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Land swap unravels: Failed bid for public-private trades cost taxpayers \$6 million

By Diane Dietz
The Register-Guard

Eugene businessman Aaron Jones is an undisputed genius at lumber milling. Over the past half-century, he invented dozens of methods for cutting logs into boards, built the world's most efficient sawmill and made himself a multimillionaire.

But when he turned his mind to public policy, the results were a major disappointment.

His highly touted Umpqua Land Exchange Project is winding down next month after a decade of effort and with little to show - except the expense of \$6 million in federal taxpayer money.

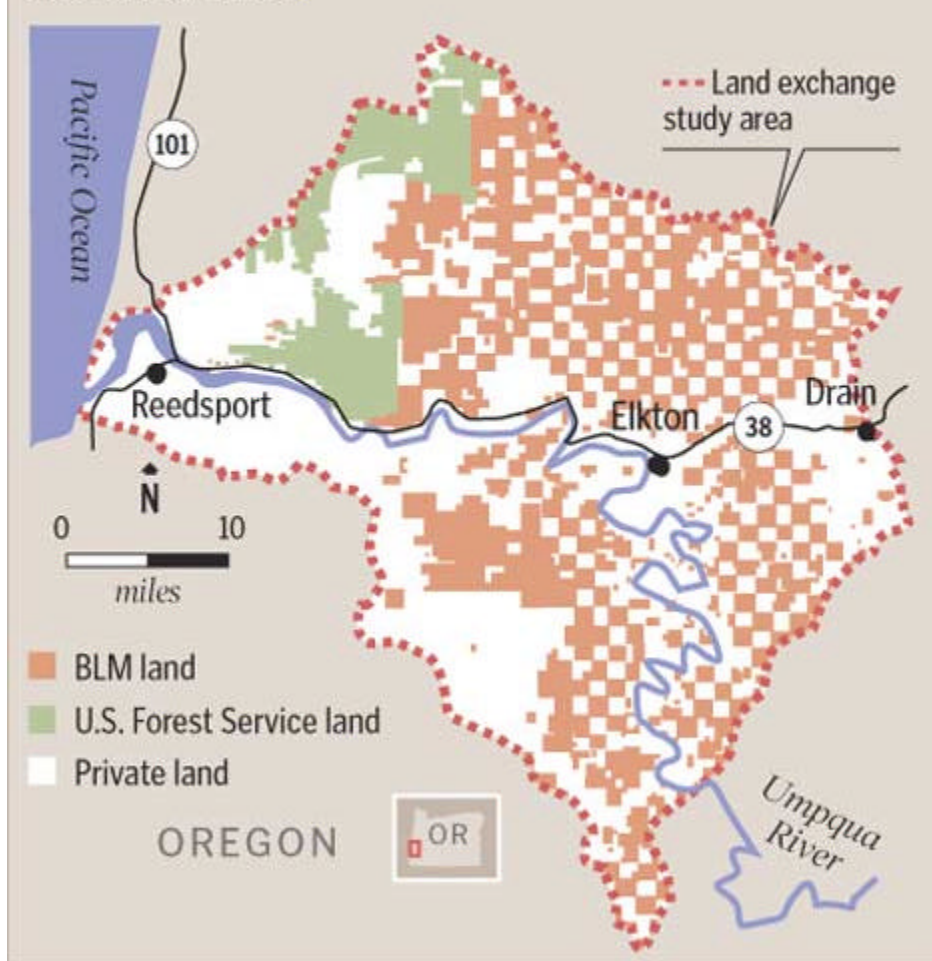
And a chorus of "I told you so's" from environmental groups.

These critics said Jones' idea of creating an experimental computer system to plan swaps of forestland between private companies and the federal government in western Douglas County was misguided from the start.

"It really seemed like a boondoggle to us," said Janine Blaeloch, director of the nonprofit Western Land Exchange Project watchdog group in Seattle. The government "gave them \$6 million to design their model and run their model. This is taxpayer money, and it's just gone down the tubes."

Swap flops

A \$6 million, program of land exchanges between federal and private landowners in the Umpqua River basin ultimately failed.



Map: **Stephanie Barrow** / The Register-Guard

In the early 1990s, Jones proposed a computer model that eventually would map a 1,000-square-mile swath in the Umpqua River basin containing public and private forest.

At that time, judges and federal regulators were adopting logging restrictions to protect endangered species.

Jones recently had bought 165,000 acres of timberland in southern Lane and northern Douglas counties, and he was frustrated by the onward rush of environmental restrictions.

His original idea was to transfer environmentally sensitive private lands into public ownership - and, in return, the federal government would give timber companies less-sensitive land that they could log at will.

The computer was supposed to analyze the study area, acre by acre, after which the swaps could be made. As part of the project, Jones proposed swapping about 26,000 acres of his own Umpqua forestland to the federal government.

But a full decade after Jones launched the effort, no land has changed hands, and other private timber owners appear to have lost interest.

The private Jones-led foundation that Congress awarded the bulk of the \$6 million in grants has spent virtually all the money.

Finally, the U.S. Bureau of Land Management decided last June to pull the plug on the project and to try to recover some of the public money. The final accounting is due next month.

Federal lawmakers - including some who initially helped Jones get the money - are loath to talk about the enterprise.

Four times, Congress passed bills that included money for Jones' idea, yet few lawmakers are demanding to know: What did the project accomplish?

Former Sen. Slade Gorton, R-Wash., who originally put the funding into a Senate bill so Jones and his allies could avoid messy and time-consuming public hearings, insists that he remembers nothing of the project.

Staffers for Sen. Gordon Smith, R-Ore., who was among those voting to give Jones the money, refer all questions about the project to other members of the Oregon congressional delegation.

Rep. Peter DeFazio, D-Springfield, is reluctant to speculate about what benefit the public got from the expenditure.

"That's a really good question," he said. "Since I'm not the one who authorized, inserted or otherwise decided to spend the \$6 million, and it was done over my objections, I couldn't tell you."

DeFazio said he could never picture how the exchanges would work. Jones has insisted that his computer program would show a way to boost logging while increasing the land set aside for ecological protection - which appear to be mutually exclusive goals.

"It just never seemed to me as something that was particularly viable," DeFazio said, "and obviously since nothing has happened, it wasn't."

Capital clout

Jones declined to be interviewed for this article; instead, Dale Riddle, in-house attorney for Jones' Seneca Sawmill Co., spoke with the newspaper.

Jones started his project in 1993 by rallying his peers in the timber industry, who thought the swaps were worth a try, Riddle said.

The Umpqua basin seemed a good spot to try swaps because the forestland is divided into a checkerboard pattern, with timber companies and the federal government owning every other square-mile section.

The BLM is in charge of most of the federal land.

Jones was seeking to free up federal timber for logging at a time when environmental lawsuits had all but shut down harvests on most federal forests west of the Cascades summit to protect the northern spotted owl.

With timber companies on board, Jones turned his attention to the body politic.

He toured Oregon, promoting his land-swap idea as the answer to the Northwest timber wars. And he began seeking federal funds to hire scientists and other personnel for the computer and mapping work.

He hired former Gov. Neil Goldschmidt and then later Marc Kelley, Sen. Gordon Smith's campaign manager, to make his case in Washington, D.C.

Kelley coaxed small appropriations for the project out of Congress in 1996, 1997 and 1998. Then, in 2000, he went for the big bucks - \$4.3 million.

For that, he sought a senator to tag a rider onto a regular appropriations bill. A rider is a commonly used last-minute addition created outside the normal budget channels and without the normal hearings.

The shortcut was necessary, Kelley recalled. "There was no way that we were going to be able to pass a piece of legislation through Congress. The process of what it would take to get that done would have made it impossible to do in one session," he said.

Kelley laid the groundwork with then-Sen. Gorton, who was sympathetic.

Forest products companies were the Washington senator's largest contributors from 1995 to 2000, according to the Center for Responsive Politics, a nonpartisan research group.

Gorton was then girding for battle against Democratic challenger Maria Cantwell, a fight he would lose that fall. Jones helped Gorton during that election with a pair of \$1,000 contributions.

"(Gorton) was involved from day one," Kelley said. "Riders are not

the preferred way of doing business, so if you're going to ask for one, and you're going to go to somebody and ask for their help - you'd better go to them the minute you think about it."

The bill passed in fall 2000 with the \$4.3 million rider for land swaps within the Umpqua basin.

The legislation required execution of the swaps within about 2 1/2 years, and it ordered the BLM to help.

People working with Jones recall that on the day the bill passed, he figured he had the problem licked and that land swaps were only a year or two away.

"Aaron Jones and everybody (thought so)," said Bruce Taylor, an environmentalist with the Defenders of Wildlife, who Jones named to a board he convened to oversee the project. "The original expectation was that there would be an elegant solution that would involve exchanges of hundreds of thousands of acres," he said.

"Trust us?"

Jones knew that to have credibility, his initiative must rest on the impartiality of science. But he retained such tight control over the project that many outsiders were never convinced of its objectivity.

In the 1990s, Jones had used \$2 million of his own money to hire as many as 20 scientists to develop and review the computer model that would be used for the swaps.

In 2000, he created the private, nonprofit Foundation for Voluntary Land Exchanges to receive the \$4.3 million federal grant.

The funding was to pay for creating a swap plan, evaluating its environmental effects and executing exchanges.

The foundation board consisted of Jones; the Oregon state forester; a representative from the nonprofit World Forestry Center; and Taylor from Defenders of Wildlife.

"If it's Aaron Jones, people are going to assume, 'OK, this is just a timber grab,'" said Riddle, Jones' attorney. "To be successful, we had to get beyond that and bring the responsible environmental community in and say, 'Let's work together on it.'"

Yet Jones already had made decisions that undermined that effort.

Complex computer models are difficult for ordinary people to judge, so the scientists who operate decision support systems - such as the Umpqua model - typically earn their credibility by submitting them for blind review to scientific journals, said Thomas Spies, a Corvallis researcher who runs a land modeling effort out of the U.S. Forest Services' Pacific Northwest Research Station.

Jones and his partners chose another route to vet their project: They appointed a scientist to assemble a seven-member review committee - which is very different from a blind review.

The review was rigorous, said Rob Gill, a scientist who later became the Umpqua swap project manager. "They put us through a wringer for a solid week," he said.

Independence is important in all aspects of science, but especially in making models, Spies said. His modeling project called the Coastal Landscape Analysis and Modeling Study, for instance, eschews private donations.

"We didn't want it to appear like we were working for any particular group," he said. "We wanted some semblance of objectivity to what we were doing. There's so much sensitivity: Who's funding it? Who's working for it?"

Jones took no such steps to distance himself from the foundation's work. He remained on the foundation board even though he stood to profit from exchanges because he owned land in the study area. His in-house attorney served as the board's treasurer. Marc Kelley, who had worked as Jones' lobbyist, served as the foundation's first executive director.

To critics, those were warning signs.

"What are they going to say: Trust us?" said Francis Eatherington, conservation director for the nonprofit environmental watchdog group Umpqua Watershed Inc., which opposed the Jones project.

Further, scientists boost their credibility by making their methods public. Jones and his allies refused to do that.

The foundation kept some of the databases secret and refused to let outsiders examine how the computer code made its myriad decisions.

That led environmental groups to assume the computer program would be rigged to find swaps that would be advantageous to the timber industry alone.

Gill said the charge of secrecy is unfair. The foundation made hundreds of public presentations on the project, he said, and project scientists published a handbook that detailed their decisions.

Some of the data belonged to timber companies and was proprietary, Gill added. If the foundation made the code public, environmentalists might tweak it, generate contradictory answers and use them in "sabotaging" the project, he said.

Overriding the computer

In early 2003, when it came time to plan exchanges based on the computer model, more problems emerged.

Twenty-eight landowners - including Jones - offered to swap some of their lands for federal forest tracts. Jones offered to swap about 26,000 acres.

But many of the lands that these private owners were offering were not in areas where the computer model had identified any need for improving ecological health, according to federal documents obtained from the BLM by The Register-Guard in a Freedom of Information Act request. In other words, the computer had not recommended the swaps.

Yet the foundation staff overrode the computer model and penciled these swaps into a scenario detailed in a draft environmental impact statement, the federal records show. Gill said the foundation didn't want those swap offers to be ignored.

BLM officials, in internal reports to the director, said that if the agency was going to look at individual swaps not anticipated by the model, the agency could have done that under its existing rules.

At a meeting on Feb. 25, 2003, bureau line staff rebelled against the foundation's plans, according to internal meeting minutes.

They questioned whether the proposed swaps met the basic premise of the project, as adopted by Congress: to identify swaps that would improve the ecology while helping the timber supply.

The foundation appealed to the BLM's state director, Elaine Brong, to try to get the project back on track.

"Obviously, when the state director gives some direction, the line officers will stop arguing and do something," said Gill, the foundation's final director.

Meanwhile, the foundation was losing key private-side participants.

Some timber companies were concluding that the exchanges weren't going to work for them.

The rub with Roseburg Forest Products, for instance, was that the company now had its own old growth log supply and didn't need big, old federal trees - or the grief associated with cutting them, said Ray Jones, the Roseburg-based company's resource manager.

That hurt, because Roseburg Forest Products was by far the largest single private landowner in the land exchange's 1,000-square-mile study area.

"Death by delay"

By then, the project had missed congressionally set deadlines, and tensions between the foundation and the BLM were high.

In an exchange of letters, the sides accused each other of foot-dragging.

The foundation faulted the BLM for taking six months to sign an initial working agreement. The BLM faulted the foundation for failing to line up private landowners ready to make swaps.

The conflict was perhaps inevitable, given that Congress had set up an unusual situation, putting the foundation in command of the project's purse strings. Congress also bypassed BLM scientists and gave the foundation the job of writing the environmental impact statement.

Foundation board member Taylor said the BLM took an eternity to respond to questions.

It was "death by delay," said Gill, the foundation's director.

The agency was "absolutely not" dragging its heels, responded Mike Mottice, the BLM's deputy state director for resources. Protecting the public interest is job one, and the BLM still has not had time to determine whether the swaps would serve the public interest, he said.

"Any proposal that's based on a model would suggest the model itself would undergo tremendous scrutiny. Our obligation - to ensure the public interest is served - required us to take a very careful and deliberate approach," he said.

The project ended in a puff of paperwork.

In June 2004, the bureau sent the foundation a letter saying it was suspending the project indefinitely.

The letter cited as a reason an unrelated lawsuit - brought, in part, by the timber industry - which required that the BLM produce more logs for sawmills.

However, Jones' attorney, Riddle, had penned the settlement to that lawsuit, and he said he doesn't see why the settlement should halt the exchange project.

Riddle said the Umpqua exchange project could have been folded into the agency's new logging plans, which are due out in 2008.

The foundation in December closed its Portland office. The board will meet April 29 to decide what to do with its assets. Of the public's \$6 million, less than \$100,000 is left.

What did the public get for this expense?

Riddle said Jones had planned to give the computer program to high schools for students to practice laying out land. But the foundation has yet to make specific plans.

Mottice, the BLM's resource director, is unsure whether the agency can use the foundation's computer model in future land use work.

"Ultimately, what I'm after is the very best model we can find that does the very best job we can," Mottice said.

SWAP TIME

Here's how the Umpqua Land Exchange Project unfolded:

1953: Aaron Jones goes into saw milling with - as he sees it - the federal government as his partner and the promise of a perpetual supply of logs off of public lands.

1989: Jones launches a four-year effort to buy timberland, eventually acquiring 165,000 acres.

1991: In response to environmental lawsuits, federal Judge William Dwyer blocks timber sales on federal lands in Pacific Northwest to protect the threatened northern spotted owl.

April 1993: President Bill Clinton convenes a summit in Portland to protect species and allow for resumption of some logging on federal land.

Jones conceives of an alternative: land swaps that would turn some big tracts of federal timberland over to private hands.

July 1993: Clinton's Northwest Forest Plan proposed.

December 1994: Jones stumps for his own land swap idea in Oregon and Washington, D.C. Judge Dwyer approves the Northwest Forest Plan, which broadly prevents logging in federal Pacific Northwest forests.

1996: Jones' project is launched: A 160-square-mile pilot land swap study in Umpqua basin begins. Congress appropriates \$200,000 and authorizes

\$2 million for the study.

1997: Congress appropriates \$750,000 for the study.

1998: A Jones science team begins study of the computerized land-swap model. Congress appropriates \$800,000 for the study.

2000: Jones establishes the Foundation for Voluntary Land Exchanges to conduct the project.

Congress appropriates

\$4.3 million for the foundation

to plan and carry out land swaps.

2001: The U.S. Bureau of Land Management and the foundation sign a cooperation agreement.

2001: The foundation holds hearings to create an environmental impact statement.

December 2002: The foundation misses an initial congressional deadline for finishing the environmental statement.

June 2003: The foundation misses a congressional deadline for accomplishing swaps.

March 2004: The foundation finishes a draft environmental statement for the 1,000-square-mile study area and submits it

to the BLM for review.

June 2004: The BLM suspends swap project indefinitely.

May 2005: Deadline for foundation to submit final accounting to BLM. Officials expect less than \$100,000 of the \$6 million federal allocation to be returned to federal government.

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