Forest Industries Council attacks Paulus statements

Oregon Forest Industries Council believes allegations made by the Secretary of State's office concerning the prices industry pays for state timber sales are unjustified and unsubstantiated.

"Secretary of State Norma Paulus, in her news release, went far beyond the facts included in the state audit of timber sale operations in alleging the timber industry is buying state timber sales at prices too low and harvesting more timber than they're paying for," stated Nat Giustina, OFIC Chairman and President of Giustina Bros. Lumber Co., Eugene.

Dick Angstrom, OFIC Director, has formally requested the Trade and Economic Development Committee of the State Legislature to do a comprehensive review of these allegations.

"We are very concerned that the news release sent out by the Secretary of State is unfair to the Department of Forestry, but further, through inferences in this release, the integrity of the forest industry in Oregon has been challenged," said Angstrom. "We believe a review by the State Legislature will completely clear the reputation of the industry and the Department of Forestry," he said.

The audit, conducted by the Secretary of State's office every two years, discusses three main points:

1) Most state timber sales attract much competitive bidding among buyers and are eventually sold for up to twice the minimum acceptable bid established by the Forestry Department.

2) A small percentage of state timber sales are sold at or near the minimum price set by the Department with little or no competitive bidding occuring.

3) The estimate of timber volume made by the Forestry Department prior to the sale is much less than the amount of timber actually being removed by the buyer.

The allegations made in the news release which accompanied the audit are that the sales receiving close to the minimum bid are being sold at a price much too low and the state is thus losing money. Also it is alleged that because more wood is being harvested than was estimated to be present at the time of sale, the state is not being paid for all the timber it sells.

"What has happened is statisticians have run a bunch of timber sales and prices through a computer and given little consideration to the unique difference of each site," said Giustina. "And in the case of the Forestry Department underestimating the timber volumes, the audit has gone clear back to the years 1971 through 1973 to find this data. Volume estimates from timber sales sold from 1974 on have been very close to the actual harvest amounts. The audit has ignored data from the actual audit period, 1975-1977," stated Giustina.

"If anything the industry is actually paying too much for state and other public timber," claimed Giustina. "The logic and reasoning in the minds of buyers must be considered before anyone is accused of stealing timber," he said.

"Mills have been going out of business much too often recently because they can't find a source of logs," explained Giustina. "An Oregon State University report pointed out a possible 22 per cent decline in timber supply in western Oregon by the year 2,000. And the federal government is tying up commercial forests in wilderness areas and thus closing them to timber harvest.

"All these things are on the minds of timber buyers. They know if they want to keep their mills in operation they must buy timber and they have to bid very competitively to get a sale.

"Because timber buyers see the price of timber continuing to increase in the future they have been willing to pay far more for a timber sale now than they would actually like," he said.

"Most timber sales are not logged for two or three years after they are sold, some are delayed longer. The buyer realizes this and is actually bidding at a price he expects will be reached two or three years down the road, rather than at today's market value. So the state is receiving 1981 prices for the sales sold in 1978.

"If the price of timber does not continue to increase, these speculative bidders will have paid far too much for this public timber. There are probably as many different reasons why a company bids high as there are bidders. But there are also a number of reasons why a company may choose not to bid at all," explained Giustina.

The influence made in the news release from the Secretary of State is that sales which are sold at or near the minimum bid with little competitive bidding are being sold at prices much too low.

"If the Secretary of State had analyzed these low bid sales, she would have found they are low quality sales and-or highly expensive to log," said Giustina.

Almost all of these low bid sales either contained low value tree species, like alder for which there is very little market; or expensive logging problems such as extensive road building, specialized logging techniquies which many companies are unable to do, long hauling distances to mills, etc.

"These sales, which were a small part of the state's total number of sales, were sold at or close to the minimum bid because that is all they were worth," said Giustina.

The Secretary of State also alleges that the Forestry Department has virtually been giving away timber because its estimate of volume has been much less than the amount of wood actually harvested.

The only years the Department underestimated the amount of wood on the sale were 1971 through 1973. This was prior to the actual audit period which was 1975 through

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