January 2, 1968

Mr. Peter Murphy
Murphy Logging Company
Pacific Building
Portland, Oregon 97204

Dear Pete:

After reveiwing the log export proposals which you left with me, it occurs to me that there are two widespread misconceptions about the present log export program:

Misconception #1: Logs being exported are not needed or desirable for domestic manufacture.

Fact: The export market is currently draining the Northwest of its finest structural log species and grades. As a result, domestic lumber mills are being forced to manufacture the residual or cull logs which the export market rejects.

Misconception #2: Only the inefficient forest products plants are being forced to close.

Fact: Even some of the newest and efficient plants have been closed because of the advantage their owners have in selling logs and timber for export. As one plant manager recently stated, "Why should we chew up logs and sell the product at a loss when we can sell the logs for export at twice the price." There is little logical relationship left between domestic prices for products manufactured from Northwest logs and prices paid for export logs.

I believe there are two primary considerations that are fundamental to the solution of the problems now being created by unrestricted export of our logs.

1. We are dealing with a resource, whether public or private, that to a significant degree exists today because of special citizen supported tax programs. The specific degree of tax support can be argued, but in one way or another, timber has a tax shelter.

2. In order for a more equitable plan to work, it must provide a basis for realistic incentive.