Oral History 227-40

Robert Wolf Oral History Project

Interviewee: Robert Wolf

Interviewers: Dick Manning, Dan Hall

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Summary: Wolf describes the events surrounding the federal government's bail-out of the timber industry between 1982 and 1988. President Reagan signed a law providing dollar relief for timber contracts. Unfortunately this came in the wake of Western timber companies bidding above advertised prices between 1978 and 1981 in an attempt to corner the timber market so from Wolf's perspective, the relief rewarded bad behavior. He describes the political process, the role of Senator Hatfield, and the role of greed.

Hall: This is Friday, November 17. We're in the archives of the Mansfield Library. We're talking with Bob Wolf today, and the topic of the conversation is going to be "Bailing Out the Timber Industry, 1982-1988." If you guys would like to start in ... ?

Manning: That's fine. I suppose the best way to go about it is to set the stage a little bit and see what the dynamics were that were leading up to this need to bail out the timber industry.

Wolf: Well, probably one of the nicest little summaries happens to occur in the signing statement when the law was signed on October 16, 1984, by Ronald Reagan, and you can find that in Presidential Documents for that date, page 1,563. The bill number was HR2838; it became Public Law 98478. And President Reagan's statement said that he was signing this into law to terminate certain contracts for the sale of timber on Forest Service and BLM lands on payment of what was euphemistically called a "buyout charge" by the purchaser. He said the legislation was intended to eliminate a problem that the administration and Congress have acted upon forthrightly to resolve.
Then he went and described that it provides this broader relief to timber purchasers than the measures already undertaken by the administration, and he recited the fact that many of the contracts were bid from 1977 to 1980 (actually it was to 1982) and are now held in contract rates significantly higher than the current market. Then he says that the buyers face the unavoidability of defaulting the contracts (which was not necessarily the case) and perhaps being forced into bankruptcy if they were required to pay damages for the default (also which was not the case for the bulk of them). He points out that the administration had authorized a series of relief activities extending contracts with no interest payments. There were three relief provisions. One just said, "Here's a little bit of time relief." The other gave a longer time relief, and the final one in July '83 authorized administrative relief in the form of five-year extensions with no interest requirement on the unpaid balance. The earlier ones required interest. It was more than a five-year period because it was added on to the existing extensions, so some of these extensions were still in effect now in 1989. In any event, when the bill was before the House a few days earlier, Congressman Silvio Conte of Massachusetts read into the record a letter from Stockman, the director of OMB [Office of Management and the Budget], opposing the bill in its entirety. A few days later, the president signed it into law because it was on his desk, and I guess that's what we're going to talk about, with that background. How can something that was opposed by the administration, a piece of legislation, again and again and again, even on the eve of its being adopted in the House after having passed the Senate, suddenly get signed into law, particularly given its major fiscal consequences in a situation where the administration was running significant budget deficits.

So to go back to the beginning, the approximate beginning, in the period between 1978 and 1981, particularly in Western Oregon and Western Washington and Northern California, to a lesser extent in Eastern Oregon and Washington, Montana and Idaho, timber firms started offering bids
substantially above the advertised prices of the Forest Service. You have to recognize that the
advertised prices of the Forest Service are generally always conservative, and they reflect what the
Forest Service thinks the timber is worth to the buyer, not what it's worth to the government. But the
big gap got to be really huge and the competition on some of these sales was significant. Most of
them were oral auction sales that had this phenomenon. Sealed bid sales did not have so much of an
overbid because sealed bid sales were usually made by decisions reached in the office, whereas the
oral auction sale wound up on a bidding table with the bidders getting mad at each other and acting
like they're down in Las Vegas or Reno. But anyway, there was a lot of timber, and particularly a
couple of companies had a lot of it. In Western Oregon, for instance, Roseburg Lumber and
Bohemia - two large, relatively independent firms (Bohemia is on-the-board traded, but Roseburg is
a private corporation) - they had huge amounts uncut under contract, a couple hundred million feet,
and average prices well over $300 a thousand.

Manning: Who were the pressures, both generally, on these two companies driving up these
stumpage prices?

Wolf: Well, you know, the conventional wisdom was that there was an alleged shortage of timber
developing, but I don't think that's the answer, myself. My view is that these bidders were going
through a market-cornering period. They were trying to drive competitors out of business. The
Forest Service had very lax terms for their contracts, even though the 1976 National Forest
Management Act had provisions for tight extensions - limited extensions, only under the most
stringent circumstances of performance, and put in at the request of the forest product industry. No
sooner had the law been enacted, virtually, than the industry people were back yelling to the Forest
Service that they needed extensions of various sorts on individual contracts. So the industry was bidding, secure in the knowledge that if things got rough, they could get extensions, and they cost them nothing. You had a small down payment, you held the timber, and you got an extension. You weren't hurt particularly. So they didn't believe they were going to be hurt by the high bids.

Secondly, in that area, as in some others, but in that area particularly, not only is the timber sold at oral auction, but it's all sold at contracts that will be scaled. And so even though you've made these high bids, through the way in which you fell the timber, you can have a significant amount of breakage, and that breakage typically occurs in the top logs of the tree, which are lower-grade. You pay no higher price for low-grade logs than high-grade logs on a timber sale, so you have no incentive on a Forest Service sale to use it in the optimum manner. In fact, you have an incentive to waste it, so the higher you bid it, the greater the tendency to break up logs because nobody's going to do anything to you - Forest Service statements, to the contrary, notwithstanding.

They talk about "penalty scale" and being out watching these people. Well, anybody who's done any timber falling knows that you can fell a tree and break the heck out of the top and nobody can ever contend that you did it in a sloppy manner. You get enough of that stuff on the ground and it looks like a battlefield. Anyway, they had bid on these sales and the uncut volume under contract. You can find it in the Forest Service Annual Reports was rising [sic]. It had gotten up to close to 40 billion feet, or 38 billion, I think, as I recall, which was about three times the annual sale level, but it was rising precipitously. Also, I think that the conventional wisdom in the industry was that the election of Ronald Reagan would signal a new life for the economy, that there wasn't going to be any recession. Nobody thought there'd be a recession. But I think most of the bidders thought inflation would continue, and so they'd be partly floated off by a booming economy and partly floated off by the lack of a recession. And partly they'd take care of the situation themselves by breaking the low-
grade logs, so the apparent high-bid prices would not turn out to be as costly as they seem to be.

Well then, in '82 the market fell apart, and not only that, but inflation came to a screeching halt, so all of those conventional wisdoms turned out to be wrong. And these guys who had bid recklessly had a lot of uncut timber under contract and at high prices, and even if they broke a lot of it up, they still had to wind up with pretty high prices.

So a campaign started. Paul Ehinger, over at Eugene, was the lead spokesman early in the game for the industry urging relief, and they recited a 1934 act which had permitted the cancellation of contracts as a precedent. The difference is that the ’34 act, while it was a law, was hardly used. But in any event, there were several variations of contract performance excuse that were put forward. All of them were opposed by the Reagan administration. John Crowell, the assistant secretary, was the point man and did the testimony for the department, and each one was opposed. Crowell personally, it's my understanding, was opposed to granting relief. As you may recall, he had been the general counsel for the Louisiana Pacific Corporation.

The Potlatch Timber Company in San Francisco, a major company on the Fortune 500 with operations in several states including Arkansas and Idaho, testified in opposition to the legislation right up to the end and was the only major company to do so, and canceled its membership in the National Forest Products Association over it, because it did not believe that this relief should be granted. Potlatch had bid fairly conservatively and responsibly. And it didn't feel that it was hurting. It thought that this wasn't all philanthropic. I think it felt that these people who had bid so recklessly had contributed to the problem and they shouldn't be let off the hook.

The essence of the relief was that bad behavior was rewarded. The president of Potlatch (I knew his lobbyist in Washington pretty well) just didn't think it should be. Well, as I say, Jesse Helms was opposed to it, and so was Howard Metzenbaum in the Senate, two guys with completely
divergent general philosophies. Metzenbaum is considered to be a liberal, but he was a corporation lawyer before he came into the Senate, and he has some understanding of business/contract law and so forth, more than probably a lot of these other guys in the Senate. He just thought it stood contracting on its head. Gordon Humphrey from New Hampshire [and] Proxmire from Wisconsin, were two guys who always voted for economy things; they voted against it in final passage. They were the only two that voted against it in the Senate. But Senator Mark Hatfield of Oregon was the principal pusher for this. Senator McClure of Idaho, he was seeking to provide some alternative kind of relief to the intermountain mills that hadn't bid recklessly, he wanted them to get credit on deficit sales for ineffective road credit. He wanted that to be treated as real. But he pursued that up to a point and then dropped it.

Initially the southern operators were opposed, but you have to remember that a lot of the western firms have southern branches, and so they managed to convince the southern associations to withdraw their opposition. I think there was some agreement on joining together to bash the Canadians, on which everybody could agree. There were some small operators, particularly in California - genuine small operators - who not only were opposed to relief but also believed that sealed bids should be instituted, and they so testified. Dale Bumpers of Arkansas initially was strongly opposed to the legislation. I did some analyses, including one for Dale Bumpers, and I described what was emerging and what the costs were going to be. There were a couple of big law firms involved. One was a Seattle firm with a four/multi-syllable name partners. I forget their name. Preston, Thorgenson ... I can't spell it exactly [chuckles], but they were the principal lobbyists on this from the timber industry, and they have a Washington office, but in the analysis I did, these people were saying that the federal government would get $400 million that they wouldn't otherwise get by the charges that were going to be levied. I didn't know how much less it was going to be, but
it would be less than that. In addition to which, I conservatively estimated the losses because of the failure to have these contracts carried out - the losses to the treasury of $1.3 billion, which was challenged by all of these people.

Manning: Where did the losses come from?

Wolf: If the contracts had been fulfilled at the contract price, the government would have gotten, let's say $4 billion, and if they came back or were sold at a lower price, the difference is the loss.

Manning: I see. Because of an express market, they lose that much.

Wolf: Yes. Because you buy them back you pay the small buyout charge and then you buy them back at a lower price, and so the loss is the government's loss. Now in the 1990 appropriation hearing for the Forest Service and the BLM, the House Committee asked a series of questions (I don't have the page number with me, but both the Forest Service and the BLM responded). My recollection is that at this point, 2/3 of the timber that was returned to the Forest Service -- they got about 10 billion feet back -- has been resold, and a substantial amount of that additional stuff that was previously sold that hasn't been sold won't be resold for a variety of reasons. In just a few cases, the spotted owl is the culprit. Some of it is environmental reasons - the site - the condition of the soils. The estimate is that at this point the losses are in excess of $2.1 billion on the national forests and in excess of $300 or $400 million on the BLM contracts.

In other words, the loss is in the neighborhood of $3.5 billion. The buyout charge, instead of being $400 million that was paid in for BLM and Forest Service came out to about $109 million.
And again, you didn't have to be a very good mathematician to reach the conclusion that the adverse financial impacts were being understated, particularly the initial ones on what would be brought in in the first place.

At any rate, Hatfield wasn't going very far with the legislation, though he kept pushing it. And an acquaintance of mine who worked for Congressman Bob Michaels, Republican Leader of the House Hyde Murray was a fellow who kept his ear very close to the political ground, and he indicated to me that there was a very strong drive being made by Hatfield to get it, arguing that Reagan's people, Baker and Meese, thought it was essential if Reagan was going to carry the West, particularly Oregon and Washington. So there were political reasons for doing this in addition to the allegation that many of these companies would become bankrupt. So those were the driving forces that in the end caused the White House to relent and sign the bill into law.

David Stockman apparently was unaware [chuckling] of what was happening because he, as I say, had sent a letter up to the House on October 1, 1984, urging that the bill be defeated, not adopted. And then on October 16 President Reagan signed it into law.

Manning: That was 1983.

Wolf: '84. That's when it was enacted. But I was involved in several of the analyses, (working as an employee of the Congressional Research Service) of the legislation, in pointing out the problems it created and the costs that were involved, but Hatfield just kept pushing ahead with this idea and acting as though doing it -- now by the time it got enacted, I had retired. I retired in July of '84 and it got enacted in October. I was called in late September by Hyde Murray and asked to come up and I did some work with him behind the scenes.
This is kind of interesting. Hyde was Michael's point man. There were several members of the House who were going to oppose the bill, and I was busy drafting stuff for them for their floor statements (Stanglund from Minnesota, Conte, and a couple of others that I prepared statements for in opposition to the bill). Hyde told me that the lobbyists for a couple of these timber companies for this law firm were busy running around trying to tell everybody that this thing was going to be profitable to the government, not unprofitable, and that all of these contentions that it would cost the taxpayers $1.3 million, were totally erroneous.

Manning: What was your basis for arguing that?

Wolf: You just argued it. You just say it. You don't have to have any facts. [laughter] You see, either formula for paying on these contracts was so convoluted that you could make that sort of argument seem to have plausibility because you can't do the math in your head.

When you look at the act, it has some really bizarre things in it. It talked about net merchantable volume. Now, there's no such term in a federal timber contract as "net merchantable volume." Turns out what "net merchantable volume" was intended to do … in Forest Service contracts they have some material that's called "per acre material." It's sold at so much per acre. The nickname for it is "PAM". That was taken out. So let's say the contract was for 5 million feet at an average price of $300 a thousand. A million feet of that might be PAM at $25 an acre, and there might be 100 acres for sale, so that volume was taken out, and you didn't pay on that, so that was another way of reducing the charge that was going to be paid. But it was a sliding scale charge and it was minute and it turned out that the payments were about 3 percent of the face value of the contracts.
Now all of this overlooked and ignored the considerable cost that the government was going to have to bear to re-offer these sales. Some of these sales dated back to 1977-78, and here we were in 1984, and these sales probably wouldn't start getting resolved till 1985 and 6, and a lot of the marking up for roads and sale boundaries were in need of being redone. You'd have to reappraise them. Also when I asked the Forest Service about what they did on re-estimating the volume, they didn't even take into account re-growth when they re-advertised these things - in-growth. So you have a contract over 10 years. The timber is viable and growing, let's say, at 2 percent a year. In 10 years, it ought to grow around 20 percent. They didn't even make those adjustments when they re-advertised the sales. In addition to which, the fellow who was in charge of answering the question for the House Appropriations Committee told the Forest Service as to the cost - did his estimating by averaging. The Forest Service and the BLM had not kept specific track, contract by contract, of the history of it, in effect. What was the original contract price? What was paid in the buyout? What adjustments if any were made in the volume when the sale was re-advertised? And what's the real loss that's occurred? They're estimating. So the losses are probably greater than those cooked up by the Forest Service, because of the Forest Service's propensity for underestimating losses and overestimating profits.

Those are pretty much the key elements of the buyout. It now sort of fades into insignificance against the [Savings and Loans]. But the prior experience - and this was used by the arguments - the Chrysler bailout didn't cost the federal government anything. Its terms were different from this thing. But that was one of the things used to say, "Well, you know, we came out all right with Chrysler."

Manning: Sure. Well, it seems that one of the things that could have happened in all of this, given
the bailout, that the Forest Service simply could have held onto the trees, the sales, up until now when we're seeing stumpage prices way back up, well above those ranges. What prevented the Forest Service from minimizing those losses by doing that very thing?

Wolf: Well, they did grant the extensions. The extensions were no-cost extensions [inaudible] that wasn't good enough for the industry. The industry wanted to be relieved of the contracts.

Manning: Sure. But on those contracts that relieved the industry, why didn't the Forest Service simply sit on those to get more favorable market conditions 10 years later?

Wolf: Well, they could've sat on them but, as I say, when the buyout occurred, the contract was canceled. [Inaudible] In fact, you see, with all of the environmental arguments now being waged, that 10 billion feet of national forest timber that was returned with only 6 billion feet resold, there is roughly 4 billion feet, which today, if it had been held under no cost extensions, would be available to the industry, and I believe would be immune from lawsuits. So those in the industry that wanted to unload these contracts (and you have to look at it from their standpoint) - they didn't ever see the price rising up again. I'm not sure that the price of some of these contracts have risen up to some of those levels. But they said, "Our best bet is to get rid of the contracts." But there's 4 billion feet of timber that's unlikely to be resold because of unstable soil [and] other environmental reasons that have come up since which, if they had stayed in effect, the Forest Service would have been unable to cancel the contracts unless they paid the company off in full, [and] in effect, relieved them of any damages. In addition, one of the things that has been overlooked is the cost the government incurred in redoing the sales.
Now there was a Metzenbaum floor amendment - this is another [beauty] - it just shows sometimes how the quest for economy becomes costly. The bill as reported permitted the Forest Service to keep, and the BLM to keep, the buyout money to redo the sales.

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Wolf: ... September 26, but we're not going to let the Forest Service/BLM keep those receipts, we're going to put them in the treasury and reduce the national debt. By that change, what he assured was that 25 percent of the Forest Service buyout and 50 percent of the BLM buyout money would go to the counties as payments in lieu of taxes. So he reduced the treasury receipts because the counties were given a share of the money [laughter]. Another example of unclear thinking on a clear day!

So the whole thing turned out to be much more costly. And as I say, the president signed the bill despite Stockman's strong letter indicating that the legislation was costly and unnecessary. Every year "Fortune Magazine" puts out an issue in late March, early April, where they show the Fortune 500. If you look in there you'll see companies like Boise-Cascade, Willamette Industries, Louisiana Pacific, et cetera, who all had substantial uncut buys under contract that they returned to the government, and it shows their profits on sales, on return to investors and profits on equity. Every one of these companies made good profits all the way through, including 1984 and subsequent years, so the theory that these guys were about to go broke is not borne out by looking at who had most of the timber, and their financial posture. If the bill had been designed to provide a genuine needs test, then there might be a small handful of smaller firms, weakly financed, that would have gotten relief, and they might be firms that would have gone under anyway [chuckles]. But as it was, we gave most of the aid to those who needed it the least.
Manning: Was there any drive at any time to get a needs test into the bill?

Wolf: No. Hatfield rejected the idea of a needs test, as did the industry. You see they didn't want to have to show their financial condition. A needs test would wash out relief. I had argued for a needs test. I talked to Hatfield just before I retired. I went over to visit with him; I had known him for years. And he was saying, "You wrote some awfully strong stuff against my legislation." I said, "That's right! I didn't think it was a good idea." I said, "If you wanted to give a needs test and give it to people to prove that they were really in trouble, fine. But," I said, "given the fiscal condition of the United States government, I have great difficulties seeing that it made any sense to give aid..." I said (and I used the exact words I used with Dale Bumpers), "...more aid to the greedy than you gave to the needy." That's exactly what this did. Hatfield didn't like that phrase.

When I wrote the letters to Bumpers, as an aside on this thing, Bumpers read it into a hearing and Senator Hatfield said that the author of that letter was supposed to be a forester, but he didn't know the difference between a spruce and a spruce budworm. I was sitting in the back of the hearing room - was sitting there, in fact, with Hugh Travier, the lobbyist for Potlatch, who were opposed to the bill - it just happened that we were sitting together, and I smiled when Hatfield said it. Hugh said to me, "How can you smile?" I said, "Well, I don't want them to think I'm pissed off."

A few months later, I thought, "Well, I ought to really do something about it." It was June, in fact, when I did it, June of '84. I sent a letter to him and I told him that I had carefully investigated the situation under which he had made this allegation about me in the hearing, because it had stunned me quite severely, and I tracked down who had put him up to it, and learned that it was my wife and my children. They had conducted a long campaign against me, because every time I took
them for a walk in the woods, I was trying to teach them trees. They thought if they could get you to
attack me in public, that that might break me of doing it with our grandchildren. It's true that I was
not a good entomologist, and I didn't really know much about insects, but I did take some pride in
knowing something about trees. I told them, for example, that I knew he had a question about a pine
tree near a house he had bought right behind the Supreme Court. I said I understood he had a
question about that, and I would be pleased to inform him that it was a Himalayan pine imported
from India. (Years ago we imported some of these trees, but that happened to be a white pine, and
then I gave the scientific name) And I wrote, "Our wedding anniversary is coming today and I'm
going to take my wife out to dinner, and while I wasn't much of an entomologist when I was in
college, one of my classmates and I used to go to the best restaurant in Syracuse and at the end of the
meal, we would tuck under the cover of a pie the most horrendous looking insect you could ever
imagine, and then would cut the pie with our fork and call the waiter over holding ourselves as if we
were about to throw up, [laughter] and we always got a free meal. And I added, "I'm sending this
letter over to you and there will not be time for you to communicate to my wife, whom I am taking
out to dinner tonight, what I have in store for her. With best regards, Bob."

Well, I got a call the next day from Hatfield and he said he read it to his staff and they
enjoyed it thoroughly. They asked if you did do what you threatened to do? I said, "No, I just took
Ruth out to dinner." [laughter]

Manning: That suggests the industry uses the same tactic as the [inaudible] pine beetles.

Wolf: But when you're in the business of working on legislation, you try not to get involved in
personal things, and I did think it was sort of a cheap shot by Hatfield, and an unnecessary one, but
that's the way life is sometimes.

Manning: Let's back up a little bit, because I guess I understand the dynamics that got it across the president's desk, but there was significant opposition from both sides to this bailout. How was that opposition overcome to get the thing through Congress?

Wolf: After awhile the National Forest Products Association got itself together. They were taking the position that if we don't stand together on every issue we're not going to get certain things done. They wanted to curb Canadian lumber imports. So what they did was they went to the Southern Sector of the industry, the inland mountain sections, and said, "We know this isn't the greatest thing in the world for you, but we've got something else for you. We're not telling you this because we have inside knowledge, we're just telling you as a matter of common sense. And what you find is that you have a national association working on the lowest common denominator basis, that we've got to stand together on everything, and you've got to take some things that you don't like. But then if you're Willamette Industries or Boise Cascade or Champion International, et cetera, and you have plants in Oregon and in Montana, in Arkansas and South Carolina, you're looking at your whole picture, and if you can get some relief in the West, it isn't going to hurt you in the South. So what you want to do then, is you act nationally, getting people in the states where you have your mills to support you on something that may not be really very good overall for the industry, but it's good for you."

And so it's done on that very narrow basis. Greed is a great motivator [chuckles].

Manning: I guess this is coalition politics within the industry.
Wolf: Yes. That essentially is the way I see it. Somewhat related to this, I remember in '62 we were working on the question of Canadian lumber imports. The Northwest Senators, all the way from Montana around to California, were opposed to timber industry efforts to put restrictions on Canadian lumber imports. Some of the people in Oregon were the leaders in it, seeking to have a tariff of 10 percent on Canadian lumber when the imports went up over 10 percent over the prior year. Anyway, they were getting nowhere, and they got nowhere on the '62 Trade Act.

But I recall going to a meeting with some southern lumbermen who were opposed to the idea, and when I came home that evening I was chatting with my wife a little bit, and I told her, "You know, I found out one thing, Honey," I said, "When a southern lumberman looks west and he sees an Oregonian and a Washingtonian and a Canadian, they're all a bunch of niggers." Because if you talk to a southern lumberman, the Westerners all were taking business away from them. (While the term I used may not be the most popular one today, I was using it privately in discussion with my wife, not as a personal expression, but as a Southerner would.)

I sat there with these guys and they kept talking. They didn't realize at that time I worked for Senator "Scoop" Jackson, because they were cussing all the time at what the Westerners were doing on all sorts of things to them. They would say, "They've taken our Midwestern market from us."

One guy said, "Do you realize you can see Douglas fir lumber for sale in North Carolina?" - as though there was something immoral about it.

Manning: Sure. But their greed was able to overcome that kind of regional opposition.

Wolf: Not in '62. They were opposed then. But then they really didn't matter either because the
Northwest delegation was against it.

Manning: Sure.

Wolf: Because of trade extensions ...

Manning: Was that any indication of the political issue of the industry, that between '62 and '84 that they put that aside?

Wolf: I think that what we're seeing nationally ... and not what's relevant to your question ... this is my observation. I think we're seeing more and more coalition politics in this country. Others more knowledgeable in the evolution of politics could comment on it, maybe, more cogently, but I think part of it is PACs, the political action committee approach; and part of it is the high cost of campaigning, the funding it takes to run a campaign. People running for the Senate and the House start rerunning the day they get reelected. I think that it is having a corrupting influence on the political process. I think it's absolutely stupid to think that Bill Bradley shouldn't get as much for being in the U.S. Senate as playing for the Knicks. If you're looking at the relative merits of the contribution someone is making to society, I think Bradley is doing better for the people of the United States in the Senate (and I don't say it because I like him) as a Senator than he is playing basketball for the Knicks.

And there are all sorts of other examples you can use in the world of movies and entertainment and sports. Ronald Reagan getting $2 million to go over and make love to Sony, that's five or six years pay as president. I just think it's nutty to think that keeping salaries down and having
these guys running around getting honoraria somehow produces good government. So part of it is the fault of those who also think that members of Congress should be paid a low wage and the low wage keeps them honest.

Manning: Creates a vacuum that the PACs cater to. You mentioned Hatfield as being key in all of this. Any other key players, people who stand out as ...

Wolf: Well, Hatfield certainly was a key player. His ability to roll Metzenbaum and Helms was a key factor and to get McClure to back off from granting relief to the intermountain operators on purchase or credit. Over at the House, Les Aucoin [inaudible] were two leaders. Slade Gorton of Washington was a key actor. Scoop Jackson died about that time. He disappeared from the picture. He was somewhat ambivalent on it, somewhat for it and not, but moving back and forth. Stevens and Murkowski of Alaska were hot for it, and they got an Alaska amendment tacked on that also drove the price of Alaska timber that was not under long-term contracts down to prices equal to the low prices on the long-term contracts, further disadvantaging the federal treasury.

It was a real Christmas tree when it came through. The whole thing was attached in the final moment [laughter] to an Idaho bill by Hansen, the guy who went to jail ...

Manning: George Hansen?

Wolf: Yes, George Hansen. That was designed to give some relief to a Boy Scout troop. Yes. [laughter] At the tail end of the bill there's a section, section three, "Notwithstanding any other provisional law, the secretary of Agriculture is directed to waive annually and without charge all or
portions of payment of rental fees required on the terms of a permit for use of certain lands of the
national forest system as organization camp by local use of the Boy Scouts of America," et cetera. So
Hatfield uses it as a vehicle - it's really kind of cynical, a bill designed to give relief to Boy Scouts.
[laughter]

Manning: And so the Scouts should have gone into the timber industry after that? [laughter]

Wolf: But the Congressional Records for September 26 and October 1, 1984, contain the debate on
the bill. There was an earlier bill involving tree planting, in 1983, a Weaver Bill, that came over and
got this thing attached to it and then it died. But that was the first effort in '83. But the bill that came
out of the House involved "giving trees" to volunteers to plant in the national forest. It went over to
the Senate, got the Hatfield stuff attached to it but then didn't go anywhere because of objections; it
didn't get voted on. Then the next time around, the House had passed this Boy Scout bill, which is
why the bill number's HR2883. It got over to the Senate and Hatfield tacked his timber relief thing
on the Boy Scouts. George Hansen's bill wouldn't have gone anywhere either, relief for the Boy
Scouts, because that didn't have much merit either.

Manning: Oh, really?

Wolf: No. It was petty stuff.

Manning: By that time, anything George Henson did wouldn't have gone anywhere. Bob, the other
group that benefit from this, it occurs to me, is the environmentalists because there's 4 billion board
feet of timber worth of sales that they didn't have to fight any longer. Did they ever acknowledge that; did they ever take a position weighing in on this or ... ?

Wolf: Rather interestingly, the environmental organizations favored the bill. Their argument was that if this timber came back, then it would be open to debate all over again whether it got resold. So they favored the bill and they did testify in favor of it. This in a way helped get the bill through, because this fairly influential group was supporting the bill. What the environmental community didn't realize in supporting the bill was that it doesn't pay them to run with their enemies because they've gotten nothing in return for it.

Manning: Except the direct benefit that they got.

Wolf: Yeah, the indirect benefit which they've had to fight for all the way. Now the industry is saying they want to stop all appeals and so forth. But my view is that when you start to run with a group that you're in contest with, and have strong differences with, on the theory that if you support them on this, maybe they'll be a little gentler and kinder - it doesn't work.

Audience member: Nope.

Manning: I don't think environmentalists expect that either.

Wolf: Some of them did, I know. Yes. Some of them told me, "Oh, we think that the industry will understand it. We don't oppose them on everything." You get zero understanding. For one thing,
you're not dealing a monolithic industry structure. The Montana mills ... a lot of these guys in
Montana weren't getting anything out of this, so their attitude toward the local people that were
concerned about timber sales wasn't going to change. And the guys in Oregon weren't going to, you
know. It's naive. It's a sort of a secondary benefit. They're about like a peeping Tom who happens to
see an open window and he doesn't have to peep.

Manning: The common ground is really quicksand. [laughter] Is this just a fluke, a one-time kind of
subsidy to the industry, or did this event spin into the dynamics we see in the industry today? Has it
changed the picture we now face?

Wolf: Well, it remains to be seen whether it's a one-time fluke. Bidding is zooming up again. I
heard last week, early November of 1989, of a sale bid for $950 a thousand on Mount Hood. The
interesting thing is that there's a section in the '84 Act which is still law called bid monitoring, which
requires the Forest Service and the BLM to examine bids and take action in situations where the
bidding suggests that the contract could not be effectively fulfilled at that price. I'm just looking for
that section in the law, but it is in the law. The Forest Service has done nothing except prepare an
annual bid monitoring report to really implement that procedure. They increased their down
payment on sales modestly. But that's such a small down payment still that it doesn't act as a
deterrent to bidding, and it poses a real significant problem when someone bids $950 a thousand for
timber, which is so far above the real value of that timber that you're either mixing it with some low-
cost stuff or you're also, in the case of scale sales, you're breaking up the low-grade timber so as to
cut your losses.

The BLM uses lump-sum sales. If you overbid on a BLM sale like that, if you bid a million

dollars on a timber rated for $100,000, you're going to pay the BLM a million dollars. If you overbid on a Forest Service sale that way, that isn't going to happen. You can jiggle it around with these scale sales. So I think there's lot of problems that persist, partly because the Forest Service doesn't deal with them, partly because some of the Northwest Senators and Congressmen keep leaning on the Forest Service not to correct things.

I don't know, but I don't think they understand the long-term adverse impacts it has on the general health of the industry, which differs from individual firms. So I think there are real problems that are still going to come along. You get this stuff bid up at high prices and the market deteriorates again, you're back to the same thing. Recovering alcoholics have a difficult time staying off the bottle.

Manning: Especially when they've got the bottle to flow like they have this one.

Wolf: Yes. Does that cover all the issues?

Manning: Sounds like it to me.

[End tape]