

Mr. DALY. Not for Japan. No; our lumber is remanufactured in Japan. He produces hemlock 4 by 4's, what is commonly known as a baby square. We produce spruce cants for remanufacture in Japan. Most of our lumber, the high grade, goes into panels, sash and door, and that type of thing which requires quite a bit of refinement.

Senator MORSE. Do some of the lumber mills in Alaska, other than the lumber mill about which Mr. Davidson testified, process 4 by 4's and a number of other dimensions that go to Japan?

Mr. DALY. No; they don't right at the moment, Senator. The hemlock baby square market has not been a good lumber market, and Mr. Davidson has been in it for a number of years, but our mills have not. Our mill, my sawmill, is primarily a spruce mill, and that is what we cut. Mr. Davidson started on hemlock. Some of the other mills—the Wrangell Lumber Co. is cutting spruce and hemlock, and I don't know whether they are cutting baby squares or not.

Senator MORSE. You describe the lumber that you ship to Japan as lumber partially finished in your mill to be further processed in Japanese mills.

Mr. DALY. It is a fair sample of primary manufacturing; yes, as we do it in Alaska.

Senator MORSE. You may go ahead.

Mr. DALY. We have been keenly aware for some time that some of the opponents of round log export from Washington and Oregon have suggested that Alaska round logs should be exported as a means of saving the sawmill industry in Washington and Oregon. We have been shocked by the staff proposals of the U.S. Treasury which package a solution to the round log export and trade balances problems by calling for the export of 700 million feet of round logs per year to Japan from the national forests in Alaska.

Round log exports from Alaska will force the immediate and permanent closure of all sawmills in Alaska. The very same log price squeeze confronting the Oregon and Washington sawmills today will work with an even more ruthless efficiency on the Alaska sawmill economy than it has on that of Washington and Oregon. None of our sawmills presently have a long-term, high-volume timber sale contract; consequently, we would immediately be priced out of the market by the impact of round log export sales. Due to the fact that Alaska has a population of less than 300,000 people scattered over an area one-fifth the size of the continental United States, we would not be able to turn to our domestic markets for even intermediate relief.

Senator MORSE. The chairman wishes to interrupt again, Mr. Daly.

The paragraph you just read at the top of page 6 is a very, very serious statement from the point of the alleged effect of the policy recommended by the Treasury Department's staff report. You say, "Round log exports from Alaska will force the immediate and permanent closure of all sawmills in Alaska."

Did anybody from the Treasury Department confer with the sawmill operators in Alaska prior to the publication of this report?

Mr. DALY. Not to my knowledge, Mr. Chairman.

Senator MORSE. Do you have any written communications from the Treasury Department asking for your opinion as to what the economic effects upon your sawmills would be if the recommendations of the Treasury Department were put into effect?