

SECURE A WORKING FOREST BASE AND RESTORE A VIABLE TIMBER  
INDUSTRY IN SOUTHEAST ALASKA



Community Economic  
Development Strategy

CEDS



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**2011 Five Year CEDS Regional Project - Action Initiative**

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**Title or Name of the Project:**

Secure a working Forest Base designated to timber harvest in the Tongass and Restore a Viable Timber Industry in Southeast Alaska

**Motivation:**

Motivation is to restore a viable timber industry in Southeast Alaska.

1. Existing old growth value added manufacturing – large grade type logs: Manufacturing operations in western red cedar, Hemlock and Sitka value added products e.g. lumber products, veneer, shake/shingle and sawn lumber for sale to remanufacturing facilities.
2. Log exporting: Compliment and support the infrastructure of SE timber industry. Provide positive values to high-cost timber sales and additional market options for operators.
3. Additional log manufacturing: Wood products that capitalize on Alaska’s old growth characteristics, plus potentially more varied products including sawmilling, veneer production, short specialty limber.
4. Residual options: Bio fuels, pellets/chips, for local consumption and for export markets with facilities to process and ship on scale and potential fiberboard manufacturing)

We are considering two options that are available to secure the working land base for the timber harvesting in the Tongass to sustain and attract economic investment.

1. Regulatory option: The regulatory option provides short term relief to allow for time to generate a more long term legislative solution. The short term options have low probability of achieving the economic sustainability goals.
2. Legislative option: A legislative solution that not only incorporates the land base security element but the management changes required to optimize and sustain economically sustainable harvest to support an industry base in Southeast Alaska.

As a result we propose the establishment of the “Tongass National Forest-Congressionally Designated Timberlands”

This would be a mechanism in legislation that would designate a timberland production economic zone within about 10% of the Tongass National Forest. The legislation would identify the area for timber management and stipulate the regulations structure the management to include the results of our supply exercise.

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The legislation would be established to meet the following goals:

1. Provide a secure raw materials supply base for SE Alaska wood products industry
2. Provide stability for economic activity and jobs in SE Alaska
3. Provide continued support for old growth wood products and future growth in development of young growth wood products.
4. Provide a positive climate for continued investment in wood products.
5. Provide positive stumpage values from federal lands to re-invest in multiple land use opportunities, and long term security to investments in timberlands development and enhancements.
6. Provide efficient, timely and cost effective forest management for timber production on Federal lands in SE Alaska.

**Objective:**

To sustain a Forest Products Industry in Southeast Alaska it is essential that there is access to an adequate old growth supply until the second growth timber in the region is mature. A fixed land base that is protected from encroachment of competing uses is essential. The land base requires management that maximizes timber growth and utilizes the State Forest Practices water, fish and wildlife protections: This solution benefits the current and future investors, creates sustainable employment and creates the potential positive stumpage values to further invest in forest management, provides continuity of supply to our customers, potential for growth and diversification of the industry.

The project will recommend extensions, changes and additions to current US Forest Service timber sale policies and programs and eligibilities that can build a viable and sustainable operation. The process begins with the current base and new recommendations for volume needed to stabilize current activities. The process will anticipate growth through additional investments in the area, as predicated on a predictable, stable and sufficient supply of old growth logs from the Tongass that is supplemented by young growth as it becomes mature an economically available in the future.

**Obstacles:**

1. USFS does not buy into the concept of creating a working forest within the Tongass National Forest without more universal support for the concept
2. Gathering support from multiple users and stakeholders in the Tongass to support the concept'
3. We must have a clear implementation plan that outlines the steps that can be taken. Define legislation needed to accomplish the goals, and having those steps supported and implemented.

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4. Defining the regulatory and legislative changes to present a clear implementation strategy to the USFS
5. Legislative priorities will likely be taken up by election issues in 2012, making 2011 implementation somewhat of a challenge. This is a 2 step strategy, implementation of all non-legislative initiatives can be worked on immediately while the legislative piece is presented as an ongoing process.
6. Task force to develop the options for implementation
7. Understanding all the legislative hurdles in the process from the Secretary of Agriculture to the Tongass USFS management will be critical to building consensus and support to move this initiative forward.
8. Mapping of an internal change process to implement within the USFS organization.
9. Changing Tongass Timber Reform Act addresses stream buffers and changing the management of the Tongass from Federal to State Forest Practices regulation for State/Public Land and exchanging the current federal development processes such as NEPA with State process (Forest Land Use Plans)
10. Exempting Alaska from the Roadless Rule.

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**Outcomes/ Results:**

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The establishment of a "Tongass National Forest – Congressionally Designated Economic Timberland Development Zone" to achieve the following objectives:

1. Provide a secure supply base for SE Alaska wood products industry
2. Provide stability for economic activity and jobs in SE Alaska
3. Provide continued support for Old Growth wood products as well as future growth in the development of second growth wood products
4. Provide a positive climate for continued investment in the forest products industry
5. Provide positive stumpage values from Federal lands to re-invest in multiple land use opportunities, and long term security for investments in timberland development and enhancements
6. Provide efficient, timely and cost effective forest management for timber production on Federal lands in SE Alaska.

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**Leadership:**

George Woodbury, President, Alaska Forest Association  
Owen Graham, Executive Director, Alaska Forest Association  
Wade Zammit, President, Sealaska Timber, Sealaska Corporation  
Merrill Sanford, Timber Co-Chair, Southeast Conference  
Bryce Dahlstrom, Timber Co-Chair, Southeast Conference, VP, Viking Lumber

**Development Team:**

Clarence Clark, Forester, Division of Forestry, State of Alaska  
Dave Harris, Director, Forest Management, US Forest Service  
Allen Brackley, Research Forester, US Forest Service  
John Sandor,

**Action Plan and Implantation:**

1. Security to land base: \*Removal of land from federal ownership to state ownership. \*Third party ownership where land is set aside under a contractual steward for management. \*Set aside of timber harvesting lands along with conservation easements. \*Needs legislation to make long term solution. \*Industry needs to lead this initiative to a solution instead of trying to seek collaboration.

Key People:

Resources Needed:

Timeline:

2. Re-establishment and implementation of 10 year timber sales, each with a volume target of 150 MMBF to 200 MMBF annually to sustain the current sector of old growth value added operations in southeast and provide the volume for full manufacturing integration and a more competitive economy of scale.

Current capacity in log demand is one medium sized operator and infrastructure for 2 more medium sized mills, one small and 5-6 owner operator plus facilities. All operations are limited to a portion of single shift because of log supply. The portion of single shift is an issue because it does not provide sufficient investment return to plan for capital mill improvements or new investment capital for mills. To address viability the supply should at a minimum provide adequate supply to operate each facility a minimum of two shifts. This would stabilize current operations, provide additional employment and generate more favorable economic condition. The enduring viability of the current old growth industry is an important factor in having an investment base with which to develop additional young growth acres so there is an adequate

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timber base in the future. Economic viability can be improved by operating mills at higher rates resulting in lower operating costs and improved stability.

Key People:

Resources Needed:

Timeline:

3. Continue to extend the current USFS Export policy and the preparation of traditional timber sales program to a level that maintains timber harvesting infrastructure that supports the processors and log exporting programs. Until a fully integrated manufacturing industry is restored, it is recommended that sales totaling 40-60 mmbf/annum of old growth directed into the export market to sustain logging and road building operations.

Log exporting is a critical element to the stability of the forest industry in SE AK. Exports currently provide higher returns, giving operators more options in the market and improve stumpage returns to the timber owners. In this sector, the recommended volume needed to sustain activity and viability is directly related to the number and financial health of contractors and subcontractors that contribute to a healthy competitive bidding environment. There are currently 4 medium sized (compared to west coast operators) conventional harvesting/road building companies and one selective (helicopter) harvesting company operating in SE AK. In addition, there are 1-3 smaller owner/operator harvesting businesses affiliated with the small manufacturing operations in the region. Supporting these businesses are 2 primary towing and 2-3 subsidiary towing services companies that move products and provide service infrastructure. This infrastructure also depends on the security of supply and is currently operating below efficient operating rates. This has detrimental impact on rates and capital investment, including road building services. The limited outlook for the future continues to erode the stability of these operators.

Although the young growth market exists in log form for export, this product is a commodity and has much more price volatility than old growth products. As result of this and the need to sustain the old growth manufacturing infrastructure it is critical to continue to supply both old growth and when it is appropriate include young growth. It is necessary to build and sustain a broad base for the industry and improve market appeal for southeast timber by having both products available in an adequate, predictable, sustainable supply. This leveraging opportunity can be a significant strategic advantage for our region.

Key People:

Resources Needed:

Timeline:

4. Development and implementation of 25 year timber sales to attract new investments in medium/large log manufacturing. This activity will also include a literature search of all the potential wood processing options what have been evaluated in southeast and the southeast wood supply would create a specific strategic fiber advantage.

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We must consider the logistics of sustaining an industry that is located on separate islands in this region and we must take into account the wide range of timber species, sizes and grades that are available in the mature timber stands. A higher economy of scale will help address the logistic issues and will also provide the opportunity to have several mills that can each concentrate on their own manufacturing and marketing strategy. For instance, committing a supply of logs that fit within the medium to small side of the large log profile would attract new product profile and attract new investment for current and future young growth timber. In order to properly address the economy of scale issues, the long term goal should be to restore a timber supply that will support this manufacturing.

Key People:

Resources Needed:

Timeline:

5. Remove the restriction of utilizing old growth timber for residual products applications such as bio-fuels and open up the current USDA incentives to these kind of projects in Southeast Alaska to support the construction and operation of residual operations:

This change in policy, along with the summary of the above recommendations to address a viable industry given the current state would provide an adequate base to explore and develop contingent on market development a manufacturing and processing facility for residuals and pulp logs.

Key People:

Resources Needed:

Timeline:

**What does it Promote:**

**Performance Measures:**

Revise, modify and secure elements of the USFS timber sales program and associated regulations that combines with streamlining the process of implementation can produce 300-360 MMBF of timber a year to sustain a viable forest industry and associated employment in southeast Alaska.

**Funding:**