Health Trust Land Unit, established within the Department of Natural Resources, handed out copies of his talk about Timber Supply on Mental Health Trust Lands. He covered who they are, where they are and who to call. He said they plan to furnish maps to communities containing Trust land. The Trust Authority does not come out of the General Fund. The principle focus is to improve mental health services as provided by proceeds from the Trust Fund. There is a possibility of working out some issues for industrial sites to help in value-added concerns, for example, in Ketchikan, Juneau, Wrangell, and Sitka. The MHLT is different than State lands. Their job is to make money so you cannot look to them for subsidized sales. Trust principles are basically loyal to the trust beneficiaries. If found

guilty of serving the public at a cost to that beneficiary, they have a law suit. Also they have to protect and enhance the value of trust assets. If they lay out a timber sale and are found guilty of putting the timber faller on a slope of 80 degrees and mass wasting makes the site unsuitable for reforestation, they have violated trust principles because they can't grow another crop of trees. Their job is to keep the lands productive forever. The most important thing they have are their guiding principles as listed in his handout.

He said much of their success is a result of the Division of Forestry team in that when they crafted the MHLT settlement, they were kept in DNR where there is a wealth of resources and information. They don't have to travel to areas to investigate a trespass or to lay out a timber sale if they can convince the Trust Authority to come up with money to pay for someone from the Division of Forestry to lay out timber which will profit the Trust.

Since the MHLT purpose is to make money, they hired a private contractor to do an assessment of their resources. DNR had identified lands for transfer to the Trust during the settlement process. Once the areas with the most value were identified, they were transferred. Marilyn Heiman made it clear that people might not want to see timber harvest on some of the Trust lands.

In closing, Steve Planchon explained that once in a while they wear their non-profit hat and encourage the buyer of the timber to donate substantial amounts of seedlings and to plant trees on harvested areas as a charitable contribution. He also explained the funds distribution process through The Mental Health Trust Board to the mental health client users. The board also makes recommendations to the Legislature for General Fund appropriations. Mr. Planchon told a compelling story about one mental health client user and her need for financial help as an example of who benefits from the MHLT.

David Creamer, University of Alaska Vice President for Finance, and Rick Rogers, a University of Alaska forester, reported on the Timber Supply from University of Alaska. They also distributed their summary of estimated operable sawtimber. They take their directions from the Board of Regents. The next meeting is scheduled for late next month.


Most of the University's timber resources are on State land at Cape Yakataga. They have cutting rights for 20 years and are limited to 17.5 MMBF per year. They have contractually obligated the purchaser of their timber to give Alaskan manufacturing firms the opportunity to buy logs at the market price on an annual basis. This has not been exercised to date. They encouraged those present to participate in their timber sales.

The chairman moved the meeting to provision of the Status of the SBA Subcommittee. Subcommittee Chair Steve Seley first reported that the Alaska Women in Timber asked for the opportunity to be included in the Task Force through the SBA subcommittee. Chairman Roberts agreed.

Steve Seley itemized the concerns of the SBA subcommittee:

- Fiber supply and whether the USFS will meet its commitment to the SBA group when the ASQ is identified

- Identify additional State timber supply in Southeast
- Complete the TLMP process to set the stage for USFS volume
- Log yard concept introduced at the last meeting
- Encourage State agencies on what can be done to speed the process of permitting for site development
- Coordinate government and the congressional delegation; and to influence the Alaska Department of Fish and Game to begin to work with development
- Maximize value of log sales through investment in manufacturing equipment with State involvement - create a subcommittee to identify funding mechanisms for operators
- Many other issues he will fax to everyone for review

The chairman asked for suggestions for exploring funding mechanisms. Ginny Tierney suggested contacting existing groups such as AIDEA, Merrill Lynch, NBA, etc.. It was decided Ginny will work with Kathleen Morse in identifying economic development agencies to speak to the group and Jack Phelps was put in charge of the financial portion of their next report. 

The meeting moved along to Economic and Operational Considerations. Jack Phelps, Executive Director of the Alaska Forest Association. Mr. Phelps said the AFA made a strong commitment at their annual meeting to support Task Force efforts and provide technical support.

He reported the AFA Board had voted to offer its technical support in providing information. The AFA shared the market report they had commissioned. Their board also passed 4 resolutions dealing with Task Force issues. In closing, he summarized AFA's white paper on Southeast Alaska Timber Issues. He distributed copies of these resolutions and the white paper to everyone.

Errol Champion, of Silver Bay Logging, then provided his account of costs associated in typical road construction and logging, timber sort and market prices for a 10 MMBF sale for hemlock, spruce, cedar; a pro forma financial statement for a typical operator plus current market trends. He also provided everyone copies of his outline.

The chairman then recognized and welcomed AFA's newly elected President, Keaton Gildersleeve.

The next issue for discussion was John Sisk's Core Timber Supply and Community-Based Forestry. He introduced himself as a liaison to the environmental community. He has a Masters Degree in Forestry and has worked as a wildlife biologist for a number of years. He is a past organizer and director of SEACC and has managed non-profits, ecotourism, and has done wilderness guiding.

He distributed several handouts to bring some other background to help the group find

common ground. He flagged a few concerns. One concern is that the group will not get anywhere if they continue to be polarized. He encouraged them to look at the low-end log issue. He then outlined his handouts including an article on sustainability, a letter from SEACC summarizing their TLMP Transition Alternative for a new industry, his outline for core timber supply definitions, and community based management of public forests. He also shared a limited number of copies of Tongass in Transition: Blueprint for a Sustainable Future.

Chairman Roberts interjected a housekeeping matter that only Task Force members or invited guests will be provided time to speak to the group. Otherwise scheduled Task Force speakers will have to defer their allotted time to an unscheduled speaker. On the other hand, anyone may submit written testimony for inclusion in the packet. He told the group that if a member decided to defer their time, it must be consistent with the issues at hand. At that, Mim McConnell provided oral and written testimony for inclusion in the record along with other papers distributed during the meeting.

Fred Walk, U.S. Forest Service Region 10 Timber Manager, then addressed Partnership Opportunities with the Forest Service. He suggested the Task Force, the State, the communities, and the U.S. Forest Service move quickly to appoint a delegation to visit the Forest Products Lab in Wisconsin. He offered the services of the Regional Office to help put it together. He brought up the lack of lumber grades for sawn products to be sold in the Lower 48 as opposed to the international market grades. He said their State and Private Forestry group is looking at establishing a liaison position in Ketchikan who can be called upon for technical assistance as the need arises. Other partnership aspects would include working with the State economic folks to develop support for small or local purchasers to come up with capital for performance bonds, down payments, and startup costs. Other potential partnerships to explore include development costs, LDS where they might simplify some survey requirements. The U.S. Forest Service will work with the State and other agencies in working with the communities to pass some of the hurdles. He welcomed suggestions such as the one that the U.S. Forest Service sell to the State who in turn would sell it to a purchaser. He said it is within the realm of possibilities and has been used when a State Department of Transportation was building a highway through a national forest. The U.S. Forest Service sold the timber to the State who then sold it to the road builder. So it is not inconceivable if it is in the best interest of everyone involved. He welcomed anyone to get together over brown bag lunches or coffee to discuss the various issues between the communities, district rangers and municipal governments.

Jim Mackovjack introduced David Albert of Interrain Pacific, a non-profit information access organization that works with local organizations to help them use geographic information system (GIS) data in making better planning decisions for resource use. He presented a map of Chichagof Island depicting various timber harvests. He provided examples of potential use, such as planning, and presenting those plans to communities to come up with meaningful solutions. He suggested the possibility of bringing together many GIS databases from not only the USFS, but also from other landowners.

The meeting was running out of time so Kathleen Morse skipped ahead to the Timber Industry Survey in the packet. She intends to send it to approximately 1500 people with business licenses in the timber industry in Southeast to learn more about them. In

response to her request, the chair supported the survey and said he would sign a cover letter to the recipients to encourage wide response.



Group Discussion for the Next Steps to be Taken and Assignments included:

- A new subcommittee to address economics which may or may not be complete by the next meeting
- Subcommittee's tasks are to be drafted / itemized:
  - \*AFA on financing / funding support
  - Development of working draft regarding discussion issues to date
  - Interruptions in U.S. Forest Service timber sale delivery
    - Key questions for the U.S. Forest Service
    - Short term plan for handling excess utility fiber
    - Future timber industry vision(s)
    - How do operators make it work
- Economic feasibility of options/alternatives
- Dave Katz' ideas
- ASTF-MEP -sort yard information (send in to Kathleen Morse)
- Draft resolution idea or letter from the Task Force supporting business plan and recommendations to the Governor (submit ideas to Kathleen)

Marilyn Heiman said there are some options for recommendations in supply and financing where Marty Rutherford could work with the group in a day long workshop or in getting the U. S. Forest Service options from the Forest Products Lab.



In closing, Chairman Roberts recognized that there were some issues that will need to be revisited.

The schedule of the Next Meeting was set for 8:00 a.m. November 13 to November 14 at 3:00 p.m. in Wrangell. The meeting after that was tentatively scheduled for the second week in December.

The third Southeast Region Timber Industry Task Force Meeting Adjourned at 2:05 pm.