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Testimony before the Senate Committee on
Energy and Natural Resources
Wildfire Budgeting, Operations and Forest Management Act of 2016

June 23, 2016

Chairman Murkowski, Senator Cantwell, and members of the Committee, thank you for this opportunity to testify on a subject that is critical to maintaining a timber industry in SE Alaska and the communities of SE Alaska.

I have been in the private sector of the timber industry for the last 40 years, the last 25 years being in SE Alaska. I have a Forest Engineering degree and a Master's in Business Administration. My career has taken me from Oregon, Washington, British Columbia and Alaska. My work history includes working for a number of large public held timber companies and for the last 14 years have been an operating partner in companies that purchase and operate timber in SE Alaska, British Columbia and Washington State. For the last 20 years I have purchased, operated and sold products from Young Growth timber stands in Alaska. I was chosen as a timber industry representative on the Tongass Advisory Committee (TAC). I sit on the Alaska Board of Forestry as the timber industry representative. Our company purchases US Forest Service, State of Alaska, Mental Health Trust, University of Alaska and Native timber in Alaska. Last year Alcan completed the first Young Growth thinning on the Tongass and currently have under contract Young Growth on University of Alaska lands and USFS land.

The Tongass is transitioning to Young Growth timber. The 10 to 15 year time frame to transition to Young Growth timber industry outlined in Secretary's Memorandum 1044-009 is an artificial time frame not based on economics, ecological, the timber industry or what is best for timber management. The first large commercial harvest of timber on the Tongass was in 1942 for Sitka spruce components for airplanes in WW II. The next large harvest of timber was the beginning of the pulp mill era. USFS established 50 year contracts in the late 1950's in order to bring economic stability to SE Alaska. The contracts called for a pulp mill to be built and in exchange the companies were awarded 50 year contracts to amortize their investment in SE. In the 1960's 100,000 acres were harvested, 120,00 acres in the 70's and 80,000 acres in the 80's. Between 1900 and 2014 462,000 acres have been cut on the Tongass National Forest. In the plan amendment the USFS used 251,000 acres as the Suitable young growth acres. The USFS has examined about 50,000 of these acres. What is known for the transition is the future

young growth acres and where they are at. What is not known is whether these stands can be harvested legally or economically.

The first issue is the declining land base for timber production.

Acres on the Tongass National Forest: 16.8 million

Productive forest acres (8 thousand board feet and greater volume per acre): 5.5 million

Commercial timber forest: 3.6 million acres

Remaining old growth acres 3.2 million acres

The timber industry will have a suitable timber land base of 251,000 acres after the transition. If all these acres are available for harvest as the TAC had to assume then a "viable" timber industry could be possible if the economics, markets and USFS implemented the all the TAC recommendations. The problem is "fall down acres". These are acres that were previously harvested and now due to changing regulations can be not be harvested again.

The first fall down is known. 462,000 acres were harvested and now only 251,000 acres are allowed. This is a fall down of 45% of the Young growth acres that were legal to harvest timber from the first cutting but will not be allowed the 2nd cutting due to changes in the land designations.

The second fall down is not known. These are the young growth acres in the 251,000 acres of suitable timber base that will not be allowed to have timber harvested due to the changes in standards and guides; fish creeks, karst, visual, wildlife, steep slopes and other resource protection. Until there are "boots on the ground" no one knows what percentage of fall down will be found. It will most likely be over 20%.

The third fall down is the areas not economically feasible to harvest. Where road building and harvesting cost will exceed the value of the timber. After you have removed the acres not allowed for harvest due to Standards and Guides, you may not have enough acres left in an area to justify harvesting young growth. Also a large percentage of the older Young Growth Stands needed for the transition time frame are small in size and scattered across hundreds of miles. These stands will not be economical to harvest with markets we have today. Lastly the economics are driven by the growing conditions of the area harvested. High elevation, poor timber growing areas will be eliminated due to the size and volume per acre of the young growth stands. As per the USFS, the timber areas that have been harvested are highly variable in Young growth size and species. Here again this third fall down will not be known until there are "boots on the ground". A 20 percent plus of fall down acres would not be unreasonable to assume.

The TAC knew there would be fall down in the Young Growth acres. We just did not know how much. Estimates in the old growth stands are in the 60 percent range. Our concern was so large that when Mr. Bonney attended a TAC meeting and asked where the USFS need to make investments, like re-tooling, the TAC's highest priority was Young Growth inventory. The Conservation groups on the TAC wanted a certain time when old growth timber harvest planning and harvesting would cease. We could not agree or even discuss due to the uncertainty of the fall down in Young Growth suitable acres. Without knowing a reasonable estimate of fall down acres the TAC did not model the future availability of timber with a fall down percentage. We could only model the stands with information supplied by the USFS.

The mission statement of the TAC was to maintain the communities of SE Alaska. From Secretary's Memorandum on the transition to Young Growth: "USDA is equally committed to doing its part to ensure the communities with and adjacent to the Tongass National Forest are economically vibrant", "...preserve a viable timber industry that provides jobs and opportunities for residents of SE Alaska", "...important to retain the experience and infrastructure of the existing industry so business can quickly re-tool. These businesses are fundamental to both the Young Growth and restoration components of the future timber program, and the economic vitality of the region." We have a broad consensus from the USFS, communities and the TAC members the transition to Young growth needs to protect the communities and the timber industry.

If we lose a portion of the timber base of the suitable Young growth timber base acres in fall down there is a high probability of no timber industry and the continued decline of our communities in SE Alaska. From 2000 to 2014, 22 of the 32 communities in SE Alaska lost population. Currently timber industry consists of one small sawmill, four conventional timber harvesting contractors and small one to two person local sawmills. Every USFS timber sale and State timber sale has been delayed due to litigation, threaten litigation and decision appeals. The industry is rapidly running out of timber under contract.

In order to jump start an industry in the 1950's the USFS had to enter into long term contracts. If they lose the existing timber industry today, to restart the industry in 20 years, when large acreage of Young Growth become commercially viable, the USFS will have to look to the past for timber volume guarantees. Harvesting Young Growth in the Tongass will be difficult to maintain through the market cycles. Timber extraction costs are high and the Young Growth timber is a commodity product with a fixed global market value. Due to lower costs around the world the Tongass Young Growth will find it hard to compete when prices decline. This makes it impossible for a company to invest long term capital in a business that is not competitive through a market cycle, let alone be subject to the uncertainty of Government timber sales.

The "viable" timber industry is threatened before the amendment or transition becomes effective. From the Draft EIS: "...high degree of uncertainty surrounding its goal of preserving a viable timber industry...", "higher labor, energy costs, distance from market". The USFS owns 80% of the land in SE and 93% of the timberland in SE Alaska. The timber industry cannot

survive without a consistent supply of economic timber from the Tongass National Forest. The industry and the communities have to know, Young Growth will be available to harvest, plus the quantity, quality and economic viability must be there to keep the existing industry in place. Without a comprehensive cruise and “boots on the ground” the fall down acres are unknown and therefore the transition viability is suspect. The cruise of young growth must be completed before the signing of the plan amendment. The deadline for the plan amendment is an artificial date. The USFS will not have initial results from a study until 2017 to help “asses the economic viability of the Tongass young growth timber industry” The plan has to be based on the best Young Growth information, if it is not then the timber land base will not be there to support a “viable timber industry” and “economically vibrant communities”. We have to get the plan amendment right if it is to fulfill the Secretary Memorandum 1044-009 in which the transition is based on. The timber industry cannot be maintained with continued withdrawal of the timber base acres. The plan amendment of 251,000 acres is just 7 percent of the commercial timber in the Tongass. We need certainty to continue to invest in the timber industry, companies are now stopping capital investments in equipment. Timber under contract is declining dangerously low and the industry will be mostly gone in a couple of years without timber sales and a outlook of Young Growth based on good information that has been ground proofed and is proven to be economically sustainable. We cannot afford for a plan amendment to be signed with the uncertainty in the amount of fall down acres in Young Growth timber stands.