



File Code: 2450

Date: April 8, 2011

TO: KLAMATH NATIONAL FOREST TIMBER PURCHASERS/INTERESTED PARTIES

Our policy provides for recomputation of the small business share of national forest timber sale offerings when the structure of timber firms change as provided in the Small Business Timber Sale Set-Aside program. We have, after consultation with the Small Business Administration, determined that a structural change did take place on the Klamath Market Area, Klamath National Forest.

Five letters were received prior to May 28, 2011. Points made were as follows:

1. No mills have discontinued operations within this market area. The only change is that Murphy Company is now a large business.
2. In the last five years large business has purchased 49.5% of the sawtimber volume.
3. In the past five years small business has purchased 16.1% of the volume.
4. In the last five years Murphy Company was the largest single sale purchaser with 16% of sawtimber volume.
5. All businesses that have operated in this market area in the last five years remain in operation; therefore there is no expectation that historical timber sale purchasing patterns will change.
6. The recent five-year recomputation determined the market share to be 65%.
7. The market area has been triggered for the last nine reporting period or 4.5 years.

Comment Summary: Based on the above facts, a structural change will not change anything. The market area will be triggered for most if not all the three-year structural recomputation period; resulting in restricted bidding for small businesses only and denying large business access to historical proportion of approximately 50% of sawtimber volume. The recomputation dataset will be skewed and will not provide the fair distribution of sawtimber as required by the Small Business Act. The Forest Supervisor should review Nez Perce, the Clearwater, and the Coeur d'Alene Market Area, all of which decided to complete the structural change recomputation in situations very similar those on the Klamath. A structural change recomputation cannot result in a fair market share and will result in a challenge probably resulting in direction to the Forest to initiate another process.

Comment Recommendation: Forest Supervisor should find the requirements of FSH 2409.18, Chapter 91.23, have been met and initiate a special recomputation for the Klamath Market Area.

Decision:

According to Forest Service Handbook 2409.18, 90.5, 8. b. Murphy Company size is a specific



example of a “structural change” and Forest Service is directed that when a structural change occurs, the small business share must be recomputed in accordance with Section 91.22b. The Murphy Company is not an unusual or unique situation as defined in FS2409.18, 90.5, 8. c. I do not find the conditions exist for a special recomputation pursuant to FSH 2409.18, 91.23.

In addition FSM 2439 requires Forest Service to ensure small business firms receive a fair proportion of National Forest System timber and to administer the small business timber sale set-aside program consistently between and across the national forests within each region. Based on above direction, I must conduct a structural recomputation

The structural change took place December 27, 2010. The time period to be included in the purchase and harvest data for the recomputation will be the three-year period April 1, 2011, through March 31, 2014. A recomputation for a structural change will begin April 1, 2014, to establish the small business share.

The decision that a structural change occurred may be appealed under 36 CFR Part 223.118(f). The Appeal Deciding Official is the Regional Forester, Pacific Southwest Region, 1323 Club Drive, Vallejo, CA 94592. Only those timber sale purchasers or representatives who submitted written comments on this notice may appeal my decision. Content of Notice of Appeal must include reasons for appeal and must be postmarked by May 13, 2011, which is 20 days from the date of this notice of decision. Appeal procedures information may be obtained from any of the people listed below.

The Forest Service administers the Small Business Timber Sale Set-Aside Program under provisions outlined in Forest Service Manual 2439. You may obtain information on the structural change from the Forest Supervisor or the Small Business Administration Representative or you may call or write Bev Cox for more information:

Klamath National Forest  
Attn: Bev Cox  
1312 Fairlane Road  
Yreka, CA 96097  
(530) 842-6131

Small Business Administration  
Attn: Thomas Clarke  
721 19<sup>th</sup> Street, Room 426  
Denver, CO 80202  
(303) 844-2607

Sincerely,

PATRICIA A. GRANTHAM  
Forest Supervisor

