

U.S. House of Representatives
Committee on Natural Resources
Subcommittee on National Parks, Forests, and Public Lands

Legislative Hearing
H.R. 5263: The Forest Landscape Restoration Act.

Testimony provided by:

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Mr. Chairman and Members of the Subcommittees:

Thank you for the opportunity to testify. I appreciate the interest in making a significant effort to address our forest problems. I would like to bring some perspectives and suggestions, based on my fifteen years of experience in developing a private company focused on producing biomass fuels from forest resources and my almost four years as a partner in the performance of the White Mountain Stewardship Contract in Arizona.

Forest Conditions

The forests in the US are in poor condition. Public lands often more so than private. The cause for this is a combination of many things that have occurred over the past fifty years and are currently occurring. Overly dense forests due to forest management policy and forest management disagreements, climate change, and resulting diminishment of industry capacity all contribute. We are over fifteen years into recognizing that a change is needed and in trying to find the process and the methods we can use to manage our forests, but little has been accomplished on the ground, compared the work that is needed.

As a result, we are experiencing uncharacteristically severe and uncontrollable wildfires, such as the Rodeo Chediski in AZ where we had to evacuate the our pellet plant for 5 days and experience the destruction of almost one half a million acres of forest or the Hayman Fire in CO or the Bisquit Fire in OR, which created similar devastation or the ongoing fires in our forests. We are seeing unprecedented insect epidemics as in the Colorado lodgepole pine where the bark beetle has or is on the way to destroying most of the lodgepole forests in CO and is spreading north as the similar epidemic in British Columbia is spreading south. Beetles killing lodgepole isn't unusual, but the extent of the loss in tree size and geographic area is unprecedented. The costs of fire suppression for these fires has grown from a minor component of the USFS budget to almost 50% of the USFS Budget and as a result the everyday management and fire hazard mitigation work is suffering badly due to lack of funds.. The cost of mitigation or restoration of our forests has climbed to \$700/ acre to \$1,000 – \$1,500/ acre to even higher., but the funding for this management of the forest to prevent these fires has decreased.

It has taken decades to create this situation in our forests and just over a decade for the forest industries that did exist to help in converting these residues into products to disappear. It will take time to find the correct solutions and this one Bill is a good start. Across the country, the collaborative process to find the solutions for local forests and communities is underway and showing evidence of successes.

Solutions

The Forest Landscape Restoration Act will be a significant step toward the resolution of these problems and beginning the turn around of this downward spiral. I believe that it's funding and implementation will achieve success and have a long range positive impacts, but both must occur. New funding and long term committed implementation on the part of all parties, especially the federal government.

I base this on our success in AZ with the collaboration surrounding the White Mountain Stewardship Contract, the success of the Front Range Fuels Treatment Roundtable and the Bark Beetle Collaborative in Colorado and from looking at the various stages of similar processes that are occurring in, New Mexico, No California, Ore, Washington and many other places. The Collaboration is happening. And it is moving toward consensus on treatment of larger landscapes. The Zones of Agreement are growing. Continued collaboration and funding through that ongoing process with the help of this Act will move it ahead. When the need is recognized, the commitment is made and the funds are available, the condition of our forests, our rural forest economies and the danger of uncontrollable wildfire will all improve and the cost of managing our forests will decrease.

In AZ, we have had the opportunity to experience that growth in consensus and treatments with the White Mountain Stewardship Project. We have seen where it can go and we now envision more clearly the path we must follow for ever increasing success in restoration, fire mitigation, economic growth, fire suppression cost reduction and mitigation / restoration cost reduction.

This path is not an interstate highway. Reaching the goal will take time, but I firmly believe it is achievable if.... if, as has occurred in the WMSP, stakeholders truly form a partnership and work toward common goals. The process is flexible and adaptive. A true partnership is formed. Little by little, building trust, learning, adapting, increasing the Zone of Agreement, building appropriately sized businesses to pay for the wood from the restoration and building markets for those products and building the infrastructure to perform these efforts, we are succeeding. And we have learned that all of these components are required for success.

The process is all inclusive. If a party chooses to participate they are welcome. It is non-exclusive. Everyone who chooses to participates, has input and is listened to and everyone has access to the resulting wood residues from the process, but the wood is not free. And that is a fact that is not agreeable to all, but must be firmly understood.

My perspective comes not only from a pellet manufacturer in need of an increasing wood supply and from the point of view of a stewardship contractor, continually searching for those "appropriately sized", sustainable businesses, but as a native of these forests with a desire to do everything I can to assure that we achieve the best possible future conditions, the infrastructure to maintain the forest at the lowest cost and to see the residues utilized in the most prudent manner. As a pellet producer, I look at the day when we finally recognize that forests and energy

are linked and that the most prudent, efficient, economical use of forest biomass is to displace the fossil fuels used for thermal energy, which comprises 32% of the energy consumed in the US. As a stewardship contractor, I look for the day that heavy government subsidies quit encouraging industry that can't pay for the cost of forest restoration at the expense of industries that can. Industries like inefficient, biomass power plants that waste all their excess heat in a cooling tower rather than capturing that energy. Seeing these energy related policy changes occur would be a positive step toward forest health and fire mitigation.

As a business person and from the view point of performing the stewardship contract, we are concerned about a sustainable wood supply. Although the White Mountain Stewardship Contract, in some people's minds, immediately provided that assurance of wood supply, for most people involved in public lands over the past 10 – 20 - 30 years, it was only a promise that was likely to be broken as has been the case so often in the past. Now one of the main obstacles to additional large stewardship contracts is the cost of a Cancellation Clause. How does the Government assure themselves that they can get out of the contract at a fixed and low cost. How do they renig on their promise. The reason the WMSC is a success is that the partners, all the partners, are more concerned about how to make it succeed than how to get out of it. They are more concerned about working out the glitches, which are numerous and frequent, rather than how to use a contract to beat their partners over the head or how to end it instead of working out the differences. When there is a difference of opinion on the WMSC, outside that Zone of Agreement, a call or two are made, a meeting or two held and a solution found rather than a lawsuit filed. All of this as a result of experience that shows that solutions can be found and we can move forward through the collaborative process. We talk and we listen and we find on the ground solutions rather than drawing lines on the ground. We are partners striving to improve our forests and reduce costs.

The Project is functioning as a partnership. It is flexible and adaptive. Science is not black and white. Not often is there total agreement by scientists on all aspects of forest ecosystems and how to manage them. The biodiversity of the forests as well as health of communities, economics, and the people that live and recreate in and around those forests must be taken into consideration. But there can be found those Zones of Agreement allowing us to move forward, allowing trial and adaptation.

Solutions take time. Investment comes slowly. Assurances are derived from the process, the collaboratively derived trust, not a contract. And the government is often still the weak link in accepting this partnership and developing the trust. Don't look for ways out as in the cancellation clauses being finitely defined. Look for ways to be a true partner and succeed. Make a commitment to our forests and the people that will live and work and play in them in the next century.

Acknowledge that this will take time and money. The parties involved in the first ten years of a new stewardship contract are taking the risk. All parties must leave the adversarial process behind and learn how to be a partner. They are taking a risk. We estimate it will take at least 7 years to truly establish the base industry necessary to enable the sustainable management of our forests. And three years to help those industries gain sound footing. And then the contract is over. Although there will be progress both on the ground and in reducing costs, that first ten years is the risk, and the second ten years is the reward for the businesses, the government, the local economies and future generations.

What has been achieved on the White Mountain Stewardship Project?

We are in the woods performing restoration. We are performing thousands of acres annually. We have performed over 24,000 tons in just over three years. NEPA is the open process and discussion that it should be. There have not been lawsuits in completing well over 100,000 acres of NEPA. The main restrictions to additional work being accomplished is funding and the slow development of businesses that can pay for the residues and be profitable without subsidy. Some of the businesses that are trying to develop seem to believe that they don't have to pay what it costs to perform the forest restoration, the government will subsidize it. The new business developers that understand that long-term success is dependent on being able to pay for forest management without subsidy are slow accepting that this long-term supply can be a reality.

Investment of over \$75 million has occurred funding a small diameter sawmill, a post and pole operation, a biomass power plant and expansion of a pellet plant. Forest companies have invested another \$5 – 7 million on new equipment to perform the work in the woods. All of these businesses are necessary to create a diverse, stable utilization. Although we are experiencing one of the worst lumber markets in 40 years and a difficult economy, we are making progress.

In trying to attract businesses we are always reminded that they should be appropriately sized. And we ask “What is that?” How can you determine what is appropriate for the resource if you don't know what the resource is? We began the process to find that answer.

No.AZ Wood Supply Analysis

After discussions with several of the most active stakeholders, the conservation community, the USFS and ourselves, we called the first ad hoc meeting to begin the process that led to the Northern Arizona Wood Supply Analysis. A collaborative process to define the volume of wood that would be available from the acres where there was agreement by all stakeholders that mechanical treatment could occur and to what degree those acres should be treated. In my mind this was a major success. The meetings and sub meetings and working group meetings were all held and from that process, there was consensus that 26% of the 2.4 million acres analyzed in No AZ should never be mechanically treated. This is the wilderness, roadless, steep slopes, riparian, protected wildlife habitat, erosive soils, etc. There was another 33% where there wasn't a total consensus as to whether it was suitable for mechanical treatment or not, mainly due to the low densities of trees and the discussion about mechanical vs. prescribed burns as the initial treatment. But there was consensus that another 41% of the land needed treatments of various prescriptions and could be mechanically treated as the initial treatment. To some this may not seem like a major step forward, but to most of us, looking at the fact that there was no consensus 10 years ago on cutting virtually any tree, and now we have agreement that we could mechanically treat selective areas of the forest, from WUI to wildland, that is a major shift on the part of all participants. As a result there is a resource calculated at 850 million cubic feet of white wood and an additional 8 million tons of biomass that is the current available through mechanical treatment. If we hope to achieve sustainable, community based businesses both large and small we now have a method of judging if they are “appropriately sized” for the available resource.

Since completion of the resource assessment, achieving a preliminary “social license”, we are now moving forward more rapidly with additional businesses that are looking at investments of

hundreds of millions of dollars and the economic utilization (paying the cost of the treatment to procure the wood resource) of thousands of tons of wood requiring removal for sound forest restoration. Not all of these businesses will come to fruition, but we have a method now of analyzing them as to their appropriate size. But will the USF have the staff to perform the NEPA, will they have the staff to lay out the task orders, will they have the money to do the work that has been agreed to???

WMSC Cost

The cost of performing the work is also a success. This contract made an attempt to measure the work actually performed and is paid by the ton rather than by the acre. An acre can have 3 trees that need treatment or it can have 1,000 trees that must be removed. Work is moving a mass a distance and tons are a much better measure of that work. A great deal of the WMSC has been performing restoration on the difficult or expensive acres. The WUI, usually needs more extensive work and in many cases has not been treated for many years. Many more tons per acre and a higher cost per acre are required, but they are the priority. We would also judge the economic success of the contract not by how much the unit prices per ton have come down after only three years, but by the fact that they haven't gone up. And this in the face of fuel prices that have increased 251% since the contract was bid and now comprise over 22% of Future Forest's total cost of operations. Labor costs are escalating plus we must compete with contractors on timber sales in our region that pay prevailing wage, whereas we must pay Davis Bacon which is approximately \$8 - 10 / hour higher than the prevailing wages for forest workers in our region. In addition the significant downturn in the overall economy, and specifically lumber has made it much more difficult to attract anyone to develop a wood related industry. But, the unit prices, per ton, that compensate us are the same today as when we bid the contract. As new businesses come on line that can pay the cost of the work to provide them the wood materials, the cost will come down. This is not a fast process, but it is a successful process.

Fire Hazard Mitigation Demonstrated

We have also observed the success of restoration treatment in mitigating uncontrollable wildfires. An example is the Vincent fire. You probably haven't heard of it. In the early summer of '07, the Vincent fire broke out on the west edge of the Apache Sitgreaves NF. It was a windy day and the fire quickly became a crown fire and began to run directly toward a ranch / new development complex downwind.. The fire crews responded quickly, but could only chase the fire and stay out of it's way. Luckily, between the fire and the ranch was Dutch Joe B. A 900 Acre Task Order that had previously been treated under the WMSC. When the fire reached the restored forest in the task order, after traveling only 200 yards it dropped to the ground and was contained. It works. Restoration treatments work. A fire that could have run for miles leaving forest and private property smoldering behind it, was over quickly. We were lucky. The wind direction just happened to push the fire into a small restored area. If we are to be truly successful, that restoration needs to occur over a large landscape so that it is always contained quickly, so that the destruction of forest biodiversity or private property doesn't occur. The area that wasn't thinned is green and shows little sign of the fire this year. The signs of the fire are very evident in the area where the fire started it's run. It works. Restoration works and saves suppression costs, resources and property.

In summary the major points are:

- The collaboration exists and is growing stronger in our forest communities.

- Consensus on necessary action to restore our forests, that Zone of Agreement, is growing
- Commitment on the part of the federal government and funding is lacking.
- Funding, separate “new” land management funding, is needed and the years to affect the changes that are required must be allowed. Funding for preparation by agencies, funding for on the ground restoration and the flexibility to move the excess funds from a task order or NEPA area to another are needed.
- There is not a short term fix. Lasting solutions take time. Good solutions may take time.
- Appropriately sized, sustainable (w/o subsidy) and viable solutions are required. Not just uses, but prudent uses, the most prudent uses for our valuable resource. These aren’t measured in dollars alone.
- Flexible – Adaptive – Partnerships between all parties must be formed.
- Measure work, not land. Tons moved on priority acres should be the measure, not just acres.

Thank you for the opportunity to provide you an “on the ground” perspective. I hope that the strength exists to make the commitment and to start down the path and hold to the course recognized as necessary in the FLRA. If we do, our forests can be that valuable resource that they should be. They will provide the benefits of forest products for our houses and fuel for our energy independence. We will enjoy the benefits of healthy, safe forests and reduced forest management costs. Perhaps more importantly they will provide the benefits of biodiversity, recreation, wildlife and water sheds, that we have learned are all key to our way of life and our future forest.