

Testimony of Kirk Dahlstrom

President/CEO

Viking Lumber Inc.

Before the Senate Energy And Natural Resources Committee

March 24, 2015

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Madame Chairman, Ranking Member Cantwell, members of the Committee: Thank you for the opportunity to testify today.

As the owner and operator of the only remaining mid-sized sawmill operating in Alaska, I am here to ask for this Committee's help. We must have a solution to the dire timber supply situation in the Tongass National Forest where my mill operates and upon which my mill is almost totally dependent. I have no other reliable sources of timber supply. Unlike many places in the lower 48, there is almost no state or private land from which I can secure timber for my mill.

Unlike many of the contiguous 48-States such as Washington State, which owns 2.6 million acres of state lands from which it can sell timber to local mills, the State of Alaska has a very small timber base and in our remote region the State owns only 1% of the land and is able to sell just 13 million board feet of timber per year. The State has done its best but it just cannot provide enough timber to supply my mill much less other mills in the region.

My family has been in the timber business for over 50 years. We own and operate a saw mill in Klawock, Alaska and six manufacturing operations in Aberdeen and Hoquiam, Washington. Our operations directly support over 150 jobs in Alaska that include:

- 42 Viking employees in the mill,
- 32 Papac Logging employees,
- 10 Timber Wolf Cutting employees,
- 5 independent truckers,
- 25 longshoremen,
- 5 DuRette Construction employees,
- 33 Columbia Helicopter employees

Additionally, our operations support Boyer Towing who tows our logs and wood chips and Alaska Marine Lines who trucks and barges our lumber. Our saw mill also provides the wood fiber used to heat the school in Craig, Alaska. In Washington State, our operations support another 120 direct jobs. Our Alaska sawmill provides about half of the timber that is needed for our dry kiln and planer operation in Washington; without the Alaska lumber, that operation and the jobs it supports could not continue. We also sell red cedar logs from Alaska to the TMI sawmills in Morton and Quinault, Washington.

Our mill in Alaska is almost out of logs to saw. We currently have only about two months' supply in our log yard. We bought the most recent Stewardship sale called the Big Thorne timber sale last October from the US Forest Service. It is not a great sale and it was offered at nearly fifty million board feet less than originally intended. The sale is being litigated by many environmental groups including the Southeast Alaska Conservation Council, Cascadia Wildlands, the Sierra Club and many others. All of these groups oppose most federal timber sales in the Tongass. The sale was delayed over a year and the sale is now in litigation under three different lawsuits. The plaintiffs have just filed for a preliminary injunction even though I agreed to delay operations from October to April in hopes the litigation could be concluded. At this point I am still hoping for a decision from the Alaska a Federal Court denying any injunction and allowing me to proceed, but there is still a risk that a favorable decision from the Alaska court will be appealed to the ninth-Circuit court.

I have agreed to start minimal operations in early April while awaiting the federal court decision, but the operating season can be short in Alaska and I must begin operations. I have attached to my testimony the declaration I filed with the Court last week which describes this situation in detail. Par. 19 states that Viking will access the timber by constructing short "spur" roads from Thorne River Road into the sale units. These spur roads are all temporary and the longest spur is only 3,000 feet, while the others are considerably shorter. After harvest, all of the spur roads will be removed; the road beds will be reseeded and then subjected to Forest Service inspection and approval.

Big Thorne is an Integrated Resources timber sale contract, and has a resource improvement (stewardship) component combined with the timber sale component. Stewardship projects that Viking must complete under the Big Thorne contract include:

- The Balls Lake Trail Renovation valued at roughly \$60,000;
- The Boy Scout Trail Renovation valued at approximately \$40,000;
- Wildlife habitat improvement on 1,652 acres through the use of pre-commercial forest thinning (i.e., the removal of relatively young, small diameter trees) valued at approximately \$553,420;
- Phase I of the restoration of Luck Creek valued at approximately \$400,000;
- Improvement of a fish passage valued at approximately \$950,000;
- Phase II of the restoration of Luck Creek valued at \$750,000 as well as,

- Wildlife habitat improvement through pre-commercial thinning of 2,711 acres valued at \$908,185.

All of these are paid for by Viking and come directly from Viking's sales of the timber sale component.

Madame Chairman, ranking member Cantwell and members of the Committee; I have no margin for error. If I am not able to operate this sale immediately, I will have to suspend operations and I may have to close permanently. Our mill has run out of timber five times in the last ten years. Time and again, we have survived only because the State was able to provide emergency timber sales from its timber base, which amounts to only about 1% of the timberland in the region.

Our lumber markets are very stable and if there had been sufficient timber available over the years we would have operated two shifts instead of a single shift in our mill. Unlike new home construction and related lumber markets in the contiguous 48-States, the markets for the products produced by Viking have remained relatively strong. This is due to the fact that Viking produces piano and guitar stock from Spruce logs; doors, windows and molding from Hemlock logs; and decking, gazebo stock and finished wood for Cape Cod-style homes from Cedar logs. Despite the last recession, the market for Spruce to make instruments remained good, as did the markets for other products produced by Viking because they are typically purchased by individuals who are remodeling existing homes, not building new ones. In fact, prices for our Hemlock and Spruce products have remained strong since 2008 and Cedar prices have rebounded since 2009.

In 1980, Congress promised that the Forest Service would provide 520 million board feet of timber annually from the national forest. That was only a small fraction of the growth potential of the forest, but it was enough to sustain the manufacturing industry that we had. In 1990, Congress allowed the Forest Service to determine how much timber our industry needed and the agency subsequently reduced the maximum allowable timber sale program to 267 million board feet. The agency never actually sold even a small percentage of that reduced allowable timber sale volume. One by one, the region's mills were starved out and closed. Our mill is the last remaining mid-size mill in Southeast Alaska and now the agency is considering reducing the timber sale program to a level that will force our closure as well.

We have tried everything to persuade and encourage the Forest Service to restore our timber supply, but the agency remains politically driven to eliminate timber production from its multiple-use mandate. At this point, there is only one solution that gives me hope for the future of our mill and our employees; that is the creation by this Committee and Congress of a State timber forest like the one endorsed by the Alaska State Timber Task Force. This Alaska Forest would be owned and managed by the State of Alaska under its well-crafted and up to date Alaska State Forest Practices Act. This Act was designed to provide full protection for waters as well as fish and wildlife habitat and provides a public process for planning and operates utilizing best management practices.