-- The U.S. cabotage laws make it uneconomic to ship Alaskan sawn lumber down to the rest of the U.S.--water rates from British Columbia are roughly $12 to $15 cheaper per thousand board feet of identical lumber, because the U.S. cabotage laws do not apply to shipments from foreign points into the U.S.

The Forest Service may feel justified in setting a low appraisal on the Alaskan timber because of the absence of alternative markets. Modification of the cabotage laws--recommended below--well might result in competitive bidding for this timber.

Alaskans have fought for years for a general exemption from the Jones Act, which effectively limits their access to the wider U.S. market, and considerably raises the cost of living and of production in Alaska. Unlike other areas of the U.S., adequate rail transport is not available as an effective substitute.

Market forces therefore do not price Alaskan resources at their potential value, in the context of the U.S. economy. The Japanese to an increasing extent are benefitting from this situation--in effect Alaska may be in the way of becoming an unduly cheap raw materials supplier to Japan; and the foreign exchange earnings of the U.S. from this trade would be lower, than if the cabotage laws could be changed.

The Maritime Commission has recently completed a study which deals with the effects of shipping costs on Alaska. The study would appear to support the view that unduly high transport costs are a major factor limiting increases in Alaskan sales to the rest of the U.S. Industry sources have commented that large increases in Alaskan sales of lumber to the rest of the U.S. can be obtained, if these laws can be modified. A general exemption for Alaska from the cabotage laws, which would make economic sense in view of the absence of the alternative of rail shipping to Alaska, possibly cannot be obtained.