

Board of Forestry

Testimony of Dave Ivanoff, representing Hampton Lumber

April 25, 2018

I am Dave Ivanoff, representing Hampton Lumber, which employs over 700 employees at its Oregon operations in Willamina, Tillamook, Warrenton, Banks and in Portland.

We want to repeat a deep concern around use of any strategy that will ultimately replicate the failed FMP planning process of 2001. In written comments submitted on behalf of Hampton Lumber in our January 3, 2018 testimony, we expressed strong reservations around the ODF's description of the recommended FMP Work Plan as being one of an incremental process where policy decisions are finalized sequentially, with the goal of efficiently allowing the BOF to develop a new FMP. This is exactly what transpired in the development of the failed 2001 FMP. As policy was being developed around new concepts like Structure Based Management (SBM), Salmon Anchor Habitat, as well as misunderstood leave tree and legacy components and riparian strategies beyond those of the Forest Practices Act (FPA), the BOF made decisions without understanding the cumulative impacts on the economic and social consequences of those policy decisions. When execution of the 2001 Implementation Plans began, those impacts came to light and the reality of unfulfilled expectations of key stakeholders became a huge source of contention. That situation continues today and replication of that failed incremental process of the past is a mistake and ought not to be repeated.

In today's meeting, ODF staff is seeking your approval of its Draft Guiding Principles. The ambiguous language and lack of specificity in several of these principles will inevitably lead to misunderstood policy choices being voted upon without a common understanding among all BOF members as to the implications of decisions for which this BOF will ultimately be responsible. By way of example, the definition of Financial Viability in Principle 3 states, **"Financial viability is the ability to generate sufficient income to provide values that support GPV. In the current business model 98% of revenue is derived from the sale of timber and all Board of Forestry expenditures and revenues are managed in the Forest Development Fund."** Further in the ODF materials, additional language under the Financial Viability Principle presumably added to more fully explain the text is even more ambiguous than the definition itself. It states, **"Financial viability is achieved over the short-term with operational tools that ensure cash flow is available to State Forests. Services are prioritized based on funding availability, through tools including fiscal and biennial budgets, fiscal year operating plans, timber marketing, and annual operating plans. Financial viability is achieved over the long-term with business strategies that align anticipated funding availability with services that are prioritized by GPV. Several tools are used, including a business plan (e.g., diversification of revenue streams), business improvements, and financial metrics to assess future investments, revenue projections, implementation plans, the Forest Management Plan, and risk management."**

ODF's proposed Financial Viability policy statement and supporting text leaves us without a clear understanding of what is intended. For example, what is meant by "... generate sufficient income to provide values that support GPV" and "... ensure cash flow is available to State Forests..."? Without specificity or quantification of the level of cash flow envisioned, we believe individual Board members, trust counties, stakeholders, and the public will be left with wide-ranging interpretations of what is intended.

To approve this language without a full BOF policy debate as to what the new FMP is intended to accomplish, future Boards of Forestry will likely be mired in controversy, just as you are today. With the current ambiguity in several of the proposed Guiding Principles, how will successor Boards of Forestry be able to measure future performance in the management of this \$5 billion dollar asset without a clear retrospective understanding and record of what this current BOF intended in the approval of foundational policy statements? For example, does financial viability simply mean avoiding bankruptcy through general fund support? Do Guiding Principles around conservation goals/values mean recovering species? With respect to social values, what is the definition of “appropriate” in the Principle 6 text which states, **“The plan will be developed and implemented at a scale and pace that provide the appropriate and temporal blend of economic, social, and environmental outcomes.”**?

After reading the supporting text, recognition of the trust counties’ need for sustainable revenue to support the social fabric of its communities seems at best to be little more than an afterthought for Principle 1, which appears to underpin the ODF’s intended foundation of the new FMP. The fact that the counties’ right to originally intended revenue flow and the need to not only maintain, but also enhance the productivity of these forestlands not being highlighted as a part of the clarifying high-level financial viability language in Principle 3 is astonishing. In ODF’s Draft Guiding Principles paper, multiple references are made to GPV, which by ODF’s current definition is not well defined. Without clear policy guidance, how will the BOF, important stakeholders and Oregonians measure accountability of future ODF performance in the management of this precious asset? Respectfully, it seems prudent BOF action would be to discuss aspects like these and after a thorough debate, instruct ODF to add specific language to clearly memorialize BOF intent prior to a decision being made.

In pre-meeting material, ODF has provided examples of what will ultimately be included in an FMP content table for several conservation strategies. Rhetorically speaking, why have similar schedules or examples not been provided for financial viability and social outcomes as part of this process? We believe clarification of ODF intent in the new FMP around financial viability and social values is critically important for you all to have a common understanding prior to debate and approval of any potentially ambiguous or misunderstood policy language.

In our January 3, 2018 testimony, we also requested as part of any BOF policy decisions that a clear and transparent impact analysis of harvest level and revenue impacts be fully displayed and understood before new policy statements are memorialized through BOF action. Again, prior to approval of any Draft Guiding Principles or continuation of the ODF State Forests Work Plan, we respectfully request you insist on ODF’s full transparency in policy language intent. We also request that an accurate and fully transparent impact analysis using differences in harvest volume and revenue flow relative to the current FMP be provided as the metrics for measuring policy change in order to guide your decisions.

The need for improved transparency and accountability is absolutely necessary to avoid the continuation of controversy over misunderstood policy decisions and the endless pattern of unrealized expectations. It is important we not replicate mistakes made in the 2001 FMP effort. With the benefit of hindsight, this BOF now has the opportunity to utilize lessons learned if you require the ODF to provide the required specificity around which informed decisions can be made.

Thank you for the opportunity to comment.