CASES FOR DISCUSSION

*Owls, Spikes, Loggers, and Inner-Seal Wood**

On Friday, May 8, 1987, George Anderson, an employee of the Louisiana Pacific Company suffered severe injuries on the face and neck when he was struck by a 15-foot section of a band saw. The saw had shattered when it hit a spike someone had purposely embedded into a redwood log. He was 23 years old and recently married. His wife Laurie was three months pregnant. Anderson, who would require facial reconstructive surgery, was the first known victim of a tactic known as "tree spiking."[1] George Anderson was a casualty in the fierce battle being waged by the Environmental movement against the timber industry in the Pacific Northwest.

"Tree spiking" was not the only environmental issue facing Louisiana Pacific in 1987. Although the Northern Spotted Owl had not yet been listed as endangered or threatened by the Department of the Interior, Louisiana Pacific and other companies in the timber industry were faced with the ongoing threat of logging restrictions that could ban the sale of billions of feet of timber from northwest federal forests. Environmental groups were also lobbying the Environmental Protection Agency for more severe pollution regulations that would affect Louisiana Pacific's plants throughout the United States.

In the late 1980s, one of the most controversial environmental issues facing the timber industry was the fate of the Northern Spotted Owl. The owl was at the center of a fierce debate between environmental groups and the forest products industry. For environmental groups, the owl had become a symbol of the threatened ecosystem unique to the old-growth forests of the Pacific Northwest. For the forest products industry, the owl had become "the billion dollar bird."[2]

The events leading to the controversy over the Northern Spotted Owl began long before 1987. For many years, environmentalists had been battling to protect the old-growth forests of the Pacific Northwest. During the housing boom that followed World War II, demand for timber dramatically increased. From 1946 to 1968 the number of board feet of timber cut from national forests in Oregon and Washington had increased from less than a billion to 5.1 billion annually. In 1987, a record 5.6 billion board feet of timber was cut on national forests in Washington and Oregon. In the 1980s, the high demand for timber was stimulated by the economic boom of the Reagan years.

This increase in demand was combined with a shift after World War II from "selective cutting" to "clearcutting." Selective cutting involves selecting only certain trees on a tract of land to be cut. This helps to preserve the ecosystem by limiting the loss of wildlife habitat in that area. Clearcutting involves cutting down every tree on a tract of land. Although selective cutting is much more environmentally sound, it is less economically efficient than clear cutting. By 1970, clearcutting had become a common method of logging and it accounted for over 60 percent of cutting on national forests and had caused several environmental problems including land erosion and destruction of wildlife.

As a result of the environmental problems caused by clear cutting, Congress passed legislation in the 1970s that limited the use of clear cutting to small tracts of land of less than one hundred acres. Although this legislation limited the damage, many environmentalists believed it did not adequately protect the forests from destruction by the timber industry, particularly the old-growth forests of the Pacific Northwest.

Old-growth forests of the Pacific Northwest are unlike forests in other parts of the United States. Most forests in the United States are second-growth forests. These are forests that grow after old-growth or ancient forests are cut down. After about a century of growth, second-growth forests form a closed canopy that blocks out sunlight. The lack of light prevents the growth of underbrush needed to provide food for wildlife. Biologists believe that it is best to cut second-growth forests every eighty to one hundred and twenty years in order to let in sunlight. This rotation process is believed to be necessary to sustain wildlife and is, therefore, considered a sound environmental policy. Old-growth forests on the other hand are forests that have never been cut. Unlike, the closed canopy of second-growth forests, the canopy of old-growth forests is open. This allows sunlight to reach the earth and nourish a rich and diverse ecosystem. Therefore, the best environmental policy for preserving the habitat of old-growth forests is for the forest to remain untouched.[3]

In the 1980s, environmental groups began focusing their attention on the dangers that the destruction of these forests posed to the existence of the Northern Spotted Owl. Although environmentalists lacked adequate legislation designed to preserve the old-growth forests, federal legislation did exist to preserve endangered species. If environmentalists could show that the old-growth forests were needed to protect an endangered species, the forests could be protected under the Endangered Species Act.

Congress had passed the Endangered Species Act in 1973. The Act was designed to prevent the extinction of species throughout the world and it requires the U.S. Fish and Wildlife Service and the National Marine Fisheries Service to list species and subspecies endangered or threatened to be endangered. Once a species is listed as endangered, the agencies are required to do what is necessary to protect those that remain and their habitat. The wording of the Endangered Species Act of 1973 made it a very powerful law by placing protection of endangered species above all other government activities.[4] Although the act was amended in 1978, it continues to provide very strong protection for endangered species.

Biologists had discovered that the Northern Spotted Owl prefers and thrives best in the old-growth forest habitats found in the Pacific coast regions of Washington, Oregon, and Northern California. The old-growth forests provide the owl with an environment conducive for its survival. The thick vegetation provides nesting and perching sites which protect it from predators such as the great horned owl. The old-growth forest also creates a climate conducive to its survival. The forests also provide plentiful supplies of its primary food. Scientists believe that logging of the old-growth forests accounts for the owl's decline in recent years. In 1987, environmentalists petitioned the Department of the Interior to list the Northern Spotted Owl as an endangered species but it refused.

The increase in timber cut on national forests in the 1980s combined with the growing concern by environmentalists over the old-growth forests and the future of the Spotted Owl only intensified tensions between the timber industry and the environmental movement. Although many environmental groups such as The Sierra Club, The Wilderness Society, and The National Audubon Society fought their battles in Washington, some chose to take more direct action against the timber industry. One such group that emerged in the 1980s was known as Earth First.

Earth First was founded by Dave Foreman and four others in 1980 "to establish an uncompromising wing of the wilderness preservation movement"[5] They chose the name Earth First because they believed that consideration for the Earth must come first. Foreman had previously worked for The Wilderness Society until 1973. He resigned his position as Southwest representative in 1980 because of his dissatisfaction with the movement's "middle-of-the-road position on most issues."[6] Although Foreman had advocated a moderate position to environmental activism for many years, he concluded that this moderate approach had done very little to save the earth. Foreman's perception was that the mainstream national groups such as The Wilderness Society, The Sierra Club, The National Audubon Society, and others had politically compromised too much and lacked radical individuals needed to take hard stands on environmental
issues.

The founders of Earth First set out to be radicals in their style, their positions, and their philosophy. The activities of Earth First members included civil disobedience, blockades and demonstrations, and "monkeywrenching." Monkeywrenching is a term for ecological sabotage. It includes activities aimed at destroying equipment or property that is "used to destroy the natural world"[7] The term "monkeywrenching" comes from Edward Abbey's 1975 novel The Monkey Wrench Gang. The book tells the story of a gang of environmentalists fighting polluters with various forms of sabotage including pulling up stakes and vandalizing bulldozers.

By the mid 1980s, Earth First had become an environmentalist network numbering several thousand members. The first known tree spiking by Earth First occurred in Oregon in 1983. By 1985 tree spiking was becoming a high profile activity of Earth First members. In that year, Dave Foreman published Ecodefense: A Field Guide to Monkeywrenching. The book describes various forms of ecological sabotage including tree spiking. Tree spiking involves pounding a nail or other piece of metal object into a tree that has been slated for potential harvesting. According to Foreman, timber companies interested in purchasing the timber or the forest service are then warned that the trees have been spiked. The tactic is aimed at discouraging the sale of the timber by increasing costs to lumber companies who are then required to search for and remove the spikes. The costs involve labor hours required to search trees for spikes and purchasing and maintaining equipment required to detect the spikes. If the spikes are not found and the tree is run through a lumber mill, further costs may be incurred. If a saw hits a spike, it can cost a company thousands of dollars in damaged saws and downtime. In his book, Foreman offers advice on various techniques of tree spiking that make it difficult to find or remove spikes from trees. Loggers claimed that tree spiking was endangering their lives, and mills claimed extensive damage to saw blades as a result of the tactic.[8] Louisiana Pacific loggers were on the front lines of the tree spiking battle.

Louisiana Pacific Corporation (Louisiana Pacific) was first incorporated as a wholly owned subsidiary of the Georgia Pacific Corporation in July of 1972. It became a separate public company in December of that year as part of an antitrust settlement between Georgia Pacific and the Federal Trade Commission that required Georgia-Pacific to divest 20 percent of its assets.[9]

The spin off from Georgia Pacific created two competitive disadvantages for Louisiana Pacific. First, since Georgia-Pacific kept most of its timber holdings, Louisiana Pacific was required to purchase most of its timber on the open market making Louisiana Pacific vulnerable to market cycles. Second, as a result of the divestiture from Georgia Pacific, Louisiana Pacific lost access to the extensive Georgia Pacific distribution channels to which it had previously had access.

In order to compensate for its relative lack of timber and lumber products as compared to other manufacturers, Louisiana Pacific focused on developing wood products obtained from less expensive and faster-growing trees. The company began manufacturing oriented-structural board (introduced as "Waferwood" and later named "Inner-Seal") in the late 1970s. Oriented-structural board offered a less-expensive and stronger alternative to plywood sheathing. Plywood is made by stripping veneers from large-diameter trees such as pine or Douglas fir trees and gluing the veneers together under pressure. Oriented-structural board is made from less expensive, quicker growing, low diameter "weed" trees such as cotton wood. Oriented-structural board is made by slicing logs as small as 2 inches in diameter into wafers, mixing the wavers with resin and then pressing them into sheets. Oriented-structural board is as strong as plywood, more uniform, and about 15 percent cheaper at wholesale. Not only did Waferwood lessen Louisiana Pacific's dependence on outside timber, and therefore alleviate its competitive disadvantage in the industry, it also protected Louisiana Pacific from shortages of other types of timber. By using small, young, fast-growing "weed" trees instead of large old slow-growing ones, the company reduced its use of those trees environmentalists were most anxious to preserve. The product performed well on floors and inside houses. In 1985, however, the company decided to market it for use as exterior siding, a decision that the company would regret ten years later.

In order to deal with it its lack of distribution channels, Louisiana Pacific purchased several building-material centers from Lone Star Industries in 1979. This acquisition provided Louisiana Pacific with much needed channels for distributing its products.

In 1986, Louisiana Pacific nearly doubled its timber holdings by two major acquisitions. Louisiana Pacific acquired Kirby Forest Industries and also purchased the California property of Timber Realization Company. These acquisitions increased Louisiana Pacific's timber properties by approximately 830,000 acres.

Less than a week after George Anderson's accident in May 1987, Louisiana Pacific offered a $20,000 reward for information leading to the conviction of the person who spiked the tree. Tree spiking was creating negative publicity for Earth First, and George Anderson's accident added to the growing public objection to the activities of Earth First. After the accident, Dave Foreman responded to the press by stating, "It is unfortunate this worker was injured and I wish him the best. But the real destruction and injury is being perpetrated by Louisiana-Pacific and the Forest Service in liquidating old-growth forests."[10]

In 1988, Congressman Bob Smith of Oregon denounced tree spiking as "a radical environmentalist version of razor blades in Halloween candy.[11] In that same year, Idaho Senator James McClure attached a rider to a drug bill that made tree spiking a federal felony.

By 1990, the divisions within Earth First, as well as outside pressures were causing the organization to break up. The Earth First Journal ceased publication in December of 1990, and many of the leaders broke away from Earth First to start their own organizations. In 1991, in his book Confessions of A n Eco-Warrior, Dave Foreman declared himself no longer a part of the Earth First movement. Although radical environmental activists continued to engage in tree spiking and other forms of monkeywrenching, the Earth First movement no longer had the force it once had.

As a result of environmental regulation, the shortage of timber for harvesting on both private and public forests continued to worsen in 1988. Louisiana Pacific continued expanding its Inner-Seal product line which does not depend on old-growth timber. As old-growth timber continued to become more difficult to harvest, Louisiana Pacific's Inner-Seal products became competitively more advantageous. Louisiana Pacific was designing all of its new products with the rapidly increasing environmental constraints in mind. In 1988, new products Louisiana Pacific was developing included a line of engineered I-beams made with Inner-Seal Oriented-Structural Board for use as floor and roof joists. The company ended that year with profits of $135 million on sales of $1.8 billion.

As part of its overall environmental policy, Louisiana Pacific had planted over 500 million seedlings of a variety of tree species by the end of the 1980s. Louisiana Pacific was also continuing to conduct research to determine the most efficient way to produce the greatest amount of wood fiber in the least amount of time. Louisiana Pacific had implemented a full-utilization program using specialized logging equipment that is able to collect tree tops, limbs, and other timber that would ordinarily be wasted but that it could incorporate into its own engineered wood products.

In the late 1980s, the more main stream environmental groups were waging their battles in the courtroom and in Washington. In 1987, Greenworld, an environmental group from Massachusetts filed a petition with the Fish and Wildlife Service to list the Northern Spotted Owl as an endangered species. The Sierra Club filed a lawsuit challenging a decision to not list the Spotted Owl as endangered. In May 1988, a court ruled that the Department of Interior had acted arbitrarily and capriciously and ordered a review of its decision. In March of 1989, the Seattle Audubon Society filed a lawsuit against the Forest Service and the Bureau of Land Management charging them with mismanagement of public lands.[12] Finally, after much debate and many legal battles by both sides, the U.S. Fish and Wildlife Service listed the Northern Spotted Owl as a threatened species in June of 1990. After that decision was made about 7 million acres of federal and state timberland previously available for harvesting became protected. Industry analysts estimated that the previously available land that was now protected was about 25 percent of the total in the Pacific Northwest and about 11 percent of the national total.[13]

The major producers of wood and building products showed strong profit gains in 1992 as a result of the timber shortage created by the environmental movement which increased prices. Product prices were pushed higher because of both the increased demand for building products as a result of the gradual improvement of the economy in the United States in 1992 and the tightening timber supplies that resulted from federal restrictions on timber harvesting. However, while the boost in prices helped companies with large private timber holdings, it destroyed lumber mills heavily dependent on supplies from federal timber lands.

As a result of its innovative product-line and logging techniques, despite its shortage of timber holdings, relative to its competitors, in 1992, Louisiana Pacific had the highest earning leverage of any wood products company. That year the company made profits of $177 million on sales of $2.185 billion.

At the end of 1992, Louisiana Pacific Corporation celebrated its twentieth anniversary. Louisiana Pacific sales in 1992 set a record high. This high level of sales in 1992 was sustained both by increase in demand for its building products and the rise in product prices.

Louisiana Pacific's strategy of emphasizing innovative building products made from plentiful, noncontroversial timber sources placed the company at a competitive advantage in the industry. The growing environmental constraints on logging were actually working to Louisiana Pacific's advantage relative to many other companies in the industry. As other competitors in the industry were forced to reduce production of traditional building products as a result of the tightening timber supplies, Louisiana Pacific's nontraditional products were in greater demand and gaining significant market share. Louisiana Pacific was also capitalizing on the growing cost advantages of its products. For example, in 1992, the cost of logs purchased in the open market for plywood increased by as much as 25 percent while the cost of Oriented-structural board wood increased by only 7 percent. These factors helped to contribute to the success of Louisiana Pacific's line of Inner-Seal products which include oriented Strand board construction panels, siding, trim and engineered I-Joists. The Inner-Seal products accounted for more than half of Louisiana Pacific's operating profit in 1992. Thus, while pulp sales were down as a result of the poor pulp market worldwide, the high level of sales and profit in building products accounted for Louisiana Pacific's strong performance in 1992.

Pollution control at its pulp mills had emerged as another environmental issue facing Louisiana Pacific and one for which it was not as prepared. Pollution regulations governing pulp and paper mills are directed toward water quality, air quality, and solid waste. In the 1990s Louisiana Pacific was involved in litigation and required to pay fines for violation of water pollution laws.

Another environmental problem facing Louisiana Pacific was air pollution. The Clean Air Act of 1990 considerably increased requirements on air pollution control at pulp and paper mills and wood panel plants. In 1992, Louisiana Pacific received notices of violations against fifteen of its manufacturing plants from the Environmental Protection Agency. In its annual Report of 1994, Louisiana Pacific identified one of its greatest challenges to be the "ever changing rules and regulations concerning the environment."[14]

But Louisiana Pacific was now faced with a different kind of problem. Over the years there had been rumors that its wood substitute could not stand up to damp weather when used as exterior siding. In 1990 several homeowners in Florida complained that the company's siding became waterlogged and deteriorated in the rain. Since the product came with a 25-year warranty, the company would be liable for the damages. In 1993 the company paid out $5 million in claims for defective siding and $10 million in 1994. In 1995 thousands of homeowners' suits were consolidated into twelve class action suits against the company alleging that the company's product was defective and that the company was liable for making repairs to homes that had used the product as exterior siding. Louisiana Pacific settled one suit in 1995 for $30 million. Analysts estimated that the total liability could reach $300 million.15

QUESTIONS

1. Evaluate the methods of Earth First. In light of the values that are at stake, do you feel that their methods are morally justified? Explain your answer.

2. Evaluate the strategic decisions of Louisiana Pacific from the perspective of the approaches to environmental ethics that are outlined in this chapter. Which perspective do you feel sheds most light on the environmental issues raised by this case?

3. It has been said that companies are mixtures of good and bad. Do you feel that this statement is true of Louisiana Pacific? Explain your answer.

NOTES

1. Dale Champion, "Tree Sabotage Claims Its First Bloody Victim," San Francisco Chronicle, May 15, 1987, pp. 1, 27.

2. Keith Ervin, Fragile Majesty: The Battle for North American Last Great Forest (Seattle WA: The Mountaineers. 1989), p.10.

3. See Roger L. DiSilvestro, Reclaiming the Last Places: A New Agenda for Biodiversity (New York: John Wiley & Sons, Inc., 1993), p.79–82.

4. Rockey Barker, Saving All The Parts (Washington, D.C.: Island Press, 1993), p.20.

5. John Davis and Dave Foreman, eds., The Earth First Reader (Salt Lake City: Peregrine Smith Books, 1991), p.7.

6. Dave Foreman, Confessions of an Eco-Warrior (New York: Harmony Books, 1991), p. 15.

7. Dave Foreman, p.118.

8. Judi Bari, Timber Wars (Monroe Maine: Common Courage Press, 1994), p. 272.

9. Joan Harpham and Sand Schusteff, "Louisiana Pacific Corporation," in International Directory of Company Histories, v. IV (Chicago, IL: St. James Press, 1991), pp. 304–5.

10. Dale Champion, "Tree Sabotage Claims Its First Bloody Victim," San Francisco Chronicle, 15 May, 1987, p. 1A

11. Judi Bari, p. 275.

12. Roger L. DiSilverstro, Reclaiming the Last Places (New York: John Wiley & Sons 1993), p.86.

13. U.S. Industrial Outlook 1994, 6–1

14. Louisiana Pacific Annual Report 1994.

15. "The Fall of a Timber Baron," Business Week, 2 October 1995, pp. 85–92.