

(Highlighted Summary Information from Detailed Testimony)

I. Introduction:

Hampton Lumber – 700+ employees in Willamina, Tillamook, Warrenton, Banks, & PDX operations;

Worked on State Forest Issues since 1993 (Almost 25 years);

Served on GPV Advisory Committee & Stakeholder Group in AFMP process in 2013 & 2014;

Hampton's consistent goal has been one of seeking compromise, yet practical solutions;

II. Current Discussion:

Given the sense of urgency that exists as never before in order to prevent an "Elliott North" outcome, and after reflection of the long time frame previously involved studying Northwest State Forest issues, [it is clear the proposed ODF State Forests Work Plan is simply a replication of the same failed process that has resulted in the situation in which we now find ourselves. Proposed use of an incremental process will also lead to misunderstood policy implications and unrealized expectations similar to the outcome of the 2001 FMP's failure.](#)

III. Recent Personal Perspective:

The period of 2013 through 2015 was very challenging. The 2013 – 2014 Stakeholder Group process was especially frustrating. [A serious process flaw did not allow specific proposals to be explained to the Science Panel for the purpose of addressing "lack of specificity" concerns. That flaw led to the Science Panel's difficulty in being able "... to assess the relative outcomes of the alternatives." To then have our proposals ultimately dismissed as falling short of meeting both objectives without the opportunity for explanation/defense was a "slap in the face" around what appears to have been nothing more than an ODF perfunctory process, designed to simply "check the box."](#)

IV. Unresolved Questions and/or Issues (From 2014 to the Present):

Beginning in 2014 and through 2015, a number of critical annual growth, timber inventory, and growth & yield questions developed and have yet to be resolved.

1. Growth calculation from 2014 ODF schedule showing 414 MMBF/Year at the April 2015 BOF meeting, then ODF revised downward to 328 MMBF/Year at the May 2015 BOF Subcommittee meeting; [\(Gary Springer & Tom Imeson direction to ODF to resolve 86 MMBF, or 21% reduction did not transpire\)](#)
2. 2015 Reduction of over 1 BBF of standing inventory made without explanation;
3. Despite 2015 ODF staff assurances that no conservatism was built into ODF current modeling efforts, later revelations showed that adjustments of unknown magnitude had been made for future "disturbance events" and other issues;

4. During the TERG process, without any explanation, it was learned that ODF Growth & Yield Assumptions had been lowered from the standards previously developed during the 2006 Harvest & Habitat (H&H) process. These H&H standards had been previously accepted as being accurate by ODF & outside modeling experts.

These types of unexplained adjustments that are critically important to future estimates of productivity without the full knowledge and understanding of policy-makers will inevitably create an information vacuum that will ultimately lead to flawed policy decisions. Unresolved questions on growth rates, inventory and growth/yield assumptions lend credence to long-held concern that sustainable timber output potential is needlessly compromised by layer upon layer of ODF conservatism.

If this Board is truly committed to transparency and accountability, it will require ODF to explain these changes in sufficient detail to the stakeholders who have invested their time, resources and energy in this process.

V. Current Management:

Due to the financial crisis facing ODF under current inadequate harvest levels (harvesting at approximately 56% of total annual growth), essential work required for prudent land management is not occurring as it should.

Quoting from the Key Conclusions paper, “Since 2010, the Division has under-invested in stand treatments, research and monitoring, forest inventory, and other core business. In recent years, the Division has focused on harvesting higher-value stands, and deferring management in lower value stands...”

From the ROAV paper, in addition to the abysmal returns that are shown, the following quote also appears, “The ROAV calculation has not been updated since 2013 due to competing priorities and workloads.”

How can these uncompleted responsibilities of a prudent land manager be acceptable with an asset likely worth \$5 billion in today’s market conditions? Prudent management also dictates that a ROAV calculation is a metric which should be provided annually to the BOF and the Trust Counties.

VI. Proposed Work Plan:

1. The ODF’s suggested process appears to be one of incremental decision-making similar to that which was done in the late 2000s. An Incremental Process will result in the replication of the failed process of the 2001 Plan, with the accumulation of vague concepts and misunderstood policy decisions wreaking havoc on economic and social outcomes.
2. The predicted time-line for a decision on a new FMP is in the winter of 2020. Based on past performance, this will not likely be achieved and given the financial viability issues facing ODF and the forest’s trajectory to another Elliott, how can this be acceptable?

3. At the BOF Strategic Planning session in October, an initiative to deal with SNC and “Zombie Alder” was rolled out. *We don’t need a process-driven initiative given the state of knowledge we already have. We should be capitalizing on current markets to address this problem and while the hardwood manufacturing infrastructure is still present.*

From the description of the proposed Work Plan, *it appears ODF’s priorities are misplaced, with an emphasis on planning and not on doing.*

VII. Brutal Facts:

- (1) The Northwest State Forests are capable of much-higher and sustainable harvest level increases and improved cash flow is desperately needed by ODF to properly manage the forest and avoid insolvency.
- (2) Past management has, and current management direction will likely irreparably compromise future productivity for both current and future generations of Oregonians.
- (3) Unless immediate change transpires, the Northwest State Forests will become the “Elliott North,” and this \$5 billion asset will dramatically reduce in value.
- (4) After almost 25 years of meetings, analysis, study, etc. no new information in a likely open-ended process will come to light that is not already known.
- (5) In spite of efforts to do so, consensus on how these lands ought to be managed will never be achieved.
- (6) We have studied this issue far too long, and the time for the BOF to make tough decisions is now.

VIII. Requested BOF Action (To Facilitate a Timely BOF Decision):

- (1) For transparency purposes for all concerned stakeholders, direct ODF staff to develop a clear forecast of harvest levels, cash flow, etc. for the next 50 years based on no changes to the current management direction.
- (2) For purposes of “Measuring To,” but not necessarily for “Managing To,” direct ODF staff to develop a base-line harvest model using FPA protection standards with proper inventory and growth/yield assumptions to illustrate what is possible to achieve with the goal of optimizing long-term timber harvest, forest health and productivity and realize at least a 4% to 5% Return on Asset Value. This will provide much-needed context from which the BOF can then debate and examine the policy implications and land management strategies that exceed the protection standards required of all other non-federal landowners in Oregon.
- (3) Utilizing all previously established information and data from past work, direct ODF staff to develop a harvest model and FMP recommendation that meets as much as possible the policy direction and aspirational desires of the BOF and yet still generates the cash flow requirements of ODF needed for proper management of the forest, while simultaneously preventing an “Elliott North” outcome and be acceptable to a majority of Oregonians.

IX. Conclusion:

- (1) The timber supply problems facing Hampton and other family-owned forest sector businesses remain unresolved.
- (2) If all, or a portion of the Northwest State Forests becomes an "Elliott North", the same unspeakable tragedy which destroyed the social fabric of eastern and southwestern Oregon now faces our communities in northwest Oregon.
- (3) Strong BOF leadership is needed now as never before.

Board of Forestry

Testimony of Dave Ivanoff, representing Hampton Lumber

January 3, 2018

I am Dave Ivanoff, representing Hampton Lumber, the family-owned company founded by the late John Hampton, who many believe was an iconic visionary in the forest sector. In order to provide for our nation's need for building products, John passionately believed in the ability to sustainably harvest both public and private timber, while simultaneously protecting and enhancing important social and environmental values. John's passion around forestry and commitment to Oregon's way-of-life is well documented through his leadership and the philanthropic work for which he was known. Hampton Lumber recently celebrated its 75th anniversary, and John's family is proud to continue to carry on the legacy of his vision through employment of over 700 employees at its Oregon operations in Willamina, Tillamook, Warrenton, Banks and in Portland.

John's passion for state forests was passed along to me many years ago when I began to work on state forest issues in late 1993 and continue to be engaged since my 2015 retirement to the present time. Over that period, which spans almost twenty-five (25) years, I have attended countless meetings and served on citizen advisory committees to help ODF and the BOF craft a long-term vision for how state lands ought to be managed. In those groups, my intention was always to attempt to be respectful in articulating my perspectives and in consideration of others' views. To that end, beginning on the GPV Advisory Committee in 2010 and continuing through my role in the 2013-2014 Stakeholder Group in the BOF Subcommittee's Alternative FMP process for a revised Forest Management Plan (FMP), I developed a FMP concept that would attempt to achieve the vision of sustainable timber harvest, healthy rural communities, enhanced environmental outcomes and much improved financial viability for ODF and most importantly, for the trust counties. My proposal for a new FMP was an attempt to achieve a compromise management direction that would result in the simultaneous achievement of improved financial viability and enhanced conservation outcomes. While the proposal was certainly not entirely what I would have chosen from my perspective; it was nevertheless crafted in a way to attempt to meet as much as possible, my understanding of the aspirational desires of others, in addition to my own. In both the GPV Advisory Committee and the Stakeholder Group processes, it was clear a majority of my citizen colleagues expressed initial interest in possible pursuit of this vision. All of this is to hopefully provide context for my testimony today.

After the more recent Stakeholder Group process and also reflecting on the extended timeframe in which ODF and the BOF seem mired in process and indecision, I feel a need to express some perspectives and concerns in as respectful, but direct way as possible this afternoon. I, along with my Stakeholder Group colleagues, invested a lot of time and energy in that process. Most of us had full-time and demanding jobs, but all willingly served for the

purpose of trying to be helpful to the ODF and BOF in the attempt to develop a revised FMP that would achieve the stated objective of enhanced financial and environmental outcomes. Notwithstanding the pressures we all felt, several of us in the Stakeholder Group worked tirelessly to be productive, and we ultimately succeeded in the timely completion of the individual work required of us by ODF's facilitator. When the ODF sent our various high-level proposals to the Independent Science Panel for its review, we as Stakeholders were not given the opportunity to explain and defend the work we had prepared. This process flaw was apparent in light of the Panel's Executive Summary opinion that the lack of specificity in our various proposals made it difficult "... to assess the relative outcomes of the alternatives." Had there been an opportunity to explain our proposals to the Science Panel, I am confident any questions arising from perceived "lack of specificity" could have been properly addressed. To ultimately have all proposals dismissed as falling short of meeting the stated "twin goal" objectives without "due process," felt like a slap in the face and resulted from what seemed to be an ODF perfunctory process designed to simply "check the box." I was extremely frustrated then and given all that is currently at stake, a feeling of deep concern has now also arisen around the direction ODF staff is proposing in the development of a revised FMP. It is clear the proposed ODF State Forests Work Plan will simply be a replication of the same failed process that has resulted in the situation in which we now find ourselves.

At your BOF meeting in April 2015, Cindy Williams asked ODF staff what was the annual growth on Oregon's northwest state forests. When State Forester Doug Decker and his senior staff were not in a position to answer, I provided along with my testimony copies of a 2014 ODF projection showing the growth to be 414 MMBF per year. Prior to the meeting, I had anticipated that issue coming up and was able to produce the ODF's document to facilitate the BOF's discussion on that day. However, at the May 2015 BOF AFMP Subcommittee meeting, ODF staff provided a much lower estimate of growth of only 328 MMBF per year. At that point, we immediately objected and asked for the empirical data which justified this downward adjustment. During the discussion, former BOF member Gary Springer, along with concurrence from Chair Imeson, directed ODF staff to reconcile the discrepancy around annual growth from that which was provided at the April BOF meeting to the May Subcommittee meeting. To my knowledge, that did not happen and we still await a credible explanation. Moreover, after requesting updated inventory information for modeling work we were doing in the summer of 2015, it was apparent that ODF had also made a downward adjustment to its standing timber inventory of over 1 billion board feet. Similar to the questions on growth, we have not received a credible explanation for this downward inventory adjustment. In fact, in its "AFMP Key Conclusions and Findings 2013-2017" document included in today's materials, this issue is addressed with the following ambiguous sentence, "The starting inventory has a large effect on model outcomes. The LA model incorporated improvements to the starting inventory estimate and to growth and yield information." What are these unspecified "improvements?"

In the early fall of 2015 on a field tour of the Tillamook district, senior ODF staff represented that the growth and yield estimates in ODF's current models had not been decreased relative to

past assumptions. However, at a FTLAC committee meeting later that fall and in response to a question that arose, a senior ODF staff person confirmed that some conservative (magnitude unknown) adjustments had indeed been incorporated in future forecasts due to the possibility of “disturbance events” and for other concerns. Why is this appropriate in a forecast of what is possible to produce? Future adjustments ought to occur when a “disturbance event” occurs and when the magnitude of an appropriate adjustment can be accurately calculated and displayed. Incorporation of this type of premature adjustment without the full knowledge of you as policy-makers will inevitably create an information vacuum that will ultimately lead to flawed policy decisions.

When the Technical Expert Review Group (TERG) did its work in 2015, one of the experts commented privately that current ODF growth and yield assumptions had also been made more conservative relative to the collaborative work that was done on that question in the Harvest & Habitat (H&H) modeling effort of 2006. I remember the outside consultant who worked with ODF modeling staff telling me at one time the 2006 H&H growth and yield assumptions were embraced by him as well as the ODF staff and were the equivalent of the “Holy Grail” in terms of their accuracy. If that were the case, then why did ODF feel the need to revise these assumptions downward in 2015 and what is the true magnitude of these adjustments relative to the standards of the H&H process? These adjustments to growth rates, beginning inventory, and growth/yield assumptions lend credence to a long-held concern that forecasts of future sustainable timber output potential have been needlessly compromised by layer upon layer of ODF conservatism. If this Board is truly committed to transparency and accountability, it will require ODF to explain all of these adjustments in sufficient detail to the stakeholders who have invested their time, resources and energy in this process.

At the December 15, 2017 FTLAC meeting, ODF staff provided a presentation on the planned process and time-line for developing a new FMP. Senior staff described 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) and 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 the 2001 Implementation Plans were developed, 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.

The ODF predicted time-line for completing a new FMP is shown occurring in the winter of 2020. Given the urgency to address the financial viability problems facing the ODF and to halt the trajectory of the Northwest State Forests from becoming an “Elliott North,” how can this

time-line be considered timely or acceptable? When one reviews the ODF Work Plan outlined in your meeting materials, it appears this will be simply a continuation of the endless pattern of more process and indecision. Given all of the past public meetings and countless hours spent in discussion and debate around how these lands should be managed over the last twenty (20) plus years, what new information is likely to emerge that is not already known?

It was disturbing to read the following quote from the "AFMP Key Conclusions and Findings 2013-2017" paper, which says "Since 2010, the Division has under-invested in stand treatments, research and monitoring, forest inventory, and other core business. In recent years, the Division has focused on harvesting higher-value stands, and deferring management in lower value stands..." At the recent FTLAC meeting, an ODF paper around the subject of Return on Asset Value (ROAV) was provided, but due to time constraints was not discussed. In addition to the abysmal returns that were displayed, it was also disturbing to read "The ROAV calculation has not been updated since 2013 due to competing priorities and workloads." How can all of these uncompleted responsibilities required for prudent land management be acceptable with an asset likely worth \$5 billion in today's market conditions?

At the recent BOF Strategic Planning meeting in October, the ODF rolled out a strategic planning initiative to address the problems of under-performing Swiss Needle Cast and "Zombie Alder" affected stands. After all the past effort and time spent in discussions around under-performing stands, it seems amazing a process-driven strategic plan is now needed to deal with under-performing areas on the forest. Currently, we are experiencing record lumber prices and stumpage values. Rather than months or years of more "hand-wringing" discussion, why would ODF not be opportunistically and immediately addressing these areas in this period of better-than-average financial returns? Most forestland owners also have expensive and difficult areas to manage, but efficient management includes harvest plans being "on the shelf" when cash flows will allow marginal harvest to occur. Moreover, I have been told the local Garibaldi alder mill is struggling for raw material. If this issue is simply "studied to death" and that mill goes away, any hope of restoring productivity through conversion of these marginal alder stands will vaporize if that local manufacturing infrastructure disappears, just like the situation that transpired throughout much of eastern Oregon.

Respectfully, it appears ODF priorities have been, and will likely continue to be misplaced with emphasis on continued planning and not on "doing" unless prompt BOF direction is provided. From ODF's written summary in the meeting materials, it is obvious proper stewardship of this incredible asset is not occurring as it should. ODF is also on a pathway to future insolvency and this \$5 billion asset is on a trajectory to an "Elliott North." It is astonishing at the lack of urgency around these issues as one views the ODF proposed State Forests Work Plan.

We have studied this issue far too long. The time for making decisions has long since passed. The pragmatic reality is the forest is capable of much-higher and sustainable harvest levels and improved cash flow from sustainable harvest level increases is needed by ODF to properly manage this valuable asset for both current and future generations of Oregonians. To facilitate

a more efficient approach and be responsive to the urgency which clearly exists, I respectfully request the BOF instruct ODF staff to actually develop a recommendation and abandon this never-ending process of meetings and planning.

In structuring this request, I believe it can be very straight-forward. First of all, ODF should develop a clear forecast of the revenue needed to manage this forest consistent with its fiduciary responsibilities to the counties and the need to make certain improved forest health and productivity across the landscape is a reality into the future. With this financial information clearly in mind, a credible harvest model emphasizing timber production under the FPA rules should then be developed to clearly bench-mark what is possible to produce. (The purpose of this is not necessarily to suggest that state lands ought to be “managed to” the FPA, but rather outcomes should be “measured to” the FPA for complete transparency and context.) Utilizing all previously established credible information and data developed from the years spent in past planning efforts and analysis; the economic, social and environmental implications of different policy choices can be displayed to facilitate BOF discussion and ultimate FMP decision-making. This will allow a new FMP to be approved that will address the urgency around avoidance of an Elliott outcome on the north coast, solve ODF’s future insolvency problem, improve the management of this valuable asset, and be acceptable to a majority of Oregonians. I have finally come to realize in spite of mine and many others’ efforts, there will never be consensus on how these lands should be managed. More process will not achieve consensus. Tough decisions are now needed from the BOF to avoid the tragedy that doing the same thing we have always done will produce.

As mentioned many times in previous BOF testimony, the timber supply problems facing not only our company, but also many other family-owned forest manufacturing businesses remain unresolved. Given the developments over the last year, especially those around the Elliott State Forest, lead us to no other conclusion that the risk of the same unspeakable tragedy which crippled rural communities throughout eastern and southwest Oregon now faces remaining northwest Oregon family-owned forest sector businesses and the communities in which they operate if prompt action is not taken. After witnessing the demise of the social fabric in many of our rural communities and the resulting hopelessness of its citizens brought on by flawed science and ill-advised policy, we must not allow it to happen again. Without strong BOF leadership, we are on the verge of this same outcome in northwest Oregon and I respectfully request you do what is necessary to avoid an expansion of the rural/urban divide that continues unabated in this state. Time is critically short and your leadership is now needed as never before. Thank you.