

June 11, 2021

Board of Natural Resources
 MS 47000
 Olympia, WA 98504-7000

RE: Port of Port Angeles Comments on the “Need, Purpose, and Objectives” for the TLPA

Dear Board of Natural Resources Members and DNR Staff:

The Port of Port Angeles appreciates the opportunity to comment on the “Need, Purpose and Objectives” for the Trust Land Performance Assessment (TLPA). The Port appreciates DNR’s commitment to a transparent and deliberative process to both evaluate and prioritize action steps from the TLPA process. These comments focus on the “Need, Purpose, and Objectives” for the TLPA, and considers the comments in the presentation to the Board at the June 1st meeting. The Port plans to provide additional comments on the TLPA and staff recommendations during Board and staff review process.

Background

The TLPA process is vital to Clallam County and the Port of Port Angeles for three primary reasons:

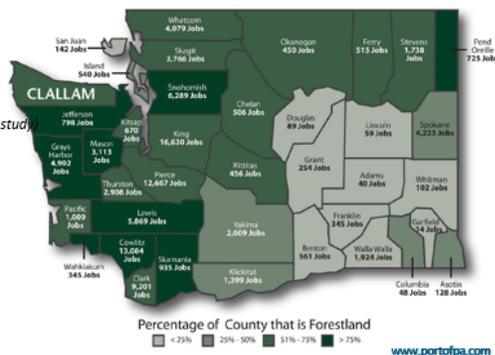
- Management of DNR trust lands connects with and aligns with the Port’s mission to “bring people, resources and industry together to foster economic prosperity and living wage jobs”.
- The importance of the forest products industry to the economic well-being in Clallam County.
- The Port is a beneficiary of revenues generated from state forest board trust lands. Those revenues fund Port economic development initiatives.

Total Jobs in Clallam County from Timber

Number of direct jobs: **665**
 Number of indirect and induced: **856**
Total: 1,521
 Average direct wage: **\$63,108**

(Olympus Consulting 2016 & 2020 study)

Timber-related Jobs in WA State by County
 (Chart courtesy of WFFPA 2014 study)



During 2018-2020, the Port retained Dr. Daniel Underwood to examine (1) the contribution of the forest products industry to Clallam County, and (2), the role and impact of the Port’s log handling and sorting facilities in supporting the sector on the Olympic Peninsula. The analysis showed that the forest product industry provides, on average, a living wage premium for a family of four of \$972/month, which increases the average standard of living in Clallam County. Notably, for every direct job in the industry, 1.3 indirect and induced jobs are created. ¹The forest product industry has the highest job multiplier effect for our county.

Dr. Underwood’s report also showed that the forest products sector had the greatest value of external revenues (domestic and international) of any sector in Clallam County with a value of \$144 million annually (2017 data adjusted to 2020 dollars).

¹ Underwood, Daniel, The Port of Port Angeles Log Yard; A Nexus in the Forest Products Industry, 2018



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For decades, the Port of Port Angeles’ Log Yard, which provides log sorting and handling services for landowners and manufacturers, has been the nexus of Clallam County’s forest products industry. The log yard provides a unique and vital transportation hub allowing the movement of fiber on and off the Olympic Peninsula to serve both domestic and international markets.

Dr. Underwood’s study revealed that 50% of the direct jobs in the industry in Clallam County are associated with, or dependent on, the Port’s log handling and sorting facility. The Port’s facilities contribute a total of 181 jobs (direct, indirect, induced) into the community and support an additional 595 total jobs for businesses that are dependent on logs/fiber handled by the facility. The Port’s log yard is vital to the on-going success and future for manufacturers of forest products in Clallam County and beyond. The Port is committed to serving this vital sector of our economy.

Economic Impacts of Forest Products Industry

Total Economic Impacts of the Forest Products Industry (2020\$)				
NAICS	Sector/Impact	Jobs	Wage	LWP
115	Forest Preparation	24.0	\$2,939	-\$1,348
113	Logging	359.0	\$5,205	\$918
321	Milling	256.0	\$5,455	\$1,168
113	Port Log Yard Staff	8.0	\$5,210	\$923
4883	Shipside Operations	18.4	\$6,623	\$2,336
Subtotals, Direct Impacts		665.4	\$5,259	\$972
	Indirect	298.0	\$2,982	-\$1,305
	Induced	558.0	\$1,886	-\$2,401
Grand Totals		1521	\$3,576	-\$711

50% of Direct Jobs are associated with the Port Log Yard
 Port Log Yard = 81 direct jobs and Directly Dependent Businesses = 256 direct jobs

Based on 2016 harvest of 229 MMBF in Clallam and Jefferson counties
 Comprised of 200 MMBF private lands + 29 MMBF State Trust Lands

Underpinning all of this is the supply of timber from private and public lands, including the crucial supply generated from long-term management of DNR trust lands. DNR lands are key to sustaining and growing Clallam County’s forest products sector and are essential to the Port’s ability to “bring people, resources and industry together to foster economic prosperity and living wage jobs.

Finally, the Port is a beneficiary of revenues generated from DNR managed lands. Over the past 10 years, we received between \$49,572 and \$155,699 annually from DNR trust land management. These funds contribute to the Ports ongoing investments in growing and sustaining jobs in Clallam County.

Statement of “Need”

The DNR proposed statement of need reads,

“DNR needs to increase the amount and reliability of the revenue it generates through the assets it manages on state trust lands into perpetuity.”

The Port believes the DNR statement moves in the right direction, and we are encouraged by the commentary included in the June presentation. But we ask consideration of the following.

The Port is concerned over how the term “reliability” could be interpreted. There have been proposals in the past to form a unitary trust as a tool to better predict, plan, and deliver predictable revenue streams to trust beneficiaries. While we understand the sentiment, the Port would not support a unitary trust. We believe a unitary trust concept would result in a loss of accountability, transparency, and engagement by beneficiaries because it decouples beneficiaries from the management and decision making of specific trust

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lands. DNR benefits from the involvement and interest of all stakeholders, including trust beneficiaries. The Port fears that a unitary trust concept would, over time, reduce involvement and accountability by beneficiaries and stakeholders in the key decisions related to management of trust lands.

The Port is encouraged with the emphasis on increasing revenues into perpetuity. At the risk of jumping ahead, the Port also believes that DNR should immediately recognize the importance of moving quickly to improve financial reporting and data systems. Doing so will improve transparency with all stakeholders and decision making. As DNR states,

“Deloitte recommends that DNR develop a comprehensive financial system that is consistent with for profit business enterprises. This system would include financial accounting, cost accounting, operations (sales, planning, and so forth), and real estate management. This system would enable DNR to manage these assets more efficiently and profitably, as well as provide financial statements typical of for-profit businesses.”

We agree with the Deloitte recommendation and believe it has a direct connection with achieving the need as expressed. DNR has done good work with what they have, but one can never evaluate if you are improving, staying static, or declining without a modernized financial reporting system to set metrics and goals against. We concur it is timely to update and modernize.

The Port suggests the following revision to the Need Statement to reflect concerns over the term “reliability” and the benefits that would accrue from an updated financial reporting system:

“DNR needs to increase the amount of the revenue it generates through the assets it manages on state trust lands into perpetuity, provide reliable predictions of harvests, and increase transparency with beneficiaries and stakeholders.”

Statement of Purpose

DNR’s proposed statement of Purpose reads:

“DNR will transform state trust land management:

- 1. Legislative proposals to increase amount and reliability of revenue*
- 2. Changes to Board of Natural Resources policies to improve trust asset performance*
- 3. Updated operational business practices to increase efficiency and effectiveness”*

The Port is not clear what the term “transform” implies. Like any small or large enterprise, there are always important, and vital opportunities to improve and modify management of assets. Like the process DNR is following with the TLPA, we urge a transparent and deliberative process going forward.

We have often found the simple strengths, weaknesses, threats and opportunities (SWOT) analysis as an effective tool in identifying the “low hanging fruit” to effect change. The DNR has many inherent strengths, and the TLPA process creates a wonderful opportunity to build on DNR’s core competencies.

The Port is concerned, however, that the TLPA identifies values attributed to ecosystem services that are not reflective of actual values that can accrue to trust beneficiaries. The TLPA could be interpreted as a false

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choice between revenue generating activity and ecosystem services. Forest landowners, both public and private, have clearly demonstrated that sustainable management aligns with the need to protect and conserve water, fish, wildlife, and other ecosystem values. Research from the University of Washington shows that the forest products industry is a net sequester of carbon, even when incorporating inputs required for manufacturing and transportation of wood products (including pulp and paper)².

Accordingly, the Port is troubled by the statement included in the June Board materials that reads, *“Recognize the real value is in ecological systems and health”*.

The Port believes this statement inadvertently creates a false choice between economic value and ecological value. Indeed, forest landowners, including DNR, have shown that both economic value and ecological values can be achieved in tandem. More than half of the DNR trust lands are already set aside from management due to conservation restrictions. Indeed, the TLPA creates the opportunity to explore options to balance management more effectively. DNR trust lands are intended to generate value through active management; creating ecological values does not conflict with active management.

Objectives

DNR’s stated Objectives are:

1. *“Increase amount and reliability of revenue*
2. *Sustain the natural resource lands, while seeking opportunities to diversify*
3. *Maintain or enhance the social, environmental, and cultural benefits of state trust lands consistent with revenue generating purposes of the land.*
4. *Feasible solutions”*

The Port agrees with these objectives. Indeed, as written, these objectives address the concerns outlined earlier about the potential inflated and non-realizable values to trust beneficiaries for ecosystem services in the TLPA.

The June materials also summarized input received to date, and we note that DNR highlighted the following comment,

“DNR should not drift away from core areas of expertise; it puts customers and the socio-economic well-being of small communities at risk”

The Port appreciates DNR highlighting this comment for the Board. We believe this statement should be viewed as a core principle that guides the Board and DNR through the evaluation and implementation of recommendations contained in the draft TLPA.

² Ganguly, I.; Pierobon, F.; Sonne Hall, E. Global Warming Mitigating Role of Wood Products from Washington State’s Private Forests. *Forests* **2020**, *11*, 194. <https://doi.org/10.3390/f11020194>



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Thank you for the opportunity to provide comments on the Need, Purpose and Objectives for the TLPA. The Port of Port Angeles looks forward to working with DNR as this important process continues.

Best Regards,

A handwritten signature in blue ink that reads "K. F. Goschen".

Karen F. Goschen, Executive Director