ADMINISTRATIVE ORDER 258, TASK 6: SOUTHEAST WOOD PRODUCT BUSINESSES AND TIMBER SUPPLY NEED

PURPOSE

During May 2011, Governor Sean Parnell established the Alaska Timber Jobs Task Force (hereafter Task Force) to review and recommend actions related to:

- management of state-owned forest land, establishment and expansion of legislatively-designated state forests, and state timber harvesting statutes and regulations; and
- Tongass National Forest management, Southeast Alaska land ownership, timber supply and demand, current and potential wood products, and additional research needs.

The purpose of this briefing is to provide information to meet Administrative Order 258, Task Six objectives with focus on Southeast Alaska and the Tongass National Forest (hereafter Tongass). Task Six objectives include determining timber supply needs to meet market demand for wood products ranging from unprocessed logs to manufactured products. Objectives also include determining business and economic development opportunities that could be supported pending additional Tongass timber supply availability. This report summarizes past and present Southeast wood product businesses, discusses select timber business survey findings, explores Southeast population and school enrollment longitudinal change, and summarizes timber supply need assessments per various stakeholders including the United States Forest Service, Alaska Forest Association, and Southeast Conference.

The Task Force broadened the scope of work in two substantive areas to better reflect the diversity, current status, and longitudinal change of the Southeast timber industry with focus on determining immediate and long-term timber industry needs:

1. Timeframe – In addition to studying current forest product businesses, timber businesses dating back to 2000 are included to better represent businesses lost and the potential for new activity pending additional timber supply.
2. Scope of Study – In addition to studying timber supply need and wood product market demand, the Task Force also opted to briefly explore workforce, business retention, and business expansion challenges.

PROJECT OVERVIEW

Core requirements of the Administrative Order's Tasks Six and Eight are interrelated. Consequently, the Task Force combined study and reporting responsibilities and assigned to one subcommittee led by the Department of Commerce, Community, and Economic Development (DCCED) with participation by Alaska Forest Association (AFA), two forest products industry representatives (Viking Lumber Company and Alaska Logging and Milling Associates), and one Southeast community representative (Coffman Cove). The Division of Economic Development (DED) staffs the subcommittee, fulfilling all research and reporting responsibilities with the subcommittee serving as project oversight.

Task Six and Task Eight are closely linked because determining total inventory of wood product businesses (i.e., Task Eight) is a prerequisite to determining timber supply need of all operating businesses (i.e., Task Six). Data and information for both tasks is gathered via secondary data review and forest product business telephone interviews. Results for both study efforts are presented in independent reports; however, Task Six and Task Eight reports should be reviewed in their entirety to fully understand the current status of the Southeast timber industry and associated timber supply needs. This report explores Task Six, organizing findings by substantive topic area. Longitudinal population and school enrollment change in Southeast Alaska are also discussed to provide community-level context for shifts in the timber industry.

SOUTHEAST ALASKA COMMUNITIES

The commercial timber industry peaked in Southeast Alaska during 1989 with more than one billion board feet harvested. The past ten years have yielded harvests measured only in millions board feet; only 30 mmbf were harvested during 2011 (Table 1). The timber industry and wood product businesses operate in an uncertain business climate and without sufficient Tongass National Forest timber supply. The recently-established Southeast State Forest remains relatively small (approximately 50,000 acres) and is insufficient to replace the total volume of federal timber supply on a sustained basis. Despite efforts to support a vital timber industry, the majority of Southeast communities have experienced significant population decline over the past ten years as families migrate out of the region in search of economic opportunity and security elsewhere. Secondary impacts of the population loss have had far reaching consequences in many communities including declining school enrollments, decreasing municipal tax bases, and difficulty transitioning to alternative local economic drivers.

Table 1. 2001 – 2011: USFS Southeast Timber Harvest

Federal Fiscal Year	Timber Sales [MBF]	Timber Harvest [MBF]
2001	45,385	39,802
2002	22,619	29,981
2003	33,262	44,101
2004	67,720	36,716
2005	50,709	38,582
2006	72,215	38,582
2007	26,261	14,788
2008	4,807	24,044
2009	21,082	25,289
2010	40,185	30,277
2011	39,998	30,163
Average	**38,568**	**32,025**

Note: Table contains USFS sawtimber quantities only.

The decline of the timber industry has been a causal factor in overall population decline for the Southeast region – impacting the majority of communities and school districts. In total, there are 34 distinct communities located across Southeast Alaska. Recently released 2010 U.S. Census statistics indicate the total Southeast population has declined over the past decade (-5%) from 73,082 (2000) to 69,849 (2010). Furthermore, 24 out of 34 Southeast communities (71%) have lost population ranging from -2 percent (Hydaburg) to -57 percent (Point Baker) (Table 2). Nine Southeast communities have maintained or grown their total population during the past ten years including Gustavus, Juneau, Kasaan, Kupreanof, Metlakatla, Sitka, Skagway, Tenakee Springs, and Wrangell. On average, Southeast communities have lost population over the past two decades with -7 percent and -12 percent consecutive population losses. Notably, wood product businesses have existed in 25 of 34 Southeast communities (74%).

Nearly all (31 of 34) Southeast communities have had a public community school at one point in time; however, similar to population decline trends, the majority of communities have experienced enrollment declines over two decades. In total, there has been a 15 percent decline in Southeast student enrollment since 1990. During the past 20 years, six communities (19%) have seen their school close including Edna Bay, Elfin Cove, Hyder, Kasaan, Meyers Creek, and Whale Pass; only two schools, Kasaan and Hyder, re-opened. Unfortunately Hyder's school closed again during 2010 due to lack of students. Of the 31 communities with schools, the majority (87%) have experienced a declining student enrollment sustained over nearly two decades; only three (10%) have increasing school enrollments including Craig, Gustavus, and Kasaan.

Several schools that are currently open are hovering on the brink of closure due to enrollments that barely meet the State of Alaska's ten-student minimum requirement including Coffman Cove, Edna Bay, Hollis, Kasaan, Klukwan, Pelican, Port Alexander, Port Protection, and Tenakee Springs. In these communities, one family makes the difference between an open or closed school. If the aforementioned schools were to close for the 2012/2013 school year, Southeast will have lost 42 percent of all community schools since 1990.


Kasaaan School [2010 = 14 Students]


Hollis School [2010 = 10 Students]


Port Protection School [2010 = 10 Students]

Table 2. 1990 – 2010: Southeast Community Population and School Enrollment

Community	Timber Business	1990 Pop	2000 Pop	2010 Pop	1990 - 2010 Percent Change	2000 - 2010 Percent Change	1990 Enroll	2000 Enroll	2010 Enroll	1990-2010 Percent Change	2000-2010 Percent Change
Angoon	√	638	572	459	-28%	-20%	189	154	77	-59%	-50%
Coffman Cove	√	186	199	176	-5%	-12%	47	31	11	-77%	-65%
Craig	√	1260	1397	1201	-5%	-14%	308	551	630	105%	14%
Edna Bay	√	86	49	42	-51%	-14%	15	Closed	9	-40%	-
Elfin Cove		57	32	20	-65%	-38%	9	Closed	Closed	-	-
Gustavus	√	258	429	442	71%	3%	76	48	57	-25%	19%
Haines	√	1238	1811	1713	38%	-5%	470	402	304	-35%	-24%
Hollis		111	139	112	1%	-19%	16	14	10	-38%	-29%
Hoonah	√	795	860	760	-4%	-12%	237	226	123	-48%	-46%
Hydaburg	√	384	382	376	-2%	-2%	109	91	61	-44%	-33%
Hyder		99	97	87	-12%	-10%	Closed	12	Closed	-	-
Juneau	√	26751	30711	31275	17%	2%	5081	5483	4968	-2%	-9%
Kake	√	700	710	557	-20%	-22%	177	165	85	-52%	-48%
Kasaan	√	54	39	49	-9%	26%	10	11	14	40%	27%
Ketchikan	√	13828	14070	13447	-3%	-4%	2799	2469	2116	-24%	-14%
Klawock	√	722	854	755	5%	-12%	203	190	136	-33%	-28%
Klukwan	√	129	139	95	-26%	-32%	36	15	14	-61%	-7%
Kupreanof**		23	23	27	17%	17%	-	-	-	-	-
Metlakatla		1464	1375	1405	-4%	2%	378	325	272	-28%	-16%
Meyers Chuck		37	21	Not Available	Not Available	Not Available	4	Closed	Closed	-	-
Naukati	√	93	135	113	22%	-16%	25	36	19	-24%	-47%
Pelican	√	222	163	88	-60%	-46%	51	23	12	-76%	-48%
Petersburg	√	3207	3224	2948	-8%	-9%	678	678	487	-28%	-28%
Point Baker**	√	39	35	15	-62%	-57%	-	-	-	-	-
Port Alexander		119	81	52	-56%	-36%	25	18	10	-60%	-44%
Port Protection		62	63	48	-23%	-24%	9	27	10	11%	-63%
Saxman**		369	431	411	11%	-5%	-	-	-	-	-
Sitka	√	8588	8835	8881	3%	1%	2008	1945	1749	-13%	-10%
Skagway	√	692	862	920	33%	7%	148	132	82	-45%	-38%
Tenakee Springs	√	94	104	131	39%	26%	10	11	8	-20%	-27%
Thorne Bay	√	569	557	471	-17%	-15%	168	136	73	-57%	-46%
Whale Pass	√	75	58	31	-59%	-47%	11	Closed	Closed	-	-
Wrangell*	√	2479	2308	2369	-4%	3%	498	491	344	-31%	-30%
Yakutat	√	534	808	662	24%	-18%	145	167	117	-19%	-30%
Average [N = 34]					**-7%**	**-12%**				**-29%**	**-28%**

* Wrangell 2000 to 2010 population increase likely due to formation of Wrangell Borough and resultant boundary and population census consequences.
** Children attend school in a neighboring community (i.e., Kupreanof to Petersburg, Saxman to Ketchikan, and Point Baker to Port Protection).

METHODOLOGY

Objectives:

- ✓ Explore past and present wood products
- ✓ Determine current business operating capacity
- ✓ Determine timber supply to maintain/grow business
- ✓ Explore challenges to business operations

The scope of work for Task Six includes studying past and present Southeast wood product businesses to meet the following objectives: 1) explore wood products; 2) determine current business operating capacity; 3) determine timber supply needed to maintain and grow business activity; and 4) explore challenges to current and future business operations. Data was collected via key-informant interviews with a variety of timber industry businesses including timber tract operations, sawmills, direct forestry support, indirect forestry support, and value-added wood product manufacturing.

In contrast to traditional community or stakeholder surveys that typically utilize a random sample method to collect input, the Task Force elected to telephone survey the entire population of Southeast timber businesses, dating back to 2000, to provide opportunity for all stakeholders to provide input including loggers, millers, and wood product manufacturers. The telephone survey population frame included past and present business license holders, Alaska Forest Association members, Prince of Wales Forest Products Task Force members, and other businesses known to be operating and identified by stakeholders (Appendix A).

Methods:

- ✓ Telephone Survey
- ✓ 186 Businesses identified via business license, Alaska Forest Association membership, Prince of Wales Forest Products Task Force membership, and other known businesses.
- ✓ 86 Businesses Surveyed (46%)

In total, 186 independent Southeast forest product businesses were identified and telephone or in-person interviews were conducted from November 2011 through February 2012. Telephone interviews were guided by a survey instrument (Appendix B); however, conversations can best be described as qualitative in nature and did not necessarily follow a linear path of questioning. Furthermore, developing an instrument that applied equally to a very diverse group of businesses proved difficult; questions that apply to a large logging operation may not apply to a small value-added manufacturing business. Survey results are aggregated, where appropriate, by business type including timber tract operation, sawmill, and manufacturing.

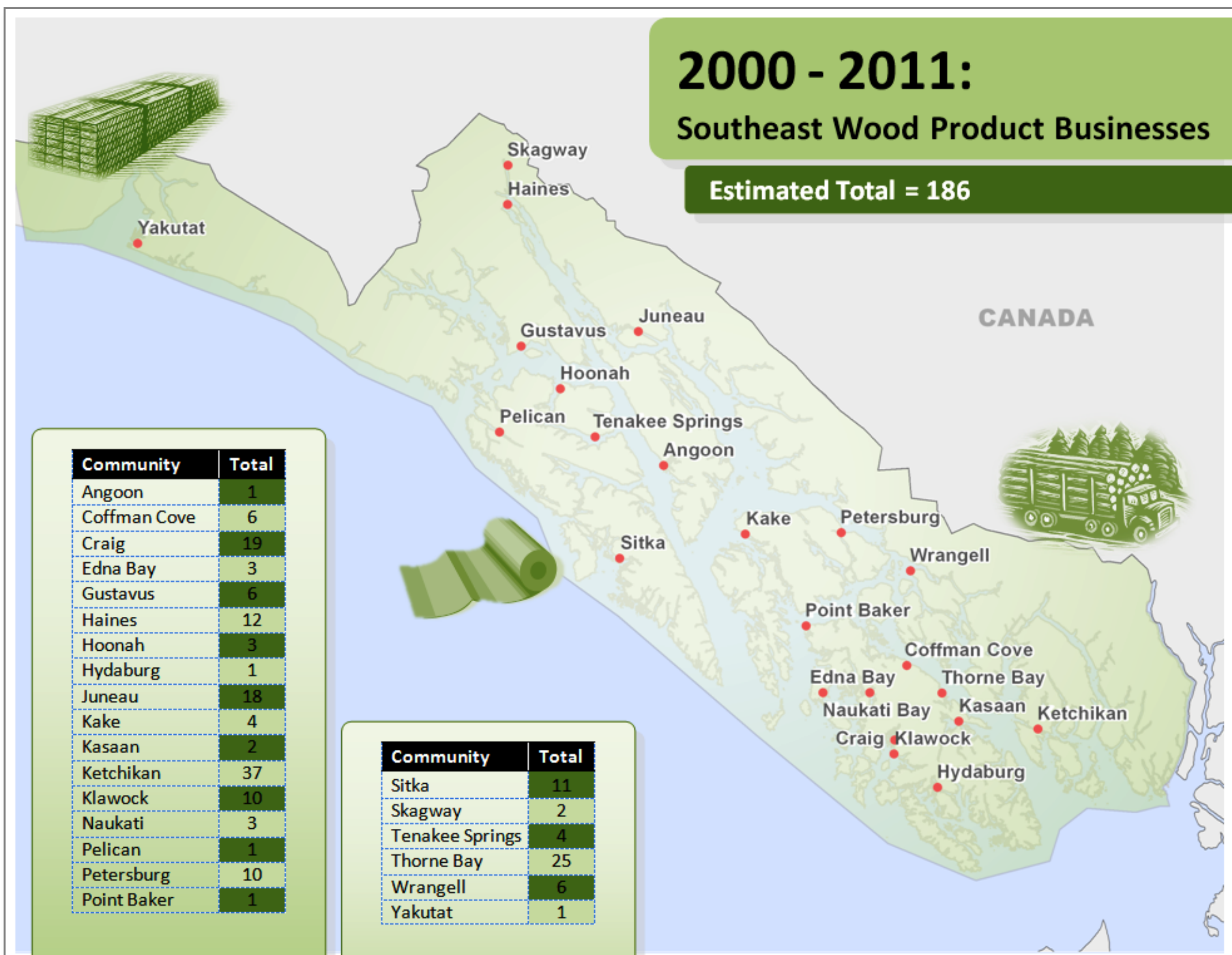
This report briefly summarizes stakeholder survey results that are of greatest value to immediate Task Force activities; the survey instrument and interviews yielded significantly more information than is presented throughout this report. To effectively summarize information and make figures more concise, "don't know," "not applicable," "other," and missing responses are generally excluded from calculations and graphics. To simplify the presentation, some response categories are collapsed into fewer categories than actually used in the survey instrument. Examples of collapsed categories include: 1) "significant growth" and "moderate growth"; and 2) "significant downsize" and "moderate downsize".

RESPONSE RATE

In total, 186 forest product businesses and other industry stakeholders were identified as prospective respondents based on multiple data sources. These businesses and stakeholders span 23 Southeast communities and encompass businesses identified via a variety of government business identification datasets, trade group membership rosters, and local knowledge. In total, 86 interviews were completed yielding a 46% overall response rate (Table 3). Notably, as many businesses have closed and owners and operators have left the region, contact information for over one-quarter (29%) is unavailable. Very few timber industry stakeholders (8) refused an interview (4%).

Table 3. Interview Population Frame Summary

Outcome	Subtotal	Percent
Completed Interview	86	46%
Refused Interview	8	4%
Postive Contact – Follow-Up Required	3	2%
Failed Contact – Contact Info Available	21	11%
Missing Contact Information	53	29%
Balance	15	8%
Total	**186**	**100%**



While 186 businesses is a significant quantity, it does not necessarily reflect quantity of jobs or measure local economic impact of business activity as many do not employ additional staff, have limited economic activity, and may only operate intermittently. Similarly, many have closed over the past decade, representing an economic loss to the region; few timber businesses remain as significant regional employers. To ensure the response sample is representative of the industry's past performance and future potential, Task Force subcommittee members identified critical past and present timber industry stakeholders (Table 4). In total, 23 businesses were identified as critical and 20 interviews completed yielding an 87% response rate for high-priority businesses.

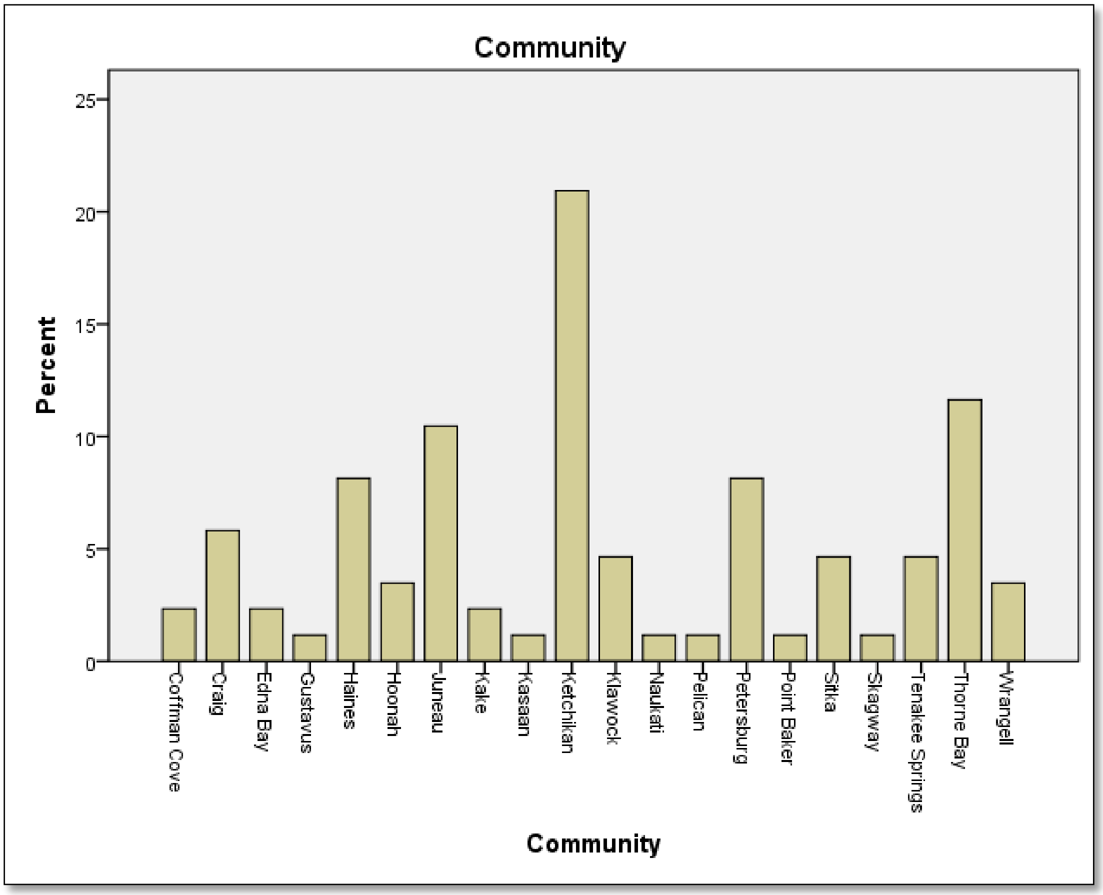
Table 4. Critical Interview Summary

Business	Contact	Community	Interview Completed
Sharp Lumber, Saint Nick Forest Products	Ron Sharp	Craig	√
PAPAC Alaska Logging	Mike and Kate Papac	Craig	√
Viking Lumber	Bryce or Kirk Dahlstrom	Klawock	√
Icy Straits Lumber and Milling	Wes or Sue Tyler	Hoonah	√
Hoonah Totem Corporation	Clare Doig	Hoonah	√
Whitestone Logging	Bud Steward or Cliff Walker	Hoonah	√
ALCAN Forest Products, Evergreen Timber	Brian Brown	Ketchikan	√
Phoenix Logging Company	Linda Lewis	Ketchikan	√
Pacific Log and Lumber	Scott Seeley	Ketchikan	√
Sealaska Timber Corporation	Wade Zammit	Ketchikan	√
Columbia Helicopters	Eric Stamert	Ketchikan	√
Gildersleeve Logging	Keaton Gildersleeve	Ketchikan	√
Thuja Plicata	Ernie Eads	Thorne Bay	√
Western Gold Cedar Products, Thorne Bay Wood Products	James Harrison	Thorne Bay	√
Thorne Bay Wood Product Enterprises	Richard Cabe	Thorne Bay	√
Wood Cuts	Bill Thomason	Thorne Bay	√
Porter Lumber	Ralph Porter	Thorne Bay	√
Peavey Log	Dan Peavey	Thorne Bay	
Reid Brothers Logging and Construction	Tracy Reid	Petersburg	√
Silver Bay Logging	Dick Buhler	Wrangell	
Timberwolf Cutting	None	Craig	
Durette Construction	Jackie Durette	Ketchikan	√
Southeast Roadbuilders	Brenda Jones	Haines	√
Total Critical Interviews = 23			**87%**

BUSINESS RESPONDENT PROFILE

In total, 86 interviews were completed across 20 Southeast communities. The largest quantity of interviews were completed in Ketchikan (21%), Thorne Bay (12%), Juneau (11%), Petersburg (8%), and Haines (8%) (Figure 1). Approximately half (51%) of all interviews were completed with southern Southeast businesses including eight Prince of Wales communities (30%) and Ketchikan (21%).

Figure 1. Completed Interviews by Community [N = 86]

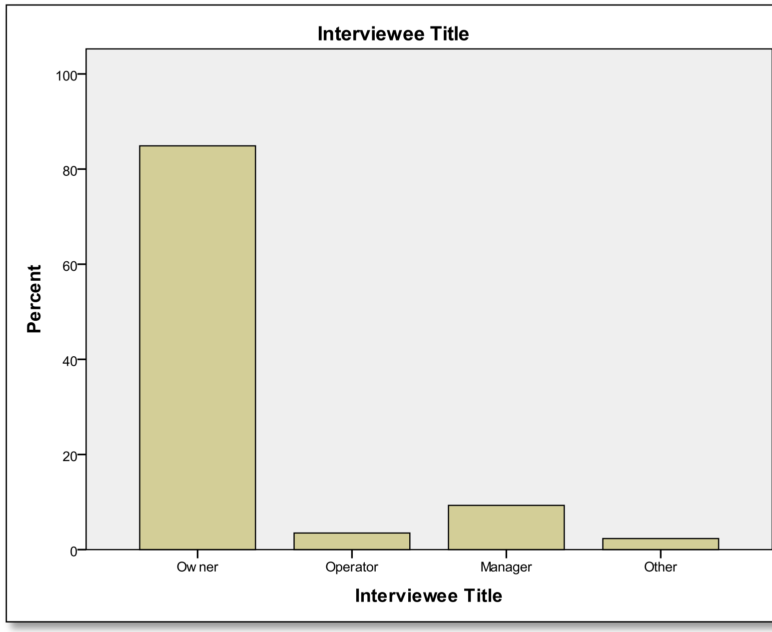


One-quarter (24%) of interviewed businesses are identified as significant past and/or present industry businesses and labeled a "critical" interview to complete; three-quarters (76%) of all completed interviews are largely small enterprises with few to no employees beyond owner/operators.

Unlike other natural resource industries, the timber industry is largely typified by local ownership and management. Nearly all past and present businesses interviewed are Alaska-based enterprises with the majority of ownership and management staff located in Southeast Alaska. While ownership and management is largely Alaska-based, large timber industry employers often utilize a non-resident workforce due to reported challenges in recruiting available and qualified resident employees.

The majority of interviewees can be described as business owners (85%) followed by managers (9%) (Figure 2). On average, interviewed businesses have been operating 18 years; range one year to 66 years.

Figure 2. Completed Interviews by Interviewee Type [N = 86]



Completed interviews represent a variety of federally-designated business types (i.e., NAICS) including timber tract operations (36%), sawmills (17%), forestry support (8%), cabinet and counter top manufacturers (5%), and wood building manufacturing (4%), and musical soundboards (4%). Less than one-quarter (18%) of completed interviews indicate miscellaneous wood product manufacturing (Figure 3).

Interviewed businesses often indicate a business activity that is not congruent with the assigned NAICS code, indicating significant error in business activity self-reporting. In order to create an accurate profile of businesses, all interviewees were asked to identify themselves as timber tract operation, sawmill, forestry support, wood product manufacturing, or other business. Nearly one-third of interviews represent value-added manufacturers (29%), followed by sawmills (27%) and forestry support (27%). Timber tract operations includes 14 percent of all interviews. (Table 5).

Figure 3. Completed Interviews by NAICS Business Activity [N = 83]

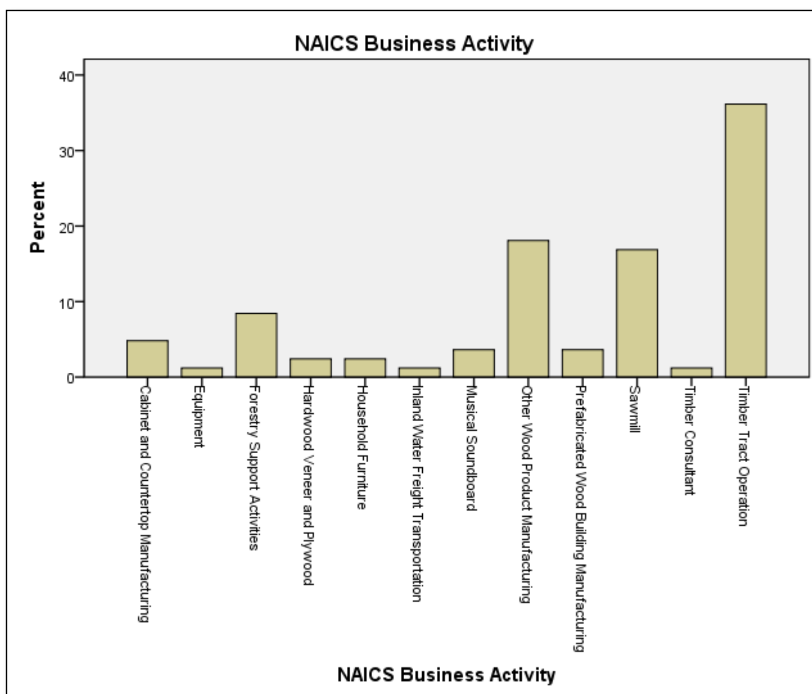


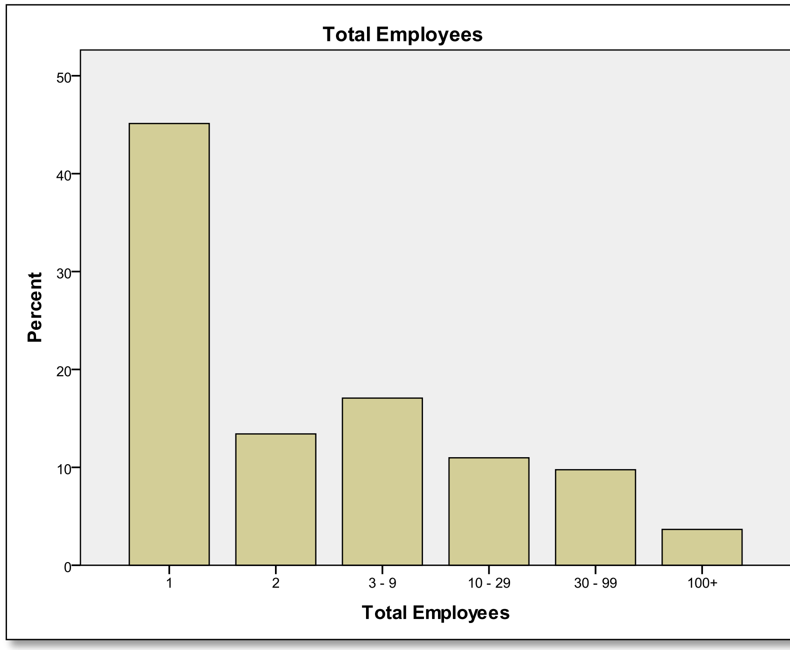
Table 5. Primary Business Type Aggregate

Business Type	Subtotal	Percent
Wood Product Manufacturing	25	29%
Timber Tract Operation	12	14%
Sawmill	23	27%
Forestry Support	23	27%
Other	3	3%
Total	**86**	**100%**

Note: Includes closed and open businesses.

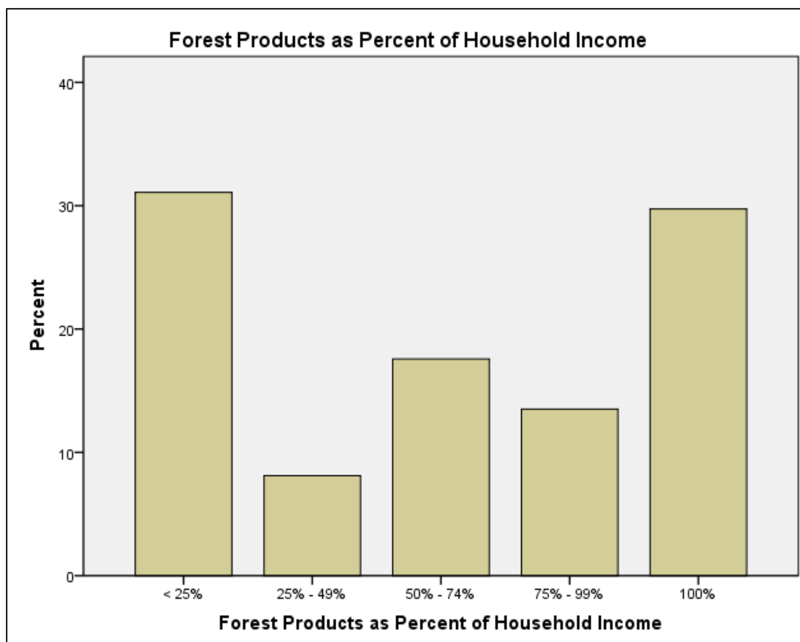
Interviewed businesses report employing an average of 14 employees (mean); range from one to approximately 200 employees. The median is the more appropriate indicator of employment level as there are two large employers that greatly skew the average. In short, the largest quantity of businesses only employ two people (mode) – likely a family owned and operated enterprise. Over half (59%) employ two or less people. In contrast, only three businesses (4%) employ over 100 (Figure 4).

Figure 4. Total Employees [N = 82]



Interviewed businesses were queried regarding total household income attributable to forest product industry activities. Nearly one-third (31%) indicate timber industry activities account for less than 25 percent of total household income (Figure 5). Slightly less than one-third (30%) indicate timber is 100% of total household income. As with many families in Southeast, one industry accounts for only a portion of total household income.

Figure 5. Forest Products as Percent of Household Income [N = 74]



On average interviewed businesses have been operating for 18 years (mean); range one to 66 years. Notably, even during a decade of diminished timber supply, aggressive environmental movements, and challenging Tongass management, 31 businesses have started operations in Southeast (Table 6).

Table 6. Business Tenure

Business Type	Subtotal	Percent
Less than 5 Years	18	21%
5 – 9 Years	13	16%
10 – 20 Years	24	29%
Greater than 20 Years	29	34%
Total	**86**	**100%**

Note: Includes closed and open businesses.

CURRENT BUSINESS STATUS

Businesses were queried regarding the current status of their business in order to determine current activities, level of overall operation, and conditions. Survey results are biased towards businesses that are currently operating as they are easily located and contacted. Unfortunately contact information could not be located for 28 percent of all identified businesses and they are subsequently not reflected in survey results. This group of businesses are largely representative of entities that have ceased operations and departed the region. To accurately reflect the overall level of impact of the decline of the timber industry, further attention should be given to locating and contacting closed businesses including owners, managers, and operators that may no longer reside in Southeast Alaska.

In total, over three-quarters (83%) of all interviewed businesses are currently operating; 12 percent report no longer being in business (Figure 6). Nearly five percent indicate they operate intermittently and are largely contract or project-based entities.

Open businesses were also questioned regarding general schedule of business operations; namely, whether they operate seasonally or on a regular year-round schedule. The large majority (88%) operate on a regular schedule on either a year-round (67%) or seasonal (21%) basis. An additional ten percent (12%) indicate their schedules are contingent upon projects, contracts, or requested service (Figure 7).

In addition to generalized statements of current business status and operating schedule, open businesses were asked to identify current operations as a "percent of total operating capacity". In this scenario, 100 percent means operating at full capacity with no room for growth without adding staff, equipment, or other business resources. This question proved difficult to answer for many businesses as evidenced by nearly half (49%) not able to assign a numeric value to describe current operations.

Figure 6. Current Business Status [N = 86]

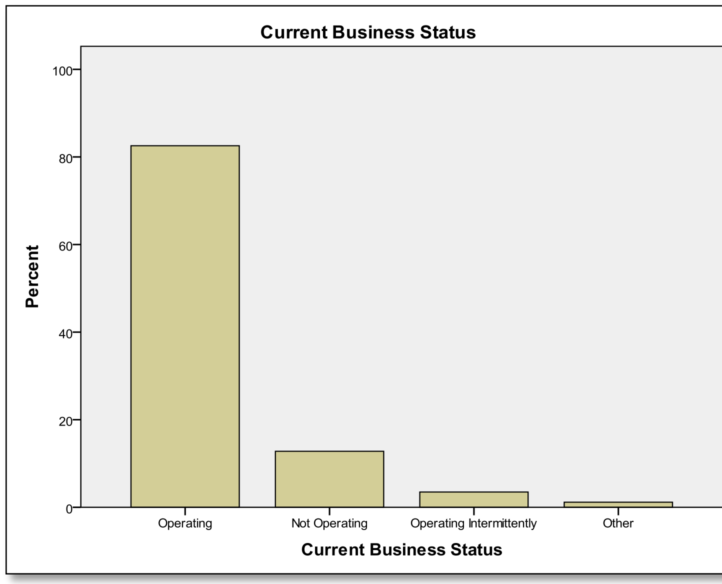
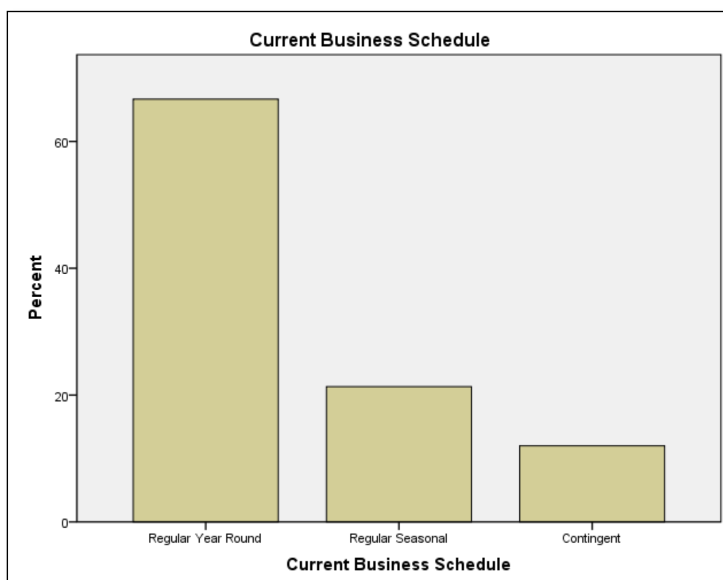


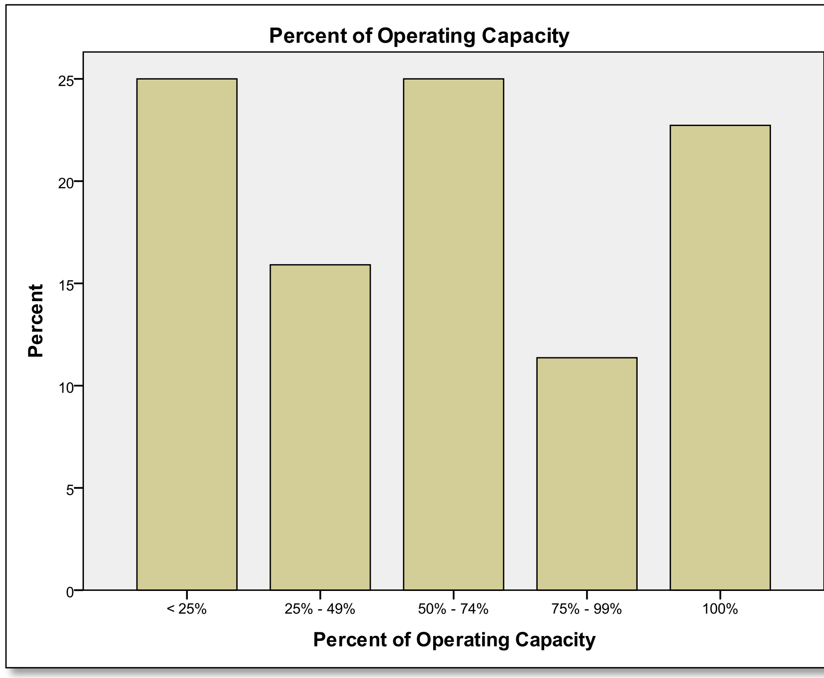
Figure 7. Current Business Schedule [N = 75]



Note: Excludes closed businesses.

Of the businesses that were able to answer the question (51%), one-quarter (25%) report operating at less than 25 percent of full capacity (Figure 8). In contrast, nearly one-quarter (23%) indicate operating at 100% capacity with no room for growth without significant investment. One-quarter (25%) also indicate operating at 50 to 74 percent of full capacity. Although businesses are widely distributed across the continuum of operations as a percent of total capacity, it is notable that over three-quarters (77%) note diminished operations (less than 100%), which equates to lost economic opportunity for Southeast communities. On average, Southeast wood product businesses operate at half (53%) capacity (mean); range five percent to 100 percent.

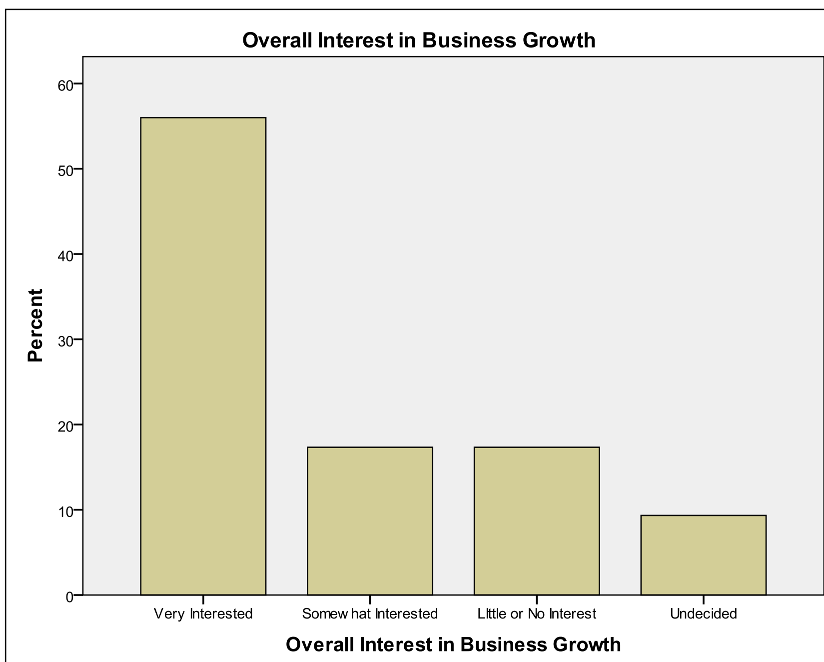
Figure 8. Percent of Operating Capacity [N = 44]



Note: Excludes closed businesses.

Despite current diminished operations, nearly three-quarters (73%) of all businesses are interested in business growth; 56 percent are very interested in growth (Figure 9). Less than one-quarter (17%) have little or no interest in business growth; nine percent are undecided. In short, the majority of Southeast forest product businesses are currently operating at a diminished capacity and are still interested in growing business operations.

Figure 9. Overall Interest in Business Growth [N = 75]

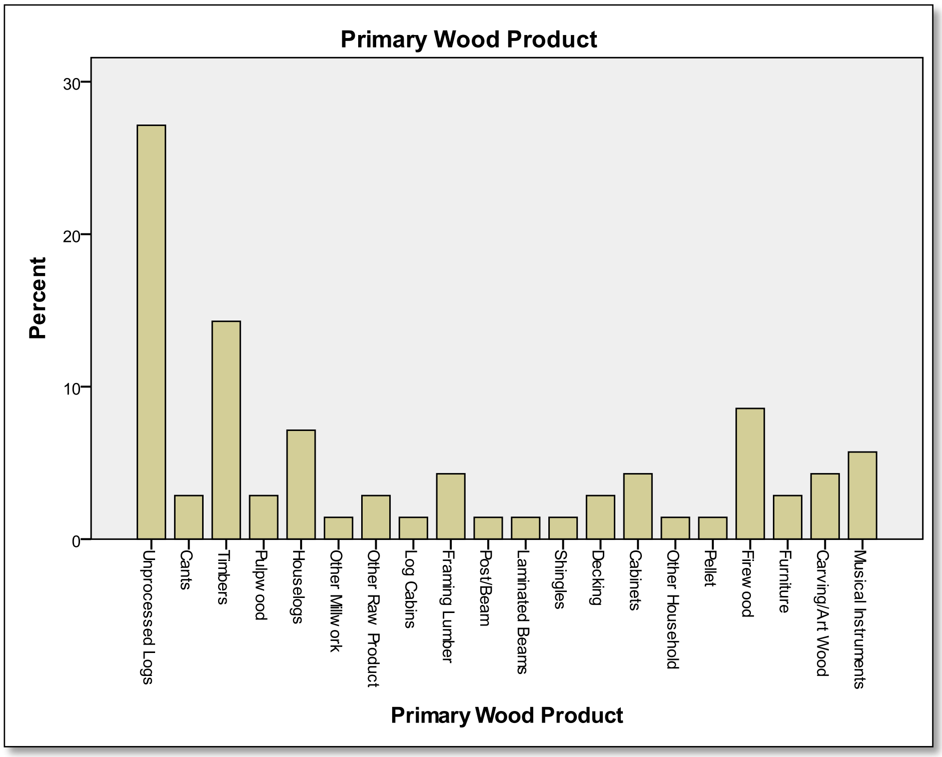


Note: Excludes closed businesses.

Businesses were asked to describe their primary wood product and to estimate overall level of market demand for the wood product. As reflected by federally-designated NAICS codes, Southeast forest product business represent a wide array of products ranging from unprocessed logs to firewood to musical instruments (Figure 10).

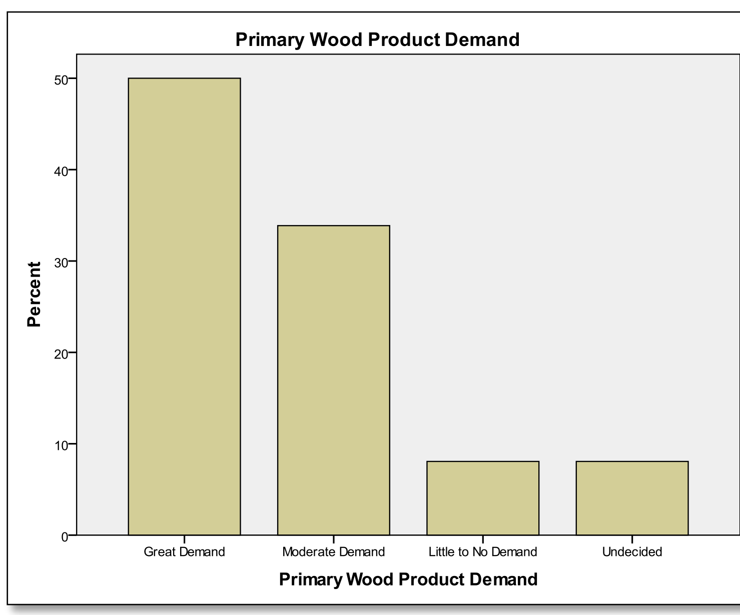
In total, enterprises selling unprocessed logs account for over one-quarter (27%) of interviewed businesses followed by timbers (14%) and firewood (9%). All other products are spread across many different forest products including house logs (7%), framing lumber (4%), cabinets (4%), carving/art wood (4%), and musical instrument soundboards (6%).

Figure 10. Primary Wood Product [N = 70]



Businesses, in general, were highly optimistic regarding market demand for primary wood product. In total, half (50%) of all businesses report great demand for primary wood products (Figure 11). Approximately one-third (34%) indicate moderate demand; few businesses (8%) suggest there is little to no demand for their product.

Figure 11. Primary Wood Product [N = 62]



FUTURE BUSINESS PROJECTIONS

Although the majority of operational businesses (76) are interested in growing their business, there are mixed sentiments regarding what the future may hold. In particular, while a majority of businesses are relatively optimistic, there are also businesses that express concern and expect downsizing over the next one to ten years. Notably, businesses that have ceased operations (10) were not queried regarding future projections. Furthermore, a significant quantity of interviewed businesses was unable to answer questions (5% - 26%).

Businesses were asked to project the future regarding overall business size, total product yield, and total employment. The majority of respondents predict their business will grow during the short- and long-term. Specifically, the majority expect growth over the next year (57%), five years (65%), and ten years (60%) (Table 7). Southeast timber businesses are largely a group of optimists considering only a small minority expect their business will downsize over the next year (11%), five years (14%), or ten years (16%). Similarly, only 20 percent expect total output will decline and eight percent suggest a likely reduction in employees. Approximately one-quarter to one-third expect business operations to largely remain the same in the future.

Expectations regarding the future are closely associated with perceived challenges. In sum, timber supply, workforce, and forest management are noted as either a significant or moderate challenge in the near- and long-term future by the majority of businesses (Table 8). Notably, timber supply concerns increase over time. In contrast, taxation is of minimal concern as evidenced by over half (62%) indicating little to no challenge to their future. Despite concerns, three-quarters (76%) expect to be operating in one-year; however, this expectation decreases over time with only 40 percent expecting to still be in business in ten years (Table 9).

Table 7. Future Business Projections

Projection	Growth	Remain the Same	Downsize
Overall Business Size [1 year]	57%	32%	11%
Overall Business Size [5 year]	65%	21%	14%
Overall Business Size [10 year]	60%	24%	16%
Total Product Yield	54%	26%	20%
Total Employment	56%	36%	8%

Table 8. Challenge to Business Future

Challenge	Significant Challenge	Moderate Challenge	Little or No Challenge
Timber Supply [1 year]	35%	27%	38%
Timber Supply [5 year]	52%	27%	21%
Timber Supply [10 year]	59%	24%	17%
Workforce Availability	38%	23%	39%
Workforce Quality	47%	21%	32%
Forest Management	43%	26%	31%
Financial Resources	28%	25%	47%
Taxation	12%	26%	62%
Government Regulation	37%	32%	31%

Table 9. Likelihood of Business Viability

Projection	Very Likely	Somewhat Likely	Not Likely
Operating in 1 year	76%	16%	8%
Operating in 2 years	64%	25%	11%
Operating in 5 years	56%	23%	21%
Operating in 10 years	40%	33%	27%

TIMBER SUPPLY DEMAND

The most critical element of Task Six is to determine the amount of raw material (i.e., timber supply) needed to: 1) maintain current operations; 2) operate at full capacity; and 3) grow operations. While Administrative Order language requests an analysis of "demand for timber in the Tongass National Forest and the business and economic opportunities that could be supported by such demand", this equates to an interpretation of total timber supply needed to support and grow current and potential Southeast timber businesses. These proved to be difficult queries due to the diversity of business types, diversity in units of measurement, and the challenge of combining component estimates. Of the 86 businesses that participated in the timber business survey, 50 businesses (58%) provided input regarding the type and quantity of raw material needed to ensure overall business viability.

Businesses were asked to estimate total annual "through put" quantity needed to continue operations. Alternatively stated, "through put" is analogous to the total amount of raw material passing through the business entity on an annual basis to create wood products. The diversity of businesses was highlighted in the variety measurement units provided, including board feet (bf), thousand board feet (mbf), to millions board feet (mmbf), cords, acres, and total quantity of finished product. When possible, timber supply "through put" responses were converted into board feet, summed, and converted into mmbf, resulting in total estimated industry timber supply need.

To better reflect the diversity of business types and unique timber supply needs, responses are aggregated by business type including: 1) timber tract operation; 2) sawmill; and 3) wood product manufacturing. Direct forestry support, indirect forestry support, and businesses identified as "other" were excluded from annual timber supply need calculations to limit challenges associated with double-counting and/or overestimating total timber supply need. These businesses most often work as contractors for primary timber businesses including timber tract operations, sawmill, and wood product manufacturers. In short, the following analysis focuses exclusively on timber tract operations, sawmills, and wood product manufacturers as these businesses represent the large majority of all Southeast timber-related businesses and present the largest potential for overall economic impact.

TIMBER TRACT OPERATIONS

- ✓ Maintain Current Operation = 109 mmbf
- ✓ Operate at Full Capacity = 264 mmbf
- ✓ Grow Business = 356 mmbf

Timber tract operations (i.e., logging) comprise 14 percent of total respondents. When queried regarding total annual timber supply needed to operate businesses at current and likely diminished levels, the cumulative response totaled 109 mmbf. Over half of all Southeast timber-related businesses are operating at half capacity. To operate at full capacity, utilizing all staff and equipment, timber tract operations would require 264 mmbf. To grow operations, including low, moderate, and high growth scenarios, timber tract operations would demand 356 mmbf on an annual basis.

SAWMILLS

- ✓ Maintain Current Operation = 32 mmbf
- ✓ Operate at Full Capacity = 144 mmbf
- ✓ Grow Business = 225 mmbf

Sawmills, also including preliminary processing, make up the second largest business type at 27 percent of respondents. For sawmill operators to maintain current operations, they require access to 32 mmbf on an annual basis. If sawmill businesses were able to access raw material needed to operate their business at full capacity, they would require 144 mmbf annually. These numbers indicate Southeast sawmills are significantly underutilized with businesses operating at only 22 percent of total raw material through-put capacity. When considering the ability to grow overall business operations, sawmill would need access to 225 mmbf material.

WOOD PRODUCT MANUFACTURERS

- ✓ Maintain Current Operation = 2 mmbf
- ✓ Operate at Full Capacity = 5 mmbf
- ✓ Grow Business = 8 mmbf

Wood product manufactures comprise the largest of any business type surveyed. The manufacturers represent 28 percent of respondents, but require the least amount of raw material to maintain or grow operations. These businesses include fine lumber products, musical instruments, furniture, cabinets, and other carefully-crafted products. Manufactures indicate that to maintain current operations they need access to two mmbf on an annual bases, but to operate their facilities at 100 percent capacity they would require more than double (5 mmbf) annually. To grow these value-added product businesses, access to raw material would need to more than quadruple (8 mmbf) from their current level of operation.

SOUTHEAST FOREST PRODUCTS INDUSTRY

Table 10. Total Industry Timber Supply Demand [N = 50]

Industry Sector	Maintain Current Operation [MMBF]	Operate at Full Capacity [MMBF]	Grow Operation [MMBF]
Timber Tract Operations	109	264	356
Sawmills	32	144	225
Manufacturers	2	5	8
Total	**143 mmbf**	**413 mmbf**	**586 mmbf**

In total, Southeast timber tract operations, sawmills, and wood product manufacturing businesses (50 interviewed businesses) need annual access to 143 mmbf to maintain operations at their already diminished activities. In order to ramp operations up to 100 percent of total capacity (i.e., fully operational), the cumulative demand for raw material would grow to an annual demand of 413 mmbf. This number is even greater than the number released by the Alaska Forest Association (AFA), which recommends 360 mmbf to sustain a viable, integrated timber manufacturing industry (2002). The United State Forest Service (USFS) predicted 127 mmbf timber purchases for 2012 to meet volume under contract (VUC) sale objectives. At this level, the USFS will not meet the current raw material demands for the diminished operating levels of the Southeast timber industry.

Total quantity of timber supply needed to grow logging operations, sawmills, and manufacturers remains an elusive number due to: 1) limited response rate (27%); 2) under-representation of closed businesses; and 3) methodological considerations primarily related to double- and triple-counting timber requirements across industry sectors; the same tree is accounted for by loggers, millers, and manufacturers.

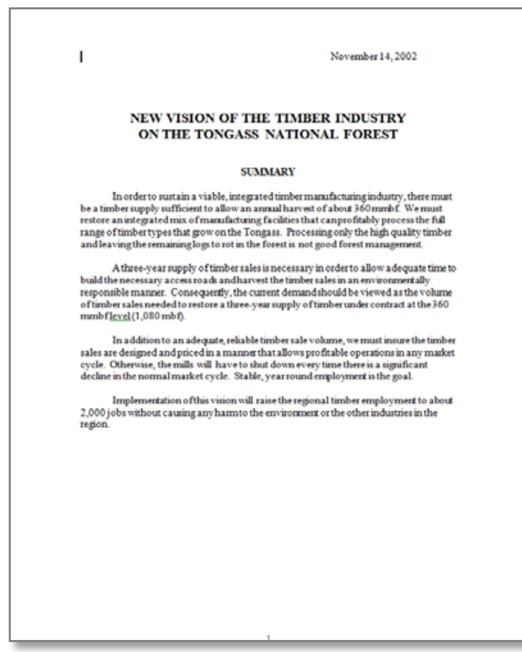
STAKEHOLDER GROUP INPUT: TIMBER SUPPLY DEMAND

The effects of a declining timber industry can be seen across Southeast Alaska communities. Steadily decreasing populations, school closures, and out migration of skilled labor are just some of the key issues that arise from the inability to provide the Southeast Alaska timber industry with the supply needed to maintain, grow, and stabilize timber-dependent communities. Organizations like the Alaska Forest Association and Southeast Conference have made it a priority to establish a sustainable and renewable timber industry in the Southeast. Each organization provides or supports an estimate of annual mmbf required to restore the Southeast timber industry. Furthermore, the United States Forest Service also conducts significant research and undertakes planning to recommend mmbf sales and harvest figures, based on an alternative methodology.

ALASKA FOREST ASSOCIATION

Alaska Forest Association (AFA) works to promote and maintain a healthy and viable forest products industry that will contribute to the economic and ecological health of Alaska's forests and communities. AFA has conducted extensive research into the Southeast timber industry and associated timber supply needs. A document titled *New Vision of the Timber Industry on the Tongass National Forest,* released by AFA in 2002, set forth a plan to restore the timber industry in the Southeast region (Figure 12). In total, AFA suggests 360 mmbf is required to restore a viable, integrated, and sustainable forest products industry. AFA estimates 360 mmbf will yield approximately 2,000 jobs including logging, road construction, sawmills, veneers, chipping, export, dry kiln planer, finger joint, moulding, shakes/shingles, music wood, reconstituted board products, and other manufactured products. In addition to increased total mmbf sales and harvest figures, AFA also stresses the need for sales to be priced economically to allow for profitability in any market. Economical access to raw material can result in stable employment and job opportunity growth in Southeast, AFA estimates that if provided with a long term, sustainable timber supply approximately 2,000 jobs could be restored across the Southeast region.

Figure 12. AFA Timber Industry Vision


November 14, 2002

NEW VISION OF THE TIMBER INDUSTRY
ON THE TONGASS NATIONAL FOREST

SUMMARY

In order to sustain a viable, integrated timber manufacturing industry, there must be a timber supply sufficient to allow an annual harvest of about 360 mmbf. We must restore an integrated mix of manufacturing facilities that can profitably process the full range of timber types that grow on the Tongass. Processing only the high quality timber and leaving the remaining logs to rot in the forest is not good forest management.

A three-year supply of timber sales is necessary in order to allow adequate time to build the necessary access roads and harvest the timber sales in an environmentally responsible manner. Consequently, the current demand should be viewed as the volume of timber sales needed to restore a three-year supply of timber under contract at the 360 mmbf level (1,080 mbf).

In addition to an adequate, reliable timber sale volume, we must insure the timber sales are designed and priced in a manner that allows profitable operations in any market cycle. Otherwise, the mills will have to shut down every time there is a significant decline in the normal market cycle. Stable, year round employment is the goal.

Implementation of this vision will raise the regional timber employment to about 2,000 jobs without causing any harm to the environment or the other industries in the region.

SOUTHEAST CONFERENCE

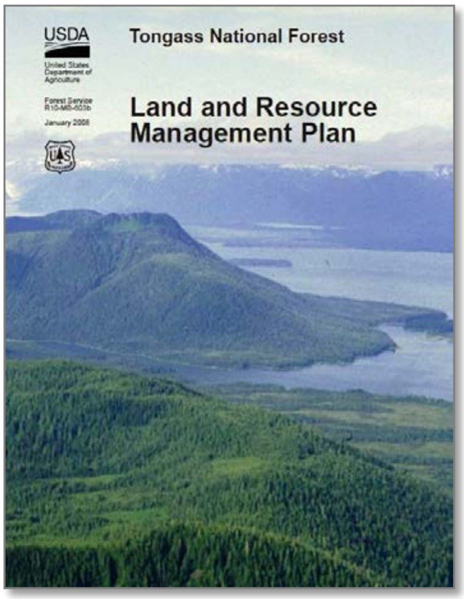
Southeast Conference (SEC) strives to restore a sustainable timber industry in the Tongass through collaboration with government agencies, non-government entities, and tribal organizations. SEC efforts are largely guided by overarching goals: 1) inform the government and public of the value of a viable timber industry; 2) support the transfer of lands from federal ownership and management to private entities; and 3) raise awareness on issues that directly impact the health of the Southeast timber industry. Both the Alaska

Forest Association and Southeast Conference endeavor to restore a fully-integrated Southeast timber industry, including thousands of jobs across multiple timber industry subsectors. This goal requires large annual, consistent, and economical timber sales that can also compete with changing worldwide markets.

UNITED STATES FOREST SERVICE

The United State Forest Service (USFS) mission is to sustain the health, diversity, and productivity of the nation's forests and grasslands to meet the needs of present and future generations. Tongass forest planning is guided by the 2008 *Tongass Land Management Plan* (TLMP) (Figure 13). The USFS has used the TLMP to guide timber sales and claims that timber sale reductions are largely related to declining industry markets.

Figure 13. *Tongass Land Management Plan*



"The Forest Plan incorporates an adaptive management framework, which involves a continuous process of action-based planning, monitoring, research, evaluation, and adjustment with the objective of improving implementation and achieving desired management goals and objectives. Monitoring and evaluation comprise an essential feedback mechanism designed to keep the Plan dynamic and responsive to changing conditions. The evaluation process also provides feedback that can trigger corrective action, adjustment of plans and budgets, or both, to facilitate feasible and meaningful action on the ground."

USFS economists annually survey existing operational Southeast mills to quantify demand estimates; results are published in an annual *Tongass Sawmill and Production Report*, produced since 2001 (Table 11). For over ten years the USFS have reported declining total sawmills and wood product volume. Specifically, the 20 largest and/or most active sawmills were included in the original 2001 survey. In 2007, the 20 original mills became 22 with the partial subdivision and sale of one mill. Of those 22 mills, ten were active in 2010, three were idle, and nine had been decommissioned or were no longer in production (i.e., "uninstalled"). A decline of total operational sawmills results in a decrease in total surveyed operations, which ultimately results in a decline in total estimated mmbf demand. A declining demand illustrates a decline in

Table 11. 2000 – 2010 USFS Sawmill Survey

Calendar Year	Active Mills	Installed Mill Capacity [MMBF]	Estimated Mill Production [MMBF]	Percent Mill Utilization	Total Employees
2000	16	502	87	17%	321
2001	14	454	40	9%	160
2003	13	370	32	9%	155
2004	13	370	31	8%	148
2005	11	360	35	10%	136
2006	11	354	32	9%	123
2007	13	292	32	11%	158*
2008	12	282	24	8%	94
2009	11	249	14	5%	58
2010	10	156	16	10%	64

* Included 35 positions reported at temporarily re-opened Ketchikan Renaissance Group veneer mill.
Source: *Tongass Sawmill Capacity and Production Report for CYXX* (USFS)

need, where in reality the decline in demand is due to the mill closure, likely the result on uncertain business climate and limited access to timber supply.

COMMENTARY

Each stakeholder group approaches timber supply demand a differently. AFA and SEC are intensely focused on restoring a fully-integrated timber industry that will result in maximum jobs and maximum local economic impact (360 mmbf). AFA's mmbf estimate, in particular, maximizes job growth with minimal regard for domestic or international market conditions and prices for finished wood product. USFS, in contrast, focuses on market demand and annual volume being processed at Southeast sawmills. There is little attention given to Southeast jobs, communities, or local economies. USFS methods warrant caution as they only account for currently operational sawmills and neglect diminished capacity, growth potential, or altogether new forest products that could be fostered by additional timber supply.

DCCED approached annual timber supply mmbf demand from a different perspective that recognized the diversity of the industry and the decline in total timber businesses over the past decade. While determining current volumes processed at operational sawmills is important, focusing exclusively on operational sawmills does not reflect the decline or growth potential of the industry. It also does not address anecdotal concerns of Alaska business owners that claim unlimited growth potential pending additional Tongass supply. On an annual basis, DCCED estimates 143 mmbf is required to support operating timber businesses at their current level; 412 mmbf is required for businesses to be operating at full capacity. There are also significant limitations to DCCED's estimates including: 1) limited survey response rate; 2) rough estimating; and 3) repeated counting of mmbf across industry sectors. Regardless of limitations, there is strong evidence that the Southeast timber industry would make use of additional Tongass timber supply, under any scenario.

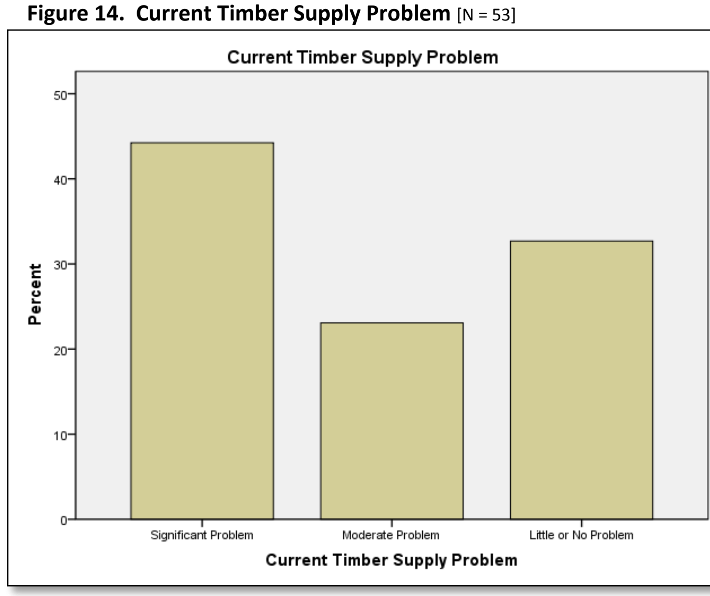
TIMBER SUPPLY THREAT

Timber supply is core to Task Force efforts and evaluating timber supply need and the threat of limited supply to overall business operations is critical to assessing economic risk and impact to the Southeast region. Timber supply, as an overall threat to business viability, was posed multiple times to operational and closed businesses. In short, timber supply presents a significant threat to business viability for the majority of currently operational businesses; timber tract operations express the greatest level of threat while manufacturers are less concerned with timber supply. Businesses that have ceased operations indicate that timber was a significant factor in their decision to close the operation and that timber is likely the only consideration in deciding whether to reopen the business.

OPEN BUSINESSES

Operational businesses were queried regarding whether timber supply is a current problem. In total, over two-thirds (68%) of all open businesses indicate timber supply is a problem (i.e., significant or moderate). Nearly half (43%) indicate timber supply is a significant problem. Only one-third (32%) of all operational businesses suggest timber supply is not a problem (32%) (Figure 14).

Figure 14. Current Timber Supply Problem [N = 53]



Perceived challenges vary greatly across timber industry sectors including logging, milling, support, and manufacturing. Specifically, three-quarters of forestry support (75%) perceive timber supply as a significant problem, followed by over half of sawmills (58%) (Table 12). In contrast, over half (54%) of wood product manufacturers indicate timber supply is not a current problem for their business.

Table 12. Current Timber Supply Problem by Business Type

Business Type	Significant Problem	Moderate Problem	Little or No Problem
Timber Tract Operation	38%	25%	37%
Sawmill	58%	26%	16%
Forestry Support	75%	13%	12%
Wood Product Manufacturing	13%	33%	54%

Not only are currently operating businesses concerned about timber supply, but many are able to quantify how long their business can likely operate with current timber supply, either on the yard or under contract. Half (50%) of all businesses can likely only maintain operations for less than 12 months; 34 percent for less than six months (Figure 15). Over one-quarter (28%) can maintain current level of operations for one to two years; only 22 percent can maintain operations for more than two years. Clearly the majority of operational Southeast wood product businesses operate in an uncertain business climate; planning more than six months into the future presents significant concern.

The length of time to maintain operations with current timber supply also varies by timber industry sector. Sawmills are at greatest risk with nearly half (47%) indicate they can only survive with current supply for less than six months (Table 13). In contrast, two-thirds (67%) of timber tract operations note current timber supply will provide business opportunity for one to two years; only a minority (17%) note high risk with less than six months of supply. Wood product manufacturers can survive the longest with 70 percent reporting at least a one year of supply either on the yard or under contract.

Figure 15. Length of Operations with Current Timber Supply [N = 50]

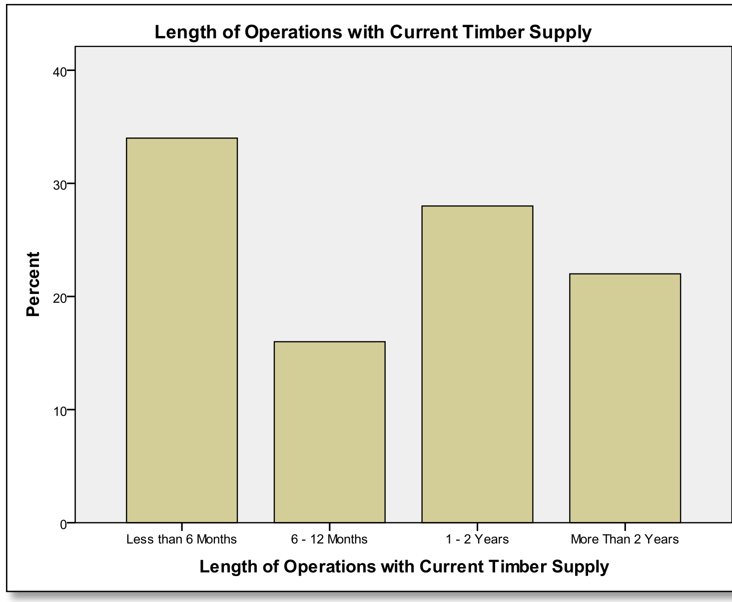


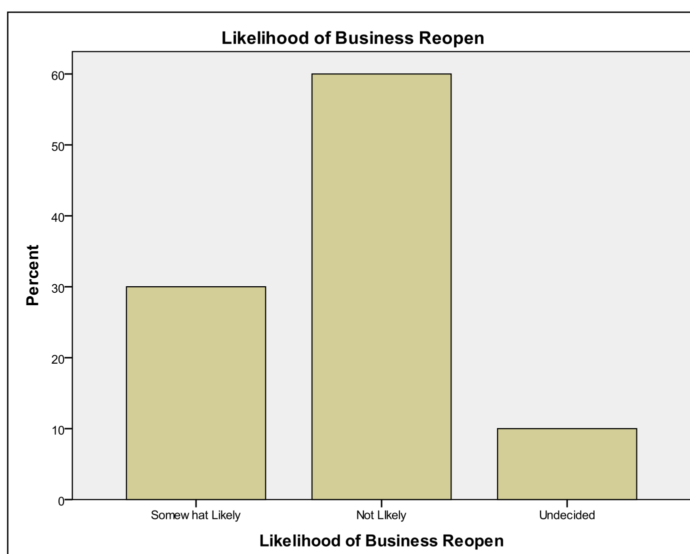
Table 13. Length of Operations with Current Timber Supply by Business Type

Business Type	Less than 6 Months	6 – 12 Months	1 – 2 Years	More than 2 Years
Timber Tract Operation	17%	0%	67%	16%
Sawmill	47%	32%	11%	10%
Wood Product Manufacturing	24%	6%	35%	35%

CLOSED BUSINESSES

In total, ten businesses that have ceased operations completed an interview. Timber supply ranked as a top reason for business closure and also a top consideration or reopening the business. Specifically, 90 percent of all closed businesses suggest timber supply was a very important consideration in the decision to cease operations. Notably, not a single closed business (0%) suggested that timber supply was not a consideration in closing the business. Notably, over half (60%) of closed businesses indicate that it is not likely the business will re-open (Figure 16). Furthermore, all (100%) closed businesses indicate that timber supply is very important to decision-making regarding reopening the business.

Figure 16. Likelihood of Business Reopen [N = 10]



GREATEST CHALLENGES

In addition to focusing attention on timber supply challenges, operating businesses were also queried regarding business retention and expansion challenges common to small and large businesses. Specifically, operating businesses (76) were asked to evaluate a list of 26 business threats, assigning a rating ranging from severely threatens to little or no threat to business viability. Results are not surprising considering timber supply and Tongass National Forest management remains top concerns for businesses still operating in Southeast. Taxation and government regulation are minimal concerns to business owners and operators. Businesses are divided regarding management of the Southeast State Forest; nearly equal numbers suggesting management practices threaten (i.e., severely and somewhat) or does not threaten business viability.

The top three challenges that are considered severe threats to the timber industry by over half of all respondents include fuel costs (60%), management of the Tongass National Forest (56%), and the environmentalist movement (54%) (Table 14). Not surprisingly, additional significant severe threats include long-term timber supply (49%) and short-term timber supply (42%).

In contrast, the majority of operating businesses consider the following little or no threat to their business operations: competition (64%), utilities and services availability (63%), telecommunications availability (70%), telecommunications cost (67%), transportation availability (56%), federal/state taxes (60%), local taxes (83%), physical space (70%), marketing capacity (55%), product demand (56%), production process (65%), and grading (57%).

Table 14. Threats to Business Viability

Threat	Severely Threatens	Somewhat Threatens	Little or No Threat
Short-Term Timber Supply (< 2 years)	42%	17%	41%
Long-Term Timber Supply (> 2 years)	49%	32%	19%
Workforce Quantity	18%	38%	44%
Workforce Quality	21%	36%	43%
Workforce Cost	35%	27%	38%
Competition	19%	17%	64%
Management of the Tongass National Forest	56%	15%	29%
Management of the State Forest	23%	28%	49%
Utilities/Services Availability	20%	17%	63%
Utilities/Services Cost	30%	26%	44%
Telecommunications Availability	4%	26%	70%
Telecommunications Cost	4%	29%	67%
Transportation Availability	21%	23%	56%
Transportation Cost	30%	35%	35%
Federal/State Taxes	18%	22%	60%
Local Taxes	9%	8%	83%
Government Regulation	28%	24%	48%
Physical Space	8%	22%	70%
Environmental Issues	36%	24%	40%
Environmentalist Movement	54%	13%	33%
Marketing Capacity	12%	33%	55%
Product Demand	13%	31%	56%
Capital	27%	27%	46%
Production Process	7%	28%	65%
Grading	29%	14%	57%
Fuel	60%	32%	8%

As a close to the survey, interviewees were asked two qualitative open-ended questions: 1) three greatest challenges to their business; and 2) three greatest challenges to the industry. These final queries provided opportunity for respondents to articulate their greatest concerns or share concerns that did not arise during prior questioning. In total, 65 of 86 interviewed businesses (76%) provided additional commentary regarding top challenges to their business and industry.

Respondents generally echoed prior concerns regarding greatest challenges to business. Namely, access to timber supply (25%), government regulation (17%), cost of business operations (14%), and access to quality workforce (9%) remain top concerns for the majority (Table 15).

Table 15. Greatest Challenges to Business

Challenge	Percent	Select Responses
Access to Timber Supply	25%	Timber supply is not steady and it needs to be. A steady timber supply would produce/create jobs and stimulate the economy stabilizing communities allowing them to become viable again. Timber supply. More wood needed to continue operation.
Federal and State Government Regulation	17%	Between federal and state government, any hope of timber based income in the area is eradicated. There is no middle ground for people making decisions. Timber sales that are put up are impossible to log and are just for show. 99 percent of sales would require a barge, helicopter, and crew - the timber isn't valuable enough to justify this. The State of Alaska needs to recognize that Alaska businesses operating in the forest products Industry need support. The state needs to open up more state timber lands in SE AK to supplement the loss of federal land availability.
Cost of Business Operations	14%	Operating expenses including building materials. High cost of energy
Access to Quality Workforce	9%	Workforce challenges in availability and quality. Skills and training for log home builders.

Challenges to individual businesses largely equate to challenges for the entire industry. The majority of respondents indicate access to timber supply (24%) and government regulation (22%) are the greatest challenges to the industry (Table 16). The majority of respondents also indicate environmental issues (19%) are of great concern with primary focus on the threat the environmental movement presents to long-term industry viability.

Table 16. Greatest Challenges to Industry

Challenge	Percent	Select Responses
Access to Timber Supply	24%	Need timber supply to keep everyone going, there are no lumber mills anymore. Old growth, still the highest quality wood. Second growth will have considerable competition from Canada, New Zealand, and elsewhere.
Federal and State Government Regulation	22%	Lawsuits, litigants, federal regulations invite appeals to timber sales and other land management decisions. Federal government and Washington, DC USDA attitude
Environmental Concerns	19%	Interest groups that curtail timber acquisitions – groups fighting sales. Culture of anti-export growing in Southeast and Southcentral Alaska

Individual business and timber industry challenges are interrelated. Without sufficient, consistent, and cost effective access to raw material, timber businesses and the industry as a whole will continue to decline. The already lagging economic climate, population decline, and increased costs of doing business and living (i.e., energy and transportation) will likely continue to fuel a steady out migration from Southeast Alaska.

APPENDIX A: FOREST PRODUCTS BUSINESS POPULATION FRAME

Completed Survey	Business Name or Contact	Community	State
	ADAM BASKETT	Thorne Bay	AK
	ALASKA CUTTERS, INC.	Klawock	AK
√	ALASKA FIBRE	Petersburg	AK
√	ALASKA FOREST ASSOCIATION INC	Ketchikan	AK
	ALASKA HANDCRAFTED	Thorne Bay	AK
√	ALASKA LASER MAID	Thorne Bay	AK
	ALASKA LUMBER MILL, INC	Juneau	AK
	ALASKA SALVAGE AND RESTORATION	Craig	AK
√	ALASKA SPECIALTY WOODS	Craig	AK
	ALASKA TIMBER MANAGEMENT	Ketchikan	AK
	ALASKA TREE EXPERT COMPANY	Ketchikan	AK
	ALASKAN LOG CRAFT LLC.	Thorne Bay	AK
	ALASKAN WOOD PRODUCTS	Thorne Bay	AK
√	ALCAN FOREST PRODUCTS/EVERGREEN TIMBER LIMITED PARTNERSHIP	Ketchikan	AK
	ALVARADO BROTHERS REFORESTATION	Sitka	AK
√	AMERIKANUAK, INC	Juneau	AK
√	ARCTIC LOG HOMES, LTD	Haines	AK
	B AND C MILLING	Gustavus	AK
	BEAR PAW FURNISHING	Craig	AK
	BELK'S LOGGING	Ketchikan	AK
	BILL WALKER	Craig	AK
√	BLACKWELLS CUSTOM WOODWORKS	Juneau	AK
	BLADES ENTERPRISES	Sitka	AK
√	BLUE EDDY ENTERPRISES	Kasaan	AK
	BOARDFEET	Coffman Cove	AK
√	BOATRB	Petersburg	AK
√	BOYER TOWING COMPANY	Ketchikan	AK
	BUCCANEER ENTERPRISES	Juneau	AK
	BYRON BROTHERS CUTTING	Ketchikan	AK
√	CAPITAL CABINETS & COUNTERS	Juneau	AK
	CARLSON LOGGING	Thorne Bay	AK
	CARTER AND CARTER ENTERPRISES, INC	Coffman Cove	AK
	CHANSON CHING	Craig	AK
	CHASE LOGGING, MILLING, AND HAULING	Gustavus	AK
	CLARK ENTERPRISES	Thorne Bay	AK
	CLEARCUT TREE SERVICE	Juneau	AK
√	COLUMBIA HELICOPTERS, INCORPORATED	Ketchikan	AK
√	CORNERSTONE EXCAVATION SERVICES (A SMALL NOTION)	Thorne Bay	AK
√	CREW ENTERPRISES	Sitka	AK

Completed Survey	Business Name or Contact	Community	State
√	CREW LUMBER	Edna Bay	AK
	CROWN ALASKA	Florence	OR
	CSC TREE SERVICE	Kake	AK
√	CSL FARM AND SERVICES	Edna Bay	AK
√	CUTTING EDGE WOOD PRODUCTS	Ketchikan	AK
	D AND L WOODWORKS	Hoonah	AK
√	D AND M ENTERPRISES	Coffman Cove	AK
√	D. ALAN ROCKWOOD	Ketchikan	AK
√	D. J. ENTERPRISES	Wrangell	AK
	DALE R BAKKELA CONSTRUCTION	Ketchikan	AK
	DARLENE AND JOSE CHILDREN REYES ENTERPRISE TREE THINNING	Klawock	AK
	DARRELL HARMON	Coffman Cove	AK
√	DEB SPENCER SAWMILL	Pelican	AK
√	DROSON COMPANY	Klawock	AK
√	DURETTE CONSTRUCTION COMPANY, INCORPORATED	Ketchikan	AK
	EAGLE WOODS PRODUCTS	Craig	AK
√	EIGHT STARS TREE SERVICE	Klawock	AK
	ELNINO ENVIRONMENTAL RESOURCE DEVELOPMNT	Ketchikan	AK
	ERNIE KING	Gustavus	AK
	EVERYTHING WILD	Kake	AK
√	FALLS CREEK FOREST PRODUCTS	Petersburg	AK
	FINE LINE TIMBER	Haines	AK
√	FIREWEED CRAFTS OF JUNEAU	Juneau	AK
√	FIRST CITY WOOD HAULERS	Ketchikan	AK
	FOREST ENHANCEMENT OF THE WEST	Sitka	AK
√	FOREST INDUSTRY CONSULTING	Juneau	AK
√	FRANKS MILLING AND WOODWORKING	Coffman Cove	AK
√	FRITZ LACOUR	Thorne Bay	AK
√	GILDERSLEEVE LOGGING	Oregon	AK
√	GLACIERWOOD TURNING	Juneau	AK
	GOOSE CREEK SHINGLE	Thorne Bay	AK
	GREATLAND CONSULTANTS	Ketchikan	AK
	GREG CLARK	Edna Bay	AK
	H and H SALVAGE	Ketchikan	AK
	H AND L SALVAGE	Thorne Bay	AK
	HELGESON WOODWORKING	Wrangell	AK
	HELICOPTERS IN TIMBER	Kasaan	AK
√	HOONAH TOTEM CORPORATION	Hoonah	AK
√	HTR SELECT WOODS	Sitka	AK
	HUMMER ENTERPRISES	Thorne Bay	AK
	ICE WORK ENTERPRISES	Thorne Bay	AK

Completed Survey	Business Name or Contact	Community	State
√	ICY STRAITS LUMBER AND MILLING, INC	Hoonah	AK
	J AND S Timber	Ketchikan	AK
√	JASON ROONEY'S WOODCUTTING	Wrangell	AK
√	JAY'S TREE AND BUSH SERVICE	Sitka	AK
√	JE CARLSON CUSTOM FURNITURE & CABINETRY	Haines	AK
	JERRY HILDREN	Klawock	AK
	JERRY RYGGS	Naukati	AK
	JOHNSON AND SON LLC	Klawock	AK
	JUNEAU HAND MADE BOXES BY MACK PARKER	Juneau	AK
	JUNEAU TRUSS INC	Juneau	AK
√	JUNEAU WOOD AND TIMBER	Juneau	AK
	K AND G CONSTRUCTION	Ketchikan	AK
	K AND K CEDAR SALVAGE	Thorne Bay	AK
	KETCHIKAN PULP COMPANY-TIMBER DIVISION	Ketchikan	AK
	KILLISNOO WOOD AND LUMBER	Angoon	AK
√	KLEHINI VALLEY LOG WORKS	Haines	AK
√	KUPREANOF LUMBER	Kake	AK
	LAST CHANCE ENTERPRISES	Thorne Bay	AK
	LITTLE WOOD PRODUCTS	Gustavus	AK
	LITTLE WOOD PRODUCTS	Sitka	AK
	LLOYD WILSON	Naukati	AK
	LOGAN LUMER	Craig	AK
	MAD DOGS FOREST IMPROVEMENTS	Craig	AK
√	MADISON LUMBER AND HARDWARE	Ketchikan	AK
	MIKE ALLEN ENTERPRISES	Wrangell	AK
√	MIKE OXFORD	Naukati	AK
	MILLER INCORPORATED	Ketchikan	AK
	MOOSE CREEK MILLWORKS	Haines	AK
√	MORGAN DEBOER SAWMILL	Gustavus	AK
√	MRA'S TREE SERVICES	Kake	AK
√	MUSKEG ENTERPRISES	Ketchikan	AK
	NEW SAUNA THERAPY, LLC.	Juneau	AK
	NICHOLAS BAY BASKERTY	Craig	AK
	NORTHERN LIGHTS REFORESTATION	Ketchikan	AK
√	NORTHERN STAR CEDAR PRODUCTS	Thorne Bay	AK
√	NORTHERN STAR WOODWORKING	Tenakee Springs	AK
√	NORTHERN TIMBER	Haines	AK
√	NORTHERN WOOD PRODUCTS	Ketchikan	AK
	NORTHSTAR TIMBER SERVICES,LLC	Ketchikan	AK
	OUT ON A LIMB	Thorne Bay	AK
√	PACIFIC LOG AND LUMBER, LTD	Ketchikan	AK

Completed Survey	Business Name or Contact	Community	State
√	PAPAC ALASKA LOGGING, INC.	Craig	AK
	PEAVEY LOG	Thorne Bay	AK
	PERFECT NOTE MUSIC WOOD	Craig	AK
√	PHOENIX LOGGING COMPANY	Ketchikan	AK
√	PORTER LUMBER	Thorne Bay	AK
√	POW BIOFUELS COOP	Thorne Bay	AK
	QUAKER WOOD WORKS	Thorne Bay	AK
	QUIGCO, LLC	Juneau	AK
	R AND R REFORESTATION	Klawock	AK
	RAINFOREST WOOD PRODUCTS	Petersburg	AK
√	REID BROTHERS LOGGING AND CONSTRUCTION	Petersburg	AK
√	ROCK-N-ROAD CONSTRUCTION, INCORPORATED	Petersburg	AK
	S.E.A. LUMBER	Sitka	AK
√	SAINT NICK FOREST PRODUCTS, INC.	Craig	AK
	SAINT NICKS FOREST PRODUCTS	Craig	AK
	SAMSON TUG AND BARGE COMPANY	Sitka	AK
	SCHULTZ'S WOOD PRODUCTS	Ketchikan	AK
√	SEALASKA TIMBER CORPORATION	Ketchikan	AK
	SEAOTTER WOODWORKS INCORPORATED	Haines	AK
√	SHARP LUMBER, LLC	Craig	AK
	SILVER BAY LOGGING, INC.	Wrangell	AK
	SITKA FOREST PRODUCTS	Sitka	AK
√	SOUTHEAST ALASKA RESOURCES	Ketchikan	AK
	SOUTHEAST ALASKA WOOD PRODUCTS	Petersburg	AK
√	SOUTHEAST CEDAR HOMES	Sitka	AK
√	SOUTHEAST ROADBUILDERS	Haines	AK
	SOUTHEAST STEVEDORING CORPORATION	Ketchikan	AK
	STUMP TO YOUR RUMP	Coffman Cove	AK
	STUMPTOWN WOODWORKS	Ketchikan	AK
	T AND T LUMBER	Yakutat	AK
	T.A.G., LLC	Juneau	AK
√	TENAKEE LOGGING COMPANY	Tenakee Springs	AK
√	TENAKEE WOOD	Tenakee Springs	AK
√	THE MILL, INCORPORATED	Petersburg	AK
√	THE STUMP COMPANY	Haines	AK
	THE WOOD SHOP	Ketchikan	AK
√	THORNE BAY WOOD PRODUCT ENTERPRISES	Thorne Bay	AK
√	THUJA PLICATA	Thorne Bay	AK
√	TIMBER AND MARINE SUPPLY	Ketchikan	AK
	TIMBER WOLF CUTTING, INC.	Craig	AK
√	TONGASS CUTTING, LLC	Petersburg	AK

Completed Survey	Business Name or Contact	Community	State
√	TONGASS FOREST ENTERPRISES	Ketchikan	AK
√	TONSGARD LOGGING/CHANNEL CONSTRUCTION	Juneau	AK
√	TOP HAT LOGGING	Haines	AK
	TRINITY TREE SERVICE & CONTRACT CUTTING	Haines	AK
√	VIKING LUMBER COMPANY, INC.	Klawock	AK
	VINCE SHAFER	Gustavus	AK
	W.R. JONES AND SON LUMBER COMPANY	Craig	AK
√	WEST END WOODWORKS	Tenakee Springs	AK
√	WEST WIND WOODWORKING	Skagway	AK
√	WESTERN GOLD CEDAR PRODUCTS	Thorne Bay	AK
√	WHITESTONE LOGGING, INC.	Hoonah	AK
	WILLIAMS AND CLAN FOREST IMPROVEMENT	Craig	AK
	WINDY CITY TREE SERVICE	Skagway	AK
√	WINDY POINT SAWMILL AND BOBCAT SERVICE	Craig	AK
	WINROD LOGGING	Hydaburg	AK
	WKW REFORESTATION	Klawock	AK
	WOLF TIMBER	Haines	AK
√	WOOD CUTS	Thorne Bay	AK
√	WOOD EYE WOODWORKING	Juneau	AK
√	WOOD MARINE	Klawock	AK
√	WOODBURY ENTERPRISES	Wrangell	AK
	WOODCHUCKERS	Ketchikan	AK
	WOODSHED, THE	Petersburg	AK
√	ZIESKE, CHARLES H	Point Baker	AK
TOTAL BUSINESSES	**186**	**Southeast**	**AK**

APPENDIX B: SURVEY INSTRUMENT

Alaska Timber Jobs Task Force
Administrative Order 258, Item 6 and 8
Forest Products Business Survey
Survey Instrument and Codebook

OPENING REMARKS

The Alaska Department of Commerce, Community, and Economic Development (DCCED) is conducting a survey to learn more about Alaska's wood products and timber industry businesses. This work is part of Governor Parnell's current Alaska Timber Jobs Task Force, which was appointed during May 2011 and tasked with studying the industry in order to better manage the state's forests and also advocate for better management of the Tongass National Forest. A search of federal and state databases indicates you own or operate a timber-related business. I'd like to ask you a few questions; all responses will be kept confidential.

SECTION 1 – CONTACT INFORMATION

Business Name
Contact
Interviewee
Title – owner (1), operator (2), manager (3), other (4)
Current Business Status – operating (1), not operating (2), operating intermittently (3), other (4)
Address 1 – Street Address
Address 2 – P.O. Box
City
Community [best locator]
State
Zip
Email
Website

SECTION 2 – BUSINESS PROFILE INFORMATION

Residency – Alaska (1), Lower 48 (2), International (3)
Region – SE (1), SC (2), IN (3), GC (4), W (5), NW (6), and SW (7)
Business Tenure – total years in business or founding date conversion
Business Type 1 – product (1), direct service (2), indirect service (3), other (4)
Business Schedule – regular year round (1), regular seasonal (2), contingent (3), other (4)
Total Employees – total count regardless of employment type [Total = FT + PT + C + OT]
Total Full-Time Employees
Total Part-Time Employees
Total Contingent Employees
Total Other Employees
Household Income – Percentage of household income is provided by wood products-related work.
Other – all other business profile information that might be important.

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SECTION 3 – WOOD PRODUCT INFORMATION

Business Type 2
- Timber Tract Operation (1)
- Sawmill (2) – Includes other preliminary processing
- Direct Forestry Support (3) – directly related to harvest including helicopters, road builders, and barge
- Indirect Forestry Support (4) – support for indirect businesses including consultants, land managers
- Wood Product Manufacturing (5) – anything processed, manufactured, and value added.
- Other (6)

Raw Material (Specie) Use – What type of wood do you use? [Note: collect percentage information.]

Specie	Percent
Western Hemlock	
Sitka Spruce	
Red Cedar	
Alaska Cedar (Yellow)	
Other (i.e., Birch, Alder)	
Total	100%

Wood Product Description

Unprocessed [1]	Basic Building Materials [2]	Processed Building Materials [3]	Biomass [4]	Other Products [5]
1. Unprocessed Logs	12. Log Cabins	23. Decking	34. Pellet	45. Furniture/Parts
2. Cants	13. Plywood	24. Siding	35. Wood Chips	46. Hot Tubs
3. Timbers	14. Fiberboard/Particle Board	25. Flooring	36. Firewood	47. Carving/Art Wood
4. Pulpwood	15. Insulating Board	26. Doors	37. Biofuel	48. Musical Instruments
5. Houselogs	16. Framing Lumber	27. Window Frames	38. Cellulosic Ethanol	49. Paper/Cardboard
6. Other Millwork	17. Post/Beam	28. Paneling	39. Other Biomass	50. Ladders/Scaffolding
7. Other Raw Product	18. Laminated Beams	29. Molding/Trim	40.	51. Boat Building
8.	19. Veneers	30. Cabinets/Parts	41.	52. Boxes/Crates/Containers
9.	20. Sheathing and Subflooring	31. Countertops	42.	53. Bridge and Deck Building
10.	21. Shingles	32. Other Household	43.	54. Canoes/Paddles
11.	22. Other Building Material	33.	44.	55. Other Products

Overall Market Demand for Wood Product – What is the overall market demand for your product?

Specie	Great Demand	Moderate Demand	Little to No Demand	Undecided
Wood Product 1	1	2	3	4
Wood Product 2	1	2	3	4
Wood Product 3	1	2	3	4

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SECTION 4 – MARKET INFORMATION

Market Description:

Who are your buyers? [Note: percentage]

- Mills
- Wood Product Manufacturers
- Retailers
- Businesses as End Users
- Consumers as End Users
- Government
- Other

Where are your buyers? [Note: percentage]

- Local/Borough
- Region
- State
- Lower 48
- Export
- Other

Market Assistance: Would you be interested in assistance identifying customers?

Yes (1), No (2), Don't Know (3)

SECTION 5 – OPEN: BUSINESS STATUS

[Note: Questions below for businesses that are currently operating only.]

Capacity – How do you define "through-put" capacity at your operation?

Eight-Hour Capacity – What is your standard "through-put" capacity during an eight-hour period?

Current Operation Status – At what percent of full capacity are you operating?

Operate at Current Capacity – Annual Raw MMBF Supply Need

Operate at Full Capacity – Annual Raw MMBF Supply Need

Grow Overall Business Operation – Annual Raw MMBF Supply Need

Is timber supply currently a problem for your business?

- Significant Problem (1)
- Moderate Problem (2)
- Little or No Problem (3)
- Don't Know (4)

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SECTION 6 – CLOSED: BUSINESS INFORMATION

[Note: Following questions for those businesses that are currently not operating or closed.]

Closure Year – What year did you close your operation and/or cease operations?

Tenure – How many years were you in business?

Reason – Primary reason for closing business?

Timber Supply Importance 1 – How important was quantity of timber supply to decision to close business?
- Very Important (1)
- Somewhat Important (2)
- Little or No Importance (3)
- Undecided (4)

Reopen Likelihood – How likely are you to reopen your business in the future?
- Very Likely (1)
- Somewhat Likely (2)
- Not Likely (3)
- Undecided (4)

Reopen Conditions – Under what conditions would you consider reopening your business, if any?

Timber Supply Importance 2 – How important is timber supply to potentially reopening your business?
- Very Important (1)
- Somewhat Important (2)
- Little or No Importance (3)
- Undecided (4)

SECTION 7 – FUTURE BUSINESS PROJECTIONS

Level of Interest in Business Growth
- Very interested (1)
- Somewhat interested (2)
- Little or No Interest (3)
- Don't Know (4)

Future Business Projections – What are your expectations for the future of your business?

Dimension/Aspect	Significant Growth	Moderate Growth	Remain the Same	Moderate Downsize	Significant Downsize	Don't Know
Overall Business Size [1 year]	1	2	3	4	5	6
Overall Business Size [5 year]	1	2	3	4	5	6
Overall Business Size [10 year]	1	2	3	4	5	6
Overall Product Yield	1	2	3	4	5	6
Plant/Facility Size	1	2	3	4	5	6
Equipment Quantity	1	2	3	4	5	6
Employment Quantity	1	2	3	4	5	6
Other	1	2	3	4	5	6

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Challenges to Business Growth – Do the following challenge the future of your business?

Challenge	Significant Challenge	Moderate Challenge	Little or No Challenge	Don't Know
Timber Supply [1 year]	1	2	3	4
Timber Supply [5 year]	1	2	3	4
Timber Supply [10 year]	1	2	3	4
Workforce Availability	1	2	3	4
Workforce Quality	1	2	3	4
Forest Management	1	2	3	4
Financial Resources	1	2	3	4
Taxation	1	2	3	4
Government Regulation	1	2	3	4
Other	1	2	3	4

Overall Business Viability – What is your overall expectation regarding the following scenarios?

Challenge	Very Likely	Somewhat Likely	Not Likely	Don't Know
Operating in 1 year	1	2	3	4
Operating in 2 years	1	2	3	4
Operating in 5 years	1	2	3	4
Operating in 10 years	1	2	3	4
Other	1	2	3	4

SECTION 8 – TIMBER SUPPLY

Maintain with Current Supply – How long can you maintain your business' current level of operation with your on-yard timber supply and purchased timber sales (i.e., current timber resource)?

Less than 6 months (1)
6 – 12 months (2)
1 – 2 years (3)
More than 2 years (4)

Timber Supply Threat – What level of threat do the following present to your business?

[1 = severely threatens, 2 = somewhat threatens, 3 = little or no threat, 4 = don't know]

	Current Business Status				Future Business Growth			
1 Year Timber Supply	1	2	3	4	1	2	3	4
5 Year Timber Supply	1	2	3	4	1	2	3	4
10 Year Timber Supply	1	2	3	4	1	2	3	4
Limited Specie Diversity	1	2	3	4	1	2	3	4
Other	1	2	3	4	1	2	3	4

Raw Timber Supply Needed [Annual Raw MMBF Number Only]

	Maintain Current Operation [mmbf]	Operate at Full Capacity [mmbf]	LOW Future Business Growth [mmbf]	MEDIUM Future Business Growth [mmbf]	HIGH Future Business Growth [mmbf]
Total (all specie)					

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SECTION 9 – WORKFORCE

Total Employee Count – cross verify with prior questions.

Current Workforce Summary

Type	Percent
Professional/Management	
Skilled	
Semi-Skilled	
Unskilled	
Clerical	
Other	
Total	100%

Current Employee Residency

Distance	Percent
Southeast Resident	
Alaska Resident, non-SE	
Lower 48 Residency	
International Residency	
Other	
Total	100%

Workforce Status

Workforce Status	Hiring	Stable	Downsizing	Don't Know
Current	1	2	3	4
Short-Term Future (< 2 Years)	1	2	3	4
Long-Term Future (> 2 Years)	1	2	3	4
Other	1	2	3	4

Local Labor Pool Description – How would you rate the following segments of local labor pool?

[1 = very good, 2 = good, 3 = fair, 4 = poor, 5 = don't know]

Labor Pool Type	Rating				
Professional/Management	1	2	3	4	5
Skilled	1	2	3	4	5
Semi-Skilled	1	2	3	4	5
Unskilled	1	2	3	4	5
Clerical	1	2	3	4	5
Other	1	2	3	4	5

Workforce Recruitment Challenges – How would you rate the following potential recruitment challenges?

Problem	Significant Problem	Moderate Problem	Little or No Problem	Don't Know
Labor Supply Shortage	1	2	3	4
Skills Not Adequate	1	2	3	4
Distance to Job Site	1	2	3	4
Available Housing	1	2	3	4
Affordable Housing	1	2	3	4
Other	1	2	3	4

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SECTION 10 – GREATEST CHALLENGES

Please indicate the level of threat each of these presents to the overall viability of your business.

Threat	Severely Threatens	Somewhat Threatens	Little or No Threat	Don't Know
Short-Term Timber Supply (< 2 years)	1	2	3	4
Long-Term Timber Supply (> 2 years)	1	2	3	4
Workforce Quantity	1	2	3	4
Workforce Quality	1	2	3	4
Workforce Cost	1	2	3	4
Competition	1	2	3	4
Management of the Tongass National Forest	1	2	3	4
Management of the State Forest	1	2	3	4
Utilities/Services Availability	1	2	3	4
Utilities/Services Cost	1	2	3	4
Telecommunications Availability	1	2	3	4
Telecommunications Cost	1	2	3	4
Transportation Availability	1	2	3	4
Transportation Cost	1	2	3	4
Federal/State Taxes	1	2	3	4
Local Taxes	1	2	3	4
Government Regulation	1	2	3	4
Physical Space	1	2	3	4
Environmental Issues	1	2	3	4
Environmentalist Movement	1	2	3	4
Marketing	1	2	3	4
Product Demand	1	2	3	4
Capital	1	2	3	4
Production Process	1	2	3	4
Grading	1	2	3	4
Fuel	1	2	3	4
Other	1	2	3	4

SECTION 11 – ADDITIONAL CHALLENGE QUESTIONS

What are the three greatest challenges to your business?

Challenge to Business	Response
Greatest Challenge	
Second Greatest Challenge	
Third Greatest Challenge	

In your opinion, what are the three greatest challenges to your industry?

Challenge to Industry	Response
Greatest Challenge	
Second Greatest Challenge	
Third Greatest Challenge	

SECTION 11 – ADDITIONAL INFORMATION

Any other information you would like to share?

For Further Information:
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