

Nancy Fishering

Vice President

Colorado Timber Industry Association

“Logs in the Road: Eliminating Federal Red Tape and Excessive Litigation to Create Healthy Forests, Jobs, and Abundant Water and Power Supplies”

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Thank you Chairmen Bishop and McClintock and subcommittee members . Thanks also for the support of Colorado Representatives Scott Tipton and Mike Coffman and our Senators who have devoted time to our issues.

My name is Nancy Fishering. I am an officer and board member of Colorado Timber Industry Association and have served since 1996. I have also contracted to serve as the Timber Project Manager for the Montrose Economic Development Corporation which is a proactive community response to the Montrose sawmill receivership status. My background includes: 15 years working for the local sawmill currently in receivership, and two years working with my local governments to monitor the status and prospective purchase of the Montrose mill. My focus has been the retention of the jobs that have been held by many friends and former co-workers. I also have been a member of the various Colorado Forest Health Advisory boards and was honored to be appointed by three different Governors since 2001; and I have spent years working one-on-one with loggers and mills while problem solving on timber management issues on every National Forest in Colorado as well as collaborating with other public land agencies.

Today’s hearing is important to our local community, our State of Colorado and to all who value the beauty and grandeur of the American West and the forested mountains that comprise our high country watersheds. Colorado forests provide abundant water through our headwater rivers which drain fully 1/3 of the landmass of the lower 48 states. We are sitting on the Western Slope of Colorado where 80% of the precipitation falls for the rivers in Colorado. This is truly an appropriate location for today’s discussion, and we welcome you.

Colorado’s forests have experienced incredible and unprecedented scale forest health issues over the past 10 years. Over 6 million acres of trees have died during this relatively short time.

The numbers bear repeating since this state has been under siege since 2002:

2002 over ½ million acres burned – the most in any year of Colorado’s recorded history;
2002-present over 50% of pinyon killed in SW Colorado, and ¼ million acres of subalpine fir died;
1996 to 2011 cumulative insect damages including over 4 million acres of trees killed by MPB in CO and Southern Wyoming; over 1.1 million acres of aspen died, over ½ million acres of spruce killed by the Spruce bark beetle and another 600,000 acres of spruce defoliated by the Western Spruce Budworm.

I would purport that no other single state has tackled so many different forest health issues in such a condensed period of time.

I represent the folks who work in the woods, who process the wood, and who have the primary role of performing forest health projects as designed by our public land agencies . Public land agencies control management on 68% of the forestland in Colorado. Our forest products companies log burned trees, dead trees, and green trees, we thin trees, grind and remove woody biomass and protect public health and safety by removing hazard trees. We are pleased to be partners with the United state Forest Service and Bureau of Land Management, and our Colorado State Forest Service. We also recognize the important role played by our many collaboratives throughout the state who study, discuss and support the management efforts required by these forest health events. I personally have devoted untold hours working side by side with local officials, ranchers, miners, water boards, public utilities, local environmental groups, academia, and concerned citizens who care deeply that the issues are addressed. Our industry performs the work with diligence and stewardship of the land as a primary concern. For example, in 1994 this county was a sponsor and driving force to create the Public Lands Partnership which is nationally recognized and one of the oldest collaboratives still working on public land issues.

After the forest health issues are discussed and defined, my priority is the ACTION. Today's hearing is focused on ACTION because never before have we had so many management needs under such challenging budget and credit conditions. Fellow forest products companies have said to me that Colorado is the canary in the mine. The most important lessons that I have learned boil down to two essential concepts: economics of supply and efficiencies.

Economics: Within Colorado we have a small but diversified forest products infrastructure. The mill in Montrose is the largest capacity mill in the state although operating under receivership poses operational challenges that have compromised operating at maximum efficiency and scale. The Montrose mill and other family owned Colorado mills are primary processors of timber and have the capacity to create products that pay for logging thus reducing the costs of forest management . We also now have secondary processors such as our pellet mills and restoration forestry professionals who create value from older and smaller timber and biomass that must also be removed from the forests to mitigate risk of wildfire.

The processors in turn purchase materials from the loggers who buy timber from federal projects and perform tasks under service contracts where public land agencies *pay* to for services such as hazard tree removal along roads, trails, and campgrounds. I am sincerely concerned about the trajectory of timber supply outputs since processors are ultimately dependent upon a **steady, predictable supply of sawlog-quality** timber that can be economically processed into marketable finished products.

First, the good news. I am encouraged that the United States Forest Service (USFS) Forest Products budget line item has received strong bi-partisan support and has avoided cuts that would be devastating to our efforts .

We give a quick kudos to Region 2 who had the highest accomplishment of all Regions within the USFS for 2011. This Region 2 success occurs in spite of having one of lowest overall budget allocations among all the regions in the US.

I am encouraged that new authorities such as stewardship contracting and Collaborative Forest Landscape Restoration have been added to the Forest Service toolbox. The strong collaborative network throughout Colorado has used these tools to design and add new management projects while avoiding costly appeals. I have supported the creation of each of these tools while simultaneously having concerns about the patchwork of laws that we continue to weave which may ultimately undermine effective agency response. Collaboratives have an outstanding track record, however the process is time consuming, compromise is often at play which reduces pace and scale and effects product mix, and many will never truly understand the urgency of action that is felt by our membership who have hard earned money at risk and 'skin in the game.'

As we further pursue the USFS emphasis on collaboration, stewardship and Integrated Resource Restoration (IRR) budgeting we request specific requirements for efficiency and sawlog outputs. The collective tool box must still be implemented in light of the need to offer economical timber sales within reach of existing mills which make wood available on a competitive basis (i.e. -- don't tie everything up in one Stewardship contract). Colorado remains uniquely at risk if this provision is not followed since so much of the Colorado forestland is under the jurisdiction of the USFS and essentially the only source of sawtimber.

These attainments are important to the timber industry. We know that the existence of robust processing capacity is the best, most cost-effective tool for forest health and removal of the fiber. Why? Because the primary and secondary processors can purchase the timber, pay the loggers a living wage, add value, and then market lumber, pellets or energy at a profit. Without both profitable timber processing, the presence of skilled loggers, timber management options to dispose of the millions of dead trees are much more limited and expensive.

The nearby Montrose sawmill is the largest capacity mill in the state and the mill that has processed the vast majority of conifer over the past 10 years is in receivership due to the devastating effects of the recession on the housing sector. In 2008 Intermountain Resources had processed 90% of the beetle killed timber in Colorado according to USFS records. In order to maintain this vital element of the limited infrastructure left in Colorado, and to retain the skills of my colleagues, we need to be very aware of the economics of the myriad decisions and projects chosen to address forest health. We must find that 'sweet spot' of efficient projects, a predictable and even supply of sawlogs, correct costs, and profitable return in order to 'close the sale' and entice the investment to keep this mill and the jobs it supports, and strengthen all Colorado companies that work in the forest.

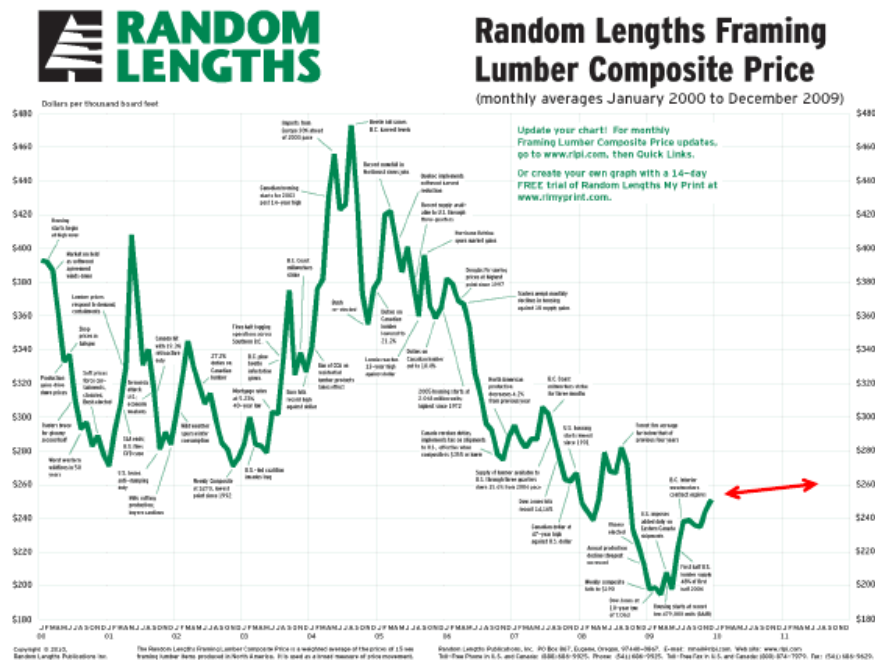
The industry constantly monitors project level issues that can overcome a timber contract purchaser. Our goal is to stay profitable and keep working so each and every issue must be addressed as we partner in the day to day operations to address forest health.

A quick summary of issues we face include:

~Need to maximize sawlog-quality material in every timber project from conventional timber sale contracts, to stewardship contracts, to service contracts, to Indefinite Duration Indefinite Quality (IDIQ) contracts. With adequate sawlog supply the various processors will complement each other rather than cannibalize each other.

~Need road packages and stumpage fees that are designed at a scale affordable in today's forest product markets. The following chart shows the recent history of lumber markets which is a fundamental challenge as we treat forest health projects.

Market Challenges



~ Steadily increasing acreage in roadless, wilderness, or wildlife habitat restricted areas such as lynx management units decreases the acreage available for timber harvest or mitigation for the risks of catastrophic fires. In the case of the Southern Rockies Lynx Amendment there are implications that may restrict long term management of young regenerated stands that should be thinned to maintain vigor and health.

~ The Forest Service Appraisal system has shown increasing flaws and needs to receive a major adjustment to be accurate in today's economy. A national team is currently being formed to study this important issue on viable pricing.

~ Many contracts continue to contain restrictive clauses that severely affect the economics of logging

~The Forest Service lacks tools to **quickly** and efficiently make and implement decisions in response to bark beetle epidemics. Timing is critical since insects are moving at unprecedented rates. Fire funding and personnel are immediately available, but a similar mechanism is lacking for insect epidemics.

~Expectations for industry to participate in forest planning takes an unconscionable length of time as in the case of the Grand Mesa, Uncompahgre, Gunnison National Forest plan which first began in 1999 and has no closure as of this date.

~Last a recent court case has essentially determined that forest logging roads are 'point sources' of pollution and must now comply with highly bureaucratic and costly processes that could seriously disrupt all timber forest health projects.

Each of these issues receive attention and are works in progress with the Forest Service, but the patchwork of old laws and new laws and shifting priorities create a huge challenge and uncertainty for Forest Service staff as well as our industry. Since the early 2000's, the Colorado Congressional delegation has been actively engaged on many of these fronts and have supported numerous pieces of legislation to assist this unwieldy system. We have not successfully passed many good ideas. We all want a system that is rational, environmentally sound and one that is economically viable and sustainable. We fear the patchwork approach that adds laws while not removing antiquated processes designed for a different time.

We are thankful that we have investors willing to build and operate in such challenging and often uncertain conditions.

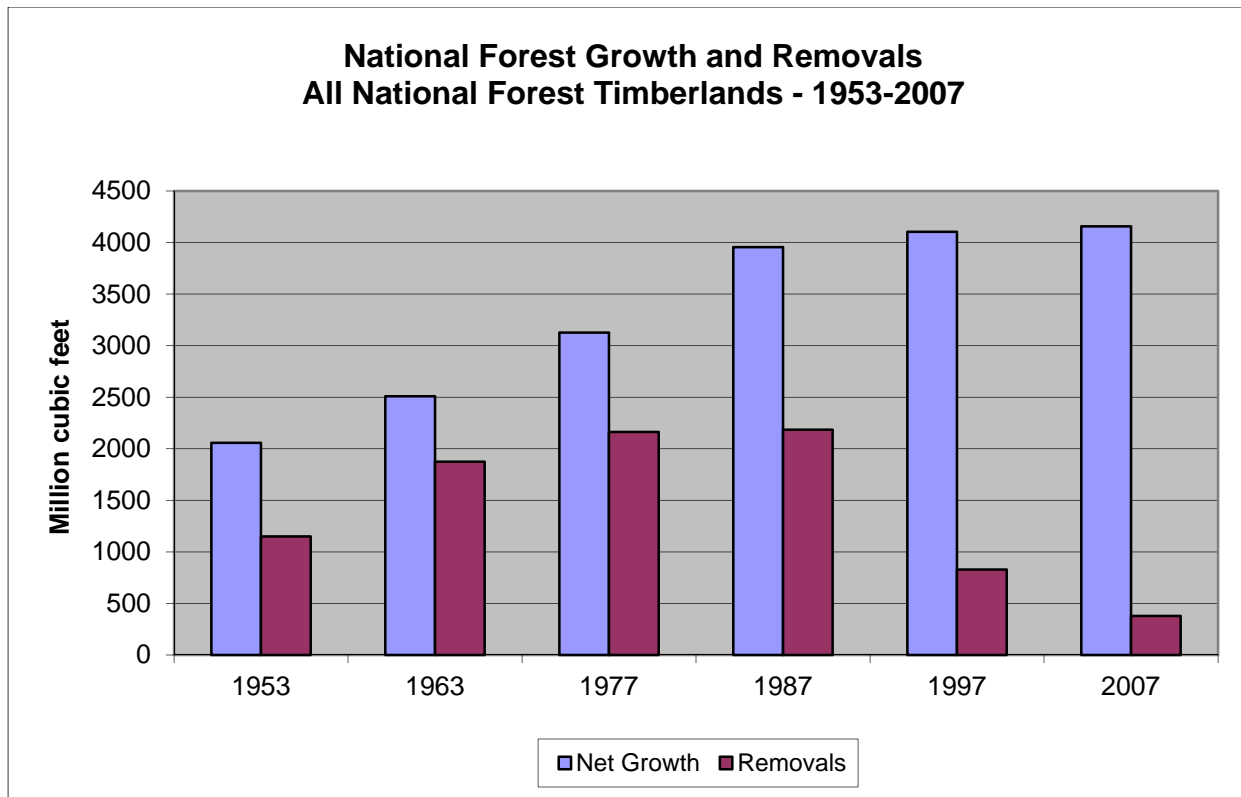
Within our industry we see several overriding disturbing trends at this vulnerable time in the recovery of forest products sector:

The flat Forest Service budget and cuts in mutually dependent line items has resulted in a declining trajectory of outputs or sawlog supply for Colorado companies. This is a trend that can and should be addressed immediately.

Our solution would be to rely on the historic tools of requiring definitive timber outputs. With the underlying bi-partisan support on timber management we can and should monitor timber outputs.

Nationally, we ask for an immediate increase in Forest Service targets from 2.8 to 3.00 BBFT.

Keep in mind that 3 BBFT is a small target compared to the estimated 22 BBFT of **annual growth** on national forest timberlands. We are losing the battle of thinning the forests to reduce fuels. In a recent biomass conference we learned that for every ton of material removed from the forest, another 18.2 tons of material is simultaneously being regenerated. If one factors in the acres affected each year by insect and disease and this ratio goes up even further. Colorado was mentioned as the state with the highest ratios in any western state.



In our view, immediately raising the timber targets is both logical and long overdue.

As we add the restoration initiative as a Forest Service management priority, (but add no new funds) we need to identify sawlog outputs as a mandatory component. All contracts need to collectively contribute to a supply of merchantable timber. Even when forest health projects are targeted to remove hazard trees, small diameter, dead or dying trees and the unending supply of slash, we request a conscious decision to add a merchantable sawlog component. More sawtimber equals additional supply for mills, lower costs resulting in more acres of management.

We further believe that sawlog outputs need to include both the salvage of dead trees AND the proactive management of our still green forests. Good forestry demands attention to both and the long term viability of industry will depend on it.

Regionally we ask for a budget and resulting timber supply that will allow the Forest Service to address health issues *equitably* across the states.

The mill in Montrose was purchasing logs from every national forest in Colorado while processing right here in Montrose. For this mill and the other mills in Colorado to survive for the long-term, supply must be balanced geographically. If we lose the projects nearest each mill infrastructure, in order to chase the newest forest health issue, then the cost- effective processing will disappear. These investments are fixed in bricks and mortar, and the mill owners have limited margins to purchase wood further and further afield. As their costs of timber management rise, fewer acres will be treated. Recently mill owners have asked the Forest Service to add green timber to the forthcoming supply since standing

dead timber slowly deteriorates and a green program will be essential to keep a sustainable industry - long term- in Colorado.

Importantly we ask for efficiencies. We seek increased management opportunities when we maximize Forest Service authorities to operate more efficiently.

- Suggestions here Suggestions here include:
 - improve streamlined project planning/ analysis;
 - seek timber outputs that match the supply needs of infrastructure;
 - reduce non-essential costs on many of our projects.
 - use HFRA in order to benefit from streamlined judicial review;
 - implement the newly authorized pre-decisional administrative objections process as soon as possible;
 - implement each project to the maximum extent permitted under the NEPA analysis-- several more trees per acre multiplied by the numerous projects within the state adds up to significant additional sawtimber and return per project;

Quickly tapping into simple solutions such as these and others appearing in the recent FS report on “Increasing the Pace and Scale of Restoration” will allow instant results. We can increase management through economically rational, and ecologically sustainable projects that meet the needs of industry and the needs on the ground.

I am very committed to the timber entrepreneurs who have put their valuable investment dollars on the line in order to operate in an extremely challenging economy. I don't want to see one more job lost, or more shrinkage in a small but important industry.

I am honored to testify, and I would be delighted to work with you to give additional detail to quickly enhance an efficient, environmentally sound forest health strategy.