

# **Reasons for Scheduling the Environmental Analysis of the Mitkof Island EA**

**FY 2014**

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# Reasons for Scheduling the Environmental Analysis of the Mitkof Island EA

## Introduction

Coordinated timber harvest project planning is essential for meeting the goals of the Tongass Land and Resource Management Plan (Forest Plan) and to provide an orderly flow of timber to local industry. To determine the volume of timber to offer each year, the Forest Service can look to current market conditions and the level of industry operations. However, the planning process for timber harvest projects requires the Forest Service to rely on projections of future harvest levels to decide how many timber harvest projects to begin each year. This document explains how the Forest Service uses information about future markets and past experience to determine the volume of timber that needs to be started through this process each year. This report relies on the current annual timber demand analysis and the most recent project schedule.

The purpose of this report is two-fold: first, to explain why this project was selected for inclusion into the Tongass Timber Program and second, to explain the basis and components of the Tongass Timber program. To accomplish this, the following questions are answered:

- How does the Mitkof Island EA fit into the Tongass Timber Sale Program? How does the Forest Service decide where timber sale projects should be located?
- Why is timber from the Tongass National Forest being offered for sale?
- How does the Forest Service develop forecasts about future timber market demand?
- What steps must be completed to prepare a sale for offer?
- How does the Forest Service maintain an orderly and predictable timber sale program?

## How Does the Mitkof Island EA Fit into the Tongass Timber Sale Program? How Does the Forest Service Decide where Timber Sale Projects should be Located?

This project is currently in Gate 2, Project Analysis and Design (See Forest Service Handbook 2409.18, Chapter 30 and subsequent discussion about the Gate System) and involves environmental analysis and public disclosure as required by the National Environmental Policy Act (NEPA). The amount of volume considered for harvest under the alternatives range from an estimated 15.1 MMBF to 28.5 MMBF with harvest potentially beginning in 2014. This volume would contribute to

the Tongass timber sale program. A no-action alternative is also analyzed for this project. If an action alternative is selected in the decision for this project, this volume will be added to the volume available for offer.

This project contributes to the timber program planning objective of providing an orderly flow of timber from planning through harvest to meet timber supply requirements. A position statement (Gate 1) was completed to document that this project warrants additional investment of funds and personnel. Therefore, it is reasonable to be conducting the environmental analysis for this project at this time.

This project meets all laws and regulations governing the removal of timber from National Forest System lands, including Forest Service policies as described in Forest Service manuals and handbooks, and the Forest Plan and Record of Decision. Based on current year and anticipated future timber demand and the timber supply provisions of the Tongass Timber Reform Act, the Mitkof Island EA is needed at this time to meet timber volume needs identified on the approved multiple-year timber sale plan. Anticipated budget allocations and resources are sufficient to prepare and offer this project as scheduled.

## **Why is This Project Occurring in This Location? \_\_\_\_\_**

Areas are selected for environmental analysis for timber harvest projects for a variety of reasons. The reasons this project was considered in this area include:

- The Mitkof Island EA project area contains sufficient acres to make this timber harvest proposal reasonable. Areas with available timber need to be considered for harvest in order to seek to provide a supply of timber from the Tongass which (1) meets the annual market demand from such forest, and (2) meets the market demand from such forest for each planning cycle, pursuant to Section 101 of the TTRA.
- All acres of proposed harvest are classified as suitable and available and can be managed for timber production in compliance with NFMA and other laws regulating timber harvest on National Forest System lands. The project also establishes a programmatic microsale program along all existing road corridors where the Forest Plan allows. All Forest Plan direction can be met while still providing for timber harvest.
- All acres of proposed harvest in the Mitkof Island EA is in the Timber Production, Modified Landscape, and Scenic Viewshed LUDs (USDA Forest Service 2008), which include timber harvest and associated road-building among their management goals. Salvage may occur in non-development LUDs where allowed by the Forest Plan and the LUD objectives can continue to be met.
- The Mitkof Island EA will implement the USDA objectives associated with the Transition Framework for Southeast Alaska and provide economic opportunities to the communities of Southeast Alaska.
- The project area contains approximately 107 miles of existing National Forest System (NFS) roads which would be used to access timber and transport harvested logs. Roads may also benefit by purchaser maintenance, as necessary, during the time of the active contract. This road maintenance would benefit the long-term use of the existing road system.
- Two existing marine access facilities (MAFs) are located in South Blind Slough and Woodpecker Cove and are on the existing road system. These provide access to saltwater to

supply logs to mills in nearby communities, benefitting the local and regional timber industry, thereby contributing to the local and regional economies of Southeast Alaska (2008 Forest Plan, p. 2-5).

- The project area would help support direct and indirect employment through the supply of personnel, goods and services, contributing to a diversified economy. Between an estimated 64-149 jobs associated with logging and sawmilling could be supported if an action alternative is selected.
- Areas yarded with helicopters would retain a high percentage of standing trees. Partial harvest provides timber for wood products while maintaining scenic values along visual priority travel routes, improving economics through selective cutting, reducing effects on water yields, reducing erosion and blowdown risks, and retaining old-growth characteristics in the unit.

In conclusion, this project area can provide a mixture of uses in compliance with the laws that govern National Forest management and is consistent with direction in the Forest Plan.

## Why is Timber from the Tongass National Forest Being Offered for Sale?

### National Legislation

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On a national level, the legislative record is clear about the role of the timber program in the multiple-use mandate of the national forests. One of the original objectives for creation of national forests was to provide natural resources, including timber, for the American public. The Organic Administration Act of 1897 (partially repealed in 1976) directed the agency to manage the forests in order to "improve and protect the forest ... [and] for the purpose of securing favorable conditions of water flows, *and to furnish a continuous supply of timber* for the use and necessities of the citizens of the United States" (emphasis added). The Multiple-Use Sustained Yield Act of 1960 directs the Forest Service to administer federal lands for "outdoor recreation, range, timber, watershed, and wildlife and fish purposes."

The National Forest Management Act (NFMA) of 1976 states that "the Secretary of Agriculture...may sell, at not less than appraised value, trees, portions of trees, or forest products located on National Forest System Lands." Although the heart of the Act is the land management planning process for national forests, the Act also sets policy direction for timber management and public participation in Forest Service decision making. Under NFMA, the Forest Service was directed to "limit the sale of timber from each national forest to a quantity equal to or less than a quantity which can be removed from such forest annually in perpetuity on a sustained-yield basis."

The NFMA directs the Forest Service to complete land management plans for all units of the National Forest System. Forest plans are developed by an interdisciplinary team to provide for the coordination of outdoor recreation, range, timber, watershed, wildlife and fish, and wilderness. Forest plans designate areas of national forest where different management activities and uses are considered appropriate, including those areas suitable for timber harvest.

## Alaska-Specific Legislation

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Timber volume from the Tongass National Forest is being offered as part of the multiple-use mission of the Forest Service identified in the public laws guiding the agency. In addition, Alaska-specific legislation and the Tongass Forest Plan direct the Forest Service to provide timber so as to seek to meet market demand, subject to certain limitations.

The Alaska National Interest Lands Conservation Act (ANILCA) and the Tongass Timber Reform Act (TTRA) provide direction on the issue of Tongass timber supply. TTRA, Section 101 deleted ANILCA, Section 705 (a), which mandated a fixed timber supply and fixed budget appropriations, and inserted the following :

Sec. 705. (a) Subject to appropriations, other applicable law, and the requirements of the National Forest Management Act of 1976 (P.L. 94-588); except as provided in subsection (d) of this section, the Secretary shall, to the extent consistent with providing for the multiple use and sustained yield of all renewable forest resources, seek to provide a supply of timber from the Tongass National Forest which (1) meets the annual market demand for timber from such forest and (2) meets the annual market demand from such forest for each planning cycle.

## Tongass National Forest Land and Resource Management Plan (Forest Plan, as amended)

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The Tongass Land Management Plan was completed in 1979 and revised in 1997. The Record of Decision (ROD) for the 2008 Tongass Land Management Plan Amendment (Forest Plan) was signed by the Alaska Regional Forester on January 23, 2008. The Forest Plan incorporates new resource information and scientific studies and reflects an extensive public involvement process. The 2008 Forest Plan defines appropriate activities within each of 19 land use designations (LUDs). Approximately 79 percent of the Tongass was allocated to LUDs where commercial timber harvest is not allowed.

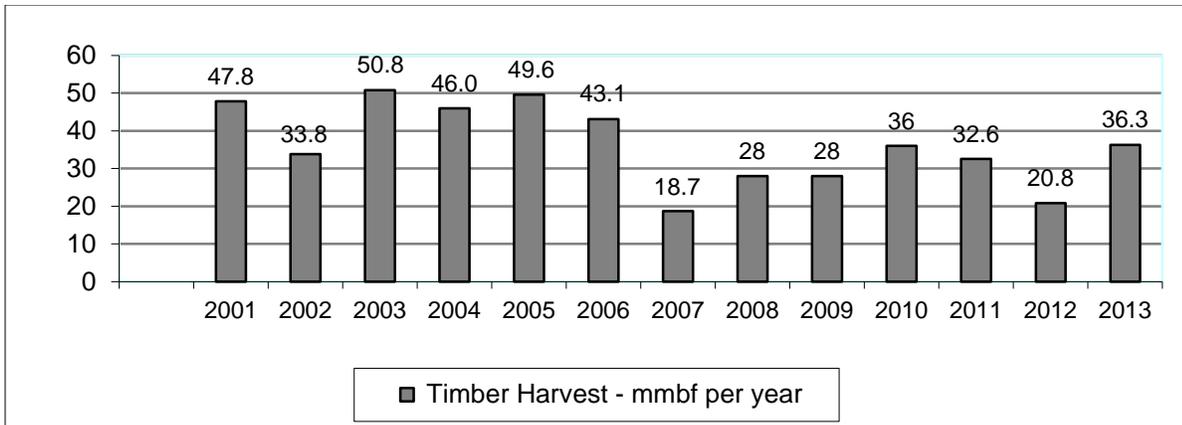
The decision for the 2008 Forest Plan establishes the annual average Allowable Sale Quantity (ASQ) at 267 million board feet (MMBF). This is the same as the ASQ established for the previous Forest Plan in 1997.

The environmental effects analysis in the Final EIS for the 2008 Forest Plan assumed the maximum timber harvest allowed under each alternative would occur annually over the next 100 to 150 years. In that way, the Forest Plan analysis displayed the maximum environmental effects that could be reasonably foreseen. However, substantially less timber volume and acres have actually been harvested over the last several years than the maximum level allowed under the 1997 Forest Plan (see Figure 1). Thus, the effects on resources are expected to be less than projected in the 2008 Forest Plan Amendment Final EIS.

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Figure 1  
Tongass Timber Harvest, Fiscal Years 2001-2013

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The Record of Decision for the 2008 Forest Plan Amendment includes transition language for projects that were being planned when the Forest Plan was completed. That language identifies three different categories of projects, depending on how far along they were in the project planning process when the Forest Plan Amendment was completed, and specifies the extent to which projects in each category must comply with the amended Forest Plan. Information on the inclusion of the 2008 direction is included as appropriate in the Mitkof Island Environmental Assessment and will be included in the decision document.

## USDA Investment Strategy for Creating Jobs and Healthy Communities in Southeast Alaska

Most rural communities in Southeast Alaska are experiencing declining populations especially in the younger age groups, fewer job opportunities, and increasing energy costs. USDA agencies (Farm Service Agency, Forest Service, and Rural Development) and the U.S. Economic Development Administration (USEDA) are partnering to revitalize communities by moving towards a more diversified economy and restore public lands by supporting job creation in areas that offer growth potential: fisheries and mariculture, recreation and tourism, forest management, and renewable energy.

The goals of this USDA Investment Strategy include:

- creating quality jobs and sustainable economic growth;
- promoting small business creation, expansion, and retention;
- improving access to capital; and
- promoting job training and educational opportunities.

Working with the Juneau Economic Development Council (JEDC), USDA agencies collaborated with over 120 leaders from local businesses and communities to identify initiatives in four areas—Ocean Products, Visitor Services, Forest Products, and Renewable Energy—that will create a regional competitive advantage, thereby raising the economic conditions for all of Southeast Alaskans.

The partnership recently released a report that lists job creation initiatives for Southeast Alaska. The report (USDA Forest Service 2011d) was developed by these four economic cluster working groups made up of Southeast Alaska leaders in business, academia, nongovernmental organizations and state, local and tribal governments. The process brings business leaders together with government and others to collaborate rather than compete; providing a platform where ideas to create economic opportunities can emerge.

## **Addressing Sustainable Forestry in Southeast Alaska**

On July 2, 2013, the Secretary of Agriculture issued Memorandum 1044-009, Addressing Sustainable Forestry in Southeast Alaska, to support the transition away from old-growth timber harvesting towards a forest industry based on the utilization of young-growth timber. The goal is to transition from the dependence on harvest of old-growth forest to young-growth forest management in a manner that allows the timber industry to adapt to these changed conditions to provide jobs and economic support for the communities of Southeast Alaska. The maintenance of the timber industry in Southeast Alaska will contribute to the diversity of the economy with the on-going development of other economic sectors such as tourism, recreation, fishing and mariculture and renewable energy.

To achieve this transition, a supply of old-growth timber will continue to be offered for sale while commercial young-growth timber processing and marketing opportunities are explored and developed. The amount of old-growth timber harvested will decrease as more young-growth timber becomes economically viable to harvest. Small amounts of old-growth harvest will continue occur to supply niche markets and small mills, such as music wood, during and after the young-growth markets are established.

The Mitkof Island EA contributes to the supply of timber needed to maintain the timber industry during the transition to young-growth management, thus helping ensure that the infrastructure and job skills are available when the young-growth is ready for harvest.

## **How Does the Forest Service Develop Forecasts about Future Timber Market Demand?**

Consistent with the provisions of the Tongass Timber Reform Act, the Forest Service makes two types of forecasts of market demand for timber from the Tongass National Forest. The first, “planning cycle market demand”, forecasts the long-term demand for timber from the Tongass over the life of the Forest Plan, derived from trends in international demand for end products manufactured from such timber. Based on these long-term projections, the Forest Service also estimates annual market demand in order to determine how much timber to plan to offer.

## **Market Demand for the Planning Cycle**

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Research economists with the Forest Service’s Pacific Northwest (PNW) Research Station have prepared several studies of “planning cycle market demand” for Tongass timber, including three General Technical Reports by Brooks and Haynes (1990, 1994, and 1997). In 2006, the PNW Research Station published new harvest projections (Brackley et al. 2006). This report and an addendum to it (Brackley and Haynes 2008) provided key information for the 2008 Forest Plan Amendment analysis.

The Brackley et al. 2006 projections include four scenarios: 1) limited lumber production, which represents the situation the timber industry in Southeast Alaska has faced over the last several years; 2) expanded lumber production, which assumes some form of demand stimulus occurs; 3) medium integrated industry, which assumes sufficient demand stimulus occurs to cause an expansion of the current industry capacity and better utilization of forest products removed from public timber contracts; and 4) high integrated industry, assumes some kind of additional demand stimulation to result in full utilization of all types of forest products available from the Tongass. More-detailed information about these scenarios and their assumptions is in the Forest Plan Amendment Final EIS and ROD (January 2008), and in Brackley and Haynes, 2008.

The Brackley et al. 2006 study displays alternative projections of derived demand for timber from the Tongass National Forest. For the first two scenarios, which assume no market for low-grade sawlogs and utility volume, the estimates of planning cycle demand include sawtimber only. For the two integrated industry scenarios, the projections include total volume, including both sawlogs and utility. All scenarios include timber with a wide range of diameters and ages. Utility volume must be cut down along with higher-quality timber even if there is no demand for it. It is the total volume of timber cut on the Tongass that is of most interest, in part because environmental effects result from total volume cut. In addition, any comparison of scenarios must be based on comparable figures. Table 1 shows annualized Brackley et al. 2006 projections for all four scenarios in terms of total volume.

Table 1. Tongass National Forest Timber Sale Volume Necessary to Supply Derived Demand for Decked Log Volume and Chips, in Million Board Feet (MMBF); (Alexander 2008<sup>1</sup>)

| <b>Year</b> | <b>Scenario 1<br/>Limited<br/>lumber</b> | <b>Scenario 2<br/>Expanded<br/>lumber</b> | <b>Scenario 3<br/>Medium<br/>integrated</b> | <b>Scenario 4<br/>High<br/>integrated</b> |
|-------------|--|---|---|---|
| 2007        | 49.8                                     | 61.9                                      | 67  | 67  |
| 2008        | 49.8                                     | 66.4                                      | 139   | 139                                       |
| 2009        | 51.3                                     | 72.4                                      | 151   | 151                                       |
| 2010        | 52.8                                     | 78.5                                      | 166   | 166                                       |
| 2011        | 52.8                                     | 84.5                                      | 184   | 184                                       |
| 2012        | 54.3                                     | 90.5                                      | 204   | 286                                       |
| 2013        | 55.8                                     | 98.1                                      | 204   | 291                                       |
| 2014        | 57.3                                     | 105.6                                     | 204   | 295                                       |
| 2015        | 58.9                                     | 113.2                                     | 204   | 299                                       |
| 2016        | 58.9                                     | 122.2                                     | 204   | 303                                       |
| 2017        | 60.4                                     | 131.3                                     | 204   | 308                                       |
| 2018        | 61.9                                     | 140.3                                     | 204   | 312                                       |
| 2019        | 63.4                                     | 150.1                                     | 204   | 317                                       |
| 2020        | 64.9                                     | 163.0                                     | 204   | 325                                       |
| 2021        | 66.4                                     | 175.0                                     | 204   | 333                                       |
| 2022        | 67.9                                     | 187.1                                     | 204   | 342                                       |
| 2023        | 69.4                                     | 200.7                                     | 204   | 351                                       |
| 2024        | 70.9                                     | 215.8                                     | 204   | 360                                       |
| 2025        | 72.4                                     | 230.9                                     | 204   | 370                                       |

<sup>1</sup>Annualized calculation to fulfill derived demand scenarios from Brackley et al. (2006). This table was created using annualized values provided by Dr. Allen Brackley (personal communication, Nov 29 2006) from the model used to develop derived demand estimates in Brackley et al. (2006). The values for Limited Lumber Scenario and Expanded Lumber scenarios reported in this table have been adjusted to include low-quality material not included in the demand projections and include saw logs, cedar export, and utility (chip) volumes available from sawmill production. The Medium and High Integrated Scenarios are not adjusted and include sawlogs, cedar exports, chip volumes, low-grade material, and utility in Brackley et al. (2006).

## Annual Market Demand

The annual market demand forecast is a methodology used to set the short-term goals for the Tongass Timber Program – volume the Forest plans to offer in the current year, pending sufficient funding and sufficient NEPA-cleared volume.

The formulas and procedures used in forecasting annual market demand are described in a Forest Service report titled Responding to the Market Demand for Tongass Timber (Morse 2000). These procedures, which have become known as the “Morse methodology,” are based on the premise that:

- Forest product markets are volatile, especially in the short run.
- Timber purchasers in Southeast Alaska have few alternative suppliers of timber if they cannot obtain it from the Tongass National Forest. Oversupplying this market has relatively

few adverse economic effects; undersupplying it can have much greater negative economic consequences.

- It takes years to prepare National Forest timber for sale, including completion of environmental impact statements.
- It is difficult to estimate demand for timber from the Tongass, even a year or two in advance.
- Industry must be able to respond to rapidly changing market conditions in order to remain competitive.

Accordingly, the Morse methodology establishes a system that considers factors such as mill capacity and utilization of that capacity, and seeks to build and maintain sufficient volume of timber under contract (i.e., timber purchased but not yet harvested) to allow the industry to react promptly to market fluctuations. Industry actions such as annual harvest levels are monitored and timber program targets are developed by estimating the amount of timber needed to replace volume harvested from year to year. The methodology is adaptive, because if harvest level drop below expectations and other factors remain constant, future timber offerings would also be reduced to levels needed to maintain the target level of volume under contract. Conversely, if harvest levels increase unexpectedly, future timber volume targets would also need to increase sufficiently to ensure that the inventory of volume under contract is not exhausted. By dealing with uncertainty in a flexible, science-based fashion, the Morse methodology is an example of adaptive management.

The Morse methodology originally used the projected harvest from the final 1997 Brooks and Haynes report. These procedures were updated (Alexander 2008) to use the annual projected harvest figures from Brackley et al. 2006 in calculations of annual timber offer targets. No further changes to the Morse methodology were required as a result of the updated long-term demand projections contained in the Brackley et al. study.

In 2008, due to the Region 10 shipment policy, the Ketchikan veneer mill, and the success of Alaska producers in niche or specially markets, Brackley et al. 2008 determined that demand for National Forest timber in Alaska was on a trajectory most similar to Scenario 2 (expanded lumber production). In 2011, due to the sharp downturn in wood products markets, the 'Limited Lumber' scenario was used. However, due to the export policy and good overseas markets, this projection is back to being based on the 'Expanded Lumber, Scenario 2.

For FY 2014, the goal for volume of timber to be offered is 142 MMBF. This number is not intended to represent actual timber purchases in any given year. Rather, it reflects the estimated volume of timber the Forest Service needs to offer to replace the volume expected to be harvested and help build a 2-3 year supply of timber under contract, which allows the industry to respond to market fluctuations. The actual volume of timber offered in any given year, however, reflects a combination of factors, such as final budget appropriations; completing the NEPA process; the practice of offering smaller sales for smaller operators rather than all the volume from a NEPA decision; the statutory requirement that timber sales offered in the Alaska Region appraise positive; and volume affected by litigation. Due to these factors, the amount of timber that is offered and sold may be less than the expected timber purchases as predicted in the annual demand calculations. The document displaying the annual demand calculation and a summary of the factors used in these calculations are in the project record and on the Alaska Region public website ([http://www.fs.usda.gov/Internet/FSE\\_DOCUMENTS/stelprdb5349461.pdf](http://www.fs.usda.gov/Internet/FSE_DOCUMENTS/stelprdb5349461.pdf)).

The planned annual timber volume offer could include a combination of new, previously offered, and reconfigured timber sales. Both green timber and salvage sales will be components of this program. Offerings will consist of those targeted for Small Business qualified firms, as well as a portion of the volume being made available for the open market.

For planning and scheduling purposes, the Tongass uses a 5-year timber sale plan, which is consistent with Forest Service Manual 2430. This 5-year plan is based on completed and ongoing environmental analyses and contains information to purchasers and other interested parties, and provides a plan that can be adjusted in response to changing market conditions. This plan is also located on the Alaska Region timber management public website after it is approved by the Forest Supervisor (see the reference section at the end of this document for the internet address).

Both the “annual market demand” and the “planning cycle market demand” projections are important for timber program planning purposes. They provide guidance to the Forest Service to request budgets, to make decisions about workforce and facilities, and to indicate the need to begin new environmental analysis for future program offerings. They also provide a basis for expectations regarding future harvest, and thus provide an important source of information for establishing the schedule of probable future offerings. More information on timber demand on the Tongass National Forest is presented in Appendix G of the Forest Plan Amendment Final EIS (USDA Forest Service 2008c)

## **What Steps Must Be Completed to Prepare a Sale for Offer?**

The Tongass National Forest’s timber program is complex. A number of projects are underway at any given point in time, each of which may be in a different stage of planning and preparation. A system of checkpoints, or “gates”, helps the Forest Service track the accomplishments of each stage of a project from inception to contract termination.

### **Gate 1 – Initial Planning of Timber Harvest Project\_\_\_\_\_**

A Timber Harvest Project Plan, often referred to as a Position Statement, is a brief analysis of the project area with the intent of determining the feasibility of a potential timber sale. After the Position Statement is developed, the Forest Service decides whether the project area merits continued investment of time and funds for completion.

### **Gate 2 – Project Analysis, and Decision\_\_\_\_\_**

This step is commonly referred to as the “NEPA” phase and includes field work, public scoping, analysis, draft disclosure of the effects of the project on the environment, public comment, final analysis and disclosure, decision, and potentially administrative objections. Gate 2 activities must be completed before a contract is awarded. Legislation, policy changes, appeals, litigation, and/or objections have recently extended completion of some projects, often doubling the desired time frame.

## **Gate 3 – Preparation of a Timber Harvest Contract**\_\_\_\_\_

During this step, the information and direction included in the decision document from Gate 2 is used to layout units and design roads on the ground. Additional site-specific information is collected at this time. In order to maintain an orderly flow of timber volume, Gate 3 activities need to be complete before a contract is offered for bid.

## **Gate 4 – Advertise a Contract**\_\_\_\_\_

The costs and value associated with the timber volume designed in Gate 3 are appraised and packaged in a contract. The contract is a legally binding document that tells a prospective contractor how the timber must be harvested to conform to the project decision document. This step occurs during the final year of the project development and culminates with the advertisement of the project for sale.

## **Gate 5 – Bid Opening**\_\_\_\_\_

Gate 5 is completed with the opening of bids for the project. If a bid is submitted, contractual provisions govern when the award of the contract takes place, the contract length and operation season, and how timber removal is to occur.

## **Gate 6 – Award a Contract**\_\_\_\_\_

Gate 6 is the formal designation of a contract between a bidder and the Forest Service.

# **How Does the Forest Service Maintain an Orderly and Predictable Timber Sale Program?**

## **Pools of Timber (Pipeline Volume)**\_\_\_\_\_

As discussed earlier, the Forest Service tracks the accomplishment of the different steps of development of each timber harvest contract with the Gate System (Forest Service Handbook 2409.18). From a timber program standpoint, it is also necessary to track and manage multiple projects as they move through the Gate System. Because of the timeframes needed to accomplish a given timber harvest project and the complexities inherent in that project and program development, it is necessary to track various timber program volumes from Gate 1 through Gate 6.

The goal of the Tongass National Forest timber program is to provide an even flow of timber offerings on a sustained-yield basis to seek to meet market demand. In recent years, this has been difficult to accomplish due to a combination of uncertainties such as delays related to appeals, litigation, and/or objections; changing economic factors, such as rapid market fluctuations; and industry-related factors, such as changes in timber industry processing capabilities. To achieve an even flow of timber volume offerings, ‘pools’ of volume in various stages of the Gate System are maintained so volume offered can be balanced against current year demand and market cycle projections.

Today, upward trends in demand are resolved by moving out-year timber projects forward, which may leave later years not capable of meeting the needs of the industry. In other instances, a number of new projects are started based on today's market but will not be available for a number of years. By the time the added projects are ready for offer, the market and demand for this volume may have changed. Three pools of timber volume are tracked to achieve an even flow of timber harvest offerings.

The objective of the timber pools concept is to maintain sufficient volume in preparation and under contract to be able to respond to yearly fluctuations in a timely manner. Table 2 displays the current estimated volume in each pool, as well as the goal which the Tongass has established for the volume to be maintained in each pool, based on historic patterns. Appeals, litigation, and/or objections can cause timber harvest projects to be reevaluated, which can cause delays in making projects available to move through the pools, thereby not fully meeting the goals for volumes in each pool.

## **Pool 1 - Timber Volume Under Analysis (Gate 1 and Gate 2)**

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Volume in Gate 1, the initial planning step, represents a large amount of volume, but represents a relatively low investment in each project. This relatively low investment level offers the timber program manager a higher degree of flexibility and thus, does not greatly influence the flow of volume through the pipeline. A signed Project Plan (FSH 2409.18, Chapter 20) is the completion of this gate. Areas being considered at this time are Alder Creek, Sitkoh-False Island, Neck Lake, Portage Bay, Kuiu Island, Twelvemile Arm, Shrimp Bay, Polk Inlet, Thomas Bay, Frosty Bay, and Zarembo Island. The amount of the volume at this stage is subject to change during the Gate 2 analysis.

Gate 2, timber volume under environmental analysis as directed by the National Environmental Policy Act (NEPA), includes projects being analyzed and undergoing public comment through the NEPA process. This pool includes any project that has started the scoping process through those projects ready to have a decision issued. In addition, tracking how much volume is involved in appeals or litigation may be necessary to determine possible effects on the flow of potential timber projects. A signed NEPA decision (FSH 2409.18, Chapter 30) is the completion of this gate unless the project is subsequently appealed, litigated, or an objection is filed. Volume affected by these administrative processes are tracked as a subset of this pool (Table 3). Project areas under analysis at this time, in addition to this project, include the Navy Timber Sale, Wrangell Island, Saddle Lakes (located on Revillagigedo Island), and Kosciusko Island.

Based on historic patterns, the Tongass has established a goal for the pipeline volume to be maintained in each of the timber pools. The goal for Pool 1 is to be maintained at approximately 4.5 times the amount of the projected harvest to account for projects at various stages of analysis. That goal reflects a number of factors which can lead to a decrease in volume available, such as a decision in Gate 1 to drop further analysis in a particular planning area (called the "no go" decision), a falldown in estimated volume between Gate 1 and Gate 2, and volume not available for harvest due to appeals, litigation, and/or objections.

## **Pool 2 - Timber Volume Available for Sale (Gates 3, 4 and 5)**

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Timber volume available for offer includes projects for which environmental analysis has been completed, and have had any administrative appeals and litigation resolved. Enough volume in this pool is needed to be maintained to be able to schedule future offerings of the size and configuration that best meets market needs in an orderly manner. Although projects may meet the above criteria, contracts may not be offered if the volume appraises deficit or if changed circumstances would affect the ability to offer them. Whether an offering appraises deficit may change over time depending on the market and other factors. Also, some projects are either designed for small sales, or otherwise slated for small sales, as part of the decision or as part of an informal appeal or objection resolution.

The amount of volume to be offered as small sales is based on a determination of the need of mills in the vicinity of the project area. Also taken into consideration is the amount of volume under contract.

As a matter of policy and sound business practice, the Forest Service announces probable future offerings through the Periodic Timber Sale Announcement. Delays at Gate 2 have affected preparation (Gate 3) and have made scheduling of offers uncertain. At Gate 4, contracts have been fully prepared and appraised, and are available to managers to advertise for bid. This allows potential purchasers an opportunity to do their own evaluations of these offerings to determine whether to bid, and if so, at what level.

Timber in this pool can include a combination of new offers, previously offered unsold contracts, and remaining volume from cancelled contracts. The goal is to maintain Pool 2 at approximately 1.3 times the amount of the projected harvest to allow flexibility in offering contracts.

## **Pool 3 - Timber Volume Under Contract (Gate 6)**

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Timber volume under contract contains the volume that has been sold and a contract awarded to a purchaser, but which have not yet been fully harvested. Contract length is based on the amount of timber in the contract, the current timber demand, and the accessibility of the area for mobilization. The longer the contract period, the more flexibility the operator has to remove the timber based on market fluctuations. Timber contracts typically initially give the purchaser 3 years to harvest and remove the timber purchased; however, they can be extended under certain circumstances, such as inoperable periods of weather, injunctions, and other contractual delays.

The Tongass attempts to maintain roughly 3 years of remaining volume under contract to the industry as a whole. This volume of timber is the industry's dependable timber supply, which allows adaptability for business decisions. This practice is not limited to the Alaska Region, but is particularly pertinent to Alaska because of the nature of the land base. The relative absence of roads, the island geography, the steep terrain, and the consequent isolation of much of the timber land means that timber purchasers need longer-than-average lead times to plan operations, stage equipment, set up camps, and construct roads prior to beginning harvest.

A combination of projected harvest and projected demand is used to estimate the volume needed to maintain an even-flow timber program. As purchasers harvest timber, they deplete the volume under

contract. Timber harvest contracts are continuously planned and offered by the Forest Service to allow the timber industry the opportunity to replace this volume and build or maintain their working inventory to be able to efficiently plan their operations. Although there will be variation for practical reasons from year to year, in the long-run over both the high points and low points of the market cycle, the volume harvested will equal the timber volume sold, excluding cancelled contracts.

The goal for Pool 3, volume under contract, is to maintain timber volume at approximately three times the amount of annual projected harvest. This allows the purchasers to have a continuous supply of timber volume available for harvest so they can plan their operations and be flexible to allow for weather conditions and market fluctuations.

Table 2. Accomplishments in Gate System and Timber Pools (MMBF)

| <b>Pipeline Pool Volume</b>                              | <b>FY 2014 Goal</b> | <b>January 2014</b>     |
|--|---------------------|-------------------------|
| Pool 1   |                     |                         |
| Volume Under Analysis<br>(Gate 1 and 2)                  | 639 <sup>1</sup>    | 118 to 248 <sup>2</sup> |
| Pool 2   |                     |                         |
| Volume Available for Sale<br>(Gate 3, Gate 4 and Gate 5) | 185 <sup>3</sup>    | 166 <sup>4</sup>        |
| Pool 3   |                     |                         |
| Volume Under Contract<br>(Gate 6)                        | 426 <sup>5</sup>    | 73 <sup>6</sup>         |

<sup>1</sup> The goal for volume under analysis is approximately 4.5 times the projected harvest for the current year (based on 142 MMBF for the 2014 timber demand).

<sup>2</sup> Volume under analysis includes all timber volume in projects with a completed project plan (Gate 1) through completion of the environmental analysis (Gate 2). This figure includes about 52 to 55 MMBF of young-growth timber. A range is shown to display the range of volume for the alternatives for the on-going projects.

<sup>3</sup> The goal for volume available for offer is to have at least 1.3 times the projected harvest for the current year (142 MMBF) in projects that have approved NEPA and completion of timber contract preparation.

<sup>4</sup> This only includes the volume that is available to offer which has a decision through the NEPA process and appraises positive. This figure does include volume involved with on-going litigation – see Table 3. It does not include that volume which, through a decision by the Responsible Official, is slated only for small sales. This amount offered through multiple contracts is based on the needs of the Tongass-wide smaller mills.

<sup>5</sup> The goal for volume under contract is for purchasers to have three times the volume under contract as projected for harvest for the current year (142 MMBF).

<sup>6</sup> Estimated volume under contract from USDA Forest Service Alaska Region public website available for harvest as of January 2014 not including settlement contracts and those contracts which are in the process of being terminated.

## How Appeals and Litigation Affect the Timber Sale Program

Timber harvest projects require site-specific environmental analysis that usually is documented in an environmental assessment (EA) or an environmental impact statement (EIS). The public is notified of the analysis and is provided the opportunity to comment on proposals. The Mitkof Island EA will go through the new, pre-decisional objections process (36 CFR 218), which became effective March 27, 2013; instead of the appeals process (36 CFR 215). As before, when a decision completes the applicable administrative review processes, the project can still be litigated. Although litigation does not always preclude offering timber volume, the Forest Service and potential purchasers are often reluctant to enter into a contract where the outcome is uncertain. Since litigation can be a lengthy process, litigation can also affect the Forest’s ability to provide a reliable timber supply. With an unfavorable decision, the court may vacate the project’s decision requiring more environmental analysis to occur.

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Table 3. Timber Volume Involved in Appeals and/or Litigation<sup>1</sup>

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|  |            |
|--|------------|
| Timber volume with decision reversed on appeals <sup>2</sup> | 13.1 MMBF  |
| Timber volume involved with current litigation               | 109.5 MMBF |

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As of 02/27/2014.

<sup>2</sup> Decision overturned during internal review. Does not include volume under appeal review.

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## How Does The Forest Service Decide Where Timber Harvest Projects Should Be Located?

### Forest Plan Land Use Designations

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The process for determining the suitability of the land for timber harvest is found in the 2008 Forest Plan, Appendix A.

#### Land Suitability for Timber Harvest

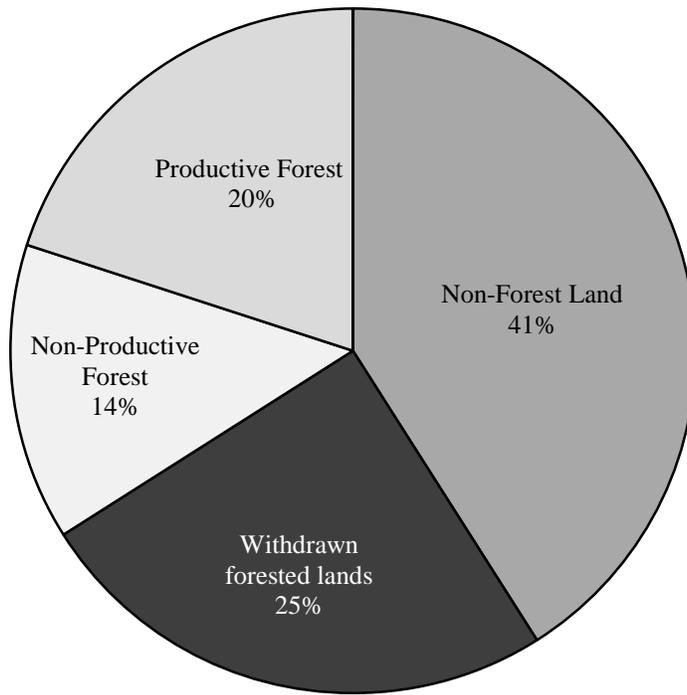
A primary consideration for selecting lands for timber harvest is the suitability of the land for timber production. Many acres on the Tongass National Forest are not forested. Of the forested lands, some of this land has been withdrawn by Congress for further consideration for resource management. On the Tongass National Forest, these lands include Wilderness and National Monuments. Other forested lands are not physically suitable for timber production due to non-forest vegetation, poor soils or steep slopes as determined by NFMA. These non-productive forested lands and non-forested lands provide other uses such as wildlife habitat for some species and various recreation uses. Figure 2 depicts the percentages of these categories of lands within the Tongass National Forest.

The Forest Plan identified the suitable land base for timber production, as discussed in Appendix A of the Forest Plan. Lands designated for possible timber harvest are in the development land use designations (LUDs), primarily in the Timber Production, Modified Landscape, and Scenic Viewshed LUDs. Timber harvest may be limited on some lands identified as part of the suitable land base because of Forest Plan standards and guidelines, such as stream and estuary buffers, and other laws and regulations.

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Figure 2. Tongass National Forest Suitability Analysis

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Non-Forest land – Land that has never supported forests, e.g. muskeg, rock and ice.

Withdrawn Forested Lands – Lands designated by Congress, the Secretary of Agriculture, or Chief for purposes that preclude timber harvest, e.g. Wilderness Areas.

Non-productive Forest – Forest land not capable of producing commercial wood on a sustained yield basis.

Productive Forest – Forest land that meets all the criteria for timber production suitability over the planning horizon.

## District-level Planning

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The Forest Supervisor for the Tongass National Forest is responsible for the overall management of the Forest's timber program. Included within these responsibilities is making the determination on the amount of timber volume to be made available to industry. Whether or not sufficient funding is appropriated to attain the program is the responsibility of the Congress and the President.

District Rangers develop a multi-year plan of potential timber harvest projects. The goal of the plan is to attain the targeted offer level for the current year, based on the estimated annual market demand, and to develop a timber program for several years of the planning cycle. The offer level for the current year is based, to the extent possible, on the forecasted annual market demand. Actual demand may fluctuate from year to year due to short-term market fluctuations. Actual offer levels vary year to year depending on several factors, including volume in Gates 2 through 3, and current market conditions.

The District Ranger is responsible for identifying and recommending to the Forest Supervisor the project areas for the 5-year schedule of integrated resource activities. This schedule factors in the time to complete preliminary analysis, resource inventories, environmental documentation, field layout preparations and permit acquisition, appraisal of timber resource values, advertisement of contract characteristics for potential bidders, bid opening, and physical award of the contract. Once all of the Rangers' recommendations are made and compiled into a consolidated schedule, the Forest Supervisor is responsible for the review and approval of the final timber harvest plan and prioritization of projects as necessary.

Considerations the District Ranger takes into account for each project include:

- If the project area contains a sufficient number of suitable timber production acres allocated to development land use designations. Consideration includes if the timber volume being considered for harvest can be achieved while meeting Forest Plan goals, objectives, and standards and guidelines.
- Other resource uses and potential future uses of the area and of adjacent areas and of non-National Forest System lands.
- Areas where the investment necessary for project infrastructure (roads, bridges, etc.) is achievable with the estimated value of timber volume in the project area. Where infrastructure already exists, such as the Mitkof Island project area, a timber contract would allow any maintenance and upgrade of the facilities necessary for removal of timber volume.
- Areas where investments for the project coincide with long-term management based on Forest Plan direction.

The implementation of the timber projects depends in part on the final budget appropriation to the agency. In the event insufficient budget is allocated, or resolution of pending litigation or other factors delay projects, timber harvest projects are selected and implemented on a priority basis. Generally, the higher-priority projects are those where investments have been made such as roads, camps or log transfer facilities have already been established or where land management status is not under dispute. The distribution of projects across the Tongass is also taken into account to distribute the effects and to provide timber volume in proximity to timber processing facilities. Timber harvest

projects scheduled for the current year that are not implemented, or the remaining volume of projects that are only partially implemented, are shifted to future years in the plan. The multi-year plan becomes very dynamic in nature due to the number of influences on each district.

## Conclusion

There is a long legislative recognition that timber harvest is one of the appropriate activities on national forests, starting with the founding legislation for national forests in 1897. The Organic Administration Act provides that national forests may be established “*to improve and protect the forest within the boundaries, or for the purpose of securing favorable conditions of water flows, and to furnish a continuous supply of timber for the use and necessities of the citizens of the United States.*”

Congress’ policy for national forests, as stated in the Multiple-Use Sustained Yield Act of 1960, is “the national forests are established and shall be administered for outdoor recreation, range, timber, watershed, and wildlife and fish purposes.” Accordingly, Congress has authorized the Secretary of Agriculture to sell trees and forest products from the national forests “at no less than appraised value.” The National Forest Management Act directs that forest plans shall “provide for multiple use and sustained yield, and in particular, include coordination of outdoor recreation, range, timber, watershed, wildlife, fish and wilderness.” ANILCA, as amended by the Tongass Timber Reform Act, provided for timber harvest from the Tongass as well as other uses such as subsistence. Effects on subsistence resources from timber harvest Tongass-wide are projected to have few differences based on the sequence in which areas are harvested. Because of the multiple use mandate and other requirements of the laws, these effects to subsistence are necessary, consistent with sound management of public lands.

In addition to nationwide statutes, Section 101 of the Tongass Timber Reform Act directs the Forest Service to seek to meet market demand for timber from the Tongass, subject to certain qualifications. It is the goal of the Tongass National Forest to provide an even-flow of timber on a sustained-yield basis and in an economically efficient manner. The amount of timber offered each year is based on the objective of offering enough volume to seek to meet the projected annual demand. That annual demand projection starts with installed mill capacity, and then looks to industry rate of capacity utilization under different market scenarios, the volume under contract, and a number of other factors, including anticipated harvest and the range of expected timber purchases.

As described by Morse (April 2000), in terms of short-term economic consequences, oversupplying the market is less damaging than undersupplying it. If more timber is offered than purchased in a given year, the unsold volume is still available for re-offer in future years. Conversely, a short fall in the supply of timber can be financially devastating to the industry.

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