

Mr. Peter Murphy
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2. There would be an incentive to manufacture logs in American mills and therefore provide jobs for American engineers, mill employees, port and dock employees, service and trade personnel.

3. This plan would encourage the sale of lumber for export. However, those who wish to continue to export logs would have no restraints placed upon them.

4. It would provide fair competition for all producers, large or small. The incentive would be for efficiency in both mill management and business management. It would encourage the Northwest forest products industry to once again become a viable segment of the area's economy. The requirement for efficiency would improve the industry's ability to compete in both foreign and domestic trade.

5. A broader base for public agency timber sales would be established. At the present rate of attrition there will be significantly fewer operators remaining in the Northwest to bid on federal agency timber. A progression of this trend will not be in the best interest of the public who owns much of the timber. A healthy industry will provide a more responsive base for future government timber sales.

6. The volume of by-products would be increased. Adding to the volume of forest products manufacturing in the United States will create a broader base for by-products. More wood chips would be available to the domestic pulp, hardboard and particle board industries. In contrast, at the present time we have a reverse of this situation. If, however, chips become a surplus for domestic market, exports could be increased.

In conclusion I think we must admit that the capital gains tax has been a subsidy to the forest products industry. At one time it may have been necessary in order to create the incentive for prudent management of tree farms and timber. At the present time, as it applies particularly to log exports, I believe it is doing considerably more harm than good, and should be abolished as it applies to this segment of our raw material.

Whenever you have time, let's get together and we shall continue our discussion.

Very truly yours,

FRANK LUMBER CO., INC.

Ben Meyer, S.M.

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