

Economics, Feasibility, and Contracts

As noted in the Methodology section, the estimated costs for implementing management treatments on the Cherokee National Forest were based on the best available estimates, but do not reflect the potential market values of the timber harvested during these treatments, which could reduce net costs to the Forest Service for some treatments. The committee found it difficult to predict the future marketability of wood products over the next 20 years because this can be affected by so many unforeseen variables (housing market, biofuels market, and many others). Therefore, the return on investment (ROI) numbers are based solely on the amount of cost to the Forest Service regardless of timber revenues.

The Steering Committee agreed that restoration activities should produce marketable products, and that the Forest Service should design projects to capitalize on market fluctuations when doing so would result in ecologically and economically viable restoration practices. The Steering Committee recognized that some restoration treatments may be more marketable than others, depending on many factors such as the site index and species composition, the accessibility of the site, the size of the treatment area, and others. The following recommendations are intended to encourage design of restoration projects that result in marketable products.

- 1) When feasible, package less marketable treatments with those that have a higher value. This is particularly true when a site is “marginal” in value and the addition of more valuable products in adjacent restoration areas could entice operators to participate in the sale.
- 2) Being responsive to fluctuations in timber markets requires relatively quick action. Therefore, the Forest Service should explore the possibility of extending the window of opportunity for “NEPA ready” projects. This would allow projects to sit “on the shelf” until markets are favorable.
- 3) Some restoration activities may simply not have commercial value and will need to be done as service contracts rather than timber sales. This will require traditional timber operations to be open to different contract situations and means of operation. The Forest Service should work to promote and encourage operators to participate in these types of contracts (also see Stewardship Contracts below).

(see stewardship contracting next page)

Stewardship Contracting

Due to a number of factors (including Agency budgets, and office downsizing) employment opportunities and project implementation within the national forest system have witnessed a steady decline. Despite these reductions, the need for restorative work clearly remains paramount.

Such work includes: watershed restoration and maintenance, road obliteration for sediment control, wildlife habitat improvements, fuel load reductions, timber stand improvements, and insect/disease protection. In the past, these stewardship projects were completed largely within the confines of timber sale contracts and performed by an independent contractor or smaller sub-contracting firms. Revenues generated within these sales provided the funds necessary for stewardship work. However, with the marketed decline in the federal timber sale program, available funds for such work have declined as well. Limited appropriations from Congress and restricted money within existing trust funds further exacerbate the situation. Given the economic challenges for accomplishing restoration work, creative approaches must be utilized to complete the necessary work and simultaneously contribute to the economic growth of local, rural communities.

Stewardship End Result Contracting (stewardship contracting) is a relatively new tool available to the U.S. Forest Service for managing and restoring federal lands that could allow more creativity in designing economically and ecologically viable restoration projects. With stewardship contracting, the agency can more completely address the total ecological needs of an area by using timber sale contracts, service contracts, agreements, and new integrated resource contracts—or any combination thereof. The agency describes the "end result" it wants to achieve in a certain area and its contractor develops and implements a mutually agreed-upon plan to achieve that goal. Stewardship contracting also allows the agency to enter into multi-year contracts and to use the value of any products removed and sold as a by-product of the restoration or maintenance work to offset some or all of the costs of the work. Finally, with stewardship contracting, the agency can work with the local community to design and implement the contract, and in the process, build community capacity and bring jobs and income into the local community.