DRAFT Summary
SE Region Timber Industry Task Force
Workshop
Cape Fox Lodge
Ketchikan
December 11, 1996
1:00 pm - 6:00 pm

The Task Force Chairman, Wrangell Mayor Doug Roberts brought the workshop to order.

Kathleen Morse thanked everyone for being there and opened the workshop. The purpose is to stimulate thought and to serve as a basis for a more productive discussion for the next meeting. She said we need to put some good solid thinking and focus as a group to work on some issues together. She explained it is not a hearing or task force meeting, but a workshop for fruitful thinking. The objective was to (1) sketch out and discuss an array of scenarios of a viable timber industry in Southeast Alaska and (2) to begin to develop a list of elements to use in comparing different scenarios, e.g., the number of total jobs under each scenario (jobs/mbf), amount of capital investment to serve as part of a tax base under each scenario, timber volumes, and perhaps a degree of industry concentration and flexibility of industry. These were just a few ideas to form some basis for looking at the different scenarios and evaluating the different scenarios of each.

The Task Force meetings to date have been gathering information which served a purpose in developing their common knowledge and understanding and issues so everyone is working off the same page. The effort began at the end of September and they should be wrapping up by the end of January, so the group needs to focus.

Need to put some elbow grease into shaping up some viable scenarios. A number of people have already been put some thinking into this and this is the forum to get those ideas out and have an honest discussion of thoughts and insights.

The problem is how to derive the greatest benefit from the timber resource in SE Alaska without degrading other resources and other resource uses within the region.

To maximize the wood based employment and prosperity in Southeast Alaska given the species and grades of timber in the region subject to - this is where we get to the variables:

- available timber supply from all ownerships
- administrative constraints on markets - like prohibitive constraints on log exports
- public perception and acceptability - which leads to litigation and appeals
- cost of raw material supply
- processing costs of different options
- logistics of operating in Southeast Alaska
- operating guidelines and land allocations in TLMP
- FPA
- fiduciary responsibilities of some ownerships
- markets of end products

- available and acquirable technology

All these variables and the future of these variables will effect the different scenarios. They are constraint-sets and the feasible region is somewhere within these constraint sets. If you reduce all the constraints, you have a small portion of feasible solutions. We need to be able to expand the range of feasible options by looking at how the constraints can be relaxed somewhat.

She distributed a few process elements in terms of basic common sense guidelines.

Chairman Doug Roberts said that we may have until March, since the holidays are coming up. However, he asked that the group come up with a rough draft by January.

Those in attendance:

Mayor Jeff Meucci, Petersburg
Dave Katz, SEACC
Mayor Doug Roberts, Wrangell
City Manager Ginny Tierney, Thorne Bay
Jim Mackovjack, Tongass Community Alliance
Troy Reinhart, KPC
Walt Sheridan, retired USFS
Chris Nelson, Metlakatla FP
Owen Graham, KPC
Jim Scadaro (sp?), Metlakatla FP
George Woodbury, AFA
Jack Sportsman, KPC
John Sisk, liaison to the environmental community
Mayor Jack Booth, Metlakatla
Ruth Tadda, Task Force Staff
Kathleen Morse, Task Force Facilitator

George Woodbury, AFA distributed AFA's Four Visions of the Timber Industry on the Tongass National Forest. Dave Katz of SEACC distributed his Modeling a Small-scale Manufacturing Timber Industry for Southeast Alaska Draft Working Paper. Both outlined the reports and discussion followed.

The following points were noted of the thoughts and questions presented during the workshop:

AFA visions for industry in Southeast
300 mmbf
logging and road building / 1 mmbf per mile
(current mills including Wrangell running one shift)
Saw 200 mmbf primary manufacturing
assumes sufficient variety of mills: including Red Cedar mill and small log mill
assume all hemlock goes on to further remanufacturing
Spruce generally sold rough green; that is where the market is

420 mmbf

current mills running at capacity
(Industry will need to be diverse, maybe less economy of scale in smaller operations that are stand-alone and more numerous because there are more of them.)
100 mmbf

- drop out pulp log and residual chip manufacture
- not enough to support small log mill and quad line at Wrangell
- becomes too small a component of the wood supply

*Need to use info from Ginney Tierney and Jim Mackovjack to adjust shake and shingle employment per mmbf.

WHAT ARE THE PLANS FOR THE EXISTING MILLS (limitations and capabilities)?

Primary breakdown of wide range of tree diameter requires wide variety of primary processing abilities
Quad saw, 6' band, 9' band, whole log chipper
Better to start with a green field mill as an investment
Manufacture everything that is cut
What various studies show demand for certain products for the TNF is open-ended?
Can you compete with commodity MDF in world market?
Put value on at the end of the MDF line
Fiber plant gives one operator the ability to set price for low end logs
Similar scenario to what we have had
Problems: 300 mmbf and chances of meeting legal requirements of NFMA, subsistence, etc., are slim
Stable industry = diversity in products, markets and geographic distribution
Sitka example - no jobs = no cut

Options for diversity: Stop export of Cedar, look into other options for small manufacturers to get supply, regional sortyard
Must have a level of opportunity maintained
Larger operator is cog of wheel that allows smaller operators to be viable
Interest now in milling Red Cedar
Ban on export not the best approach
First offering of Cedar is for domestic processor

Looking for timber industry that can exist while allowing for sustainability of all resources and uses

Same scenario as now: Same mills and fiber based facility, all that is added is remanufacturing

Dave Katz tried to model industry that produces as much finished product in Southeast Alaska as possible.
Value-added intermediate and finished products as much as possible: finished products for particular markets

Log homes and laminated beams are suitable for second growth
2.5 - 3 billion board feet in British Columbia leads to 565 secondary manufacturing plants

Door plant in Seattle takes volume from 30 mills to employ 250 people at 2 mmbf out the door

What is the minimum volume needed to make these kinds of operations viable?
Out of the 50 mmbf can you get enough of the quality of wood needed for these products?
Is there enough wood in Alaska for secondary manufacturing?
AFSEE proposal equates to 50 mmbf
Litigation from timber industry is of concern, i.e., contract claims
Community interests are caught in the middle

Don't have all the pieces to determine if the secondary processes are viable
- Trade associations and others need to come here to do reality check on potential
- What price will they pay for their wood?
- Is there any place similar to Alaska in terms of isolation, etc., that is using 50 - 100 mmbf to get this level of secondary manufacturing?
- Options for importing raw material

Why can't KPC be the value-added industry?
APC was trying to get Tebbs to move a plant to Alaska
Domestic market will not pay as much as export market
Market pulls closer to log export
The longer it takes to develop the new industry, the more of your workforce you lose
Cost of transition - training for new skills
Education and skills are very important to viability

Don't know right volume number to recommend yet

What Task Force has done:

- Agreement on TLMP completion
- Sort yard concept endorsement
- Agreement that small timber operators are important part of the mix and need to be provided for