

# TAXMAN



## ECONOMICS: OUR LAND, OUR TAX DOLLARS WASTED

It is a long-standing fact that Forest Service timber sales cost the government more money to prepare and administer than they recoup from timber companies that bid on the sales. Even though Congress has held numerous oversight hearings, grilled hundreds of witnesses under oath and introduced legislation in several congressional sessions to stop this money-losing practice, no effective change in law has been enacted. Independent analysis has concluded that the total net loss to taxpayers from the timber sales program on national forests has averaged more than \$1 billion per year between 1997-1999.<sup>30</sup> The nonpartisan Taxpayers for Common Sense reported in 1998 that 105 of the 111 national forests operated at a loss.<sup>31</sup>

The Forest Service's own accounting procedures are so deplorable that, in 2001, the Government Accounting Office stated that these practices "made it impracticable, if not impossible, for us or anyone to accurately determine the Forest Service's timber sales program costs."<sup>32</sup>

The fiscal track record of the Bureau of Land Management, which has been scrutinized to a much lesser degree, is equally disturbing. A study conducted by Public Employees for Environmental Responsibility of BLM's public domain timber sales shows widespread noncompliance with the agency's own policies and regulations. As much as half of the agency's timber was removed without proper payment from the timber industry. Furthermore, nearly all BLM forestry programs lose money on their timber

sales—losses roughly equivalent to the agency's entire forest management budget.<sup>33</sup>

A primary expense for public lands logging is the pre-sale road-building which is paid for by the U.S. taxpayer. Between fiscal years 1998 and 2002, the timber industry was given more than \$140 million in taxpayer subsidies for timber road construction.<sup>34</sup> Even as the American people subsidize these new roads, there is a backlog on road maintenance of more than \$10 billion.<sup>35</sup> The lack of road maintenance, including decommissioning roads, also has serious ramifications for the nation's fresh water quality. According to former Undersecretary of Agriculture Jim Lyons, "Our number one water quality problem in the National Forest System is roads."<sup>36</sup>

Both Presidents George H.W. Bush and Bill Clinton developed legislation

that would bring a halt to road-building, but their efforts were killed in Congress. President Clinton responded by issuing the Roadless Area Conservation Rule, which as stated previously, is now being eliminated by President George W. Bush.

Another factor related to the economic failure of the public land's timber sale programs is the failure to account for the economic value of environmental services and non-timber forest products provided by these lands. By law, the Forest Service must maximize the net social and economic contributions of national forests to the American people. Furthermore, the Forest Service is required to establish that the social and economic values associated with timber production are greater than the values for other uses such as recreation and environmental services<sup>37</sup> (continued on page 36).



# The Bureau of Land Management and the Ancient Forests of Western Oregon

Much of Oregon's forest, especially that in the West, has been fraught with a legacy of timber industry domination with both state and federal governments facilitation. From the late 19th century, industry has been able to grab forest land, log it, get the government to create and maintain logging roads, buy timber from government lands and unduly stop environmental protections. Industry's stronghold, especially over the Bureau of Land Management, continues today, leading to the demise of some of the last remaining ancient forests in the United States.

In 1866, the U.S. government granted 3.7 million acres to the O&C railroad with the requirement that it sell the land to settlers.<sup>38</sup> Not too long afterward, the Great Lakes' timber reserves were running dry. With timber and forest land value increasing, the Pacific Northwest forests became a timber industry target.<sup>39</sup> The O&C owned some of the highest value forest land in Oregon, and in 1894, in violation of the government land grant, it began to sell large swaths of it to the timber industry.<sup>40</sup> In 1908, the federal government sued the O&C railroad for not selling the land grants to settlers.<sup>41</sup> But it was not until 1916 that the U.S. government reclaimed all of the unsold O&C lands and the Coos Bay Military Wagon Road, totaling about 2.8 million acres.<sup>42</sup>

These revested lands were to be managed by the General Land Office that in 1946, along with the U.S. Grazing Service, became the BLM. The government was to manage this land under multiple use as specified by the 1937 O&C Act.<sup>43</sup> The O&C Act also provided a payment of 50 percent of gross timber receipts to the local counties,<sup>44</sup> spurring local governments to be strong logging advocates. Oregon's coastal forests were now divided up in a checkerboard pattern with some land owned by the timber industry obtained through fraudulent land deals<sup>45</sup> and some squares managed by the BLM under the O&C Act of 1937.

The old-growth forests in the coast range managed by the BLM are warm fog-covered rainforests where trees grow astounding large in half the time. The BLM and the timber industry assumed they were made for logging and started clearcutting.

Systematic clearcutting accelerated during WWI when the U.S. government logged the Sitka spruce groves for airplane construction. However, by the time the government built the roads and rails into the Sitka spruce groves, the war had ended and the timber barons were sold the logging infrastructure for virtually nothing.<sup>46</sup> After WWII, the G.I. Bill housing boom also accelerated clearcutting.

Clearcutting and log transportation took a huge toll on forest ecology. Logs were moved to markets from the steep slopes via "splash dams," destroying thousands of miles of salmon – spawning streams by scouring out the stream channels.<sup>47</sup> By the 1960s, the salmon population was a tiny percent of its former grandeur. By the 1970s, most of the private land had been converted to young tree plantations and the pressure to finish off the BLM old-growth increased. Between 1983 and 1990, more than 200,000 log truck loads per year hauled away the old-growth rainforests on public O&C lands in western Oregon.<sup>48</sup> Clearcutting on these lands spurred environmental groups to protest the BLM's gross mismanagement.

In the early 1990s, with the Northern spotted owl and marbled murrelet critically endangered, lawsuits resulted in the creation of the Northwest Forest Plan (NFP) in 1994. The NFP mandated forest restoration, designated some of the old-growth into land reserves (Late Successional Reserves) and required trees near streams to be permanently protected. Unfortunately, about 40 percent of these "reserves" had already been clearcut.<sup>49</sup> Meanwhile, more than one million acres of publicly owned old-growth forests were not put in reserves and are available for conversion to tree planta-

tions for the benefit of the timber industry. One of those proposed timber sales is Kelsey Whiskey in the Zane Grey Roadless Area.<sup>50</sup>

In response to the NFP, the timber industry sued the BLM, claiming any "reserves" are illegal on O&C lands. It lost when Judge William Dwyer ruled in 1994 that the BLM must comply with the Endangered Species Act and that the O&C land was critically important to the Northern spotted owl's survival. Judge Dwyer also ruled that the O&C Act required the BLM to "look not only to annual timber production but also to protecting watersheds, contributing to economic stability, and providing recreational facilities," as required by the 1937 O&C Act. The court ruling confirmed that the BLM old-growth reserves were an integral part of the NFP—it could not work without their inclusion.<sup>51</sup>

The timber industry appealed Dwyer's ruling, but settled in 1997.<sup>52</sup> However, the Bush administration, with its paybacks to big timber, re-opened the case. As a result, in fiscal year 2005, the BLM must offer timber sales consistent with the highest estimates of the NFP.<sup>53</sup> Other requirements include: BLM selling 300 million board-feet per year of timber (60,000 truck loads) in the old-growth reserves (creating a first ever target volume in the Late Successional Reserves); a BLM test of the NFP assumptions (e.g., whether permanent wildlife reserves are even necessary); and by 2008, a BLM forest plan revision that will consider at least one alternative that removes all reserves from O&C lands.<sup>54</sup> This kind of alternative could eliminate all old-growth, stream-side and recreation reserves, further entrenching timber industry domination and forest destruction.

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“Over the long haul of life on this planet, it is the ecologists, and not the bookkeepers of business, who are the ultimate accountants.”

- Stewart Udall, 1970

## Economic Values of Ecological Services

### Recreation

The Forest Service estimated that the economic value of recreation in national forests was \$6.8 billion in 1993, and that by 2045 it will grow to \$12.7 billion.<sup>55</sup>

Recreation, fishing and hunting contributed more than \$111 billion to the gross domestic product (GDP), creating more than 2.9 million jobs each year.

### Clean Water

One of the most important environmental services that our national forests provide is fresh water. National forests are the single largest source of fresh water in the United States.<sup>56</sup> Over 60 million Americans, served by 3,400 public water systems, depend on national forests for their drinking water.<sup>57</sup> Each year, national forests provide more than 173 trillion gallons per year at an estimated value of \$27 billion per year.<sup>58</sup>

Water utility companies spend tens of millions of dollars on water filtration that would not be necessary if surrounding forest had been left standing rather than clearcut by taxpayer subsidized logging operations. Additionally, once logged, many national forests are prone to flooding, mudslides and stream destruction due to runoff and siltation. In 1996, after logging-induced catastrophic floods, the Forest Service spent more than \$100 million to repair roads destroyed by floods and mudslides.<sup>59</sup>

### Non-Timber Forest Products

Public forests contain non-timber products, such as medicinal plants, mushrooms and floral greens and boughs. The Forest Service estimates that more than 450,000 families rely upon non-timber products harvested from national forests.<sup>60</sup> In Oregon and Washington, national forests non-timber products provided about \$300 million to the regional economy in 1992.<sup>61</sup> These products are also critical sources of subsistence foods. In Southeast Alaska, the average household consumes an average of 889 pounds per year of edible forest products, including 295 pounds of salmon.<sup>62</sup> Alaska wild salmon are dependent on forest streams for their spawning grounds.

### Protection from Catastrophic Fire

Fire is part of the natural evolutionary process of many forests, and natural intact forests actually reduce the risk of catastrophic fire. As a natural ecological disturbance, fire gives rise to a mosaic of habitats and age stands, creating a positive impact on biodiversity.<sup>63</sup> Fire releases cone seeds from species such as the Giant sequoia, lodgepole pine and Ponderosa pine and redistributes nutrients to the soil, benefiting new growth.

Under the guise of fire prevention, President Bush pushed through Congress his so-called “Healthy Forests Initiative (HFI),” which directs logging to remote, intact forests in one part of the country to pay for the thinning of fire prone forests in another. The result is that truly “healthy” forests, such as old-growth, become roaded and thinned, making them more susceptible to catastrophic fire. In November 2000, the Forest Service reported that “the number of large fires are dramatically higher in areas that are already roaded than in inventoried roadless areas.”<sup>64</sup>

### Climate

It is estimated that the climate regulation benefits associated with the 58.5 million acres of roadless areas in national forests are worth \$490 million annually.<sup>65</sup>

### U.S. Agriculture

Public forest lands also provide important habitat for species that either feed on agricultural pests or pollinate crops. Ladybugs, birds, bats, bees, amphibians and butterflies are all critical elements to U.S. agriculture. Research has estimated that the potential contribution of these wild pollinators to the agricultural economy is approximately \$4 to \$7 billion per year.<sup>66</sup>

Specific requirements related to social and economic analysis are contained in at least nine separate statutes, regulations and guides, including the Multiple Use and Sustain Yield Act, the National Forest Management Act, the National Environmental Policy Act and the Forest Service's own Manual and Handbook. Within the framework of these statutes, the Forest Service must show that the public is better off economically with the logging program than without.

To make these determinations, the Forest Service is required to estimate all costs associated with logging incurred by society, and compare these costs with the economic benefits of logging. If the costs to the American public outweigh the benefits to the timber industry, then no logging should occur.<sup>67</sup> The Forest Service's refusal to conduct this type of analysis is in direct violation of statute, regulation, rule and directive.<sup>68</sup> A 1999 review of 203 Final Timber Sale Decision documents showed that none contained a

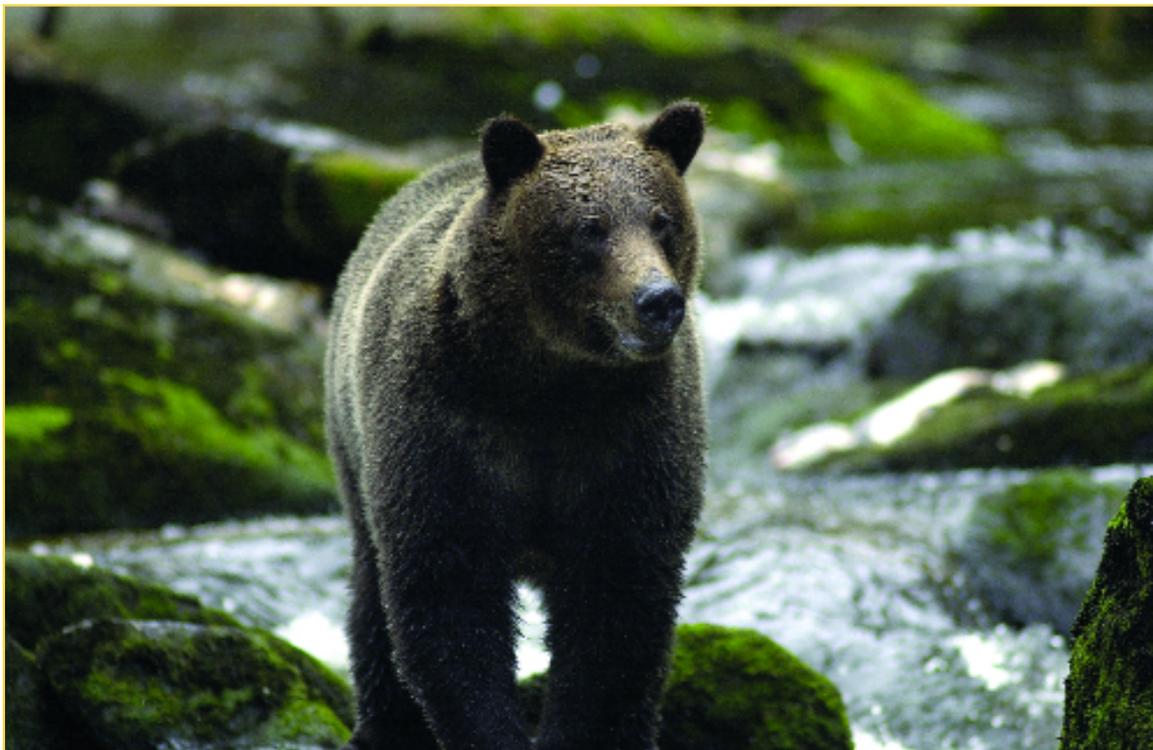
quantitative analysis of the socio-economic cost created by logging.<sup>69</sup> Showing further negligence, 66 percent of the projects did not even contain the basic type of financial analysis comparing monetary costs and benefits.<sup>70</sup>

The close relationship with timber companies and their trade associations, all of which benefit from the low-cost supply, is another factor driving non-sustainable logging levels and maintaining the status quo despite its economic absurdity. Trade associations lobby Congress and gain political appointees who serve in top-level positions within the key government agencies. Today, this is best exemplified by President Bush's appointment of Mark Rey as Undersecretary for Natural Resources, with the Forest Service under his direct purview.

From a purely economic standpoint, our tax dollars would be better spent if our national forests were left standing. Independent economists and the Forest Service itself have estimated that tim-

ber accounts for less than three percent of the total value of goods and services from national forests, while recreation and fish and wildlife contribute to more than 84 percent.<sup>71</sup> National forest land alone generates 31 times more jobs and 38 times more revenue through recreation and tourism than logging.<sup>72</sup> Yet historically, the Forest Service has maintained a blatant disregard for the non-timber value of its lands.

**Brown Bear (Grizzly), Annan Creek, Tongass National Forest, Alaska.**



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