

**Statement for the Record
Department of the Interior
Bureau of Land Management
House Natural Resources Committee
Subcommittee on National Parks, Forests, and Public Lands
H.R. 3759, BLM Contract Extension Act
November 5, 2009**

Thank you for inviting the Department of the Interior to testify on H.R. 3759, the BLM Contract Extension Act. The Administration supports the goal of this bill to allow timber sale contract extensions for economy related reasons. This approach would assist timber sale purchasers whose industry is facing serious economic challenges. We would like to work with the subcommittee on technical changes that give the Secretary the discretion to grant the extensions.

Background

The Bureau of Land Management (BLM) manages the National System of Public Lands, which includes approximately 256 million acres of surface lands, of which more than 60 million acres are forests and woodlands. Approximately 11 million acres are commercial forestland within the 11 western States and Alaska, including 2.1 million acres of Oregon and California Grant lands in western Oregon. Our goals of forest management include restoring and maintaining healthy forests; improving their resiliency to wildfires, insect, and disease outbreaks; and the BLM promoting sustainable economic development opportunities for local communities.

Each year, the BLM offers approximately 270 million board feet of timber through sales contracts. Both large and small businesses purchase BLM timber sales. Timber sale contracts are sold primarily through competitive bidding and are awarded for a contract period of three years.

The forest products industry is facing an unprecedented struggle due to the downturn in the national economy and the housing market. According to the Western Wood Products Association, western lumber production is down 26 percent so far this year and housing starts have declined by 46 percent. (See, September 9, 2009 Western Wood Products Association press release: <http://www2.wvpa.org/Portals/9/docs/r-2008%20production.doc>) The value of lumber has declined even more steeply. The estimated wholesale value of western lumber was \$3.66 billion in 2008, a decrease of 40 percent from its 2007 value of \$6.1 billion.

Many purchasers bought BLM contracts in good faith at prices that, under current market conditions, render the completion of contract obligations no longer economically viable. BLM timber sale purchasers have been faced with difficult decisions of whether to default on their contracts or harvest the wood at a great economic loss, both of which could result in severe consequences to their companies and to the local communities that support them. Under current regulations, the BLM may grant a one-year contract extension, but that extension may not be granted on the basis of market fluctuations. However, the BLM and timber contract purchasers may agree mutually to cancel a contract. Mutual cancellation would relieve existing purchasers'

duty to perform their contract obligations and allow the BLM to reoffer the sales at prices reflecting current market conditions.

On October 14, 2009, the BLM provided direction to its State Offices to provide timber contract purchasers the option to request a one-time mutual cancellation of contracts. By November 14, all eligible timber sale contractors will receive a letter from the BLM with information regarding the opportunity to make such a request within 60 days. The BLM will evaluate each request for mutual cancellation and consider various factors before making a final decision to cancel a contract. These factors include the continued need for a viable forest management infrastructure, the existing conditions of uncompleted work within the sale area, and any work requirements normally completed prior to contract termination. Terms of cancellation will be negotiated with the purchaser, and BLM State Directors will authorize the cancellations as appropriate.

H.R. 3759

H.R. 3759 authorizes the Secretary of the Interior to grant three-year economy-related timber contract extensions upon written request of the timber purchaser. The bill would apply to contracts executed on or before December 31, 2008, for which there is unharvested timber volume remaining. The purchaser would be required to make a written request for an economy-related extension within 90 days of enactment of the Act, and prior to contract termination. BLM is concerned about mandatory timber contracts modifications, and would like to work with the subcommittee to make the extensions within the Secretary's discretion.

Conclusion

Thank you for the opportunity to testify on H.R. 3759. We look forward to working with the committee on this important legislation.