
GAO**Testimony**

Before the Subcommittee on Forests and Public Lands
Management, Committee on Energy and Natural Resources
United States Senate and the Timber Salvage Task Force,
Resources Committee, House of Representatives

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FOREST SERVICE**Observations on the
Emergency Salvage Sale
Program**

James K. Meissner, Associate Director
Natural Resources Management Issues
Resources, Community, and Economic Development Division



Mr. Chairman, Members of the Subcommittee, and Members of the Timber Salvage Task Force:

We are pleased to be here today to discuss the Forest Service's program for selling salvage timber. As you are aware, salvage timber is dead or dying timber, much of which would be marketable if harvested before it deteriorates. In the past, many sales of salvage timber were delayed, altered, or withdrawn, and as a result, some of the timber deteriorated and became unmarketable. In response to the millions of acres of salvage timber resulting from the devastating fires of 1994, the Congress established an emergency salvage timber sale program as part of the rescissions act¹ in July 1995. This program was intended to increase the amount of salvage timber offered by, among other things, easing environmental procedures and eliminating the administrative appeals process.

As part of ongoing concerns about expediting the sale of salvage timber, the Senate Energy Committee and the House Resources Committee asked us to identify the reasons why salvage sales were being delayed, altered, or withdrawn. Recognizing that the emergency salvage sale program has existed only since late July, you asked us to provide our observations on whether the program has increased the amount of salvage timber being offered. Specifically, you asked that we discuss (1) whether the emergency salvage program addressed the primary causes of salvage sales being delayed, withdrawn, or altered and (2) why some salvage sale offers received no bids.

In summary, our work to date indicates that:

- While the emergency program for the sale of salvage timber addresses the factors that in the past have been identified as the primary causes of or reasons for salvage sales being delayed, withdrawn, or altered, it is too early to say to what extent these changes will increase sales because few sales have begun since the program became effective.
- Some salvage sale offerings have failed to receive bids primarily because the terms and conditions of the sales, such as the minimum bid or specific logging requirements or the volume of timber being offered, were unacceptable to potential purchasers.

¹Emergency Supplemental Appropriations for Additional Disaster Assistance, for Anti-terrorism Initiatives, for Assistance in the Recovery from the Tragedy that Occurred at Oklahoma City, and Rescissions Act, 1995 (P.L. 104-19, July 27, 1995).

-- In addition, because of the short-term nature of the emergency salvage sale program, more comprehensive information on the universe of marketable salvage timber may benefit congressional decision-makers as they assess the impact of the program and whether additional resources are needed to support it.

BACKGROUND

The Forest Service estimates that the national forests contain more than 18 billion board feet of dead or dying timber. Some of this timber is inaccessible or too deteriorated to be of commercial value. According to preliminary April 1995 Forest Service estimates, however, perhaps as much as two-thirds of it could be marketable. Selling such timber can lessen future fire dangers and sometimes improve forest health, as well as provide a supply of timber to mills. However, time is critical in selling such timber. It can deteriorate rapidly, making harvest economically unfeasible.

The Forest Service estimated in its fiscal year 1995 budget request, that it would offer about 1.6 billion board feet of salvage timber for sale in fiscal year 1995. In its fiscal year 1996 budget request, the estimate was 1.5 billion board feet. However, according to Forest Service officials, past salvage sales have traditionally been delayed, withdrawn, or altered because of (1) the time needed to ensure compliance with environmental laws and regulations, including the National Environmental Policy Act and the Endangered Species Act; (2) appeals filed through the agency's administrative appeals process or judicial challenges filed in the courts; (3) the time needed for interagency consultation; and (4) insufficient numbers of foresters, engineers, scientists, and technicians to prepare salvage sales.

The 1995 rescissions act, passed by the Congress and signed by the President in July, called for reducing the salvage timber backlog by achieving "to the maximum extent feasible, a salvage timber sale volume level above the programmed level" through calendar year 1996. Among other things, the act (1) eased procedural requirements for complying with certain environmental laws, (2) exempted salvage sales from administrative appeals and limited the time for filing lawsuits to 15 days after a sale is announced for bid, and (3) provided that former Forest Service employees who could assist in preparing timber for sale could be reemployed without repaying the voluntary separation incentive payment they received.

On August 1, the President stated his intention to carry out the objectives of the emergency program in an environmentally sound manner. On August 9, the Departments of Agriculture, Commerce, and the Interior and the Environmental Protection Agency signed a memorandum of agreement to, among other things, reduce the time needed to comply with the existing environmental requirements and to improve interagency cooperation.

The establishment of the emergency program had an effect on the amount of salvage timber the Forest Service planned to offer for sale. As of September 1, the Secretary of Agriculture reported that the Forest Service estimated that it would offer about 1.7 billion board feet of salvage timber for sale in fiscal year 1995, 2.1 billion board feet in fiscal year 1996, and 700 million board feet during the first quarter of fiscal year 1997 for a total of 4.5 billion board feet. The Forest Service indicated that the estimated total might vary by as much as 25 percent and that meeting this goal was dependent on its ability to increase its sales staff.

ACTIONS TO DATE SHOULD HELP TO
EXPEDITE THE SALE OF SALVAGE TIMBER

The rescissions act and the memorandum of agreement among the federal agencies address what had been described as the primary causes of or reasons for salvage sales being delayed, withdrawn, or altered. While we believe that the act and the agreement should help expedite and streamline the sale of salvage timber, it is too early to determine to what extent these changes will affect sales because few have begun since the emergency program took effect.

We have observed, however, that the Forest Service's efforts to directly rehire staff who have experience in preparing timber sales have had little success. Although efforts to rehire up to 200 former timber sales personnel who accepted "buy-outs" are under way, Forest Service officials doubt that many of these employees would return because they have either secured other jobs, wish to remain retired, or the incremental difference between their salaries and retirement annuities is not sufficient to entice them to return to work. In the Pacific Northwest Region, for example, officials estimated that fewer than 10 percent of former employees with the needed qualifications would consider returning. As of November 6, the Forest Service had rehired only three employees nationwide.

Although rehiring staff has been slow, the Forest Service has increased the volume of salvage timber offered for sale. Preliminary data provided by the Forest Service in response to an October 24, 1995, hearing before the Timber Salvage Task Force, House Committee on Resources, showed that the volume of salvage timber offered for sale in fiscal year 1995 was about 1.8 billion board feet--100 million board feet more than the estimate made on September 1 and 200 million above the level that was programmed before the passage of the rescissions act.

TERMS OF SALES AFFECT WHETHER
BIDS ARE RECEIVED

Salvage sales are oftentimes delayed, withdrawn, or altered because purchasers do not bid due to the terms and conditions of the sales,

such as the minimum advertised rate by species that the Forest Service will accept, logging requirements (i.e. removing the timber by helicopter), and the timber volumes being offered. Offering salvage timber for sale is one thing; selling it is another. The Forest Service's 1995 data showed that of the 1.85 billion board feet offered and about 1.3 billion board feet were sold. About 550 million board feet had been offered but not awarded at the end of the fiscal year--200 million received no bids and 350 million was in process. When bids are not received, the Forest Service may reoffer the sale and, to improve the salability of the timber, may modify the sale terms--such as reducing the volume of timber being offered or the amount of the deposit for brush removal required of the purchaser. However, reoffering salvage sales can be costly in two ways. First, the Forest Service must incur additional costs to plan and prepare no-bid sales for reoffering. Second, no-bid delays may make salvage timber unmarketable, and if not unmarketable, it will at least have lost part of its economic value because of deterioration.

The Pacific Northwest Region--covering the states of Oregon and Washington--offers a good illustration of sale delays that resulted in timber becoming unmarketable. In fiscal year 1995, the region offered 387 salvage timber sales; 43 offers received no bids. The region plans to reoffer 30 of the sales after making modifications to improve their salability, but the remaining 13 will not be reoffered because the timber has deteriorated to a point that it is no longer marketable. This action removes 33 million board feet, or 6 percent, of the 540 million board feet of salvage timber offered for sale. Furthermore, there is no assurance that the 57 million board feet involved in the reoffered sales will be purchased.

The Wenatchee National Forest in Washington State and the Boise National Forest in Idaho have had extensive salvage sale activity in fiscal year 1995. These forests had 36 sales involving about 285 million board feet in fiscal year 1995. Ten of these sales involving a total of about 105 million board feet received no bids. Forest Service officials and purchasers cited bidders' resistance to the minimum bid because of market changes and increased decay and amount and objections to the contract terms, such as requirements for helicopter logging, as reasons that no bids were received.

The two forests reoffered 6 of the 10 unsold sales after reducing the advertised rates for different species or changing various contract terms, such as reducing the volume of salvage timber to be harvested, modifying the terms for brush disposal, and permitting weekend hauling of harvested material. These changes have been successful in four of the reofferings. While this effort shows persistence on the Forest Service's part, the types of changes we saw may indicate a need for the Forest Service to more carefully evaluate the initial terms of the sales. The following are

examples of sales that received no bids until reductions in the minimum bid or changes in the contract provisions resulted in the timber being sold.

- After an offering at the Boise National Forest received no bids, the Forest Service made significant adjustments to the advertised rate for the species offered and the volume of timber offered in order to reoffer the sale. The Forest Service reduced the total minimum bid by about 80 percent--from almost \$1.8 million to almost \$333,000--and reduced the volume of timber offered by about 68 percent--from 12.4 to 4 million board feet. The reoffered timber sold for about \$481,000.

- After an offering at the Wenatchee National Forest involving 22.4 million board feet received no bids, the Forest Service made a number of revisions to the terms of the contract, such as increasing the minimum size of trees that had to be harvested and reducing the purchaser's deposit for brush removal from \$8.44 to 16 cents per hundred cubic feet of brush. The forest also reduced the total minimum bid for this sale from \$417,322 to \$401,014. The reoffered timber sold for \$730,191, which suggest that the revision of the contract terms, rather than the minimum bid, was the primary reason that no bids were made at the initial offering.

KEEPING THE CONGRESS INFORMED

Mr. Chairman, because of the short duration of the emergency salvage program and the importance of timeliness in selling salvage timber, it is important that the Congress have adequate information on the extent to which the act has helped the Forest Service expedite and streamline its salvage sale process. We believe the Forest Service's semiannual report on the implementation of the program serves as a vehicle for it to provide the Congress with such information.

The Forest Service is now implementing a system for generating the data for the semiannual report that will provide the Congress with information about the program, as required by the act. Although the system is not yet complete, we did have an opportunity to discuss with appropriate Forest Service officials the proposed information that they plan to generate. As we understand it, although the Forest Service is planning to report information on the volume of timber that it believes it can offer for sale within existing staffing levels, it is not planning to report on the total marketable salvage timber that could be offered.

While it is important for the Congress to know how much salvage timber can be offered, we believe it is also important to know the total universe of marketable salvage timber that could be offered for sale so that decisions can be made about whether to redirect

greater resources to the program or ultimately decide whether to reauthorize the program.

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Mr. Chairman, this concludes my statement. I would be happy to respond to any questions that you or members of the Committee may have.

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