



NOVEMBER 8, 2012

# ANNUAL REPORT 2012

WASHINGTON FOREST PROTECTION ASSOCIATION

## Investing in our Working Forests

FROM THE EXECUTIVE DIRECTOR:

### Mark L. Doumit: Sound Investment Fundamentals



The only way to maintain the inherent benefits of working forests on the landscape is to ensure that there continues

to be sound investment fundamentals. With our Pacific Rim ports and access to the west coast and southwest U.S. markets, we have a natural advantage in wood products investments. This diversity of markets gives our region a competitive advantage, and is one of the key reasons this area attracts investment.

WFPA plays a vital role in protecting and enhancing Washington's investment climate by managing regulatory risk. On a daily basis, we interact with the state and its regulatory agencies in forest policy, tax and political advocacy. Washington State is unique with its important tribal treaties, a State Environmental Policy

Act (SEPA), and a need to keep a functional regulatory program in light of many Endangered Species listings. The maintenance of a stable regulatory program is essential to keeping working forestry as a preferred land use investment.

WFPA's networking contacts and relationships help influence and affect the policies that directly impact our members' businesses. Our public information program and our science-based K-12 education program are cornerstones in keeping the public trust and our industry's social license to stay in business.

This year, WFPA defended the industry against excessive taxes and fees during the 2012 legislative session, in addition to passing legislation that streamlined the permitting process by integrating hydraulic project approval permits into Forest Practices Applications. WFPA averted a legal challenge to the Forest Practices Habitat

Conservation Plan (HCP) by negotiating a reasonable settlement agreement. WFPA facilitated and supported efforts to take the Ninth Circuit logging roads case to the U.S. Supreme Court, which will be heard in early December.

The outcome of the elections will change the landscape, as will continued state budget pressure to increase taxes and fees on business. We'll continue to put up a united front and collective voice for members of WFPA. I am proud of the work of the WFPA staff and pleased with our members' involvement. We collectively have produced these results on behalf of an industry that has been here since before statehood, and offers our society so many benefits. Thank you for another year of your support, and we look forward to leading the way on your behalf next year.

*Mark L. Doumit*

FROM THE PRESIDENT:

### David L. Nunes, Olympic Resource Management: Use Wood



The Pacific Northwest is one of the great timber growing regions in the world, home to some of the

most valuable and sought after species for the manufacture of lumber and panel products. Washington is the second largest supplier of softwood lumber in the nation, providing sustainable and renewable building products which support our local economies. After facing one of the worst economic recessions in a century, we're beginning to see some bright spots on the horizon, with housing expected to help support a wider economic recovery as three jobs are created for every new house that is built. While we expect housing to recover gradually over the next several years, long-term demand for lumber and logs is expected to

be strong. Demand from Asia for logs and lumber will help to provide price support in the interim until the domestic market more fully recovers.

We have a shared responsibility to collectively defend and improve the economic investment climate in Washington State. This industry has, for more than a century, made investments in infrastructure, scientific knowledge, development of tree farms, building entire communities, supporting the workers and families that rely on timber industry jobs, and establishing world-class environmental protections embodied in the 50-year commitment of the Forest Practices Habitat Conservation Plan.

We grow an environmentally superior product that takes less energy to produce than other building materials, while at the same time absorbing carbon from the atmosphere and providing

for clean water. Increasingly, the public, policy makers, and elected officials are better understanding the broader societal values of using more wood and retaining more working forests. With the recognition, we are seeing more efforts to promote the greater use of wood. With our shared responsibility for protecting one of the great timber growing regions in the world, working forests can stay on the landscape forever.

The future is bright for the timber industry. Join us in not only maintaining, but enhancing the role of working forests in Washington State, so that in addition to being one of the best tree growing places in the world, we also enjoy a world-class investment climate for the benefit of current and future generations.

*David L. Nunes*

## Protecting Value: WFPA's Working Forest Agenda

The **Working Forest Agenda** remains a major focus of WFPA's efforts – to increase the value of working forests and decrease the costs of forestry operations, providing an incentive for landowners to maintain and expand their working forest investment. Our efforts focus on creating **certainty** through balanced forest policy, and **adding value** by reducing the cost and complexity of the regulatory system.

WFPA successfully avoided litigation to the issuance of Washington's Forest Practices HCP through negotiation. The resulting settlement agreement achieves a period of legal certainty while establishing a new, more open relationship with the Washington Environmental Council. That relationship could

grow to cooperation on some mutually beneficial issues. The settlement agreement will also lead to greater efficiency in the Forest Practices Adaptive Management Program, by introducing greater discipline through professional facilitation and tighter timelines for decision making.

Also high on our list of accomplishments on behalf of the industry, **regulatory streamlining was realized** through House Bill 6406, integrating the hydraulic project approval permits into Forest Practices Applications (FPAs) and lengthening FPAs from two to three years. The **five-year RMAP extension** is now in place, providing another tool for landowners to maintain the value of their forests through long-range planning

flexibility. Private landowners have invested more than \$155 million to date in road improvements and fish barrier removal, and are anticipated to invest another \$109 million before all projects are completed.

Working with a DNR stakeholder task group, we **reduced uncertainty around biomass utilization**, by gaining consensus for defining biomass as simply a byproduct of sustainable forest operations or forest health treatment.

Preventing direct federal control of forest practices regulation in Washington State is an important goal. We continue to send a strong message to the federal government that critical habitat designation on private lands is unwarranted.

Also on the federal front, WFPA effectively engaged with national

efforts to support the U.S. Supreme Court review of the Ninth Circuit Federal Court decision that forest roads require a federal permit. We played a key role in securing Congressman Dick's support for a temporary congressional hold of the Ninth Circuit decision, and in securing Attorney General McKenna's involvement in a multi-state amicus brief urging Supreme Court review of the case. We've worked closely with Congresswoman Herrera-Beutler, who is co-sponsor of legislation that would permanently resolve this issue.

To protect the value of working forests, WFPA continues to monitor risks and create opportunities on behalf of our members.

**Opportunities:** stakeholder relationships • social license • market incentives • wood usage • science • K-12 education • regulatory reform • opinion leader forest tours • **FPA-HPA integration** • biomass tax credit

**Challenges:** water quality standards • fire liability • EPA • regulatory creep • **northern spotted owl** • habitat regulations • taxes & fees • ESA listings • federal control of state forest practices • federal court • L & I rates • marbled murrelet • logging roads • forest health

*The Forest Practices HCP sets Washington State apart. 9.3 million acres of nonfederal forest & 60,000 miles of forested streams meet the Clean Water and Endangered Species Act protections for water quality and native fish through state forest practices permits.*

## Providing Certainty: Washington's 50-Year Habitat Conservation Plan (HCP)

WFPA protects the value of working forests by working to maintain a stable regulatory climate and streamlining regulatory processes. WFPA works with multiple stakeholders, agencies and the legislature to provide regulatory certainty for forest landowners. The cornerstone of these efforts is the defense of the Forest Practices aquatic species Habitat Conservation Plan. The HCP protects forest owners from potential ESA sanctions related to listed native fish species and other aquatic habitat dependent species found in nearly all of the river and stream systems in Washington. Just as important as the HCP, the water quality assurances stemming from the Forests and Fish agreement

avoid costly basin-by-basin water quality assessment and pollution load allocation for water flowing from managed forest land. With a functioning Adaptive Management Program, forest practices in Washington are also considered by the Department of Ecology, with support of the Environmental Protection Agency, as adequate in bringing impaired waters into compliance with state water quality standards, and prevent any further reductions in water quality on managed forest lands over time.

There are **only three ways that regulations may change** in Washington: 1) through the science-based Adaptive Management process, 2) by the Legislature, or 3) in Court. WFPA's

collaborative approach to working with agencies and stakeholders to minimize legal risk has proven successful, and in 2012, WFPA secured a **3½ year covenant not to sue** on ESA or CWA issues through achievement of the HCP settlement agreement.

**Maintaining public and political support** for the HCP is key to its long-term success. Landowners have made a tremendous investment in conservation by setting aside more than 20% of their land base for permanent conservation, in addition to investing \$155 million in road improvements and fish barrier removal which has **reopened 3,200 miles of historic fish habitat**. Landowners are

demonstrating their commitment to the success of the HCP. The state Compliance Monitoring Report concluded that **98% of all road activities are substantially compliant** with approved Forest Practices Applications.

Also an important component to providing certainty for all parties, the Adaptive Management process uses scientific information to determine whether forest practices are meeting the requirements for healthy fish habitat and water quality standards. This process **removes the volatility of regulatory change** and has established a reasoned approach to evaluating the effectiveness of our forest practices program.

## 2012 Legislative Success

WFPA built on its continued success in the legislative arena by defending the business interests of the timber industry, and supporting and passing legislation that streamlines regulations. In addition, we supported legislation that passed, creating opportunities to obtain mitigation funding for established regulatory mitigation programs.

With continued state budget pressures, we were at risk from proposals for full cost recovery of the regulatory program from forest landowners. We were successful at stopping those efforts, in addition to halting legislation proposing capital gains taxes and elimination of industry-related business tax preferences. WFPA was successful with its

approach of 'no new fees without regulatory reform', and agreed to a small fee increase on Forest Practices Applications in return for streamlining the permit process and **extension of permit approvals from two to three years.**

In 2012, WFPA was successful in passing the following three bills:

### Legislation Passed – Streamlining & Incentives

Bill #	Description
6406	Implements FPA/HPA streamlining, integrating HPA into forest practices permit.
2238	Creates opportunity for statutory mitigation programs to obtain Dept. of Ecology funding.
5575	Amends the Energy Initiative (I-937) to include by-products of pulp & wood manufacturing.

## Voter Support for Washington's Forests and Fish Law



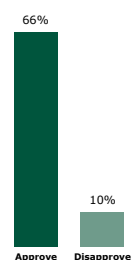
Maintaining voter support for the state's Forests & Fish Law is the primary focus of WFPA's television and radio advertising. This year we delivered a balanced message communicating the **benefits of working forests to create jobs and protect fish and water resources.** As private landowners

get credit for balancing economic and environmental needs, voters' approval rating increases, as does support from elected officials. In addition, **93% of voters believe forest products companies are very important to Washington's economy.** This support translates into nearly half of the

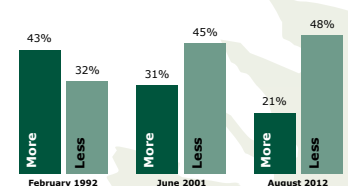
voters wanting less regulation of privately owned forests, an assurance from voters that landowners are continuing to operate on the landscape in a way that aligns with their values. When voters hear that forest products companies are protecting water quality through the Forests & Fish Law, approval for the industry increased to 66% while disapproval declined to 10%.

WFPA partnered with WoodWorks to host Washington's first **Wood Solutions Fair**, targeting architects and engineers promoting the use of wood in non-residential building design. The fair attracted nearly **500 architects, engineers and contractors**, and will be repeated on **February 27, 2013** due to this year's success.

After hearing about the Forests & Fish Law, approval of forest products companies' actions increase



Voters want less regulation of private forest land



## Washington's Working Forests Provide Value

Across the state, **1.9 million acres** of working forests are providing special conservation for native species. **In western Washington alone, 21% of working forests are set-aside** in riparian buffers, for steep and potentially

unstable slopes, and for upland wildlife habitat. Statewide, over 14 million acres, or **60.5% of total forests are restricted from harvest**, including federal lands.

**Working forests have a significant impact on the economic**

**health of our state.** Overall employment impact from working forests is **119,000 jobs and \$5.2 billion in wages**, in addition to **\$176 million in taxes & fees** paid to local and state governments.

## 2011 Timber Harvest

Private Large	60.1%
Private Small	6.3%
State	21.1%
Tribal (est)	8.0%
USFS	3.3%
County	1.2%
Total	100.0%

### Washington State

<b>Total Forestland Acres</b>	<b>23,181,832</b>
Private-State-Tribal-County Working Forest	11,043,329
Working Forest restricted by state law: (17.1%)	(1,887,791)
Private-State-Tribal-County Working Forest: 39.5%	9,155,538
<b>Local job impact</b>	<b>118,548</b>
<b>Wages</b>	<b>\$5,291,702,755</b>
<b>Taxes &amp; fees</b>	<b>\$175,977,773</b>



## Washington Forest Protection Association

724 Columbia St. NW, #250  
Olympia, WA 98501

Phone: 360-352-1500  
Fax: 360-352-4621  
E-mail: [info@wfpa.org](mailto:info@wfpa.org)  
Web: [www.wfpa.org](http://www.wfpa.org)

## WFPA Honorary Trustees

Steve Berntsen  
Richard K. Best  
Wade Boyd  
David Crooker  
John Gorman  
Nels Hanson  
Jim Harberd  
Willard L. Lawson  
John P. McMahon  
W. Lee Robinson  
Max Schmidt, Jr.  
Jim Thiemens  
Jack Ward  
John Warjone  
Wendell Widdowsen  
John Wilkinson  
Jerry Wilson

## WFPA Staff

**Mark Doumit**  
*Executive Director*  
**John H. Ehrenreich, Jr.**  
*Director, Forest Taxation and Economics*  
**Lynne Ferguson**  
*Co-Director, Environmental Education*  
**Peter Heide**  
*Senior Director, Forest Policy*  
**Doug Hooks**  
*Director, Forest & Environmental Programs*  
**Cindy Mitchell**  
*Senior Director, Public Affairs*  
**Debora Munguia**  
*Director, Governmental Relations*  
**Margaret Tudor**  
*Co-Director, Environmental Education*  
**Karen Weiss**  
*Director, Business and Finance*  
**Breanna Trygg**  
*Environmental Education Program Coordinator*  
**Dr. Georg Ziegeltrum**  
*Animal Damage Control Supervisor*  
**Jill Reynolds**  
*Executive Assistant*  
**Gigi Williams**  
*Program Assistant*

## WFPA Centenarians

**Menasha Forest Products Corp.**  
1849  
**Olympic Resource Management  
(Pope & Talbot)\***  
1849  
**Stimson Lumber Co.**  
1850  
**Port Blakely Tree Farms\***  
1864  
**Merrill & Ring\***  
1886  
**Green Diamond Resource Co.  
(S.G. Simpson Co.)\***  
1890  
**Weyerhaeuser\***  
1900  
**Wilcox Farms Inc.**  
1909  
**Murray Pacific Corp./  
West Fork Logging**  
1911

\* WFPA member for 100 years or more.



## WFPA Board of Trustees

Josh Anderson, Vaagen Brothers Lumber  
Roy Bever, Bloedel Timberlands  
Jerry Brodie, Menasha Forest Products Corp.  
Dennis Creel, Hampton Resources  
Barry Dexter, Stimson Lumber Co.  
Rick Dunning, WFFA - Westside  
Kevin Godbout, Weyerhaeuser\*  
Tom Hanson, Seefeld Corp.  
Randy Johnson, Green Crow  
Chris Lipton, Longview Timberlands  
Bill Marre, Hancock Forest Management\*  
Robert Meier, Rayonier\*  
Toby Murray, Murray Pacific Corp.  
Dave Nunes, Olympic Resource Management\*  
Norm Schaaf, Merrill & Ring\*  
Jason Spadaro, SDS Co.  
Court Stanley, Port Blakely Tree Farms\*  
Duane Weston, Pacific Denkmann  
Maurice Williamson, WFFA - Eastside  
Paul Wing, Green Diamond Resource Co.\*

\* Member of Executive Committee

## WFPA Members

Barker Tree Farm - Woods Trust  
Bascom Pacific, LLC  
Bloedel Timberlands Development  
Broughton Lumber Company  
GMO Renewable Resources  
Green Crow  
Green Diamond Resource Company  
Hampton Resources, Inc.  
Hancock Forest Management, Inc.  
Gary Hanson  
Nels Hanson  
Phil Hess  
JLCG, LLC  
Longview Timberlands, LLC  
Menasha Forest Products Corporation  
Elisabeth Miller Botanical Garden Trust  
Pendleton and Elisabeth Miller  
Charitable Foundation  
Ken & Bonnie Miller  
Munro, LLC  
NBGC, LLC  
Olympic Resource Management  
O'Neill Pine Company  
Pacific Denkmann  
Pilchuck Tree Farm  
Pacific Forest Management, Inc.  
Penguin Forests  
Plas Newydd, LLC  
Port Blakely Tree Farms  
Francis J. Powers, Jr.  
Rayonier  
RD Merrill Company  
Ring Family Limited Partnership  
Riverick Timber  
SDS Co., LLC  
Seefeld Corporation  
Sheldon Properties  
Stewart Tree Farms  
Stimson Lumber Company  
TC&I Chinook, LLC  
Theoe Family Tree Farm  
Two Cats Timber  
Vaagen Brothers Lumber  
Wallace Falls / Springboard  
West Fork Timber Company  
Weyerhaeuser Company  
Wilcox Farms, Inc.  
Maurice Williamson