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Forest Conference Correspondence [2]

Stack:	Row:	Section:	Shelf:	Position:
S	61	6	1	3

CC: WILL STEELE

CC: Peter Yu.

Will Steele - need to get
necessary directives / management
in place (legis? or admin?)

May 28, 1993

MEMORANDUM

To: Harriet

From: Dan Sakura (w: 208-4678/h: 202-797-9517)

Subject: Inserts

Target job retraining to unions

While timber supply is the overriding issue for organized labor, labor unions in the Pacific Northwest would like to be involved in the planning and execution of any expanded worker retraining program. Specifically, they would like train and certify workers for "jobs in the woods," such as heavy equipment operation. (Labor also envisions some sort of job preference that would ensure 90-95% of these jobs would go to unemployed timber workers.)

There are two main opportunities for increased labor union input. The worker and community assistance package suggests that the Secretary of Labor make additional funds in discretionary accounts available for training and demonstration programs in the Northwest. State and local governments could be encouraged to work closely with local labor unions in the planning and execution of any new or expanded programs. In addition, the group recommends that the Secretary of Labor study the effectiveness of existing programs in the Northwest. The Secretary could be encouraged to consult closely with local labor unions, before writing the report.

Target watershed restoration

Many in the northwest believe that any watershed restoration package should focus on watersheds in areas that could be severely impacted from cuts in timber sales. These areas include the Olympic peninsula, southwest Oregon and the northwest corner of California. In these areas, several local organizations have organized watershed restoration efforts on the Chehalis watershed in Washington state and the Trinity-Klamath in Oregon/California. While science should dictate which watersheds receive treatment, a strong argument can be made that the watershed package and the jobs it provides should be focused on those people and communities hurt by cuts in sales.

Manufacturing extension center

Many local leaders support the creation of a manufacturing extension center in the

Cottonyhem -- you
need to work w/ AUB
people to see what
we will be able to say about this.

Get it ranked down. &c.

Northwest. The economic package contains a recommendation that the Department of Commerce establish a center in the region. The question, however, is where it should be located -- in a rural area in one state, or in a central location, such as Portland. The Commerce Department will make the final location based on financial and technical considerations.

000000000000

Are the reserves:
① permanent
— x years

② ← legislatively created
Administratively created

W.S. to review.

LANGUAGE TO IMPLEMENT PERMANENT RESERVES

(a) Establishment.- In order to protect ecologically significant old-growth forests, maintain and enhance areas that would contribute to the viability and recovery of the northern spotted owl, and other species associated with old growth forests, and to protect riparian areas and other areas of special ecological significance, there is hereby established the Old-Growth Forest Reserve.

(b) Lands Included in Reserve.- The Reserve shall consist of certain lands and interests in lands in Washington, Oregon, and northern California that are generally depicted on the map entitled " " and dated , 1993.

(c) Preparation of Map and Legal Description of System.- As soon as practicable after the date of enactment of this Act, the Secretary of Agriculture and the Secretary of Interior shall prepare a map and a legal description of the Federal lands and interests in lands that are under the jurisdiction of the Secretary and included in the System.

(d) Filing With Congress.- The maps and legal descriptions prepared under subsection (c) shall be filed with the Committee on Agriculture and the Committee on Natural Resources of the House of Representatives and the Committee on Agriculture, Nutrition and Forestry and the Committee on Energy and Natural Resources of the Senate. Each map and legal description filed under this subsection shall have the same force and effect as if contained in this Act.

(e) Availability.- Each map and legal description filed under subsection (d) shall also be on file and available for public inspection in the Office of the Chief of the Forest Service and in the Office of the Director of the Bureau of Land Management.

(f) Boundary Adjustments.- Each Secretary may correct any clerical and typographical errors in the maps and legal descriptions prepared by the Secretary under subsection (c). No other adjustment of any boundary of the System shall occur unless made by an Act of Congress.

#3

ECOSYSTEM ADAPTIVE MANAGEMENT

Ecosystem adaptive management leads to change in management direction as new information or data becomes available. An intensive monitoring program is critical to determine where and when actual outcomes begin to vary from predicted outcomes. As actual outcomes become more certain through research and monitoring, management should be revised accordingly.

The key component is risk or viability analysis. Because research data on many species in question is very limited, conservative management strategies have been recommended to provide a hedge against the unknown and thus allow for a medium or high species viability estimate. As research generates more data, management can be guided to a greater degree by what is known (or predicted with greater certainty) than by what is unknown. It may then be possible to implement less conservative conservation strategies as more conclusive data is developed.

A major problem is that the viability of some species, the northern spotted owl for example, is estimated over a 100 year period. The conservative management strategy provides that species risk is determined near the end of that 100 year period.

Some advocates of adaptive management argue that aggressive research and monitoring may allow for greater risk to be assumed in the near term, if research and monitoring allow adjustments to be made if assumption of those risks begin to appear unjustified. A key element of this argument is that the adverse impacts on people and communities of a conservative resource management strategy will be known with great certainty in the very short term, like 2 or 3 years.

Opponents of this approach argue that irreversible habitat harm would occur by the time data begins to show the species has been pushed beyond the brink of survival.

An ecosystem adaptive management program coupled with intensive research and monitoring could be designed and implemented which incorporates a sliding scale of risk or viability analysis. Benchmarks could be established by a scientific committee which would allow for management flexibility in a 3 to 5 year short term period. If viability benchmarks are not met, however, commercial activity would be reduced even further than projected under the most conservative current analysis. A system should be implemented to allow for credible scientific research and monitoring results to be analyzed in terms of viability and then be expressed as an advisory to guide management options.

Another potential problem is that the National Forest Management Act may require amendment in order to allow any form of adaptive management to function efficiently. With a continuous flow of scientific data which may be used to revise commodity outputs or land use reallocation, the forest plan amendment/revision process needs to be simplified and streamlined.

EXPERIMENTAL FORESTRY PROGRAM

(1) Establishment of experimental harvest units.- The Secretary of Agriculture and Secretary of the Interior shall establish at least one alternative forest experiment on each National Forest or BLM district in the northern spotted owl region. Experiments shall be conducted on between 1,000 to 2,500 acres and must be designed, replicated experiments that will produce scientifically credible information. Experiment sites will be selected based on candidate sites recommended by scientific institutions. To the greatest extent possible, state and federal wildlife agency should be consulted in the development of such experiments.

we will
have identified
??

What's the relationship between
"experimental forests" and
"adaptive mgmt areas"? ✓
Franklin's adaptive mgmt areas
are 100,000 → 500,000 acres --
1 w/in each. physiographic
province -- not each Forest

11. portland team -- ecosystem assessment will do
Norm Johnston will provide in technical docs.

Jerry Franklin drafted.

legislation would direct agencies; then agencies would
Does not need to be established now for identification;
done in consultation -- monitoring / team - oversight group
fills in

Gaede

VALUE-ADDED WOOD PRODUCT MANUFACTURING PREFERENCE PROGRAM

Within the first year of any such interim timber sale program implemented pursuant to this Act (or regulation), the Forest Service shall establish six pilot projects, two on National Forests in each state of Washington, Oregon and Northern California, which shall give preference in the purchase of federal timber to qualified secondary wood product manufacturers. The Bureau of Land Management shall establish two such pilot projects for their Western Oregon timber sale program.

Secondary wood product manufacturers may include any manufacturer who is not a primary manufacturer. Primary manufacturing is defined as the production of: a.) softwood sawlogs, b.) dimension lumber, c.) boards (anything less than two inches in nominal thickness and 1 inch or more in width), d.) shakes and shingles, e.) panelboard or f.) pulp and paper.

Qualification as a secondary wood product manufacturer is determined in the same manner as qualification is determined under the SBA Small Business Set-Aside program, with a self-certification form submitted with the timber sale bid submission.

Not less than ^{20%} 5% of the volume offered on the test Forest or BLM district shall be made available to qualified secondary wood product manufacturer bids.

At the conclusion of the interim timber sale program (3 to 5 years), the Forest Service and the BLM shall review the results of the demonstration and recommend to Congress (or make the determination administratively if possible) whether the set aside program should be expanded, modified or discontinued based upon the potential effectiveness of the program in additional job creation and in the growth of secondary wood products manufacturing.

20% from sales --
Y's paper

What is the right answer here. Was Y's suggestion kept just several experimental sites? Do we know that capacity to process is there?

Part of ongoing sale planning process -
since still crunching # on regional sales

done as pilot - answer these questions.
Interim period would determine what percentage.
An approx. % determined upon region's manufacturing capacity.

Leave some adjus

MEMORANDUM

TO: Forestry Team
FR: Will Stelle
RE: Work Plan for June 2nd Submission
DATE: May 24, 1993

STRATEGY

*Large
Analysis
presented
5/24/93*

Based upon this afternoon's meeting with Katie, we've prepared the following items that will need our immediate attention over the next week. Each may be a potential "mitigation" option that would accompany the core Thomas proposals, and each specifies one or two people as the lead to prepare the details on the item. Those people should prepare short descriptions of it (up to one page) for submission to the group by the end of the week. These items may then provide additional fine-tuning details to the basic forestry options of the Thomas Team that are submitted to the President next week.

As for who is doing each item, we've taken a rough cut, but if anyone wants to do something -- or visa-versa -- its fine, so long as everything is covered and no one is getting off too lightly.

FORESTRY MANAGEMENT ASSUMPTIONS

o The President will select an option that complies with existing laws, and that option will be submitted to judge Dwyer o July 16th in the form of a Supplemental EIS covering both FS and BLM.

o Based upon the historical overcutting that have dominated forest management over the last 12 years, the options will necessarily entail a very significant reduction in timber harvest. The biological imperatives dictated by existing laws leave the President with very little room on these options to provide timber.

o Current law requires and our planning contemplates an administrative route for implementation that will result in a resumed timber program for FS and BLM sometime next year. We anticipate that one primary option will be to request that Congress pass legislation to allow for sales this fall.

KEY CONSTITUENCIES

- o Michael Draper
- o Dicks
- o Defazio
- o Les AuCoin
- o Hatfield
- o Committee chairs
- o National Environmental Groups (tree groups and ESA

groups)

- o Foley
- o Washington and Oregon Governors

1. DRAPER ISSUES

- a. Management options ought to be bare minimum for compliance to maximize the cut. (McGinty, Pipkin)
- b. The proposal ought to free up as much private timber as possible quickly through the use of a 4(d) rule (Stelle)
- c. Export Relief
 - 1. Eliminate existing subsidy for log exports (Yu) *- in ec package*
 - 2. Voluntary agreement with private landowners not to export any timber freed up from owl circles. (Collier) *need this to be written. strategy to move forward here.*
 - 3. Redefine cants (Tuchmann)
- d. Secondary Manufacturing -- targeting fiber to secondary manufacturing, particularly in hard hit areas.
 - 1. Assess job impacts in Defazio's district (Tuchmann)
 - 2. Develop bid preference options (Gaede and Lyons)
- e. Target job retraining to unions (Sakura) *Yu & Stelle*
- f. Speed implementation and provide certainty through the legislative package (Stelle)
- g. Prepare additional sales through BIA (Tuchmann and ?) *where is this? check w/ Peter Heenan.*
 - 1. Channel this BIA timber to hard hit communities?

2. DICKS ISSUES.

- a. Early consultation on land management options to explain the reality of the very strict biological parameters and solicit advice on how to improve it within those parameters. (Solien and designated senior staff -- Lyons and Collier?)
- b. Develop options on an experimental forestry option for the Olympics, focusing on salvage (Stelle/Lyons)
- c. Target watershed restoration (Sakura) *taken care of in option 9?*
- *d. Manufacturing Extension Center (Sakura) *Costing and Sakura meet w/ OMB*
- e. Early consultation on entire range of community assistance package to elicit advice on and support for full funding. (Solien and Yu)
- f. Maximize cut, certainty, private lands and BIA (same as Draper)

3. DEFAZIO ISSUES

- a. Develop community forestry options (Tuchmann)
- b. Develop experimental forestry program (Stelle/Gaede)
 - 1. previously managed lands
- c. Land exchanges (Tuchmann) *any other easement options??*
- *d. NBS (Collier) *Status of this??*
- e. Maximize cut, certainty, private lands (same as Draper)

4. AUCCOIN ISSUES

- a. Ecosystem Management Plan (??) (Stelle/Gaede) *Land ASIO/ easements?*

5. HATFIELD ISSUES

- a. Certainty (Stelle/Lyons)
- b. Maximize cut, private lands fix, BIA timber (same as

Draper)

6. FOLEY ISSUES

- a. Maximize cut, private lands, certainty, etc
- b. East Side (Gaede) → let's get legislative directive written here.

7. NATIONAL ENVIRO ISSUES

- a. Certainty (Stelle/Lyons) => ??
- b. Permanent reserves (Stelle/Gaede)
- c. East Side (Gaede)
 - 1. salvage program
 - 2. watersheds

no clearcuts on federal lands?

Pipkin DOI - ~~E~~ can he give status of Andros option on log exports. Will this be feasible for inclusion in the decision doc. he has? Will find out + call back

Lyons ✓ 720-5166 will Stelle ✓ 208-4883 Yu

Gaede ✓ 720-8570 Tuchmann ✓ 208-4863

Sakura ✓ 208-4678

Collier ✓ 208-7351

Solien ✓ 208-7693

Peter Hamm

* Gaede - Andros option
- Clamp down on substitution.

#1 Cotton: Draft.

Stephanie has not seen, and
May have changes.

confidential

Early Consultations on Forest/Economic Options

Several key members of the Pacific Northwest Congressional delegation will be experiencing severe effects of the reduced harvest levels in the region.

Serious and early consultations with Speaker Foley, Senator Hatfield, Rep. Dicks and Rep. DeFazio should be held, on both the forest management and the economic mitigation options. On the forest management side, we will have to make it clear to the Senator and the Members that there are severe limits to what can be negotiated on the edges.

Rep. Norm Dicks is aware that his district, which includes the Olympic Peninsula, is likely to feel significant effects from the forest management options that are being prepared. However, it is more than conceivable that he is not aware of how acute those effects will be. The Peninsula Counties--Clallam, Gray's Harbor, Jefferson and Mason--will be hard-hit, according to economists working with the scientific team, by changes on the Olympic National Forest. There are some timber towns that have the potential for a better future--Aberdeen, Washington has a strong port facility and highway infrastructure--but for most timber communities the prognosis both short and mid-term is poor.

Rep. Peter DeFazio is also not totally in the dark. His loyalty to the President is strong, however: he chose, close to the vote, to support the President's budget last week, though he faces trouble with constituents for doing so. The Portland economists say Southwestern Oregon--primarily Coos, Curry, Douglas, Lane and Western Linn Counties which are all in DeFazio's district--will be hard-hit, due to marbled murrelet and salmon.

Senator Mark Hatfield faces the same challenge DeFazio does. His support is important, and he should be consulted.

Speaker Tom Foley faces a backlash from industry, and his support is critical if there is to be Congressional action.

Some possible elements of those conversations:

- experimental sections of forests where "new forestry" techniques can be showcased and studied.
- the possibility of lifting owl circles in return for a riparian protection commitment from state agencies and private land owners.
- as extensive an array of salvage and thinning operations as the scientists believe to be within the bounds of "good science."

DETERMINED TO BE AN ADMINISTRATIVE

MARKING INITIALS: N DATE: 2/15/88
2012-0769-f

Peter Vu - what can we do if jobs
programs to ensure this?

- on the economic side, / strong "jobs in the woods" programs targeted at local unemployed mill workers and loggers.
- pledges of both vocational training programs and replacement funding for lost county revenues.

We have already held extensive discussions with economic advisors of Governors Lowry and Roberts about what the specific needs of the affected communities will be, and about state programs that federal assistance can coordinate with. The Governors' advisors can certainly suggest more specifics in advance of these consultations with the Senator and Members.

to Will Skille for write-up of
legislative change

TUCHMANN

REDEFINE "UNPROCESSED TIMBER"

NEED:

Region-wide, less than 20% of timber harvested is used by value-added manufacturers. Thus, 80% of the raw materials creates, on average, about 3 jobs per million board feet in the primary industry, while the balance generates from 12 to 80 jobs for the same volume of raw material in the secondary industry.

However, secondary manufacturers primarily use timber that is 2 inches or less in thickness. This requires a level of primary manufacturing that is not always forthcoming as primary manufacturers, especially log exporters, receive a premium price for minimally processed cants. There is an opportunity to channel more processed timber into this job producing value-added sector where excess capacity currently exists.

If they are going thru crisis, re gear or already cant/ 2x4's. There would be a gearing up period

CURRENT SITUATION:

Current law prohibits unprocessed logs harvested from federal lands to be exported. Unprocessed logs are legislatively defined as high grade lumber, construction timber, or cants for remanufacture not to exceed 12 inches in thickness. Remaining grade lumber, construction timber, or cants cannot exceed 8 3/4 inches in thickness if it is to be exported.

Across

Thus, while unprocessed logs are technically prohibited from export, the processing requirements are minimal. These liberal processing requirements are particularly harmful to secondary manufacturers as their timber supply is exported as 12 by 12 cants instead of being manufactured for domestic needs.

PROPOSED CHANGE:

Require logs harvested from federal lands to be processed to 2 inches in thickness or less.

A less comprehensive, but, more flexible approach, would be to require 50% of logs harvested from federal lands to be processed to 2 inches or less.

ANTICIPATED EFFECTS:

Redefining "unprocessed timber should:

- increase jobs in primary processing mills, and,
- channel more wood to secondary manufacturers because the finished product would be sawn to meet their needs. For example, redirecting just 500 million board feet of timber to the secondary manufacturing industry, about 5% of last year's region-wide harvest, would increase the number of jobs by 2,000 to 12,500 depending on how the material was used.

POLICY ANALYSIS:

Limits on log exports are controversial, especially in Washington. Primary manufacturers will oppose this proposal because they feel it impacts their rights, their mills may not be geared to produce 2 inch logs, and they cannot produce such products at a profit.

However, the associated job increases in the secondary manufacturing community will be positively received in the labor community and with the public at large.

This change would have to be legislatively amend 16 USC 620e Sec 493(7)(B).

~~F.T. is noty this done?~~
Copy Peter Yu.

JOB IMPACTS IN CONGRESSMAN DEFAZIO'S DISTRICT

It is impossible to specifically assess job impacts in Congressman Defazio's district because the data is collected by county, whereas congressional district boundaries transcend county boundaries. However, it is possible to provide a general job impact assessment.

Congressman DeFazio's district includes Linn, Lane, Douglas, and Coos Counties. The congressman's district also includes portions of Jackson, Josephine, Benton, and Curry counties.

JOB IMPACT ASSESSMENT:

The following are preliminary job impact estimates that will be recalculated in the next 48 hours based on final ASQ numbers. A specific county by county analysis and, therefore, district analysis can be undertaken at that time.

In looking at these number it should be kept in mind that they do not take the will power of individual manufacturers into account. For example, a mill owner in Douglas county may be willing to truck logs 300 miles to keep his mill open, whereas a mill owner outside of Portland may decide that he is unwilling to compete.

Coos, Curry, Jackson, Josephine, and Douglas Counties²

1990 Employment ³	21,400
1990-92 Reduction	2,140
Projected Plan Reduction	6,355 - 9,630

Lane, Linn, Benton, and Lincoln Counties⁴

1990 Employment	20,900
190-92 Reduction	2,090
Projected Plan Reduction	1,881 - 5,643

Totals

Total Southwestern Oregon	8,236 - 15,273
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Needs to be updated per: Greber. Lower

¹ Source: Brian Greber, Personal Communication, May 31, 1993

² Includes portions of Congressman Smith's district.

³ Employment numbers include logging, sawmilling, lumber, paper and pulp, veneer, plywood, and secondary manufacturing excluding furniture sectors

⁴ Includes portions of Congressman Kopetski's and Congresswomen Furse's districts

*T.T. -> does option 9 cover this?
- additional steps necessary
if so, when then*

COMMUNITY PARTNERSHIP ORGANIZATIONS

NEED:

Until recently, forest practices were guided by timber oriented local interests working through federal forest managers and their elected leadership. The timber management practices were rarely challenged at the local level and only when regional and national demands overrode local concerns did changes occur on the ground.

The rural character of northern California and the Pacific Northwest has changed in recent years and more and more grassroots environmental groups have been organized to challenge the status quo. The conflicts that often result pull at the very fabric of these small tightly-woven communities. In this sense, environmentalists are now increasingly represented at the local as well as regional and national level.

With local community values beginning to mirror the diversity of regional and national values, there is a need to encourage community based conflict resolution and management programs. Such programs would move beyond traditional public involvement efforts and allow various interests to participate in federal land management decisions.

CURRENT SITUATION:

After years of infighting, a deep mistrust among all parties exists. Yet, there is an increasing realization among local environmentalists, industry, community officials and others that they will have to try and work together in the future. A few communities are already pioneering a way to do just that. The Applegate Partnership in southwestern Oregon is the most well known of these community groups. Similar organizations are popping up in northern California as well.

Many organized interest groups seem to be unwilling to support such partnerships at this time as they are waiting out the results of the President's planning efforts. However, those who are willing to participate -- or just talk about it -- are doing so because they: (1) recognize historic logging levels will no longer exist, (2) believe they can have sustainable harvest levels and old growth protection, and (3) seek to save their community from economic decline.

PROPOSED CHANGE:

Establish a federal framework for "Community Partnership Organizations (CPOs)" to bring together a community's various interests to define the forest condition they desire and the community economic structure that is consistent with that desired condition. Such CPOs would be:

- non-profit organizations.

- voluntary and supported by the communities themselves.
- assisted, but not directed, by federal land management agencies.
- established to share power with federal forest management decision makers.
- expected to vary, depending on local forest conditions and on the communities' needs and culture.
- encouraged to include participation of worker and community assistance agencies such as the Small Business Administration, Economic Development Administration, etc.

The CPOs would develop a plan for its area with the participation of the land owning agency as well as any other agency with responsibilities for that ecosystem. The plan would:

- be defined by a watershed or other natural features, rather than by political boundaries.
- place priority on complying with the nation's environmental laws and regulations.
- provide federal land managers the flexibility to manage the area to achieve the desired future condition.
- provide agencies with enough flexibility to manage.

ANTICIPATED EFFECTS:

CPOs are expected to build trust and allow communities to develop their own forest management options. If successful, CPOs would reverse the current top down timber management process and provide for a bottom up process.

There is no doing away with conflict over the management of the nation's natural resource, however, CPOs could serve as effective conflict management tools if federal forest managers are willing to become facilitators.

POLICY ANALYSIS:

It is unlikely that there will be any serious opposition to CPOs. To the contrary, CPOs may allow the President to gather support from independent small industry, wise-use, and local government leaders. These moderate voices of support could play an important role in moving overall public opinion in support of the President's plan.

Note, however, that many organized timber interests are quiet on CPOs and it is unlikely that such a proposal will get them to back off from attacking the plan. Moreover, national and regional

environmentalists will be very nervous about formalizing local input. They are still outnumbered in many local communities and feel that their allies are either overrun or are too quick to compromise.

CPOs could be administratively implemented or authorized as an independent legislative proposal.

he has
legislative proposal
political standpoint - SBA
pull people off on. Symbolic value.

T.T./W.S. ? = Let's get the Administration
directly written. Are we sure that

~~accelerated~~
ASSEMBLED EXCHANGE PROGRAM

No legal strategy is
necessary? X Some

NEED:

The Ecological Assessment Team will produce a series of forest management alternatives that protect the viability of late successional/old growth related species across federal lands. In doing so, the federal plan will meet the requirements of the Endangered Species Act, National Forest Management Act, Federal Lands Policy Management Act, and National Environmental Policy Act negating the need for the protections on private lands that currently exist.

Cost
estimate

unless you
want to
shorten
time period.

An ESA Section 4(d) rulemaking to allow harvesting of private timber will likely be a part of the President's plan because such harvesting would be consistent with the federal strategy. However, the 4(d) rulemaking cannot apply to the intermingled public and private ownerships of BLM's Oregon and California lands and some of the Forest Service's Olympic National Forest lands as they must be managed together to meet federal conservation objectives.

BLM
recommends
we don't
do this.

All people
who want --
come talk --

A targeted public and private land exchange program could assist the administration in getting around the problems intermingled lands present.

Go from
there --
at end of
18-24 mo.

have series at
once. n

CURRENT SITUATION:

Land exchanges are time consuming. According to the BLM a land exchange takes 18 to 24 months. The required cultural and biological clearances take the most time, however, in this case the biological opinions should have been taken care of as a part of the administration's plan. In addition, there is a 60 day notification period for the governor(s) and an additional 45 day public comment period.

All exchanges are based on land values. And the exchanges that would be needed to protect late successional/old growth are very expensive, ranging from \$6.8 million/acre to \$44 million/acre.

PROPOSED PROGRAM:

A two step "Old Growth Land Exchange" program should be developed. First, plans should be developed by the BLM and Forest Service to:

- identify high priority protection areas;
- identify the private lands that need to be exchanged;
- seek out third parties -- such as The Nature Conservancy, Conservation Fund, and Trust for Public Land -- to facilitate the exchanges in a timely manner.
- work with public groups to minimize controversial exchanges.

Second, a process should be developed to:

- assemble land exchanges into groupings to facilitate the high number of exchanges that would be expected in the near term.
- provide for timely clearance procedures, especially with the Advisory Council on Historic Preservation.
- appraise lands based on pre-administration plan value. This will be necessary as the post plan values will drop dramatically. A historic range -- say 1980-1989 indexed for inflation -- could be used to get around recent lumber prices pushed up by panic buying.
- try to maximize intra-county exchanges in order to minimize impacts -- and, therefore, opposition -- on county tax revenues.

ANTICIPATED AFFECTS:

An assembled exchange program should allow private landowners who are managing for timber production a way out from federal forest management restrictions, while also providing the federal government with a more consistent long-term conservation strategy.

Exchanges can be very contentious, and while this program should facilitate exchanges it will not necessarily do away with the controversy that can sometimes cause significant delays.

The federal government will have to persevere in their appraisals as private land owners will likely insist on appraisals being oriented toward current -- and inflated -- lumber prices.

POLICY ANALYSIS:

An Old Growth Land Exchange Program will be well received by private land owners once the rules of the federal conservation strategy is in place.

Conservationists may view such a program as providing an opportunity to overharvest non-protected lands and, therefore, seek to delay the implementation of certain assembled land exchange programs.

An Old Growth Land Exchange program can be administratively implemented.

o Felicity Gillett - Commerce. How specific can we get in mentioning possibility of manufacturing centre in NW.

~~XXXXXX~~

482-2000

Econ Dev. Admin

482-2659

6/8

concept good

pls don't mention specific proposal

don't make it sound definite

Timelines

Pam

6/8
10:25

mtg in Seattle at end of wk for
prelim reading abt 1st phase of project

TO: JIM and DAVID
FROM: PAM

Here is cut #1, I've spoken with Tuchmann about some options that got left out of the decision document that McGinty may want to include -- land exchanges, etc. I will let you know what to do about them as soon as I talk to her.

- o Add to Sec d. of page 9 on East Side forests.

"A portion of the supply from an accelerated salvage program for east-side forests could be used to supply westside mills as a job mitigation strategy. The anticipated volume from this strategy would be 100 to 200 million bf...."

- o Add to sec. f. of page 10 on Timber from Indian reservations.

- The number is now 450 million board feet.

- "Much of the backlog results from a lack of people to process the sales .. The price for providing the administrative costs and the needed 50-75 people would run around 1 to 2 million.

- o Sec. H, log exports,

"(4) Governor Andrus' suggestion on providing the cost difference between what logs sell for abroad versus the price in the U.S. is also an option"

- o Sec J -forest stewardship program- needs to be mentioned in p 15 where we have ecologic investment outlined.

- o Are we still missing the Governor's figures of how much they expect from us -- it should be in Peter's section on pg 15 concerned with the dollar amounts?

- o Need to outline who disagrees with the Implementation mechanism approach on page 17.

To Jim Ripkin
URGENT

24/202

LABOR AND COMMUNITY ASSISTANCE WORKING GROUP (cont'd)

Robert Ducan, Department of Housing and Urban Development ✓
Marc Chupka, White House Office on Environmental Policy
Steve Redburn, Office of Management and Budget
Cynthia Sheeley, Department of Agriculture
J. Lamar Beasley, Forest Service, Department of Agriculture
Bill Hagy, Rural Development Administration, USDA
Robert Gillingham, Department of Treasury ✓
Kirhn Duwadi, Office of Management and Budget
Tom Tuchmann, Department of Interior
Mark Gaede, Department of Agriculture
Joe Papovich, U.S. Trade Representative ✓
Robert Wolcott, Environmental Protection Agency
Doris Freedman, Small Business Administration ✓

AGENCY COORDINATION WORKING GROUP

Jim Pipkin, Department of Interior
Working Group Leader

Mike Spear, Asst. Director, Ecological Services, U.S. Fish and
Wildlife Service
Dale Hall, Asst. Regional Director, Ecological Services, USFWS
Barry Mulder, Project Manager for Forest Ecosystem Office
Mike Penfold, Asst. Director, Lands and Renewable Resources,
Bureau of Land Management
Elaine Zielinski, Deputy State Director, Lands and Renewable
Resources, BLM
Mike Collopy, Director of BLM Coop Research Unit
Jim Overbay, Deputy Chief, National Forest System, Forest
Service, USDA
John Lowe, Regional Forester, Forest Service, USDA
Nancy Foster, Acting Asst. Administrator for Fisheries, National
Marine Fisheries Service
Rolland Schmitten, Director, NW Region, NMFS
Merritt Tuttle, Division Chief, Environmental and Technical
Services, NMFS
Richard Sanderson, Director of the Office of Federal Activities,
Environmental Protection Agency
Anne Miller, Director, Federal Agency Liaison Division, EPA
Charles Findley, Director, Water Division, Region 10, EPA
Pete Raynor, Assistant Solicitor, Fish and Wildlife
Chris Clark, Assistant Solicitor for Land Use and Realty
Mike Gippert, Deputy Assistant, General Counsel for Natural
Resources Division

ECOSYSTEM MANAGEMENT ASSESSMENT WORKING GROUP

Dr. Jack Ward Thomas, U.S. Department of Agriculture
Working Group Leader

Bob Anthony, Wildlife Biologist, Fish and Wildlife Service
Roger Clark, Social Scientist, Forest Service
Michael W. Collopy, Wildlife Biologist, Bureau of Land Management
Sarah Crim, Harvest Analyst, Forest Service
Nancy DeLong, Administration, Forest Service
Duane Dippon, GIS Analyst, Bureau of Land Management
Eric Forsman, Wildlife Biologist, Forest Service
Jerry Franklin, Forest Ecologist, University of Washington
Elizabeth Garr, Endangered Species Branch Chief, NMFS
Brian Greber, Economist, Oregon State University
Grant Gunderson, Wildlife Biologist, Forest Service
Dick Holthausen, Wildlife Biologist, Forest Service
Bob House, Fisheries Biologist, Bureau of Land Management
Bob Jacobs, Deputy Regional Forester, Forest Service
Norm Johnson, Economist, Oregon State University
Linda Kucera, Administration, Fish and Wildlife Service
Robin Leshner, Plant Ecologist, Forest Service
Joe Lint, Wildlife Biologist, Bureau of Land Management
Bruce Marcot, Wildlife Biologist, Forest Service
Chuck Meslow, Wildlife Biologist, Fish and Wildlife Service
Cindy Miner, Technology Transfer, Forest Service
Barry Mulder, Wildlife Biologist, Fish and Wildlife Service
Marty Raphael, Wildlife Biologist, Forest Service
Gordon Reeves, Fisheries Biologist, Forest Service
Fred Seavey, GIS Analyst, Fish and Wildlife Service
Jim Sedell, Aquatic Ecologist, Forest Service
Margaret Shannon, Forest Social Scientist, Univ. of Washington
Tom Spies, Forest Ecologist, Forest Service
George Stankey, Economist, Oregon State University
Ed Starkey, Wildlife Biologist, National Park Service
John Steffenson, GIS Analyst, Forest Service
Fred Swanson, Geomorphologist, Forest Service
John Tappeiner, Silviculturist, Bureau of Land Management
Fred Weinman, Senior Ecologist, Environmental Protection Agency
Jack Williams, Science Advisor to Director, BLM
Cindy Zabel, Wildlife Biologist, Forest Service

LABOR AND COMMUNITY ASSISTANCE WORKING GROUP

Peter Yu, National Economic Council
Working Group Leader

Howard Leathers, Council of Economic Advisors
Jonathan Silver, Department of Commerce
Mike Schmidt, Domestic Policy Council
Jim Van Erden, Department of Labor
Tom Peterson, Environmental Protection Agency
Felicity Gillette, Economic Development Administration, Commerce

**NORTHWEST INDEPENDENT FOREST MANUFACTURERS**

P.O. Box 11346 — Tacoma, Washington 98411

Suite 400 — 7011 So. 19th Street (206) 564-0452

FACSIMILETO: Ofc. of Environmental Policy FROM: M. J. "Gus" KuehneATTN: Katie McGinty SHEET: 1 of 11FAX #: 202-456-2710 DATE: June 8, 1993

=====

COMMENTS:

Please see attached copy of letter sent to President Clinton.

Any problems with the receipt of this fax, please call
(206) 564-0452.



NORTHWEST INDEPENDENT FOREST MANUFACTURERS

P.O. Box 11346 - Tacoma, Washington 98411

Suite 400 - 7011 So. 19th Street (206) 564-0452

June 8, 1993

The President
The White House
1600 Pennsylvania Avenue N.W.
Washington, DC 20500

Dear Mr. President:

On behalf of Northwest Independent Forest Manufacturers I urge you to include HR 1997 (DeFazio-OR) in your forest plan legislative package for the northwest. This legislation skillfully reverses the tax incentive to export logs to an incentive to domestically process logs from private lands.

Rarely does a piece of legislation so perfectly meet the needs of the times as does HR 1997. With today's timber supply crisis, who can argue that the incentive should be to domestically process private timber rather than subsidize the export of this critically scarce raw material. If fully funded, the legislation will likely increase domestic timber supplies in the northwest by from 500 million to 1 billion board feet annually. While HR 1997 has the greatest potential of mitigating impacts of the reduced federal timber harvest, support for HR 1997 should not be considered a substitute for providing a high sustainable harvest level from federal lands.

The second growth timber being harvested from private lands is well suited to meet U.S. markets for construction grade wood products. This will help to reduce inflationary pressures of high prices and make possible a housing-led economic recovery. Timber of similar quality in the Russian far east, New Zealand and Chile can replace northwest log needs for similar building materials in Japan, Korea and China.

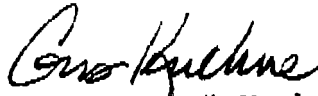
Incentives to encourage private timber being processed in the northwest are far superior to other alternatives to utilize funds saved by eliminating log export subsidies. With this effort to mitigate federal timber supply declines, needed private capital will be available to re-tool facilities and operate them with the existing high skill labor force. Re-tooling, not retraining, is the answer to maintaining stable forest based communities.

The President
June 8, 1993
Page 2

Restoration of forests and streams can best be accomplished through existing programs that include deposits on federal timber sales which provide for maintenance and improvement of drainage structures, erosion control, reforestation and timber stand improvements. New and expensive WPA-type programs are simply not needed.

HR 1997 is truly a bill in the public interest which we believe should be the cornerstone of an effort to mitigate declining timber supplies from federal lands. We strongly urge you to support this legislative effort.

Sincerely,



M. J. "Gus" Kuchne
President

MJK/dr

enc: HR 1997

cc/enc: Tom Collier, Chief of Staff, Department of
the Interior
Katie McGinty, Deputy Assistant Director,
Office of Environmental Policy
Peter Yu, Director, National Economic Council

May 6, 1993

**103D CONGRESS
1ST SESSION**

H.R. 1997

IN THE HOUSE OF REPRESENTATIVES

Mr. DeFAZIO introduced the following bill; which was referred to the Committee on Ways and Means.

A BILL

To amend the Internal Revenue Code of 1986 to provide incentives for domestic timber production and manufacturing, and to deny the benefits of certain export subsidies in the case of exports of unprocessed timber.

1 *Be it enacted by the Senate and the House of Representatives of the United States*
2 *of America in Congress assembled,*



STATE OF WASHINGTON
OFFICE OF THE GOVERNOR

P.O. Box 40002 • Olympia, Washington 98504-0002 • (206) 753-6780

June 7, 1993

The Honorable Jolene Unsoeld
United States Representative
1508 Longworth Office Building
Washington, D.C. 20515

Dear Jolene:

I want to express my full support for the Forest Resources Conservation and Shortage Relief Amendments Act of 1993 which maintains the federal ban on exporting unprocessed timber from state lands. Upon passage of the amendment, it is my intention to submit our existing state regulations for approval by the Secretary of Commerce in accordance with subsection (d) of the amendment. This action will have the effect of maintaining the current system for state administration of the export ban.

I want to commend you and the other members of our delegation for your quick response in developing a solution to the Ninth Circuit decision of May 4, 1993, that invalidated the original act. We estimate that the export restrictions have preserved approximately 6,100 jobs in the two years the law has been in effect. Without your decisive action to overcome the constitutional objections raised by the courts, those jobs would be in jeopardy. As I am sure you appreciate, we can ill afford any more job losses in our hard pressed timber communities.

Again, thank you for your prompt action on this very critical issue.

Sincerely,

A handwritten signature in black ink that reads "Mike Lowry".
MIKE LOWRY
Governor

Me
Narta

Tuchman
Stelle

Collier?

Solein no

Lynn

Goede

Peter Y.

Brand

→ CEA

→ Rizki

→ Rahm

→ Susan
Brophy.

→ Jeff
Watson

→ DPC

→ OSTP.

→ these line → business w/ Gen. 600
Lip 6 New →

- o Howard [Peter] Jim working w/ Brian
develop baseline - benchmark for where
it was heading
disaggregated due to fact
 - to accession
 - trend not due to ESA.

2665

o analysis of industry / environs -
Multiplier effects. → measured ✓

o Brian include analysis of paper jobs. ✓

o analysis of components; other economic
programs. Com. with Institute.

The Oregonian

Portland, Oregon

FAX 503-227-5306

FAX TRANSMISSION

Time: 4:35 AM
Date: 6-4-93 P.M.
Total pages: 4
(circle time)
(INCLUDING THIS COVER SHEET)

TO: Katie McGinty
DEPARTMENT: Office of Environmental Policy
COMPANY: _____
FAX PHONE NO. 202-939-3324
RECIPIENT'S OFFICE PHONE _____

FROM: Kathie Durbin
DEPARTMENT: The Oregonian
SENDER'S OFFICE PHONE 503-221-8548

COMMENTS: Please call to confirm or deny
that industry groups have issued
the 2.5 BBF ultimatum

Thank
J65 0804

Are the reserves:
① permanent
— x years

② ~~Administratively created~~
legislatively created

W.S. for review.

LANGUAGE TO IMPLEMENT PERMANENT RESERVES

(a) Establishment.- In order to protect ecologically significant old-growth forests, maintain and enhance areas that would contribute to the viability and recovery of the northern spotted owl, and other species associated with old growth forests, and to protect riparian areas and other areas of special ecological significance, there is hereby established the Old-Growth Forest Reserve.

(b) Lands Included in Reserve.- The Reserve shall consist of certain lands and interests in lands in Washington, Oregon, and northern California that are generally depicted on the map entitled " " and dated , 1993.

(c) Preparation of Map and Legal Description of System.- As soon as practicable after the date of enactment of this Act, the Secretary of Agriculture and the Secretary of Interior shall prepare a map and a legal description of the Federal lands and interests in lands that are under the jurisdiction of the Secretary and included in the System.

(d) Filing With Congress.- The maps and legal descriptions prepared under subsection (c) shall be filed with the Committee on Agriculture and the Committee on Natural Resources of the House of Representatives and the Committee on Agriculture, Nutrition and Forestry and the Committee on Energy and Natural Resources of the Senate. Each map and legal description filed under this subsection shall have the same force and effect as if contained in this Act.

(e) Availability.- Each map and legal description filed under subsection (d) shall also be on file and available for public inspection in the Office of the Chief of the Forest Service and in the Office of the Director of the Bureau of Land Management.

(f) Boundary Adjustments.- Each Secretary may correct any clerical and typographical errors in the maps and legal descriptions prepared by the Secretary under subsection (c). No other adjustment of any boundary of the System shall occur unless made by an Act of Congress.

to will skills for write-up of
legislative change

TUCHMANN

REDEFINE "UNPROCESSED TIMBER"

*question to T.T. → Are 1st manufacturers adequately
geared up to handle?; explore to get geared up?*

NEED:

Region-wide, less than 20% of timber harvested is used by value-added manufacturers. Thus, 80% of the raw materials creates, on average, about 3 jobs per million board feet in the primary industry, while the balance generates from 12 to 80 jobs for the same volume of raw material in the secondary industry.

However, secondary manufacturers primarily use timber that is 2 inches or less in thickness. This requires a level of primary manufacturing that is not always forthcoming as primary manufacturers, especially log exporters, receive a premium price for minimally processed cants. There is an opportunity to channel more processed timber into this job producing value-added sector where excess capacity currently exists.

CURRENT SITUATION:

Current law prohibits unprocessed logs harvested from federal lands to be exported. Unprocessed logs are legislatively defined as high grade lumber, construction timber, or cants for remanufacture not to exceed 12 inches in thickness. Remaining grade lumber, construction timber, or cants cannot exceed 8 3/4 inches in thickness if it is to be exported.

Thus, while unprocessed logs are technically prohibited from export, the processing requirements are minimal. These liberal processing requirements are particularly harmful to secondary manufacturers as their timber supply is exported as 12 by 12 cants instead of being manufactured for domestic needs.

PROPOSED CHANGE:

Require logs harvested from federal lands to be processed to 2 inches in thickness or less.

A less comprehensive, but, more flexible approach, would be to require 50% of logs harvested from federal lands to be processed to 2 inches or less.

ANTICIPATED EFFECTS:

Redefining "unprocessed timber should:

- increase jobs in primary processing mills, and,
- channel more wood to secondary manufacturers because the finished product would be sawn to meet their needs. For example, redirecting just 500 million board feet of timber to the secondary manufacturing industry, about 5% of last year's region-wide harvest, would increase the number of jobs by 2,000 to 12,500 depending on how the material was used.

POLICY ANALYSIS:

Limits on log exports are controversial, especially in Washington. Primary manufacturers will oppose this proposal because they feel it impacts their rights, their mills may not be geared to produce 2 inch logs, and they cannot produce such products at a profit.

However, the associated job increases in the secondary manufacturing community will be positively received in the labor community and with the public at large.

This change would have to be legislatively amend 16 USC 620e Sec 493(7)(B).

T.T./W.S. ? = Let's get the Administration
directly written. Are we sure that
accelerated
ASSEMBLED EXCHANGE PROGRAM
No legal strategy is
necessary? Some
Cost
estimate

NEED:

The Ecological Assessment Team will produce a series of forest management alternatives that protect the viability of late successional/old growth related species across federal lands. In doing so, the federal plan will meet the requirements of the Endangered Species Act, National Forest Management Act, Federal Lands Policy Management Act, and National Environmental Policy Act negating the need for the protections on private lands that currently exist.

An ESA Section 4(d) rulemaking to allow harvesting of private timber will likely be a part of the President's plan because such harvesting would be consistent with the federal strategy. However, the 4(d) rulemaking cannot apply to the intermingled public and private ownerships of BLM's Oregon and California lands and some of the Forest Service's Olympic National Forest lands as they must be managed together to meet federal conservation objectives.

A targeted public and private land exchange program could assist the administration in getting around the problems intermingled lands present.

CURRENT SITUATION:

Land exchanges are time consuming. According to the BLM a land exchange takes 18 to 24 months. The required cultural and biological clearances take the most time, however, in this case the biological opinions should have been taken care of as a part of the administration's plan. In addition, there is a 60 day notification period for the governor(s) and an additional 45 day public comment period.

All exchanges are based on land values. And the exchanges that would be needed to protect late successional/old growth are very expensive, ranging from \$6.8 million/acre to \$44 million/acre.

PROPOSED PROGRAM:

A two step "Old Growth Land Exchange" program should be developed. First, plans should be developed by the BLM and Forest Service to:

- identify high priority protection areas;
- identify the private lands that need to be exchanged;
- seek out third parties -- such as The Nature Conservancy, Conservation Fund, and Trust for Public Land -- to facilitate the exchanges in a timely manner.
- work with public groups to minimize controversial exchanges.

Second, a process should be developed to:

- assemble land exchanges into groupings to facilitate the high number of exchanges that would be expected in the near term.
- provide for timely clearance procedures, especially with the Advisory Council on Historic Preservation.
- appraise lands based on pre-administration plan value. This will be necessary as the post plan values will drop dramatically. A historic range -- say 1980-1989 indexed for inflation -- could be used to get around recent lumber prices pushed up by panic buying.
- try to maximize intra-county exchanges in order to minimize impacts -- and, therefore, opposition -- on county tax revenues.

ANTICIPATED AFFECTS:

An assembled exchange program should allow private landowners who are managing for timber production a way out from federal forest management restrictions, while also providing the federal government with a more consistent long-term conservation strategy.

Exchanges can be very contentious, and while this program should facilitate exchanges it will not necessarily do away with the controversy that can sometimes cause significant delays.

The federal government will have to persevere in their appraisals as private land owners will likely insist on appraisals being oriented toward current -- and inflated -- lumber prices.

POLICY ANALYSIS:

An Old Growth Land Exchange Program will be well received by private land owners once the rules of the federal conservation strategy is in place.

Conservationists may view such a program as providing an opportunity to overharvest non-protected lands and, therefore, seek to delay the implementation of certain assembled land exchange programs.

An Old Growth Land Exchange program can be administratively implemented.

OFFICE ON ENVIRONMENTAL POLICY

TO:

Will STELLF

FROM:

PAW McELWEE

DATE:

6-8

FAX:

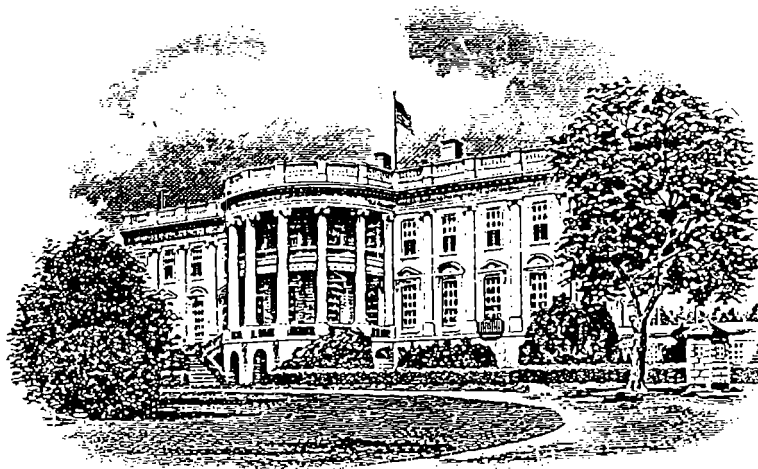
Number of pages including cover:

4

COMMENTS:

This paper got lost from the
earlier batch -- and it looks to be
top priority. Call me if you can't
read her handwriting.

PAW



PHONE - (202) 456-6224 FAX - (202) 456-2710
ROOM 360 OLD EXECUTIVE OFFICE BUILDING
WASHINGTON, DC 20501

will Stelle

U.S. → how fleshed out does this
need to be? begin drafting
actual directive (of the rule is
can move quickly).

1. STATE AND PRIVATE LANDS and "TAKINGS".

a. Proposed Action. The President should direct the FWS to promulgate a rule under section 4 of the ESA that defines what activities will be considered to violate the taking prohibitions of the ESA as they relate to the northern spotted owl.

b. Rationale. This rule will likely free up significant amounts of private lands now tied up by the spotted owl controversy. The action will be applauded by the states, labor and private landowners.

c. Background. The ESA prohibits any person (defined broadly to include the states and private landowners) from "taking" listed species. The manner in which this prohibition has been applied to the northern spotted owl is a mess. The FWS issued "guidelines" that delineated large "owl circles" around active nesting sites and proscribed strict harvesting restrictions within the circles. While the status of these guidelines is confused from both a biological and legal standpoint, the fact remains that they continue to be used. The amount of private lands tied up in these circles and level of dissatisfaction with them is significant. With the adoption of a preferred alternative that will largely meet the needs of the owl, these current restrictions are probably not necessary and can be loosened.

2. CERTAINTY.

a. Proposed Action. Following consultations with key constituencies and Congress, develop a legislative proposal that seeks to insulate the land management over an interim period from disruptive litigation. Judgements about the precise type of insulation judged necessary may have to await these consultations and an assessment of the outlines of the larger land management program.

b. Ending the gridlock is one of the central themes of the President's initiative, and it includes ending the litigation that has tied up the agencies over the last several years.

c. Additional Background. It should be emphasized that the subject of legislative certainty is one of the most controversial issues to be addressed, and it is therefore important to parse the general topic into its many component parts. These "certainty" provisions can address a number of elements, including:

1. Procedural certainty -- declaring that the procedural requirements for putting the program into place have been met -- and thereby reducing the chances that procedural claims could result in injunctions.

2. Substantive certainty -- declaring that the program meets the underlying substantive requirements of the statutes, and thus minimizing the likelihood that injunctions based on the substantive requirements of law could enjoin the new program. Substantive

YES, as much
as possible

As
pos

U.S. → Do we need substantive certainty? What
 is the likelihood of injunction? Automatic cause
 o.g. or not, we will win a challenge??

certainty could address all the key statutes, or only those which would engender less controversy.

3. Restrictions on appeals or judicial review. Legislation could limit or restrict both administrative appeals or judicial review of agency actions. It could impose new accelerated time requirements, place certain issues off limits, limit the reviews to the terms of the new program alone (and thereby eliminate the issue of whether the new program complies with the underlying statutes), or bar review completely.

U.S. → how
 controversial
 would this
 be?

General Advantages: Depending the type of certainty sought, the inclusion of some certainty provisions:

1. Decreases the likelihood that injunctions may tie up the program after the President promises the issue solved.

2. Demonstrates commitment to labor and industry that the President will "take the heat" to get a program in place, particularly if a tougher option is selected.

General Disadvantages: 1. Depending on the type of certainty sought, it will generate controversy and could easily sink the entire legislative package.

2. As a general rule, the best certainty is full compliance, and the inclusion of certainty provisions is an implicit acknowledgement that the Administration does not intend to adhere to its promise of compliance with existing law.

Modest procedural shortcuts to NEPA and other administrative requirements are probably acceptable and cannot be obtained without Congressional action. Changing the substantive standards of the underlying statutes is increasingly difficult, with the degree of difficulty dependent on the statute involved. While direct changes to the viability requirements of the NFMA are likely very controversial, changes to the ESA are widely regarded as not feasible.

3. FAST TRACKING.

a. Proposed Action. Develop a legislative proposal that seeks to fast track the implementation of the President's preferred alternative so that timber sales may commence earlier.

b. Rationale. Implementing the new land management program administratively will take time, and the timber sale program will not be renewed until early in 1994 at the very soonest. Speeding up implementation by way of a legislative fast track is one of the very few enticements for enactment of legislation from the perspective of the northwest delegation.

c. Additional information. The administrative procedures for implementing the President's preferred alternative contain a series of time-consuming procedural and analytical requirements (mainly public comment periods and NEPA-related environmental analyses). Short-circuiting several of these initial requirements legislatively is highly feasible from a political perspective and may be warranted if instituting a timber program promptly is judged

But don't
 we ever
 this by
 procedural
 certainty??

implies
 efficiency

NEPA
 IFMA

a high priority.

Adaptive mgmt areas? = experimental forests

4. EXPERIMENTAL FORESTRY PROGRAMS.

a. Proposed Action. Develop several experimental forestry programs targeted to key geographic areas (the Olympics and coastal Oregon).

b. Rationale. Selected experimental forestry programs may help allay the anticipated severe impacts of the timber program in certain regions by demonstrating a commitment to flexibility and continuing the search for a better way to reconcile ecosystem management and timbering activities.

c. Additional Information. Both Reps. Defazio and Dicks have emphasized their commitment to experimental forestry programs, and the development of several initiatives targeted to their districts may prove warranted. Each forestry program would be conducted under continuing scientific review to ensure that they do no lasting damage. The design of the details of each remains open at this juncture.

5. PERMANENT RESERVES.

- ① "permanent" vs. "X-year"
② "legislative" vs "Admin".

a. Proposed Action. Explore the need for providing "permanent protections" for high priority old growth areas (the "crown jewels") either administratively or through the legislative package. → What are these // name them. ✓

b. Permanent protection for key old growth areas has been one of the mantras of the environmental community, having its d) in the deep distrust of agencies' commitment to proper conservation standards. Providing permanent protection (for the environmental community) may help counterbalance the fast-tracking proposal, which will be regarded as a negative from the environmental perspective.

c. Additional background. The concept of permanency is the antithesis of "adaptive management" and needs to be approached cautiously. It may nevertheless prove to be an important component of the larger strategy by providing additional incentives for cooperation on the part of the environmental community, which may get much of what it wants from current law and may therefore have little incentive to support even modest procedural modifications.

W.S. → please discuss w/ the scientists to determine which of the reserve areas would be o.k. to be permanent. Any?

Tuchman:

- 1). P 10 decision doc - Timber from Indian Reservations:
what are costs / necessary personnel. - Peter H

Paper #4

- 2). Are primary manufactures adequate gear to handle expenses
- 3). New big options - reevaluate ones that were dropped
- 4). any other easement options -- he needs land exchanges

- 1). Reinforce what Peter mtg about
- 2). Do we add Tuchman recs?
- 3). Q's are missing -- I will add.

(703) 524-0729

o Ann Metcalf. Budget figures.

6/8 Jobs figure meeting

Mark: will get industry chart

1). What is impact on jobs from laws?

2) What is job loss that we should target under amelioration plan?

Rivin: Trend line is best. 90-92 should not be used.

Peter: Period of time plus a trend

: Structural change

Mark: federal screws /

Postman: start at zero (injunction)

legally defensible harvest

Leathers: ~~DE~~

Peter: People only remember the past

Rivin: arresting decline b/c of injunctions.

Postman: other jobs created

induced / indirect -- economic develop / v. welfare / not talking about
private offset --  make work jobs.
baseline
job creation Jim / Peter
↓
will copy on industry
letter

- 1). respond to industry
- 2). add our proactive message

Mark: polling shows industry is not credible
here to talk about long term

Industry on board w/ inclusion of

Peter: Can he put package together.

Private offset: prices will group 1/2 billion increase from
private #
does not include the owl circle effect.

Can we split up #'s into how much due to
recession /

Peter - headlines / once effects kick in

Speak to Brian to estimate price increases: programatic package effect
on private lands.

Is there disagreement among agencies on redefining a log

Scorecard - made for private land jobs.

Peter, Jim, Howard will do

• Marla wants to get 25% number out now.

• Canadian raw logs? Peter is on that.

**DUCK CREEK ASSOCIATES**

Natural Resources Consultants

FAX Cover Sheet

530 NW Oak
Corvallis, OR 97330
(503) 753-4702
Fax (503) 753-9450

To FAX number: (202) 456- 2710

For: David Cottingham
White House Office of
Environmental Policy

From: Brian Greber

8 pages will follow this cover sheet.

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Following are 5 pages from my
econ. assessment plus 2 articles of
potential interest

VIII. Outlook for National Forest Products Markets

The changes in the management of the Pacific Northwest forests must be placed within the context of the national product markets for U.S. wood products. Many questions surround these changes. Included among these are: where will the future timber harvest come from, what will happen to import trade, and how much impact will there be on consumers? Prior to addressing these questions, some context must be provided for the national softwood markets.

In 1990, the total United States consumption of softwood timber products equaled 12.9 billion cubic feet of removals of roundwood from growing stock. This was 60 percent above the average consumption in the early 1950's, yet not as high as in the late 1980's. Softwood consumption is expected to increase to 14.3 billion cubic feet by 2040 with the largest increase in logs sawn for lumber (Haynes et al. 1993). United States softwood lumber consumption rises to 61.8 billion board feet by 2040 (the 1987 peak was 50.6 billion feet). Consumption increments come from increases in residential upkeep and alteration, nonresidential construction, and manufacturing. Plywood consumption falls slowly to 17.5 billion square feet by 2040 (the current level is 18.1 billion square feet) as a result of modest product substitution over the next 20 years.

Growth in the demand for solid wood products is expected to slow after the turn of the century as the population ages, growth in real GNP slows, and new housing construction stabilizes/declines. Increases in recycling activities keeps wood used for pulp essentially constant, despite an expected 75 percent increase in paper and board consumption by 2040. In addition to slowing domestic demand and increased use of recycled fiber, increased use of hardwoods account for a slowing projected growth in demand for softwood timber.

The United States has been and is expected to continue to be a net importer of softwood forest products. The largest forest products trade flow for the United States is imports of softwood lumber -- over 95 percent of which comes from Canada.

A. Regional Harvest Levels

The Pacific Coast share of U.S. harvests peaked in the early 1960s at roughly 47 percent, the region's share is currently 38 percent. With changes in federal timber harvests, the share is expected to fall below 27 percent by the year 2000 (table 20). Harvest shifts from the Pacific Coast States to other United States regions, primarily the southern United States. These shifts are the results of reductions in public harvest, that raise near term projected stumpage prices. In the face of rising wood costs, the region's competitive position deteriorates, profits fall, and solidwood output and capacity drop. In addition, the southern U.S. production shows the ability to continue to increase in the decades ahead (Haynes et al. 1993).

The range in the various alternatives shown in table 20 demonstrate little variability in these regional harvest trends.

B. International Trade

The United States is expected to remain a net importer of softwood products. It does not appear that the federal sales policies in the region will lead to large changes in wood products importation. Canada is the primary source of these products (Canadian lumber accounted for 30 percent of lumber consumed in the United States in 1992). Lumber imports from Canada show only modest changes in the decades ahead (table 21). Again the range of harvest alternatives considered demonstrate little variability in these import trends.

There has been much discussion recently about the ability of Canadian producers to respond to higher prices in the United States markets (due to reductions in public timber harvests). Much of the discussion revolves around anecdotal evidence based on what is perceived to be happening in British Columbia. Current Canadian harvest is estimated to be 5.5 billion cubic feet. Recent Canadian Provincial allowable cut (i.e., the regulatory level of cut) estimates by Runyon (1991) show a Canadian harvest of 6.2 billion cubic feet. Except in British Columbia (where surveys have occurred since Runyon's work), Canadian producers seem able to sustain recent levels of production. Like the United States, Canada also faces a number of issues (owls, parks, native land claims, etc.) that could reduce harvests.

C. Consumer Costs

The changing markets for wood products are apt to have some repercussions for final consumers. Softwood lumber prices do appear headed upwards in the decades ahead (table 22). Softwood lumber prices show a marked increase from 1990 levels to 1995 levels, but the range of harvest alternatives considered demonstrate little variability in these price trends. Much of the inherent increase in price stemmed from market forces in place prior to the alternatives assessed by this Working Group. The 1992 softwood wholesale price index already stood at 1.20 in 1992 -- thus meeting the level expected by 1995. In 1993, the price index surpassed these levels (reaching 172.6 in April), but prices have started to settle back towards the levels shown in these forecasts.

To place these indexes in perspective, the average house in the U.S. in 1990 used \$5500 worth of lumber and wood panel products. The change in prices to 1995 levels would mean an increase in lumber costs to approximately \$6700.

The range of alternatives addressed here varies this cost of lumber by less than 1 percent.

Table 20. Historic and projected proportion of U.S. harvests from Pacific Coast states.

Region/	Harvest Level from Federal Forests in the Owl Region			
Year	0.50	1.00	1.50	2.50
-- percentage of national harvests -----				
1990	38	38	38	38
1995	29	29	29	29
2000	25	25	26	26
2010	23	23	23	24

Table 21. Historic and projected imports of Canadian lumber into the U.S.

Region/	Harvest Level from Federal Forests in the Owl Region			
Year	0.50	1.00	1.50	2.50
-- billion board feet - lumber tally ----				
1990	12.2	12.2	12.2	12.2
1995	13.3	13.2	13.2	13.1
2000	13.9	13.8	13.6	13.4
2010	15.7	15.6	15.8	15.7
2040	12.5	12.2	12.2	11.9

Table 22. Historic and projected softwood wholesale price index (1990=100).

Region/	Harvest Level from Federal Forests in the Owl Region			
Year	0.50	1.00	1.50	2.50
1990	100	100	100	100
1995	122	121	121	121
2000	125	124	122	121
2010	136	134	128	136
2040	130	129	129	129



Random Lengths®

VAD

S T I C K

THE MONTHLY MEASURE OF FOREST PRODUCTS STATISTICS

May 1992

Wood Products: How Big A Factor In Housing Costs?

BY BURRLE ELMORE

The average new single family home sold in the U.S. in 1991 contained slightly more than 15,000 board feet of framing lumber. Using last year's \$235-per-thousand average for the Random Lengths Framing Lumber Composite Price, the framing lumber in the average home would have cost roughly \$3,600 f.o.b. mill.

With the average price of new homes nudging \$150,000, lumber's contribution to the total might seem like small potatoes. Yet, a surge in lumber prices early this year set off a noisy skirmish among industry groups, environmentalists, home

builders, and parties on both sides of the countervailing duty case. At issue were the impact of higher lumber prices on housing, as well as the role of the spotted owl and the proposed countervailing duty in sparking the price gains. Falling lumber prices have since reduced the boiling debate to a simmer, but another price surge could quickly turn up the heat.

At 15,000 board feet per house, every change in framing lumber prices of \$10 per thousand board feet affects the price of a new home by about \$150. The \$85-per-thousand increase in the Random Lengths Framing Lumber Composite Price between January 1 and March 20 of this year added about \$1,275 to the price of a new home. (This and subsequent estimates are f.o.b. mill

costs, and do not include freight or markups added during distribution.)

Random Lengths' Plywood Composite Price gained \$64 per thousand square feet before topping out in late February. This would have added about \$560 to the cost of an average new home, based on an average of 8,715 square feet of structural panels per house.

No price average is available for the approximately 1,200 board feet of millwork items used in the average new home. So, it isn't possible to directly measure the impact of price changes in these items. But, if prices of these higher-valued items at least matched the gains in framing lumber during the first quarter, they would have added about \$100 to the

(Continued on Page 2)

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Approximate Wood Products Costs - New Single Family Homes

	1987	1988	1989	1990	1991
Floor Space in Average Single Family Home (Square Feet)	1,905	1,995	2,035	2,080	2,075
Framing Lumber Used in Average S.F. Home (bf)*	13,983	14,643	14,937	15,267	15,230
Per-house cost of Framing Lumber**	\$3,202	\$3,339	\$3,585	\$3,496	\$3,579
Structural Panels Used in Average S.F. home (square feet 3/8 basis)	8,001	8,379	8,547	8,736	8,715
Per house cost of Structural Panels**	\$1,720	\$1,751	\$2,085	\$2,001	\$2,039

*Derived from use figures contained in a joint Wood Products Promotion Council/U.S. Forest Service study titled, "Wood Used in New Residential Construction in The United States - 1988."

**Calculated by multiplying annual averages of the Random Lengths framing lumber and plywood composite prices by the use figures in this table.



Market Overview

(Continued from Page 1)

cost of the average single family home.

Totaling the above figures, the f.o.b. mill value of the lumber and structural panels used to build an average new home rose more than \$1,900 during the first quarter. Because higher f.o.b. mill prices translate into larger mark-ups for wholesalers, distributors, and retailers, the increase in costs seen by home builders would have been greater. It is safe to assume that higher markups would push the increase in builders' costs to at least \$2,000 per home.

A \$2,000 increase in builders' costs is equal to approximately 1.3% of the \$147,200 average selling price for a new home in 1991 - still not a big number. Yet, for builders struggling out of an interminable housing recession, a \$2,000 bite out of their profit on each house is not peanuts. For potential home buyers trying to convince a steely-eyed loan officer to approve their mortgage, \$2,000 can become a make-or-break number. And, multiplied by the approximately 970,000 new single family homes anticipated in 1992, that little \$2,000 increase vaults to an impressive \$1.9 billion.

National Economic and Industry Indicators

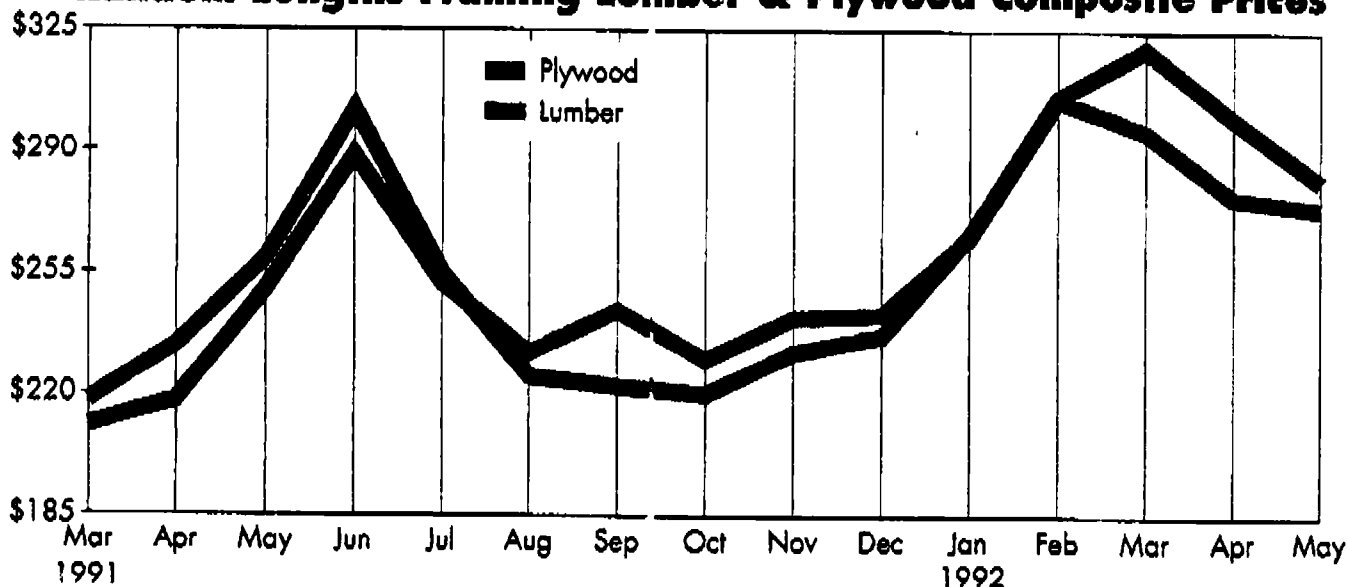
	May 1992	Apr. 1992	May 1991
30-Year Fixed Mortgage Rates (%)	8.67	8.85	9.47
U.S. Prime Interest Rate (%)	6.50	6.50	8.5
Dow Jones Industrial Average (close)	3,397	3,359	3,028
Dow Jones Forest Products Group Index (close)	4,050	4,475	5,425
Toronto Stock Exchange Paper and Forest Index (close)	3,436	3,279	3,767
Random Lengths Index ¹	-48.7	-23.2	+54.2
Housing	Apr. 1992	Mar. 1992	Apr. 1991
U.S. Housing Starts (SAAR - 000's)	1,115	1,344	978
U.S. Housing Starts, Single Family (SAAR-000's)	963	1,077	802
U.S. Housing Starts, Multifamily (SAAR-000's)	152	267	144

Key Price Indicators (\$ per thousand feet)

Lumber	May 1992	Apr. 1992	May 1991
Random Lengths Composite Price ²	\$282	\$300	\$259
2x4 Std.&Btr. KD Western S-P-F	232	231	196
2x4 Std.&Btr. Grn. D. Fir (Portland)	243	266	249
2x4 #2 KD SYP (Westside)	277	293	233
2x4 8' PET KD Western S-P-F	273	277	206
1x12 #3 KD Ponderosa Pine	424	526	332
Panels			
Random Lengths Composite Price ²	\$274	\$277	\$250
1/4" AC Sanded	258	261	262
1/4" 5-ply CD Exterior Western	260	258	246
1 1/2" 3-ply CD Exterior Southern	224	230	198
1/16" CD Mix Veneer	37.00	38.00	32.00
7/16" OSB/Waferboard (North Central)	207	206	183

- 1 The Random Lengths index is a numerical representation of market activity, based on a ratio of western sawmill order files to inventories. In computing the index, the data are compared with similar data averaged over the past five years.
- 2 The lumber and plywood composite prices are designed as broad measures of price movement in the framing lumber and panel markets. They represent weighted averages of key lumber and plywood items, chosen from major producing areas and species.

Random Lengths Framing Lumber & Plywood Composite Prices



WHERE the MONEY GOES

By Mike Van
Salem Journal

Now, much to many buyers' surprise, that's the question the National Home Builders Association asks. They surveyed the costs of building a new house in various parts of the country — but not in Oregon — and the results are in. The *Starkman Journal*, an old-timer, typical 2,200 square foot house of construction and other costs for a typical house in 1992. In 1993, a typical new, single-family house would cost about \$130,000. The costs are based on information gathered from the National Home Builders Association. They were gathered with the help of Paul Wolf Construction, Super Construction, and The Salem Multiple Listing Service. This home would sell for \$130,000. Because of its size and price tag, this is not a typical home for first-time buyers.

Roofing
\$1,900

Insulation
\$1,750

Windows
\$2,600

Exterior and
interior painting
\$3,550

Appliances
\$1,200

Carpet
\$3,600

Cabinets/
vanities
\$4,000

Plumbing
\$5,400

Heating
\$3,300

Footings/
foundation
\$1,325

Excavation
\$700

Fireplace
\$1,700

Framing for roof
\$1,500

Gutters
\$475

Trim
materials
\$3,250

Drywall
\$5,100

Siding
\$2,800

Rough/finish
electrical
\$3,200

Wood flooring
\$475

Concrete
flatwork
\$3,900
(includes labor)

Framing for
decks/walls
\$19,000
(includes labor)

Final cleanup
\$500

Other construction costs

Driveway	\$3,900
Landscaping	\$1,000
Building permits/plans	\$3,000
Water, sewer, drains	\$2,500
Miscellaneous	\$4,291

Totalling the costs	
Construction cost	\$84,768
Land cost	\$20,000
Financing/overhead costs	\$5,950
Builder's closing costs	\$500
Builder's profit	\$9,734
Real Estate Commission	\$1,000
Total cost	\$130,000

Salem average new home price in 1992

Where the most new houses were sold:

1. Keizer
2. Southeast Salem
3. Suburban East Salem
4. West Salem
5. South Salem
6. Central Salem

More inside

- Fed rate, inflation raise costs
- Building the answer for first-time Salem homebuyers

cc: Katie
FYI

THE WHITE HOUSE
WASHINGTON

June 8, 1993

MEMORANDUM FOR ALICE RIVLIN
T.J. GLAUTHIER

CC: Howard Leathers
FROM: Peter Yu
SUBJECT: Job-Loss Estimates for Timber-Dependent Regions

I thought I would share with you a preliminary analysis of the job-loss issue that we discussed this morning. I consider this analysis preliminary, as Howard Leathers (CEA) has not yet reviewed it.

1. *Dynamic Baselines*

Figure 1 sets forth forest-products employment in Washington and Oregon, as well as one possible trend line. Trend line A is measured from trough to trough ('71-'90) to minimize cyclical distortion: the projected 1994 employment level is **120,900**.

However, this trend is very sensitive to the time frame--as Trend line B (Figure 2) illustrates: from '83 to '90 (again two troughs), the trend is upward. Here the projected 1994 employment level is **136,600**.

One additional observation: the secular contraction due to productivity is much smaller than any cyclical and other effects. In particular, the 25% downsizing of the industry from '80-'82 (an employment reduction of 40,000 jobs) dwarfs any productivity trend.

2. *Static Baselines*

Additional alternatives look not to trends but to levels. To my mind, the three most credible candidates are:

Trend C:	1980s average	131,300
Trend D:	mid-1980s (1983-87)	129,100
Trend E:	1990-92	124,000

3. *Job-Loss Estimates*

I have reconstructed the Portland Team's data to be comparable to the above baselines.¹ Under option 5 (one of the middle options), this yields an employment level of 110,200. From the various baselines, this produces (as illustrated in Figure 3) job-loss estimates for the two States of:

Trend A:	10,700
Trend B:	26,400
Trend C:	21,100
Trend D:	18,900
Trend E:	13,800

4. *Differences between Industry and Administration Estimates*

Option 5 generates a harvest near 1.0 billion board feet. Industry officials have published documents claiming that such a harvest level would create job losses of **89,000** jobs--compared to the numbers above.

I analyze this discrepancy in the following way (illustrated based on Trend C, and depicted in Figure 2):

	<u>Industry</u>	<u>Administration</u>	<u>Difference</u>
Estimate	89,000	21,100	-67,900
Jobs per MBF ²	10.2	8.5	+6,800
Indirect & induced	1.2:1	0:1	+47,900
Baseline	5.0 BBF	5.0 BBF	+0
Private harvest	0	0.6 BBF	+5,100
N. California	7,690	0	+7,690
<u>Total</u>			<u>+67,490</u>

¹Specifically, I reduced the Team's estimate of 118,400 by 10,500 to eliminate California. Then, I reduced that number (107,900) by 7.5% to eliminate self-employment (yielding 99,800). Then I added 10,400 employees to compensate for the fact that the Team included only the West Side of the Cascades.

²MBF = Million board feet. BBF = Billion board feet.

5. *Recommendation*

As a comparison of Trend lines A and B illustrates, the use of trends can be problematic. It is a close call, but my conservative instincts lead me to recommend that we present a high-low range based on Trends C and E. Adding in an estimated 3,500 job loss for Northern California, C and E yield a direct job-loss range of **17,300 to 23,600**.

6. *Sales Estimates*

It may be easier to demonstrate the positive effects of prompt resolution of the Northwest forest crisis by focusing on *sales* rather than harvests (which lag sales by three years). Figure 4 illustrates the sort of "J-curve" that Mr. Glauthier referred to at our meeting. This figure also illustrates the "ramp-down" effect that will lessen the immediate economic and social costs on the region.

I would be happy to discuss this further with you at your convenience.

Figure 1

Forest Products Employment in WA & OR

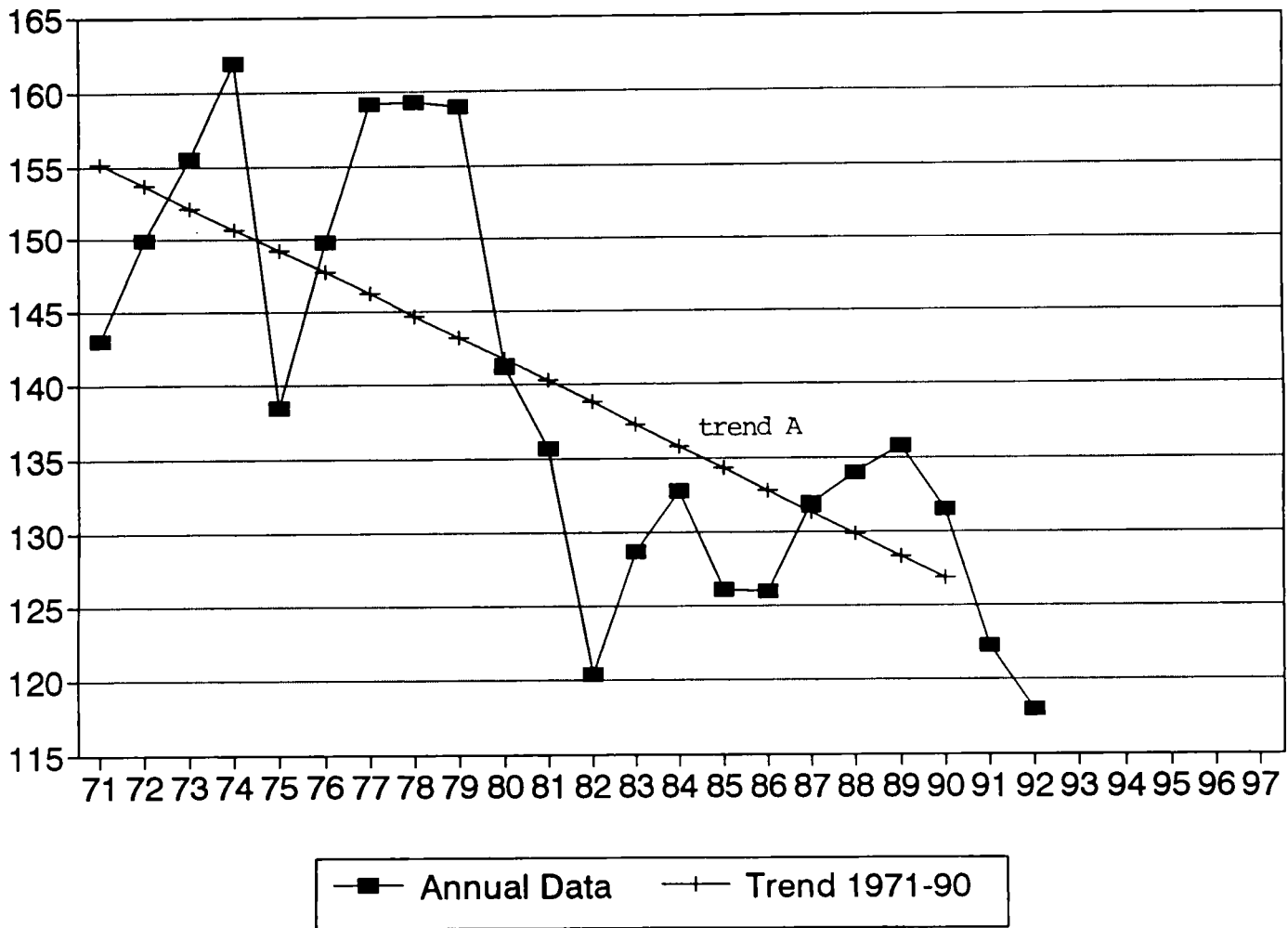


Figure 2

Forest Products Employment in WA & OR

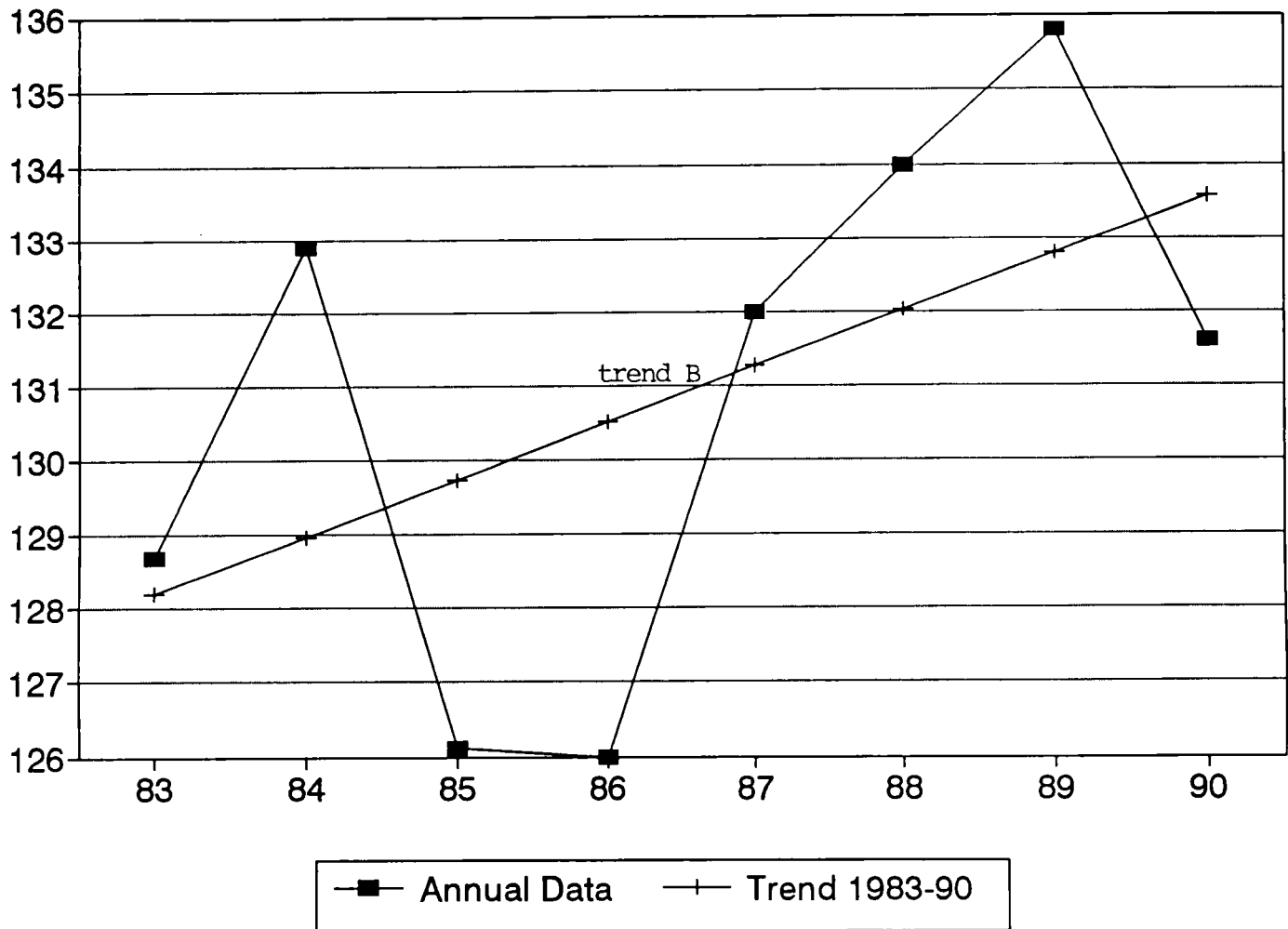


Figure 3

Comparison of Job-Loss Trends

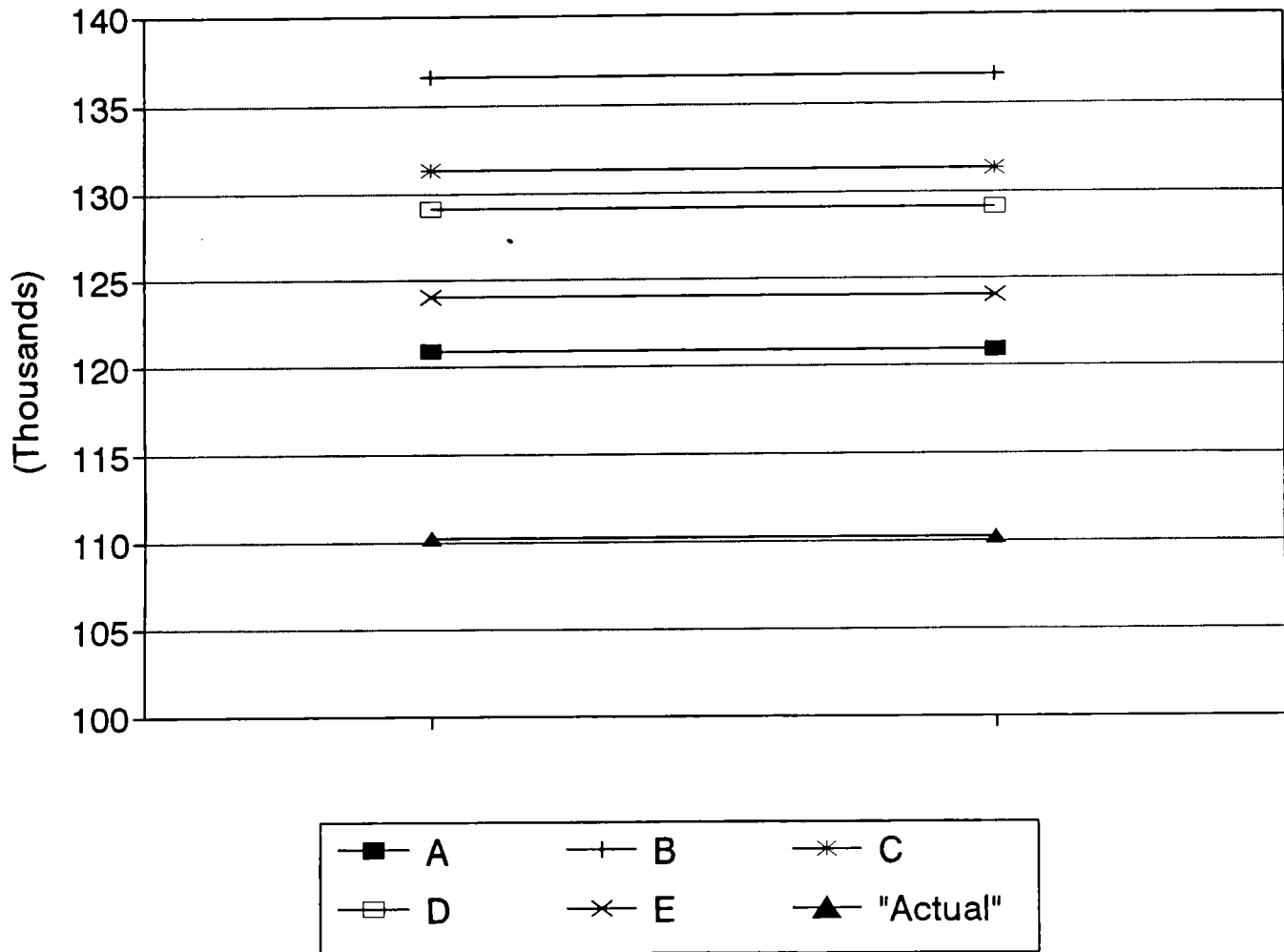
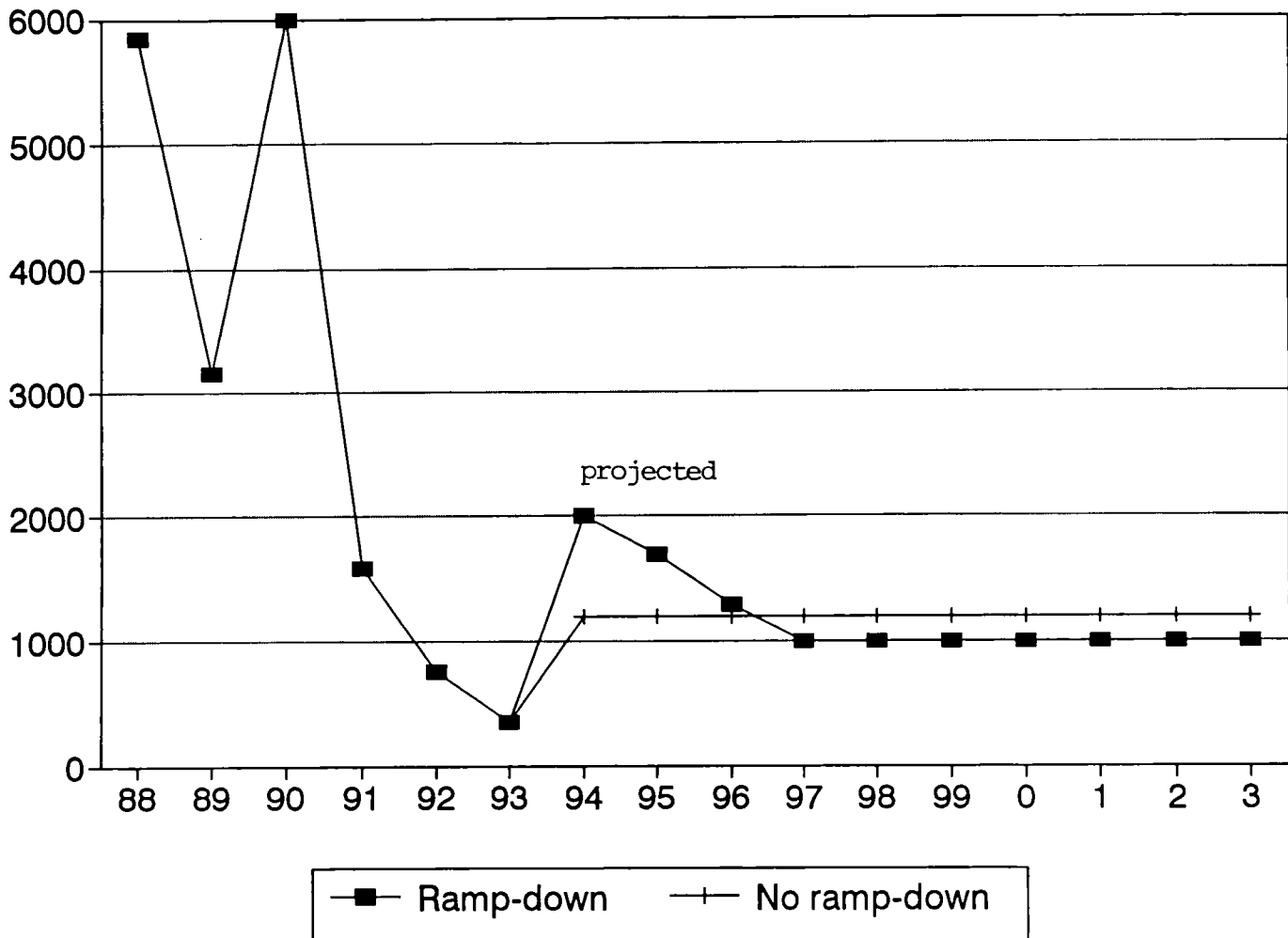


Figure 4

Sales from National Forests (MBf)



Pipkin

- p 26 - are we talking about cutting out legal comment periods?
(Revision of NFMA)

2). Reach closure on implementation. Can include sec. 4 in

Option 9 -- later date may not be opportunity.

~~Due~~ ✓ Ask Katie: is it worth identifying administrative v. legislative initiatives here?

Jaede:

- ✓ 1). pg 9 decision - East Side Salvage - what is anticipated volume?
~~area~~ I would say "a range could be b/w 100-200 m bf. or basing on ^{year b/f last -} put in \$ in some language that would have added 175 m bf.
- ✓ 2). p 11. Log exports.

Actions should/could include:

- 1). tighten substitution restrictions → recommendation no, after further dis. w/ Defazio - thought it was; additionally friction b/w Wash/Oregon delegation. Private land is primarily in Wash. then the Defazio wants it for political reas.
- 2). Andrus plan?

→ Jim was working on he

had had calls in Rick Haines at F.S. → Jim Pipton.

- ✓ 3). Beef up p 12 Forest Stewardship. Should we include in econ. app.

More info on costs.

Formula is biased against weaker states -- if we add money to Oregon. Should

Oregon - could be extended

State Oregon interested in F. Stewardship Trust to complement existing \$. Can find 1-2 mill to be put in -

Should be beefed up w/ ec. section

used to leverage private (state money; watershed).

Memo → Jim/Mark - old growth?

Strategy Paper #3 - Answers

Andrus -- we do ban export at low level, differential to what could get domestically.

Sakura - ✓ Draper c. job retraining to unions ✓
✓ Dicks c. watershed restoration
✓ d. manufacturing extension
Solier Dicks e. early consultation ✓

o find out from scientists -- developments of option 9
H&S allowable \$

o Brian Greiben

→ Peter Lukas fax from Oregon: what is his reaction
→ Denny. Unhappy w/ warmed over JPTA stuff -- in trouble if
Peter needs to sit down w/ Scott. Not too late

Stephanie - copy her on what Governors sent in. Nothing new in what
Governors sent in writing. Pret

Solier: pretty much on target; Governors weren't going to be really happy, but
Governors #3.

Small grants that Oregon is asking for - really long laundry list

→ Peter needs to sit down, w/ Stephanie / Mark / Labor ^{Tugman} / ~~Don~~ Dan Sakura

Stephanie: overall \$ need to be higher to making labor i: as well,

QTPAA is more expensive/elaborate

Jerry Franklins is meeting w/ Governor Forestry people Belcher / Harris

find out how that went debriefed on new approaches - Stephanie

Will: med paper on language of NFMA -- is it required to assume 7 probability
of success -- what do we face -- take out appropriate quotes. Same from
ESA. FLPMA - just BCM, ONC, standards.

Legislative negotiating strategy: Mark, Jim, Will, Tom. Plotting out what
you would envision w/ talks. 1) first put out 2) what do we hold in
pocket 3) who is in room & that briefing menu! Wed.

Will: Consultations should occur on different levels.

Mark: no negotiating room. ~~REAL~~ ~~to~~

KM: Any flexibility? Do we watch ~~setup~~ Strategic "think" ~~and~~

Which will be preserved/which will not

Will: 2nd level leg 3. strategy by Lyms et al on more detailed tactical approaches -- UKd

Stephanie: Hatfield (DeFazio/Dicks is on Prez's schedule)

Will - small teams to kill - manage teams

→ take off schedule. Not to do individually so one is not playing off other.

Mark: Key is convincing folks on revised baseline. That's the sales job bring staff down to WH - NO. To principles (not greenies tho) make sure members aren't cooked up.

Tom: look at ADP's rep as example "big memo"

Jerry wanted political read of alt. management units. Which co's?

Jolene has one - get from Stephanie where the AMA are?

Hayfork for Nadine. One in Olympic - Hayforks

CA pushed for AMA's - disown second one

checklist on stuff:

5:00 comments - pkg to NEC / deputies tom. at noon.

Exec. committee - Thru. 10:30

Identify who disagrees are - Fisk - Bob Rubin - CEA/

Finals could become a(n) attachment

Todd Stern - reality ✓

10:00

Call - ?

Prepare memo

Pete, Marla, Mark,

Volume?

Forest Stewardship

Governors list.

✓ CEA decision memo

Piptin - 26 - 2nd bullet - concurred ✓

1. 2nd bullet implies current BCM don't recognize directly BCM to apply viability - no implication has asked.

Recommendation that do not go to hell -
how else eliminate option 9. No other opportunity.

Wed noon - options paper.

- McGinty - Draper a. management options
- Pipkin - Draper a. management options
- Stelle - Draper b. free up private timber
 Dicks b. ^{seed implementation} Salvage, experimental forestry
- Defazio b. experimental on previously managed
- Curcio a. ecosystem management plan
- Hatfield a. certainty
- National envir. a. certainty b. permanent reserves
- Yu - Draper c. ~~eliminate export subsidy~~ ^{voluntary agreement w/ private}
- Dicks c. early consultation
- Collier - Draper c.2. Voluntary agreement w/ private
- Dicks a. early consultation
- Defazio d. NBS
- Tushman - Draper c.3. redefine cuts
 d.1. job impacts in Defazio's
 g. sales thro' B/A
 Defazio b. community forestry options
 c. land exchanges
- Haede - Draper d.2. bid preference options
- Defazio b. experimental forestry options
- Curcio a. ecosystem management plan
- Foley b. east side
- National envir. b. permanent reserves
 c. east side
- Lyons - Draper d.2. bid preference options
- Dicks a. early consultation
- Hatfield a. certainty
- National a. certainty

Shadow David - see docs / x done - /

Mon / Wed / Fri - 6:00

Hill meetings - notes -

• Brian Jacobson Portland.

How D.N.W. has contributed to π Cumber

Mark, Yu, Ripkin, Tuchman, Stelle

Rachel - Mon / Wed.

DMP - how much can we say. Commerce initiation

Revised w.s. taking ? #2 rev.

w.s. — Bottom of page.

Name the crown jewels.

Discuss w/ scientists

w.s. should review scientist — any reviews approp.

is language approp.

What's diff in ex. management / — Mark Gade.

figures 2000 — 50

* Make sure intins are available to distribute —
list from Peter Cu, DPC of who needs
to sign off. Lists together by Aft.

Mark A cross reference forest stewardship — more info.

look at description — what add

is it part of economic package.

is it sure a enhanced private land management.

Bruce (Peter - p15

Oruall harvest. Cool

Enviros - ?

Miller folks -- okay

Bob Warren - former staff for DeToro

Viability assessments: fish / old growth / not done --

we are expected by Wed. - Jack Jim should touch base

ASQ - Norm

Pipkin: When should these initiatives happen?

Unless we put in

Did KM want later legislative changes? Jim / Cotton mtg in morning? What is cost?

How far along are we on OMB figures

Get BCM - Jim

GP's interagency

Mark will identify who from Atty

Lyons

Will - Andrews - Dick Haines from FS b/c Peter asked -

Mark / Will will discuss (Jim Lyons)

Jim - working doc.

are statutes inconsistent? (Is there anything in BCM Statutes that are inconsistent. In applying viability, we are not conflicting.

Will - Solicitor on

Peter - what is investment v. FY 99 ✓ on columns.

Cottingham & Pan - -

As soon as possible
today, I want a
list of agencies/^{departments} that
may disagree w/ one
or more aspects of the
program so that I
can start working thru
phones. Please get
me that info along w/
appropriate contact
person named.

Katie's Comments

PREDECISIONAL DRAFT 6/6⁷
NOT FOR CIRCULATION

D:DC:SYNTH.3

*Make new version
synth. 4*

JUNE XX, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: KATIE MCGINTY
VIA: FOREST CONFERENCE EXECUTIVE COMMITTEE
SUBJECT: FOREST CONFERENCE

1. OVERVIEW

This memorandum 1) synthesizes the reports of the three working groups formed to develop options as follow-up to the Forest Conference, 2) presents options for your decision, and 3) describes ^{the} political and communication strategies for moving forward. Representatives of agencies and White House offices¹ have approved this synthesis via the joint Forest Conference Executive Committee/NEC and DPC Deputies approval process.

A. Status of Programs and Plans

At the Forest Conference, you directed the Cabinet Secretaries to develop by June 2 a plan to break the stalemate over this issue. You requested that they craft a "balanced policy that promotes the economy, preserves jobs, and protects the environment." You directed that it be "scientifically sound, ecologically credible, and legally responsible."

¹ White House offices include: Office on Environmental Policy; Political Affairs; Legislative Affairs; Intergovernmental Affairs; Office of the Vice President; Communications, Science and Technology Policy; National Economic Council; Council on Economic Advisers; OMB; ?? Departments include: Agriculture; Interior; Commerce, Labor; EPA; ?? Treasury

PREDECISIONAL DRAFT 6/6
NOT FOR CIRCULATION

Immediately after the Conference, three interagency working groups were established:

- the Ecosystem Management Assessment Team to examine forest management issues and their ecological and economic impacts;
- the Labor and Community Assistance Team to explore economic development and assistance proposals; and
- the Agency Coordination Team to examine ways to improve interagency efforts.

These teams have now completed drafts of their reports. White House and agency staff are reviewing them. The following sections of this memo summarize the three reports.

The Bottom Line: Exclusive logging in the previous decade has left us very little decision space. If we are now to comply with conservation and land management provisions of the numerous statutes that guide the Forest Service (in the Department of Agriculture) and Bureau of Land Management (in the Department of the Interior), ~~there is no opportunity for~~ continuing timber harvests at anywhere near levels of the 1980s. ~~can not be continued~~

Our primary opportunities to be creative and "put people first" come under the community/labor assistance and institutional reform programs. ~~discussed below~~

a new forest management option that we recommend that emphasizes community involvement as well as

B. Timing

Sections 3 & 4 combined in Synthesis add sent. which is approp.

Anxieties on the Hill are among key interest groups are intense. Delay will raise tensions; increase the risks of loss of support or a decision to pre-empt or disagree.

We must move quickly. We cannot afford to have the package unravel before your public announcement. We anticipate a public announcement and introducing legislation prior to July 1st. Many Members of Congress have indicated that they would like to see the legislation passed prior to the August recess (which begins August 6?). If the Speaker, key committee chairs, and key

PREDECISIONAL DRAFT 6/6
NOT FOR CIRCULATION

Senators are on board, we may have a chance at quick passage.

C. Presidential Action Requested

This synthesis of the working group reports constitutes a proposal for the Administration's comprehensive forest management, economic, social, and institutional change program. The Executive Committee seeks your approval of the recommendations described in this memorandum. We will proceed expeditiously to work with Congress, Governors, and affected constituents as we identify the most effective mechanisms to implement these programs. *The decision memorandum is*

supplemented by a discussion of the current political situation and our proposed legislative, communications and outreach strategy.

[Question to the group: Is this ^{supplemental discussion} necessary given that no decisions are put to him in this piece. Can/Should we attempt to consolidate this information in the introduction?]

B

PREDECISIONAL DRAFT 6/6
NOT FOR CIRCULATION

during the 1980s, the agencies were overcutting at a higher rate than was previously believed to be the case and that, as a result, the decision space we now face is more constrained than we thought.

Second, while attention has been focused on the spotted owl and its habitat needs, it is now apparent that the protection of fish species will have at least as much effect on timber harvests as the owl. The combination that results from protecting spotted owls, marbled murrelets, and at-risk fish is particularly devastating (under any available option) for potential timber harvests in southwestern Oregon and the Olympic peninsula (Rep. Dicks' and DeFazio's districts). *respectively*

The options developed by the Ecosystem Management Assessment team range from a "super-green" option (characterized by very large reserves and limited harvest potential) to the most recent plans of the Forest Service and the Bureau of Land Management (incorporating conservation of northern spotted owls). The latter option would produce the greatest harvest potential. However, it does not protect marbled murrelets or fish sufficiently to be viewed as in compliance with the law. If protection for those species is added, the option does not result in a significantly different potential harvest level than most of the other options.

The options start *each individual* from two basic perspectives, based either on habitat to protect ~~various~~ species or on protection of the best old-growth. Except for the two extremes, all produce a potential annual timber harvest of between .7 and 1.2? billion board feet (bbf) -- much lower than the 1980 to 1989 average of 4.6 bbf, or even the 1990 to 1992 average of 2.4 bbf, but significantly more than has been allowed under the existing

(Note that the decline between 80-89 and 90-92 averages, reflects general economic conditions and is primarily attributable to the increases).

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injunctions (about 0.5 bbf?). The timber industry and labor argue that future harvests of at least 2 bbf are required; however, the judgment of the scientific team is that no option exists that can comply with the law and still produce 2 (or more) bbf per year.

Jobs losses associated with any management plan will be a disputed issue. Economists on the scientific team estimate that direct forest industry job losses resulting from implementing most of its options would range from 6000 to 9000, when compared to the number of jobs for the most recent year, 1992.

The industry will dispute using a 1992 baseline, claiming that an appropriate baseline is the mid-1980s, when employment was very high. Industry will also apply a multiplier to any direct job loss estimate, to take into account losses indirectly related to timber reductions. Thus industry and labor can be expected to use job-loss figures of approximately 25,000 to 30,000 direct jobs and a total of 75,000 to 100,000 jobs lost in the region.

Of the options that were studied, ^{the planning area} three produce acceptable viability ratings (a medium-high to high probability that the species will remain viable throughout ~~its range~~ over the next 50 to 100 years) and also an annual harvest level of at least 1.0 bbf. The Executive Committee believes that the most attractive option is Option 9, which has been termed the "unified reserve" option. Previous proposals have generally developed forest reserves on a species-by-species approach, usually starting with owls and then considering what additional areas are necessary for other species. The unified forest reserve approach ^{is brand new, and is based on the innovative cooperative kind of creative, cooperative} recognizes that watershed protection, such as buffer zones alongside streams, should be the starting point in development of reserves. ^{Community-based principles you layed out at the forest Conference.}

(New) This approach,

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that accomplish multiple purposes. A reserve aimed at protecting watersheds can often include some of the best old growth and can provide habitat for spotted owls, marbled murrelets and other key species. Option 9 starts from this premise and attempts to consolidate reserve requirements, ^{in doing so, this option allows more lands to be managed rather than reserved.} ~~while also recognizing that riparian buffers can provide connectivity between habitat conservation areas.~~

Option 9 also identifies nine large adaptive management areas (50,000 to 500,000 acres) for intensive ecological experimentation and social innovation, with the objective of developing and demonstrating integration of ecological and economic/social objectives. These areas will be very popular politically, as they will provide opportunities for agencies, non-governmental organizations, local groups, and communities to work together to develop innovative management approaches. ^{The scientific team recommends that 2 of the areas be placed in Congressman DeFazio's district, and 1 in Congressman Dicks' district.} ~~On the other hand, it should be noted that option 9, while scientifically sound, will make the environmental community unhappy. They would prefer reserves to extended experimental forestry.~~

We recognize that none of the options produced by the Ecosystem Management Assessment Team will satisfy the timber industry, labor, or many members of the northwest delegation. The reaction of some will be to propose legislative imposition of a target harvest number, without regard to whether that number can be achieved while complying with the law. However, that approach is likely to lead to additional degradation of habitat, additional listings under the ESA, and further problems in court down the road. ~~Further, recommending special regional exceptions to substantive provisions of conservation and land management statutes will likely prevent rapid Congressional action, as well as establish a dangerous precedent.~~

^{We hope to "soften the blow" by other policy initiatives discussed below that can add to the timber base and phase in conservation measures.}

On balance, we recommend: that you continue to adopt an approach based on compliance with existing substantive law; that the unified reserve option be made part of the proposed solution;

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and that some of the features described below be added to make the package more acceptable.

B. Phase-in

Because the projected harvest levels are so low, we believe it is necessary to modify the options presented by the Ecosystem Management Assessment Team to include a phase-in approach, so that harvest operations can be scaled back more gradually. While not all scientists who were involved in the development of the options will support a phase-in, a number will say that it does not alter the viability conclusions that they reached, as long as the total harvest over ten years averages out to the number they calculate, and as long as care is taken to stay away from biologically-sensitive areas during the phase-in period. In other words, in the view of some scientists, a phase-in can be added without doing violence to our instruction that the forest management plan should comply with the law.

Specifically, under the option we support (the unified reserve option), the average total harvest is to be 1.2 bbf. We propose that during the first year, the available harvest would be 2.0 bbf, dropping to 1.7 bbf the second year, and 1.3 bbf the third. In order to average 1.2 for a ten-year period, thereafter the level would have to drop to 1.0 bbf. However, by that time, marbled murrelet surveys and much watershed planning should have been completed, and it may be possible to adjust that number somewhat depending on the results of that work.

Politically, this phase-in will help gain much-needed support from Congress and regional timber and labor interests. Speaker Foley's staff believes a phase-in should be an essential part of the package.

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C. Permanent Reserves

In order to gain the support of the environmental community, particularly if we include a proposal for legislative assistance that modifies procedural requirements under current statutes, it will be necessary to provide permanent protection for high priority old growth areas either administratively or through the legislative package. We recommend that key old growth areas be identified and that the possibility of permanent reserves be explored during our discussions with members of Congress. (see G)

Forest industry and labor leaders will oppose the reserves. The option we are recommending allows some logging activity (thinning and salvage) within portions of the reserves.

D. East-side Salvage

A portion of the supply from an accelerated salvage program for east-side forests could be used to supply westside mills as a job mitigation strategy. We recommend that an aggressive but regulated salvage program be undertaken for east-side forests as part of the package to deal with northwest forest issues.

Environmentalists will criticize ~~the proposed program for~~ ^{this strategy as they have argued for more protection for} ~~not dealing more with east-side forests.~~ ^{East Side forests and} ~~We decided early in the~~ ^{have been} ~~process to focus on west-side spotted owl habitat.~~ ^{critical of} ~~However, we~~ ^{our focus on} ~~recognized that consideration of east-side conservation and~~ ^{West Side.} ~~economic issues would follow and that the west-side plan would~~ ^{However, we also will} ~~probably serve as a model for east-side assessment.~~ ^{propose new management} ^{protections for East Side forests as} ^{part of the overall proposal.}

E. State and Private Lands

The Ecosystem Management Assessment Team was instructed to

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minimize the impact that its conservation planning would have on private lands. Federal agencies can take actions that will increase potential harvests on state and private lands and thereby offset the reduction of harvests on federal lands.

In particular, private landowners are extremely dissatisfied with the guidelines issued by the Fish and Wildlife Service (pursuant to its authority to regulate "takings" under the ESA) that delineate large "owl circles" around active nesting sites and prescribe strict harvesting conditions within the circles. With the adoption of a preferred alternative ^{for federal lands} that will largely meet the needs of the owl, these restrictions can probably be loosened. You should direct the FWS to promulgate a rule under section 4 of the ESA to define what activities will be considered to violate the taking prohibitions of the ESA as they relate to the northern spotted owl. This rule would likely free up significant amounts of private land and would be applauded by the states, labor, and private landowners. *Environmentalists can be brought on board here if the state and private landowners are simultaneously required to manage their lands according to new habitat conservation plans.*

F. Timber from Indian Reservations

450

Current estimates are that there are approximately ~~300~~ million board feet of backlogged timber sales from Indian reservations in the Pacific northwest. Much of the backlog results from a lack of people to process the sales (including forest hydrologists and ESA and NEPA specialists). Assistance that the Administration might provide, as part of a larger strategy to include the tribes in the resolution of the northwest forest crisis, could expedite bringing much of the timber onto the market at a time when it is most needed. We recommend that you direct the Departments of Agriculture and Interior to explore such a strategy.

7 [costs/necessary personnel?] *thru*
↓
h/w - 1-2 mil
↓
50-75 people

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G. Certainty

One of the major objectives of the timber industry and labor is certainty -- being able to rely on the availability of a regular, predictable volume of timber sales. While no complete solution can be found to the certainty issue, some of the suggestions made below in the discussion of legislative strategy (which reduce the likelihood of injunctions) will be viewed as offsetting some of the adverse impact of reduced timber volume. In particular, asking Congress to expedite the implementation of the new plan, by shortening comment periods on the programmatic EIS and eliminating certain NEPA requirements, would be viewed by industry and labor as a very positive step -- in effect trading off a reduced harvest level for more certainty that some timber cutting can resume in the near future. Environmentalists will oppose efforts to legislate specific volumes of timber harvests and any restrictions to challenge sales in courts.

H. Log Exports

Similarly, actions to increase the amount of timber processed in the US will be regarded as helpful to the overall economic/social picture. These actions include: (1) elimination of the Foreign Sales Corporation preferred treatment of income derived from the export of unprocessed logs; (2) redefinition of unprocessed timber to make it more difficult for companies to avoid export limitations by making minor changes to a log; and (3) requiring private companies to commit that any timber released by removal of owl circles will be processed in domestic mills. (We are not, however, proposing a ban on log exports, although that suggestion has been made by some.)

I. Secondary Processing

The job outlook could also be improved by affording a

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bidding preference to first level processors who agree to commit a percentage of their output to domestic secondary processing.
[more to be added]

J. Forest Stewardship - included in econ. assistance?

The Forest Stewardship programs provide technical and financial forest management assistance to non-industrial landowners -- those with less than 1000 acres. The Forest Service administers the program in collaboration with state foresters. Until now, the Forest Stewardship program has not been extensive in Washington, Oregon, and northern California. You should direct the Forest Service to increase in the Pacific northwest Forest Stewardship and other programs that encourage sound forest management. In addition, the Forest Service should require that landowners receiving financial assistance not export raw logs or partially processed timber.

RECOMMENDED DECISION: We should go forward with a plan based on (1) the unified reserve option proposed by the Ecosystem Management Assessment Team, (2) a phase-in of that option starting at 2 bbf for the first year, (3) development of possibilities for a permanent old growth reserve, (4) development of an eastside salvage program, (5) promulgation of a rule under section 4 of ESA to loosen restrictions on private lands related to spotted owls, (6) federal assistance to bring additional timber onto the market from Indian reservations, (7) pursuit of legislative procedural relief to increase the certainty of timber harvests during the interim period, (8) actions to increase the processing of logs in domestic mills, (9) giving a bidding preference in connection with secondary processing, and (10) increasing the availability of Forest Stewardship programs.

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Agencies agreeing with this recommendation include: _____.

Agencies opposing this recommendation include: _____.

AGREE _____ DISAGREE _____ LET'S DISCUSS _____

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3. COMMUNITY AND LABOR ASSISTANCE

*Question: Peter -- do we provide enough detail here on specific initiatives?
Also, we should add the items the Governor's office has specifically called for.*

A. Background

The Labor and Community Assistance Working Group has developed a comprehensive and integrated program to address the social and economic effects of an ecosystem management plan. The program addresses both immediate and intermediate-term needs, and it focuses on four distinct, but related, sets of problems.

Human Investment

- **Assistance to workers and families** -- The program calls for targeting of monies from the discretionary national reserve account under Title III of the Job Training Partnership Act (JTPA) for job search assistance, retraining, and relocation. It also calls for a coordinated effort to expand conservation corps activities for young people in the rural Northwest.
- **Assistance to firms and industries** -- Our proposal envisions increased funding for successful business lending programs (currently administered by the Department of Agriculture), expanded technical assistance (through the Department of Commerce), and adjustments in federal procurement practices. It also calls for increasing the supply of timber to the secondary processing sector of the Northwest timber industry and for eliminating tax incentives for log exports.
- **Assistance to communities** -- The Group proposes to stabilize fiscal assistance to Northwest counties, to strengthen community capacity to plan for economic development and diversification, and to improve the infrastructure necessary

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for such development.

Ecologic Investment

- **New investments in ecosystems** -- The Group proposes investments in watershed maintenance, ecosystem restoration, and environmental monitoring that will improve the condition of the region's ecosystem and create jobs.

The estimated dollar amounts associated with the above proposals are described in the attached chart. The chart covers three different levels of funding for a Northwest Economic Adjustment Initiative: **[NEC AND OMB TO CONFIRM/REVISE THESE BUDGET FIGURES]** *{ NEED some sense of the "bar" - i.e., what is an amount that is expected. }*

Gov's estimate?

- **Option 1: Maintain FY1994 Budget Levels**

Under this option, funding levels set forth in the FY1994 budget (including both "base" and "investment" spending) would be maintained. This level includes only federal expenditures and lending in those programs identified for enhancement, and thus should not be considered as a measure of the total amount of federal money directed toward the rural Northwest. This option provides \$780.1 million to the rural Northwest in FY1994 -- \$80.5 million over FY1994 base spending. This option would not provide funding for enhancements of programs for workers and families, and would provide only limited (about one-third) funding for businesses and community assistance.

Governors, and local government leaders, and labor are expecting new funds for social programs as a result of declining timber sales.

- **Option 2: Reprogram and Redirect FY1994 Budget Levels**

Under this option, the agencies would reprogram monies from FY1994 base spending and redirect FY1994 base and investment

This Political leaders in the Northwest will approve of the reprogramming. However, targeting funds to the Northwest may ~~cause~~ create resentment in other regions.

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spending to enhance economic assistance to the rural Northwest. This option would be pursued through discussions with the Appropriations Committee and through administrative action. In FY1994, this option would provide \$931.5 million to the rural Northwest -- an increase of \$230 million over the FY1994 base. ↓

• **Option 3: Create a Northwest Economic Assistance Fund**

Under this option, \$20 million a year (in FY1994-FY1998) from federal log-sale revenues would be pooled and directed toward retraining, youth services, planning assistance, and private land management in the rural Northwest. This \$20 million would be offset by \$15 million in increased revenues from the restriction on FSC benefits (see discussion below), combined with \$5 million in increased log-sale revenues.

B. Implementation Mechanism

The Group recognizes that federal assistance to the region is currently delivered in an uncoordinated and inefficient fashion. Consistent with the Administration's efforts to "reinvent government," the Group proposes the establishment of a new service delivery system that will enhance integration of ongoing federal efforts and coordination of federal, state, and local programs. The Group has developed two options for improving delivery of federal assistance and investment activity.

One option is to use the "incident command" system that is often employed in natural disasters and other emergencies. Under this option, representatives of the relevant agencies would form a "Multi-Agency Command" that would oversee and coordinate the activities of federal and state entities, most often through a memorandum of understanding. Within twelve months, this rapid-

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response structure would give way to a more developed structure that would involve interagency cooperation. (Initial discussions with the Agency Coordination Group suggest that it may be possible to incorporate aspects of this function into the ecosystem-based management process described in that Group's report. Further study of this potential is recommended.)

A second option is to deliver federal assistance through a conditional block grant mechanism, with federal funds from certain programs begin pooled into a Regional Development Fund. A new Regional Commission would oversee the Fund. Counties and other local governments would apply for block grants by submitting detailed plans for economic diversification and development.

The majority of the working group favors the first approach.

Who disagrees?

C. Suggested Legislative Action

Much of this economic assistance program can be implemented administratively -- without legislation -- through Executive Orders, interagency Memoranda of Understanding, and administrative decisions. However, several aspects of the program will require legislative action. These include:

● **Revision of fiscal assistance to counties**

This is a controversial issue. Currently, both the BLM and Forest Service participate in revenue sharing with county governments (with payments averaging \$100 million and \$200 million per year, respectively, during the late 1980s). This has been problematic because significant fluctuations in harvests have produced significant fluctuations in revenues and because

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revenue sharing generates pressure for increased harvesting. In each of the past two years, Congress has established a "safety net," guaranteeing minimum revenue sharing equivalent to 85 percent of the average past payments, but limited to the total revenue from the relevant log sales.

With one exception (OMB), the Group recommends the establishment of a ten-year schedule of federal payments, beginning at safety-net levels and declining 3 percent per year. This approach would offer communities stability and predictability and thus provide a more attractive investment climate, while at the same time encouraging communities to become less dependant upon federal fiscal assistance, as the payments would be limited in duration and gradually declining. The payments would reach 55 percent of the 1986-1990 average in FY2004; at that time, the payment regime would be reexamined.

*Rob?
needs
further
explanation* OMB recommends against this proposal, and argues that a year-by-year adjustment of revenue sharing would be more appropriate, efficient, and fiscally sound.

• **Elimination of current tax incentives for raw log exports**

Currently, the Foreign Sales Corporation (FSC) provisions in the Internal Revenue Code exempt from US tax a portion of the income derived from the export of most goods, including unprocessed logs, when FSC participates in an export transaction. The majority of the Group recommends that the FSC be amended to deny FSC benefits to income from the export of raw logs. This would likely decrease exports and increase domestic processing. The Treasury Department estimates that this would increase

preferential
tax treatment
for

TP while campaigning in Oregon, you indicated that you did not think that the government should continue to give foreign log exports. Congressman DeFazio wants to

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revenues by \$15 million per year.³

The CEA and Treasury recommend that this proposal not be adopted. They believe that any reform of FSC rules should be undertaken in the context of a comprehensive study of tax incentives for exports, rather than on a piecemeal basis.

* President's campaign
statement, action of the
delegation

• **Revision of budget**

A budget amendment will also likely be necessary to ensure necessary levels of funding.

D. Costs, Financing, and Presidential Decisions

After much negotiation, the Group believes that, assuming passage of the investment-based portions of the package, the proposed activities can be funded without increasing the deficit (assuming that the above legislative action is taken). This would be accomplished by:

- (1) earmarking investment monies;
- (2) reprogramming monies to the Northwest from other regions; and
- (3) offsetting expenditures beyond the baseline with the increased revenues from elimination of the raw-log export incentives.

The primary decision centers on the magnitude of the proposed assistance package. Very preliminary calculations

³ During the Forest Conference, there was mention of a larger revenue estimate (\$70 to \$100 million) that was developed on the Hill last year based on rough calculations not using micro data (as is used in Treasury's estimate).

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indicate that the maximum additional amount the agencies would be able to provide the region is \$150-175 million per year. Many will view that amount as too small, in light of the magnitude of the reduction of timber harvests and in light of your pledge during the campaign of "no net loss of jobs." On the other hand, with the current focus on reducing government spending and with other priorities that have already been established, it is hard to find much room in the budget to increase the size of the package.

At this time, the central strategic decisions concern legislative and budgetary strategy. Successful implementation of the program requires passage of the investment package items for USDA, Interior, Commerce, Labor, and EPA. We need your authorization for the agency deputies to work with Intergovernmental Affairs, OEP, and OMB to ensure such passage. Beyond that, the central tactical questions concern whether the best approach to securing region-specific monies is through budget amendments or earmarking. Again, the deputies would work with Political Affairs, OEP, and OMB to resolve this issue.

RECOMMENDED DECISIONS:

1. Implementation Mechanism

The majority of the working group recommends that an interagency delivery mechanism, based on the "incident command" system, be established for the short-term implementation of the labor and community assistance package.

Agencies agreeing with this recommendation include: _____.

Agencies opposing this recommendation include: _____.

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AGREE _____ DISAGREE _____ LET'S DISCUSS _____

2. Funding Options

The majority of the working group recommends Options 2 and 3 be implemented.

OMB, CEA, and Treasury endorse either Option 1 or Option 2, but not Option 3.

OPTION 1 _____ OPTION 2 _____ OPTION 3 _____ LET'S DISCUSS _____

Options on ESC, community payments, etc.??

DRAFT

EXHIBIT 2: Funding Level Options

	FY1994	FY1993-1998 Funds beyond base
Options	1039.5	-
FY1994 Base --	1352.7	1006.6
Option 1: FY1994 Budget --	1505.1	1606.0
Option 2: FY1994 Reprogrammed & Redirected --	1525.1	1706.0
Option 3: Option 2 + NW Economic Adjustment Fund --		

*****PARTIAL LIST OF FEDERAL ASSISTANCE AVAILABLE IN "OWL REGION"*****
(in \$ millions)

Initiative	FY1994 Base	FY1994 Investment	FY1994 Reprogram & Redirect	Northwest (FSC) Fund	FY1994 Totals	FY93-FY98 Money beyond Base	Period
JTPA-Title III: Sec'y Reserve	6.2	0.0	5.8	5.0	17.0	32.4	(3 years)
National Service	1.2	0.0	0.0	1.3	2.5	3.8	(3 years)
x-JTPA-Title III: Formula	7.2	16.3	0.0	0.0	23.5	48.9	(3 years)
-Total: Workers & Families	14.6	16.3	5.8	6.3	43.0	85.1	(3 years)
RDA Bus. Enterprise Grants*	-	1.1	3.0	0.0	4.1	12.3	(3 years)
RDA Bus. & Industry Program	5.5	9.8	20.0	0.0	35.3	69.4	(3 years)
RDA Intermediary Relending**	-	-	16.0	0.0	16.0	48.0	(3 years)
Old Growth Diversification	1.5	0.0	0.0	3.0	4.5	9.0	(3 years)
Manufacturing Extension***	-	-	-	-	-	-	(3 years)
EDA Technical Assistance	0.5	0.0	0.0	1.8	2.3	5.3	(3 years)
x-SBA Guaranteed Loans	280.6	217.0	0.0	0.0	497.6	651.0	(3 years)
-Total: Businesses	288.1	227.0	39.0	4.8	559.8	815.0	(3 years)
Revenue-Sharing for Counties	200.0	0.0	0.0	0.0	200.0	1000.0	(5 years)
EDA Planning Assistance	2.0	0.0	1.5	3.0	6.5	13.5	(3 years)
CDBG Block Grant & Sec. 108	36.6	1.9	0.0	0.0	38.5	5.7	(3 years)
RDA Community Facilities	5.0	16.6	20.0	0.0	41.6	109.8	(3 years)
RDA Water/Wastewater Program	55.0	17.0	15.0	0.0	87.0	98.0	(3 years)
-Total: Communities	298.6	35.5	36.5	3.0	373.6	1225.0	(3 years)
Understanding Federal Forests	0.0	0.0	0.0	2.0	0.0	10.0	(5 years)
Enhanced Private Land Managemt.	2.2	2.2	0.0	4.0	8.4	31.0	(5 years)
Ecosystem Restoration	178.0	19.3	71.1	0.0	268.4	452.0	(5 years)
x-Other Forest Restoration	258.0	12.0	0.0	0.0	270.0	98.0	(5 years)
-Total: Ecosystems	438.2	33.5	71.1	6.0	546.8	591.0	(5 years)
Totals:	1039.5	313.2	152.4	20.0	1523.1	2716.0	

*****AMOUNTS REFLECT FUNDS AVAILABLE (I.E., INCLUDE LOAN AMOUNTS)*****

Assumptions: 3 and 5 year agency commitments on reprogramming and redirection
straight-lined investment levels

Notes: *FY1994 Base not available.
**In the past, appropriations for the RDA IRP have not been allocated by State.
Instead, projects compete for funding. The FY1994 base program level for
the entire program is \$34 million; \$140 million additional is proposed in the investment package.
***FY1994 amount not available.
x-Denotes program not included in proposed economic adjustment initiative.

4. AGENCY COORDINATION

A. Background

Too often in the past, various federal agencies have acted in isolation or even at cross-purposes in connection with the management of forests in the Pacific Northwest and northern California. This lack of cooperation has undeniably contributed to the current gridlock. In recognition of this fact, the Agency Coordination Group was asked: (1) to identify the factors related to interagency workings and process that contributed to the gridlock; and (2) to develop a plan to correct those problems and to achieve better coordination and cooperation among these agencies.

B. Ecosystem-Based Approach to Forest Management

The adoption of a new forest management strategy provides an ideal opportunity for this Administration to correct the existing problems and "reinvent" forest management. All of the options under consideration call for significant changes to the current system. First and foremost, all of the current proposals call for the use of ecosystem-based management.

Any ecosystem-based plan will require looking at all ownerships -- federal, state, tribal, and private. With respect to the federal agencies, this will require much more coordination than in the past among the land management agencies (primarily the Forest Service and BLM) and also among the agencies responsible for enforcing the Endangered Species Act (the Fish and Wildlife Service and the National Marine Fisheries Service) and other environmental laws (EPA). It also means that there must be some vehicle for bringing states, tribes, and private

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landowners (and affected communities) to the table.

C. New Planning Units

All the options under consideration also call for a departure from existing planning units (individual national forests and BLM districts). Under the current proposals, the beginning place for analysis is the individual watershed, and the most logical planning unit is a physiographic province, consisting of a number of watersheds.

D. Proposed New System

Because an ecosystem management approach will not respect administrative or ownership boundaries and because the new planning units will cross jurisdictional lines, vastly increased agency cooperation and coordination will be required. Accordingly, we are proposing a new scheme of land management planning for the geographic region here involved.

As a first step, we propose the immediate development of an interagency Geographic Information System (GIS) database in order to allow land management and resource agencies to coordinate their efforts in the collection and development of research and data.

We also propose a new planning structure, consisting primarily of four interagency teams. Most of the planning work would be done by provincial-level teams -- i.e., these teams would develop analyses for physiographic provinces and particular watersheds. The membership of these teams would include (at least) the relevant federal agencies, states, and relevant tribes. In addition, when individual watersheds are analyzed,

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the objective would be to get all affected parties to the table, to discuss biological needs, timber needs, community needs, etc. An Interagency Executive Committee would coordinate the work of the provincial teams. It would consist only of federal agencies (though it would have working groups including the states and tribes and would have regular open meetings at which states and others would be fully included). It would provide direction to provincial teams; serve as a forum for sharing information and discussing common issues; and approve research, monitoring, and adaptive management proposals. Two other groups, a Regional Ecosystem Office and a Research and Monitoring Committee, would support the executive group and would address research, data needs, consultation, and implementation issues.

**E. Revised Process for Consultation Under the
Endangered Species Act.**

The existing consultation process would be revised to emphasize an integrated ecosystem approach. This would include: (1) involving FWS and the NMFS early in the process, so that the views of those agencies can be made known when the land management agencies begin to develop their plans for a particular area; (2) the use of programmatic consultations, where appropriate, in order to reduce costs and delays; and (3) calling upon the land management agencies to be more responsive to the recommendations made by FWS and NMFS that are aimed at avoidance of further degradation of habitat.

F. Effect on Budget

Preliminary review suggests that, during the interim period, when agencies are operating under the old system but also preparing to switch over to the new strategy (and when they are

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investing in a common database and related technology), agency budgets will have to remain at least at present levels and probably will need to be increased. In the long term, however, efficiencies and cost savings seem likely. If you agree that the proposed framework appears desirable, we would proceed with a detailed assessment of budget implications.

We caution against any expectation that agency budgets can be reduced commensurately with the decrease in timber harvest levels on federal lands, since the increased emphasis on objectives other than timber production (including recreation, species protection, rehabilitation, conservation, and other commodity production) will require the maintenance of adequate staffing levels. Moreover, monitoring and research will be significant factors in any ecosystem-based plan.

G. Review of Statutory and Regulatory Impediments

✓ ~~In order~~ To achieve maximum benefits from the new ecosystem-based approach, certain statutory and regulatory changes would be highly desirable, including:

- revision of NFMA to allow a change in planning units from national forests to provinces (to provide the appropriate framework for watershed-based analyses);
- revision of the budgeting process (1) to decouple funding of agency budgets from timber sales levels, and (2) to allow flexibility in expending funds when and where needed to manage overall ecosystem health, including expenditures across jurisdictional lines and expenditures for joint projects such as the interagency GIS database;

by streamlining
the process to
amend land management
plans;

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- revision of NFMA and/or relevant regulations to allow for effective adaptive management (~~i.e., reduce the burdens associated with amending plans~~); f: cut out legal comment questions
- revision of legislation or regulations governing BLM lands to ~~recognize that maintenance of species viability and habitat protection are important objectives~~; He suggests don't know??
- consideration of legislation to exempt the interagency teams from the provisions of Federal Advisory Committee Act (FACA).

more specifically ~~emphasize~~

While further analysis and preparation of these proposals should begin now, there is no need to press for immediate revision -- i.e., these proposals need not be presented to the Hill this summer and can be presented at a later date after further study has been conducted.

How implement this is the priority

RECOMMENDED DECISION: We should go forward with a plan consisting of: (1) movement by the agencies to a watershed approach as the basis for forest management planning in the area within the range of the northern spotted owl; (2) establishment of the interagency teams recommended by the Agency Coordination Group to implement the new approach; (3) establishment by the relevant agencies of an interagency GIS database to the extent that can be done within FY1994 budget limitations and consideration of such database in their plans for FY1995; (4) further analysis of budget implications of full implementation of the recommendations of the Agency Coordination Group; and (5) further analysis of possible legislative or regulatory changes to support the new forest management strategy.

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Agencies agreeing with this recommendation include: _____.

Agencies opposing this recommendation include: _____.

AGREE _____ DISAGREE _____ LET'S DISCUSS _____

to be added

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5. LEGISLATION

One of the Administration's goals has been to break the "gridlock" and hold timber sales as quickly as possible. The federal forest land management component of the program can be implemented administratively. However, implementation without legislative assistance will take a long time because of procedural requirements of relevant statutes and regulations. Some components of the overall forest ecosystem strategy and the economic/social proposal will require legislation. The Administration must determine how extensive the legislative package should be.

The plethora of procedural requirements of the National Forest Management Act (NFMA), Federal Land Policy and Management Act (FLPMA), Endangered Species Act (ESA), and other statutes make it difficult to offer much timber volume before next spring. If we have to postpone sales until that time, many sawmills that depend on timber from federal lands may have to close because they lack an adequate supply of logs.

The Forest Service and Bureau of Land Management are doing what they can to comply with existing procedures. They plan to issue a joint environmental impact statement (EIS) in mid-July. It will analyze the ecological and social options considered and identify the agencies' preferred alternative. The NFMA requires a 90-day comment on draft EISs or plans. Under ideal conditions, the EIS and NFMA process would extend until at least January 1994, at which time citizens could appeal the decisions. The only way to shorten the schedule is through action by Congress.

We have identified two alternatives. One, favored by the majority of the Executive committee, is to ask for Congressional

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assistance with the procedural requirements, but to ask for as little Congressional involvement as possible -- i.e., to maximize the administrative implementation of the program. Under this approach, we would submit a brief legislative proposal to shorten comment periods and eliminate certain procedural requirements of NFMA and NEPA. A variation of this option is to include some "certainty" provisions (such as declaring that the procedural requirements have been met or restricting rights of appeal) seeking to minimize opportunities for injunctions to tie up the program.

The timber industry and labor want Congress to pass legislation providing "certainty" that a specified timber harvest level will be available for the next several years. They also want that harvest level to be insulated from legal challenge, by finding that the program meets procedural and/or substantive requirements of all statutes. Environmental groups will bitterly contest ~~all of these aspects~~ including "certainty" provisions but should be generally satisfied with the comprehensive package of reserves and watershed protection. ✓

The other approach, favored by the Department of Agriculture and ? , is to propose comprehensive legislation endorsing the forest management plan for a specified period (3 to 5 years). The principal advantage of this approach is that it would build a partnership with Congress in developing the program. On the other hand, it invites Congress to tinker with the basic elements and it probably presents a higher risk of failure in Congress.

A related issue is whether to ask Congress to establish permanent old-growth reserves or whether to address that issue administratively through the Antiquities Act. The majority of the Executive Committee suggests the administrative approach. However, that conclusion should be reconsidered if Congress insists on examining the forest management package and changing

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its components. In that case, legislative consideration of the reserves may be necessary to achieve an overall balanced solution.

RECOMMENDED DECISION: On balance, a majority of the Executive Committee recommends that the legislative approach be through 1) a proposal to speed up administrative implementation of the forest management plan by shortening comment periods and eliminating other procedural requirements, while making no substantive changes to the underlying statutes, and 2) obtaining necessary Congressional authority for elements of the economic/social package.

The following agencies agree with this recommendation: _____

The following agencies oppose this recommendation: _____

AGREE _____

DISAGREE _____

LET'S DISCUSS _____

[Note to group: The goal here is to provide the President with unanimous recommendations. We will talk through disagreements toward that end].

6. POLITICAL SITUATION

A. Expectations

Following the Forest Conference, expectations of all parties were exceptionally high that the Administration plan would produce components they favored. People came away from the Conference selectively having heard what they wanted. "Balance" became a "silver bullet" magic solution. Not surprisingly, "balance" is being defined by perspective:

- to loggers and the timber industry it means lifting the injunctions, modifying the Endangered Species Act, and increasing the timber harvest level;
- to environmentalists it means increasing protection of the remaining old-growth forest ecosystems and establishing permanent reserves.

In recent weeks, expectations have been lowered. Most people now realize that no "silver bullet" solution exists.

Industry, labor, and community leaders are likely to consider this proposed program a "triple whammy." They had anticipated that compliance with environmental laws would result in a reduction from historical harvest levels and levels stated in resource plans. Now we have to tell them that the forest plan estimates were too high even before one overlays additional habitat conservation.

In addition to sharply reduced harvests from Federal lands, there is little new money to assist affected people. The Labor and Community Assistance Team report recommends developing and/or enhancing several programs. The total available funds is \$xx.

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This level of funding, while substantial, does not compensate communities or workers at a level equal to the resulting declines of services resulting from lower timber harvest levels from federal lands. *but gov't work*

B. Political Context

Now that we have draft reports from each working group, we must move quickly to maintain: 1) leadership and 2) control of the information. Congressional leaders, Governors, and interest groups following this process are becoming increasingly anxious to know what the Administration will propose and how they will be involved/consulted.

✓ *en* **CONGRESS:** Implementing this comprehensive program will require legislation. The best way to gain Congressional support is to assure that members of the delegation and key committee chairs have "bought into" the plan. Once consultations begin, however, we anticipate that the working group options and recommendations will leak. Lobbying efforts from all sides will intensify -- on you, senior staff, and Congress. Claims and counter-claims will be vicious.

We propose to continue working with Congressional representatives on specific components of the program as soon as you provide your approval. Their primary incentive for accepting the plan is that they have no better alternative. Congress has wrestled with this for years and been unable to resolve it.

You, Cabinet Secretaries, and other senior officials will have to use all your persuasive powers to get this through Congress and earn the support of Governors Lowry and Roberts. The proposed program is a necessary "bitter pill" to swallow

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after years of over-harvesting Federal lands in the Pacific Northwest.

GOVERNORS: Governors Lowry and Roberts have been far more active than Governor Wilson because their states are more widely affected. We are working to gain the support of Governors Lowry and Roberts. We do not anticipate Governor Wilson will support the Administration plan. All are likely to share the following concerns:

- They will have difficulty supporting the low timber harvest levels because of actual and overstated employment impacts.
- They will be disappointed that the forest plan only marginally considers conservation and timber supply aspects of state and private lands.
- They want to provide state economic resources in conjunction with the federal dollars to communities where economic dislocation is to be most acute.

INTEREST GROUPS:

Labor: Labor, specifically the Carpenters' Union, has formed an alliance with the industry to fight against timber harvest reductions. They indicate that they need 2.0 bbf harvest from federal lands in the region. (In addition to the 1.x bbf from "owl forests", the region includes forests on the east side of the Cascades that will produce harvest levels of about 0.5 bbf annually.) They also want some sense of certainty that timber sales will go forward and that community and worker assistance programs will be funded.

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Environmentalists: Environmentalists want protection of all remaining old growth forests and no weakening of important statutes. They also demand less intensive timber harvesting practices on non-protected forests.

Local Government: Local governments receive 25% of gross Forest Service revenues and 50% from Bureau of Land Management lands in lieu of taxes that would be collected if those lands were privately held. As much as eighty percent of some county budgets result from these payments. They rely on, and have become accustomed to, high levels of timber sales from Federal lands.

Forest Products Industry: The industry seems to be preparing to criticize sharply the Administration proposal. They will criticize the process because the range of options prepared does not include weakening existing laws such as the Endangered Species Act. Private landowners want both to have their conservation efforts recognized and to have harvest restrictions eased. They will criticize the reduced harvest levels. The proposed program accomplishes two things for industry: 1) access to timber supplies (although limited) as soon as possible; and 2) easing owl conservation restrictions on private lands.

7. MOVING FORWARD

The strategy that we have developed to promote the Administration plan has three components: 1) legislative consultations; 2) comprehensive communications; and 3) regional outreach and consultations with Governors, state officials, local officials, and interest groups. Through our post-Forest Conference follow-up activities, we have laid a solid foundation for outreach. We must now capitalize on earlier efforts to gain support for the program.

Responsibility for overseeing design and implementation of the outreach strategies will remain with the White House offices and the Forest Conference Executive Committee. We will continue extensive coordination with, and reliance on, staffs at the Departments of the Interior, Agriculture, Commerce, and Labor to handle many of the regional activities.

A. Legislative Strategy

Members of the Northwest and northern California delegations are becoming extremely anxious about the Administration's proposal. The Democrats all want to support the plan. However, to gain that support, we must keep them involved in deliberations before final decisions are made and publicly announced.

Upon receiving your approval, we will immediately meet with key delegation and committee leadership of both houses to form a core Congressional working group. The working group will prepare the legislative package necessary to implement the forest management, labor/community assistance, and agency coordination components of the program. Failure to consult soon may lead several key members to distance themselves from the program. We

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cannot afford to delay these consultations. We need to lay the groundwork for Congressional approval of the program regardless of the options and program components finally selected.

The legislative package will focus on how to implement the proposed program as expeditiously as possible. Our consultation should identify ways to improve the best of the options (your recommendation) on margin without debating options. It must contain appropriate measures to assure that some timber sales begin as soon as possible, even if that means bypassing some of the procedural requirements of existing statutes.

We will schedule a briefing for the Northwest and northern California delegations. Team leaders will describe the options each team developed without identifying the Administration's proposed program.

We hope to formulate final recommendations for the Administration plan based on Congressional and other consultations by June 23. If we successfully conclude these discussions, we will schedule a delegation and key committee chair briefing with you and the Vice President similar to the one you held prior to the Forest Conference (except that we will not do it early in the morning so as to avoid the parking space debacle).

We recommend that you announce your decision about July 1, prior to the July 4th Congressional recess and your trip to Japan.

Selling this plan to Congress will require you, Cabinet Secretaries, and other senior officials to get be personally involved. Congressional leaders have told us that they do not

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expect to like the proposed program but are willing to go along with your leadership to resolve the current situation. Secretary Babbitt, with support from Secretaries Espy, Brown, and Reich, can be particularly helpful in selling this package to the region.

No all secretaries must be involved

Recent Polling Results

B. ~~Communication Strategy~~

MARLA WILL INSERT

C. Regional Outreach/Campaign Strategy

Selling the Administration proposal to Congress will require that we simultaneously sell it in the region -- to Governors and constituents of Congress. The regional outreach/campaign will be closely coordinated with the communication strategy above.

We will conduct a concerted outreach program in the region. Stephanie Solien, Jeff Rogers, and Tom Tuchmann will lead the regional outreach team. Each is well known throughout the region. They will meet with Governors, local community leaders, and environmental and labor leaders to coordinate a campaign within the region. They will identify people to stage rallies, hold town meetings, and prepare op-ed pieces in region.

The regional outreach strategy cannot wait until formal public announcement of the preferred option. Once Administration officials and the working group leaders ^{begin discussions with} ~~brief Congress on the~~ ~~options~~, word will be out. By that time, we should have begun the regional outreach campaign.

The team will begin shortly laying the groundwork that the proposed program is the result of years of excessive harvest and

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abuse of public lands. The message consists of the following:

- Yes, it is a bitter pill, but it is balanced and will provide a long-term healthy ecosystem for economic growth.
- Much of the region is prospering economically. The community assistance components of the package will enable rural communities to be part of the regional prosperity.