

LOG-EXPORTING PROBLEMS

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON RETAILING, DISTRIBUTION,
AND MARKETING PRACTICES

OF THE

SELECT COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

NINETIETH CONGRESS

SECOND SESSION

ON

THE IMPACT OF INCREASING LOG EXPORTS ON THE
ECONOMY OF THE PACIFIC NORTHWEST

PART 2

JANUARY 18 AND 19, 1968



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THURSDAY, JANUARY 18, 1968

U.S. SENATE,
SUBCOMMITTEE ON RETAILING,
DISTRIBUTION, AND MARKETING PRACTICES,
SELECT COMMITTEE ON SMALL BUSINESS,
Washington, D.C.

The subcommittee met, pursuant to recess, at 9:30 a.m., in room 318, Old Senate Office Building, Senator Wayne Morse (chairman of the subcommittee) presiding.

Present: Senators Morse and Hatfield.

Also present: Senator Ernest Gruening of Alaska; Representative John R. Dellenback, U.S. Representative from the Fourth District of Oregon; Representative Don H. Clausen, U.S. Representative from the First District of California; Representative Wendell Wyatt, U.S. Representative from the First District of Oregon; Representative Al Ullman, U.S. Representative from the Second District of Oregon; Representative Howard W. Pollock, U.S. Representative at Large from Alaska; Raymond D. Watts, Associate General Counsel; and Herbert L. Spira, Counsel.

Senator MORSE. The hearing will come to order.

Before we begin this morning, I want to announce that we now have ready the memorandum mentioned previously that sets forth the questions the chairman has prepared for submission to all the witnesses that appear before this committee in these hearings, including the Government witnesses.

I ask the Associate General Counsel, Mr. Watts, to see that a copy of these questions is mailed to every witness who has appeared and is on the agenda to appear at these hearings. Those present now will find copies on the press table.

These questions, as the chairman has explained, are optional as far as answering them is concerned. As the chairman says at the end of the memorandum, we would appreciate the cooperation of the witnesses in supplying the committee with whatever information that a witness wishes to supply the committee in answer to these questions. This is an opportunity for the witnesses to help the committee make the full record that the chairman thinks ought to be made before we go into executive session to evaluate the record.

I want to thank Associate General Counsel Ray Watts and Staff Counsel, Mr. Herb Spira, and the other staff members of the committee for the rush order work they performed in carrying out the chairman's instructions and in mimeographing these questions and putting them in appropriate style and form for use by the witnesses.

In the first appendix to the printed record of these hearings, when it is printed, the Chair directs that the text of this memorandum of questions be reproduced in full, followed by all of the answers that any witnesses or others voluntarily submit. I think it will be most convenient if we have the questions and the answers all together in one place, so we shall set aside an appendix to the record, which, however, will be printed in and immediately follow the hearings record, as the repository for these questions and answers.¹

Senator MORSE. Our first witness this morning will be Mr. Ray E. Johnson, timber manager, West Tacoma Newsprint Co.

Mr. Johnson, I want to thank you very much for cooperating with the committee by being willing to let your testimony go over from yesterday afternoon to this morning. We appreciate it very much. We are delighted to have you. You may come to the witness chair. Please proceed in your own way.

STATEMENT OF RAY E. JOHNSON, TIMBER MANAGER, WEST TACOMA NEWSPRINT CO., STEILACOOM, WASH.

Mr. JOHNSON. Thank you, Mr. Chairman.

First I do want to say that I did not at all mind not appearing until this morning. We from Washington State very sincerely appreciate the attention that is being given to this problem at this time. You gentlemen from Oregon are certainly delving into it in depth. We in Washington, as you know, have about two-thirds of the problem. I will proceed with my prepared statement at this point.

Mr. Chairman and members of the committee, I am Ray E. Johnson, manager of the timber department for West Tacoma Newsprint Co. located at Steilacoom, Wash. I am a professional forester and have been associated with this company for 14 of its 21 years of operation in its timber program. I am a director of the Industrial Forestry Association and currently I am serving as chairman of its public timber sale committee.

The committee's examination of the log-export problem is most timely. The situation is urgent due to uncertainty of negotiations with the Japanese and deterioration in many segments of the Northwest forest-products economy.

Late in 1961 our company, with others, in statements to the Subcommittee on Forests of the House Agriculture Committee, expressed deep concern as to long-term implications of the rise to over 330 million board feet of log exports to Japan during that year. Today, 6 years later, predictions made then have come to pass with the export in 1967 of over some 600 million board feet of Federal timber alone from Washington, Oregon, and California. These circumstances have arisen by failure of timely and long overdue Government administrative restrictive actions.

West Tacoma Newsprint Co. operates a 120,000-ton-annual-production newsprint mill with domestic newspapers as its customers. It employs over 300 in mill operations and provides employment for over 100 more in the logging industry.

The company originally was 100 percent dependent upon open market log sources. Over the period since 1952 it has gradually

¹ NOTE.—See app. I, in part 3 of these hearings.

acquired and placed under intensive forest management, approximately 100,000 acres of timberland in several counties of western Washington. These lands were acquired to protect the company's long-term raw material needs against periodic or extended open market log shortages such as those being caused by Japanese log exports. Basically, however, we must rely on outside sources of logs which are primarily Federal and State timber. Currently two-thirds of our log supply comes from outside sources, as our tree farm reserves, primarily second growth, are not yet sufficient to supply the company's annual requirements on a sustained basis.

Heavy dependence upon the national forests and other public timber by companies such as ours, or those with lesser timber reserves, is not unique. The national forests and other public lands only within the past two decades have commenced to contribute their share to the wood processing economy of the region. This came about as the result of the private lands earlier heavy cutting, including much overcutting to sustain U.S. efforts in two World Wars. It is upon these expanding allowable annual cuts from the public forests that much of the domestic industry, including small- and medium-sized sawmill and plywood operators have been dependent to maintain operations and provide much of the Nation's expanding needs in wood products.

The questions posed in the announcement of hearings dated January 5, 1968, relate directly to the foregoing matters as they involve the uncertain future of a most important segment of the forest products industry of the Northwest, the independent log buying mill. We will attempt to deal with each question in order.

(1) ESSENTIAL FACTS RE EXPORTING OF LOGS

Log exports since 1961, and their increasing impact upon the total regional economy, jobs, and other interests causes immediate focus upon the increasing difficulty in obtaining logs at a cost which will maintain the competitive status of the domestic log user. Intensifying competition for available market supplies by domestic and foreign interests, primarily Japanese log export agents, has increased average stumpage bid prices more than twofold on timber sold from westside national forests of Washington and Oregon since 1961. During the past year in Washington on some forests these average stumpage bids will be more nearly a threefold increase over 1961 levels.

Our company, like others, bought hemlock stumpage in the early 1960's at from \$16 to \$20 per thousand board feet. Today comparable stumpage exceeds twice these amounts. We have been successful in the purchase of one Federal sale in 1967 at which the successful hemlock stumpage bid price was \$36 per thousand board feet. This was early in the year, and bidding pressure has been much more intense as the year has progressed.

We have actively attended over 20 Federal sales in Washington State during 1967, at which we acquired one sale (as above) but bid upon many more. We were forced to drop out of contention on all but this one sale when the stumpage prices were bid up above our economic limit by Japanese export brokers, or occasionally a domestic firm which will be forced to sell to them in order to operate a sale.

Just as this company had to drop out of contention for sales, so did other domestic consumers. In many sales bid prices concluded as high as \$48 per thousand for hemlock. Prices of this magnitude far exceeded levels domestic users of logs could afford and remain competitive with their counterparts in British Columbia.

This discouraging dilemma has been constant among domestic log users attending Federal stumpage sales in both Washington and Oregon in recent years.

Further emphasis in the matter of log cost is indicated by Forest Service statistics showing the average value of hemlock, spruce, and true fir exported logs (species used by my company) to have increased 34 percent from \$64 per 1,000 to \$86 per 1,000 in the 1961-67 period.¹ Obviously these higher raw materials costs, coupled with high wage levels prevailing, create a condition in the regional wood products economy rendering it heavily noncompetitive with neighboring operations in British Columbia, where log exports are permitted only if in surplus and log prices have not risen correspondingly. Compounding this dilemma is the Jones Act as it affects intercoastal shipments of lumber, allowing British Columbia operators a distinct additional advantage over the few remaining green cargo sawmilling operators of this region in the shipment of lumber products to other parts of the United States.

Spiraling raw materials costs have already resulted in many wood processing plant closures, including 25 plywood plants in 1966 and 1967, and if continued unchecked will result in further deterioration of the regional wood processing economy. The decline in the forest products economy is shown by the decrease in employment. In Washington and Oregon the decrease was 6,800 employees from the third quarter 1966 to the same period in 1967.² Correspondingly there have been increases in longshore activity indicated such as 640 more employed in that work in 1966 than in 1965—latest figures available—for Washington State, attributable at least in part to increased log export handling activity.³ This increase in port employment even if sustained in 1967 is not significant when compared to the decrease in forest industries employment.

The facts clearly indicate that a large segment of the region's log-buying mills are increasingly noncompetitive due to the nonrestriction of Japanese log exports from public timber.

(2) HOW CAN JAPAN PAY HIGH PRICES?

The present economic structure of Japan allows it to pay increasingly higher prices for round logs because of low labor costs, less costly and complex industrial installations and a high degree of utilization. This permits the present log price structure to be economically feasible within their active building market strongly protected by the Japanese against American producers of sawn lumber products.

The attractiveness of the lumber sawn in Japan from American round logs, particularly western hemlock, creates a great demand for these woods compared to logs from most other countries. The Japanese

¹ Source: Production, prices, employment, and trade, third quarter 1967, Pacific Northwest Forest and Range Experiment Station.

² Source: Production, prices, employment, and trade, third quarter 1967, Pacific Northwest Forest and Range Experiment Station.

³ Source: Department of Employment Security, State of Washington.

prefer purchase of whole logs so as to obtain this attractiveness in specialized sawing as well as to obtain maximum utilization and value added by manufacture which is of benefit to Japan's total economy through the employment of much available unskilled labor there.

The Japanese log exporter in the United States does not need to have any investment in plant facilities in this region, nor does he add value by manufacture to the logs he exports to Japan.

(3) WHAT CAN BE DONE?

The public interest and present enabling law requires public timber to be used to stimulate and maintain community stability in manufacturing operations. Simply stated, Government timber from the national forests was, under terms of the original act, to be used to furnish a continuous supply of timber for the use and necessities of the citizens of the United States. Correspondingly the timber upon the Oregon and California lands was to be managed for the benefit of local industries and communities.

The Forest Service and Bureau of Land Management, however, are not currently imposing any conditions of domestic primary processing on their timber sales in the region.

The Federal Government has found fit to maintain and stimulate development of the economy of Alaska by imposing restrictions on export of round logs from the national forests of that State. In Washington and Oregon these same restrictions have not been imposed where there is substantially more established industry than in Alaska, which is a direct conflict of policy.

The Secretaries of Agriculture and Interior under their existing authorities can promote regulation to impose the same restrictions upon the national forests and Bureau of Land Management areas in Washington and Oregon, or other areas. The same export restrictions as are used in Alaska should be imposed upon Federal timber in Washington and Oregon in order to maintain and stimulate the existing forest products industry under competitive conditions.

We therefore wish to state that this specifically can and should be done immediately; that is, for all Federal cutting contracts to include a proviso requiring first primary processing to be done in the United States. This is an internal American affair and not a matter subject to negotiation between the State Department and the Japanese.

Thank you, Mr. Chairman.

Senator MORSE. Mr. Johnson, I consider this to be a powerful statement in support of the position that has been taken by witnesses who have preceded you in this hearing, who have advocated that the Forest Service and BLM should heretofore have imposed restrictions on the export of logs. They are authorized under existing law to impose such restrictions. I share that point of view. I am going to ask Senator Hatfield to ask such questions as he cares to at this point, and then I will follow him with a few questions about the public policy issues that you raise in your statement, Senator Hatfield.

Senator Hatfield suggests that I go ahead. I want him, however, to ask such questions as he wants to.

I judge from your statement, particularly the material on page 3, that you want this committee to conclude that, if the Japanese had not been bidding on the Government sales to which you refer in your

statement, the logs would have sold for a much lower price, and would have been purchased by domestic mill owners. Is that true?

Mr. JOHNSON. We believe this is true.

Senator MORSE. Is it one of the thrusts of your testimony that the record of the prices that the Japanese have paid for American logs shows that they have been willing to pay so high a price that many domestic mills cannot buy logs at those prices and produce lumber from them at a profit? Is that true?

Mr. JOHNSON. Yes. I would say this. The record of the bid results would indicate that, if the domestic firms in the many instances which we have records upon were able to buy those timber sales and operate them with any level of break-even opportunity, they would have remained competitive. However, the bid records indicate that the trading firms were the successful bidders.

Senator MORSE. You say on page 3:

Our company, like others, bought Hemlock stumpage in the early 1960's at from \$16 to \$20 per thousand board feet. Today comparable stumpage exceeds twice these amounts. We have been successful in the purchase of one Federal Sale in 1967 at which the successful Hemlock stumpage bid price was \$36 per thousand board feet.

What was the appraised value put upon that stumpage by the Government agency that had jurisdiction over the timber?

Mr. JOHNSON. My recollection is that the appraised value was approximately \$19 per thousand board feet on the hemlock.

Senator MORSE. In the neighborhood of half that much?

Mr. JOHNSON. That is correct.

Senator MORSE. As a general pattern, have the Japanese been willing to pay around twice the appraised value for the logs they purchase?

Mr. JOHNSON. Our experience has indicated this, Mr. Chairman. We happen to be located, of course, in one of the areas which has probably some of the heaviest pressure from the buying of Federal timber for export, this being adjacent to the Snoqualmie National Forest. The general pattern on all of the timber sales that we have attended on the Snoqualmie have seen the stumpage bid prices driven to levels that, based upon what we are aware of in terms of quoted prices by Japanese buyers, have caused us to question how the successful bidder for the trading company might come out at the prices at which he bid.

Senator MORSE. The record of these hearings to date would indicate that, even where there have been no Japanese bidders, it still is true that for some years past the American bidders have been willing to buy logs and have bought logs at Government sales at amounts substantially above the appraised value. Do you agree that that is true?

Mr. JOHNSON. Yes.

Senator MORSE. Is this the reason: That there have not been enough logs offered for sale from Government timber to meet the supply needs of the local mills, and that therefore the result has been to increase the competition among them for the purchase of Federal logs, which has raised the bidding prices to a figure substantially above the appraised value?

Mr. JOHNSON. This is correct. The installed capacity in 1960 and in 1961 was in excess of the available timber supply, and this was at the time that this increased exporting of logs first came into focus. The

prices that I mention in this paragraph on page 3, the \$16 to \$20 per thousand, were some of the bid prices which perhaps involved four or five bidders, and at which we were sometimes successful bidders in buying timber sales at that time.

Senator MORSE. This raises a question which the chairman, on behalf of the committee, wants to pin down in this record before the Government witnesses testify, because I want the record as clear and factual on this issue as it is possible for the witnesses from the industry to make it. I refer to those parts of the record already made that would seem to indicate that the representatives of the American mills contend that the Government for some time past has not made available for bidding a sufficient quantity of Federal logs to meet the manufacturing needs of domestic mills, if they are to process finished lumber in amounts necessary to meet the domestic demand for lumber. Is that an accurate conclusion, in your opinion, for the chairman and the members of the committee to draw from the testimony thus far presented in this case by many witnesses representing the industry?

Mr. JOHNSON. I think this would be most accurate. The amount of manufacturing capacity that was in existence or came into existence and been maintained over this period of time, indicated there was definitely more installed capacity than the timber sold under the allowable cuts could provide for.

Senator MORSE. In your statement at the bottom of page 3 and the top of page 4 you say:

We have actively attended over twenty Federal sales in Washington State during 1967, at which we acquired one sale (above) but bid upon many more. We were forced to drop out of contention on all but this one sale when the stumpage prices were bid up above our economic limit by Japanese export brokers, or occasionally a domestic firm which will be forced to sell to them in order to operate a sale.

I have two questions on that statement. The first you have already testified to, but I want to reiterate it for emphatic purposes in the record. Your statement reasserts the contention and the testimony of other mill operators in these hearings that at these sales you are frequently forced to drop out of the biddings—in your own case, you were forced to drop out of 19 out of 20 sales—because the Japanese bidders, in their bids, were going above what you call your economic limit.

By that I interpret you to mean that you just could not pay more and have any chance of even breaking even if you bought the timber at such a high price. Is that correct?

Mr. JOHNSON. That is correct, Mr. Chairman. I would like to even qualify that further. My company, if it were necessary to live entirely upon Federal timber at \$36 per thousand for hemlock stumpage would not be able to sustain it, nor would many others, whether in our business or in the sawmilling and plywood business.

The fact of the matter is in this particular case we had to bid this high. We definitely felt we needed this sale to provide for our cutting program not only for this year but for next year and the year after that. Therefore it was what you would term a desperation bid to go to this level to acquire the sale.

Senator MORSE. I am glad that you made that statement, because it lays a foundation for the next question I wanted to raise with you. You had said earlier in your statement, at the top of page 2, that over

the period since 1952 your company "has gradually acquired and placed under intensive forest management, approximately 100,000 acres of timberland in several counties of western Washington."

These acres are your private timber holdings, are they not?

Mr. JOHNSON. Yes; they are owned in fee simple.

Senator MORSE. And when you buy Federal timber as you did in the 1967 sale, it being hemlock at \$36, the price of that timber really is mixed with your private timber. That is, for bookkeeping purposes you take into account what your total log cost is by averaging in the Federal timber cost with your privately owned timber, which I assume you acquired at a price less than \$36 per thousand board feet. Is that correct?

Mr. JOHNSON. Yes; that is correct.

Senator MORSE. You heard other witnesses in this hearing testify in explanation of the prices that they have been willing to pay, prices far and above the appraised value fixed by the Forest Service and BLM. They have paid those prices knowing full well that, if they were to figure their costs based upon those logs alone, they would lose money on the finished lumber producer therefrom, because they could not sell the finished lumber at a high enough price per thousand board feet to balance out the cost of the logs. They buy the logs nevertheless because they have some other fiscal problems that confront them and other obligations that they feel they cannot avoid. For example, there are maintenance costs of just maintaining their mills, whether they are in operation or standing idle; they must avoid the loss that is suffered from an idle mill. They also feel an obligation to their employees, for if they shut down the mill, those men are out of jobs for the duration of the shutdown. Not only is there a loss to the men who suffer unemployment because their mill has shut down, but those men proceed as best they can to find employment elsewhere. If they can find employment elsewhere, they move out of the community into other communities some distance away, and therefore when the economic storm disperses and there is some economic sunshine returning to the community and the millowner decides to reopen his plant, he sometimes is confronted with the fact there is no manpower in sufficient amount to open the plant. He has then a labor-supply problem.

I could go on and list the rest of the arguments that witness after witness has made in explanation as to why he has bid far and above the appraised value, in order to get the logs. You know the accounting. Have I given you in the statement just completed a summary of the position of mill operators generally as to why they have found it necessary to bid far over the appraised value, in order to get the logs?

Mr. JOHNSON. Yes, Mr. Chairman, you certainly have. We being in the locations which we are, causes our company to have operations of one type either on our own tree farm operations or in logging of public timber, as I have pointed out, in many locations throughout western Washington. Accordingly we are acquainted with and rather familiar in many respects with operators of small mills in some of the more remote areas of many of the counties, and this is the dilemma that they find themselves confronted with—to keep these operations going.

I might just add a further comment here regarding the bidding problem, and that is that when you have within the allowable cut or within the sales being offered on a particular forest, certain sales that have been bid and acquired by interests who are going to export the logs, there may be some sales from time to time that come up upon which there is no pressure to bid by the export bidders. The result is that the remaining mill operators, in the competition to acquire the timber that they may definitely have a chance at, get into a very serious bidding proposition also. So a person should not say that in every instance sales are being bid by export bidders, but then when they are not present and not bidding on sales, the remaining operators in the area get into real serious contention to acquire the sales.

Senator MORSE. In the last part of the comment on page 4 of your statement you say that occasionally a domestic firm will be forced to sell to them, meaning the Japanese, in order to operate a sale.

Would you amplify that statement? Are you saying to the committee that, in some instances even when a domestic firm outbids the Japanese, they subsequently find that they are going to have to sell the logs they did buy at that high price to the Japanese by private negotiations between that mill and the Japanese?

Mr. JOHNSON. The point here is that as the result of the bid prices that they have paid to obtain the sale, the only way that many of them can come out is to take some of the high-grade logs off the top, the higher or better No. 2 saw logs, sell them to the Japanese at the prices at which the Japanese are willing to buy them, in order to offset their total high log cost from the entire sale. They then put the remainder into their own milling operations at a level which would be economic for them to break even.

Senator MORSE. By that you mean that in some of those instances, the American firm that buys, let us say hypothetically, 500,000 board feet logs, will select out of that purchase the top-quality logs, and then negotiate privately with the Japanese exporters for the purchase of those logs at a price sufficiently higher than the price they paid for the total purchase of 500,000 board feet, in order to cut down the total cost to them, leaving the remaining logs of sufficient quality to go through their mill at a price on their books substantially less than the bid price for the total purchase. Is that the way it works?

Mr. JOHNSON. Yes. In many instances this is what I say has to occur, in order for the successful bidder on the sale to be able to economically operate the sale.

Senator MORSE. Has your company, Mr. Johnson, found itself in a position where, for financial retrenchment purposes or wise economic operation of your business, it has been necessary for you to sell logs to Japan?

Mr. JOHNSON. Mr. Chairman, my company has maintained the policy since 1961 of attempting in every respect to refrain from dealing in the export program. We have, however, on limited instances sold logs to companies which were dealing with or in the Japanese trade, but it is a very minor percentage of our overall log program, either from public stumpage or from our private timber.

We have found that within recent years our best realization is to direct logs into the domestic economy at what are termed "domestic

prices" with various firms, whereby we are selling them logs that they need within their processing program, and in turn we are able to buy from them lower grades of logs for pulping purposes that they are unable to use in their manufacturing process.

Our need, like many mills of our type, is raw material. We certainly acknowledge the economic principles involved. However, in order to sustain the production of the product that is demanded or is needed by our customers, we cannot run those dollars through those paper machines. It has to be wood, and we have made every effort to remain in this area in our production program.

Senator MORSE. Mr. Johnson, I have elicited this last testimony from you in order to lay the foundation for an observation as well as for a few other questions I am going to ask you, because I fully expect that when the Government witnesses take the stand, they will either point out in their testimony or in their written material and data they file that many of the lumber operators in Oregon and Washington have themselves sold logs to Japan. The record shows that, and the Government representatives have discussed this with me in conferences I have had with them on this problem.

But I want this record to show, as you have just shown it, why American lumber firms in many instances feel that the policies of the Government agencies have left them no other course, if they are to remain in the black or have a chance of remaining in the black. This is a case in which the very problem that you seek to solve sort of grows upon itself.

Yes, they sell logs to—and I want your comment on the observation I am now making—yes, they sell logs to the Japanese, because from the standpoint of the competition problems that the exportation of logs itself creates, in many instances they have no other choice, if they are going to survive economically with respect to the operation of their mill. You have just explained the language that you use on the top of page 4, in which you point out that these domestic firms that pay these high prices at a Government sale are forced to sell some of the logs, the high-quality logs, to the Japanese, in order to average out on an operative basis the cost of the logs, so that they can continue to process lumber in their mill.

But suppose that reasonable restrictions could be placed upon the exportation of logs, so that Japan would get that quantity of logs that could be found to be in excess of the need for mill operation purposes during a given period of time. You and other mill operators would then not be driven into the economic position to which you have just testified, caused, by the failure of the Government itself to apply reasonable restrictions, which could be applied under existing law, upon Japanese log exports. I would like to have your comment on that observation for the purpose of getting into this record for the Government witnesses to subsequently give me a reply to, whether or not you think this failure on the part of our Government to impose restrictions that the law now authorizes them to impose is resulting in this kind of a dilemma that mill operators are placed in, in respect to selling logs to Japanese exporters?

Mr. JOHNSON. Mr. Chairman, we have held this position consistently since 1961. We observed with a great deal of interest the maintenance of the restriction upon export of round logs from Alaska. My com-

pany at one time, because of its need, and this is prior to 1961, because of its need for acquiring certain species, attempted to develop a program to bring what were termed surplus logs from Alaska, to try to work this through and with the U.S. Forest Service. However, we were unable to do so, due strictly to the situation which prevails there, one which they have consistently adhered to for a number of years.

We also have had experience in British Columbia. Our experience there in purchasing logs certainly is, as far as we are concerned, very definite that you cannot take round logs out of British Columbia unless they are in surplus. We think that the circumstances that prevail where we are located with the established manufacturing capacity, and I mean our company as well as the rest of the wood processing industry in Washington in Oregon, with this Government policy which leaves the door wide open for the export firms into the national forests of Washington and Oregon is unrealistic. We must consider that much of the installed capacity in this region was established there because the owners and the operators were in effect gambling that they could be successful in maintaining operations by acquiring much of their needed raw material from these national forests.

In the current situation which you have outlined with respect to the sale of logs in export, it is one that is certainly brought about by the attempts on the part of the operators to maintain themselves in a competitive position, to keep the mill operating even perhaps on a one-shift basis upon the poorer grades of logs and then cut down their raw material costs by exporting the better grades.

I just would like to add another point here, Mr. Chairman, in this respect. In 1961 my company, when the export of logs began to accelerate, saw that it started out on some of the rather low grades. However, it did reach up into the No. 2 grades. We were able to shift somewhat in the quality of log that we could use to a No. 3 grade of log. However, in the past year or so, the purchasing for export of logs by the Japanese buyers has definitely reached down, as we put it, into the grade of log we were able to use, and this has also hampered our efforts to acquire open-market logs.

We also know that it is a very definite problem for mills, such as sawmills or studmills that customarily use this No. 3 grade of logs also, and I am speaking of hemlock, Douglas-fir, and all species, the competition for all types of logs today is very real.

Senator MORSE. Mr. Johnson, first may I say to my colleague, Senator Mansfield, I apologize to him for taking so much time.

I have a couple more issues I want to discuss with you, but the reason I am doing it is this: I think we have now reached the point in these hearings where we have already a sufficient body of testimony to start drawing the lines together into a condensation of the issues that have been raised.

I shall get into the Canadian competitive issue with you shortly, but before I do that I want to continue the line of questioning that I have been on for the last few minutes.

As you know, members of this committee have made very clear to the lumber industry and the workers in the lumber industry, and then to the representatives of the administration, including the group of negotiators that the administration selected to negotiate with the Japanese in December, that we are not taking the position that all exports

of logs to Japan should be stopped. In our informal conferences as well in the record in this hearing the representatives of the lumber industry have not taken the position that all exports of logs to Japan should be stopped.

It is true that anyone going through this record with a fine-tooth comb might pick out a sentence here or there in which a witness now and then, speaking with rather deep feeling about the economic loss that the industry has suffered as the result of the exportation, has given the impression that as far as he was concerned he wouldn't object to stopping all exports. But even those witnesses, if you take their testimony as a whole, haven't actually advocated such a proposal.

I do not recall that any industry witness yet has testified that he would not support a ceiling to be placed temporarily to meet what the witnesses have said is an urgent need now to give some relief to the lumber mills of Washington and Oregon.

Now, most of the industry witnesses have testified in support of a ceiling of 350 million board feet, which was the exportation figure for 1966. Is that correct?

Mr. JOHNSON. Yes; this is my understanding.

Senator MORSE. We had a couple of witnesses yesterday who said that they would prefer the 1965 figure, which was somewhat under 350 million. I think there was some expression by those witnesses that they wouldn't object to even a lower figure but no indication even from those witnesses that they are not a part of the team, so to speak, representing industry in support of the 350-million-foot figure. Is that your understanding?

Mr. JOHNSON. That is correct.

Senator MORSE. Now my question to you is do you join in support of the recommendation of the representatives of industry heretofore testifying in this hearing, that you think the 350 million board feet which was the figure of 1966 would be a fair figure as a temporary restriction, and would bring the relief to the mills that you seek?

Mr. JOHNSON. Mr. Chairman, the position of my company is that the export from Federal timber can be stopped because the authorities exist to restrict it. Those authorities are not being used. Our position is, as has been stated by many other witnesses, that there is a crisis which exists today.

I know of mills within my local vicinity who were operating as of December 31 and they are shut down right now. When they will reopen is uncertain. Probably they will reopen if they can acquire logs to run the mill. They have the orders. They don't have the logs.

Our position is taken upon the basis that this crisis does exist. As I pointed out earlier, it existed in 1960 and 1961, or I should say that there was more installed capacity then than there was timber from the local public forests to supply that need. We know this situation still exists and is magnified by the Japanese log exports.

I would say we are on the team and we are for restriction. Our position is stronger than the 350-million-board-foot level. I am stating our company's position, and that is, we believe that complete restriction should prevail until such time that it is shown there is a surplus of logs available for export from the public forests. This is our position, Mr. Chairman, and again I wish to reiterate it doesn't take us off the team. We think restriction is necessary, and we hope perhaps that it will go to the level that Alaska currently is.

Senator MORSE. Mr. Johnson, I think that is a very fair, clear statement on your part. It is a very intellectually honest statement. We appreciate it very much. I think I owe it to the committee to point out that the committee has a multiple obligation that it has to carry out from the congressional level.

We have been very fair with the industry and the lumber workers, and we have also been very fair with the port authorities and the maritime workers from the very beginning in making clear, keeping constantly in mind the foreign trade policy of our Government. But we have to strike a balance between the lumber industry and the maritime industry, and when I say maritime industry, I include the port authorities and the maritime workers, the longshoremen, the seamen and the others. We have to find what that figure is, what that level of restriction is that will balance the rights of the two, that will give to the lumber industry the protection that it is entitled to, and more important than the interests of either the ports or the lumber industry, will recognize and protect the interests of the American public. It is our duty to urge the adoption of a timber policy that will carry out the trusteeship obligation that the Government owes to the American people, which is to conserve and develop our forest resources on that sound sustained-yield program necessary to provide future generations of Americans with lumber products in perpetuity. That is the job of this committee. It isn't going to be understood by some before we get through, I am sure, and probably will be very difficult to represent to those that will be special pleaders and seek only their immediate economic interests. We are accustomed to that as legislative representatives; but we have to place our confidence in what this entire record proves, not just one part.

I want to say, Mr. Johnson, I think you have been an exceedingly helpful witness in that you have pointed out the facts from the industry standpoint. Your statement simply reasserts the position that we on the committee have taken: We have got to find a balance. You point out some of the problems of unemployment. You point out also the competitive disadvantage that you are placed under by British Columbia and other Canadian manufacturers of wood products: that as long as you have to pay these high prices for logs, while the Canadian producers pay, as the record in this case already shows, a substantially lower price for Canadian stumpage, you can expect the competition that you are receiving right now and have been for some years from the Canadian mills for the eastern U.S. lumber market. And standing out in the causation of your competitive disadvantage is the difference in governmental timber policies between the Canadian Government and the United States. Most important, perhaps, is the fact that the Canadian Government is not happy with the exportation of logs to Japan, but enthusiastically supports the exportation of finished lumber products.

And as was pointed out in the hearing yesterday, although some logs are exported, the quantity that is exported, when compared with the quantity that is exported from the United States, Russia, the Philippines and others, the amount that is exported from Canada to Japan can be characterized, as we lawyers say, as *de minimis*. I think the record is perfectly clear and will be made clearer before the hearing is over, that Canadian logs are not exported in large quantity because such exports are not received with any enthusiasm on the

part of the Canadian Provincial governments and the Ottawa Government. Those governments do not stand by and see that kind of depletion of their natural resources.

Do you share the analysis that the chairman has just made of the record on the subject matter that I discussed?

Mr. JOHNSON. Yes, I do, Mr. Chairman. If I might, I would just like to make an additional comment with respect to some of your remarks.

My company, as I have indicated, is a newsprint producer. We are one of a rather limited amount of newsprint production in the United States.

As I think perhaps you are aware, Canada produces approximately 75 percent of the newsprint used in the United States. In this respect again I think I can point to the competitive position which exists.

Just as the lumber producers today are subject to their prices being established in many instances by the Canadian production, our product is also subject to the same situation. Our price is, in effect, set by the Canadian producers, because of their domination of the newsprint market in the United States.

I just might add a further comment that came to my attention yesterday and that is the matter of chip exports which is questioned rather extensively. For some period of years chips have been flowing in export from British Columbia into the pulp economy of the Northwest, particularly in Washington State. However, the installed capacity in British Columbia of pulping facilities has been enlarging in recent years, and the general understanding that we have—and we think it is very significant—is that the export of chips from British Columbia in the near future may be subject to being substantially reduced or cut off.

Now, the point I want to make here is that our concern is that if the supply of chips is reduced from British Columbia, this would be a further burden upon the domestic wood supply for the existing pulping operations in our region, particularly in Washington State. I thought it was perhaps worthy of bringing to the attention of the committee at this time with respect to the policy of export on chips as it pertains to British Columbia.

Senator MORSE. I am very pleased that you brought that out. I have not heard that mentioned before; I think it is a new fact to be included in this record.

I have only one other observation to make for your comment and then I will turn the examination over to Senator Hatfield. This records shows that industry witness after industry witness has advocated seeking an understanding with the Japanese that they will increase the purchase of finished lumber in the United States as part of an agreement that a specified quantity of logs will continue to be exported to Japan. Do you find yourself joining with the other industry witnesses in urging that our Government seek to work out such a negotiated settlement with Japan?

Mr. JOHNSON. Yes, I do.

Senator MORSE. We will hear from the port authorities and from the longshoremen and from other maritime union representatives their position on the point I now raise with you: the effect of the shipment of an increased amount of finished lumber upon total employment on the docks and on the ships compared to the shipment of an increased

quantity of logs. But with your experience in the industry, are you prepared to answer the question I now put to you?

If it were possible to work out an understanding with Japan, whereby they would agree to take increased quantities of finished lumber from the United States, and especially an increased quantity of finished lumber from Oregon and Washington, as they now purchase finished lumber from Canada and Alaska, would not there be more employment on the docks and on the ships that would compensate at least to a substantial degree for any loss of employment on the docks and on the ships that might result from a restriction on the quantity of logs below the figure of logs now being exported?

I am not prepared to say whether it would be more jobs or fewer jobs, but it at least would be more employment than would exist if you didn't have the agreement to increase the shipment of lumber, but followed only a restrictive policy of decreasing the amount of the logs. Are you prepared to say from your experience in the lumber business that the shipment of increased quantities of lumber to Japan would compensate at least in some degree for the loss of jobs that would flow from restricting the shipment of logs?

MR. JOHNSON. I would certainly believe that the effect would be a compensating one. I am not in a position to give any figures as to the amounts.

Senator MORSE. I am not, either.

MR. JOHNSON. The man-hours and employment that might be involved. I am not certain as to specifics in terms of hours for handling of lumber commodities.

Senator MORSE. I am not, either. This is a very important fact we have got to get into the record. But I raise the question with you because I think the industry is entitled to have this record show that it is not seeking to depress the ports, and it is not seeking to throw maritime workers out of jobs, but it is seeking to balance the interests between the ports and the maritime workers and the mills and the lumber workers in those mills. Is that not the position as far as policy is concerned on the part of the lumber industry representatives participating in this hearing?

MR. JOHNSON. Yes; it is.

Senator MORSE. One final question. You spoke in your testimony about the dimensions of the problem from the standpoint of the State of Washington as compared to Oregon. You pointed out that up until now, at least, a substantially larger quantity of logs has been shipped out of the State of Washington than out of the State of Oregon, but is it not true that in both States the quantity is sufficiently high so that it is damaging the economic welfare of mills in both States? And, therefore do not the representatives of both States have a common obligation to do what we can to work out this balanced figure that the representatives from Washington and the representatives from Oregon have heretofore gone on record in support of?

MR. JOHNSON. Yes, Mr. Chairman. The impact has accelerated and moved into Oregon so rapidly within the past 2 years from the original concentration in the Washington area, we certainly feel that any reduction—and as stated earlier our position is a reduction, in effect, to surpluses—but I might add a wider geographic distribution would even be very helpful to the industry in our State.

Senator MORSE. I want to thank you very, very much.

I now ask Senator Hatfield to ask such questions as he cares to.

Senator HATFIELD. Thank you, Mr. Chairman.

Mr. JOHNSON, on page 1 you describe some of the type of operations which you represent. I assume that when you are talking about 120,000 tons of annual production of newsprint, this is your primary product, that you are in that as the total of your organization indicates.

Mr. JOHNSON. Yes, Senator, that is our only product, newsprint.

Senator HATFIELD. Your only product. Could you tell me a little bit about the ownership of your company? Who owns your company?

Mr. JOHNSON. My company is owned by 41 newspaper publishing firms located in the nine western continental States and Alaska.

Senator HATFIELD. Could you name some of these for us as examples of who is involved in your company?

Mr. JOHNSON. They are as indicated distributed throughout Washington, Oregon, California, and other States. Some of them would be the Eugene Register Guard, the Aberdeen World, the Everett Herald, and then on into California.

Senator HATFIELD. Is the Eugene Register Guard the only Oregon newspaper involved in the ownership in the State of Oregon?

Mr. JOHNSON. I don't have the list with me, but others in Oregon are members, including the Medford Mail Tribune.

Senator HATFIELD. So that it is a significant resource and product which you are involved with as it relates to the newspaper printing world in other States that you mentioned. It is a very significant supplier of newsprint?

Mr. JOHNSON. Yes, it is. The percentages of newsprint from our firm used by each newspaper varies of course with the size of the publishing firm. I do point out, however, that we as a domestic producer do not supply any one of our newspapers with their entire supply of newsprint.

Senator HATFIELD. You mentioned about the increasing problem or potential problem, I should say, of chips as it relates to British Columbia supply. Did you hear testimony yesterday in which it was indicated by some of our witnesses that there is a great untapped potential in our own forests for the supply of wood chips which would lead to pulp and so forth, and therefore when you raise the question about the possible cutoff of British Columbia resources, would you care to comment as to what effect you would think this might have upon the development of a greater wood chip program here in the States of Oregon and Washington?

Mr. JOHNSON. I think it would have a tendency to stimulate the utilization of additional waste wood, also the utilization of more thinings from second growth stands.

Senator HATFIELD. As a professional forester, Mr. Johnson, do you feel that there are other ways that we could stimulate this greater utilization of this resource, without facing the crisis of a cutoff or great reduction from British Columbia sources? Do we have to wait for that crisis, in order to develop greater use of this resource?

Mr. JOHNSON. No. I don't believe that we have to wait. There are substantial movements underway within private ownerships, also within the Government agencies, to work toward more complete utilization. It does certainly stem to available markets which may not at the present time exist, but if improved techniques for harvesting and

salvaging these materials can be developed so that the additional material taken from them is brought in at a level of economics that will be operable, I think we are going to see increased utilization take place.

Senator HATFIELD. So actually we are moving on this, we are progressing in the development of this full utilization concept, and the Government could not use as an excuse such a possible crisis with British Columbia or other Canadian interests, could not be used as an excuse to fail to take action here that we are talking about in relation to export of logs.

Mr. JOHNSON. I am not certain that I understand the question.

Senator HATFIELD. Do you feel this is a program that we are moving on now in the full utilization, so that the Government could not use as an excuse, well, let the American interests move into some of these other areas of development to greater utilization and compensate or balance off some of their economic problems they now face with Japanese log exports?

Mr. JOHNSON. I think that our degree of utilization within the framework of our existing equipment and operational techniques is very high at the present time.

Senator HATFIELD. On page 6 and page 7 you talk about the purposes of the original acts. Then following that you state that you believe the same export restrictions as are used in Alaska should be imposed upon Federal timber in Washington, and Oregon, in other words, to maintain and stimulate the existing forest products industry under competitive conditions.

Would you expand and clarify for me at least the idea that you are expressing here as the same export restrictions that are used in Alaska? You are talking now about the specific existing Alaska restrictions, or are you talking about the general concept of restrictions?

Mr. JOHNSON. The idea that we have is that our experience insofar as reviewing contracts that have been proposed to be entered into between the Forest Service and the purchasers of Federal timber in Alaska specifically provide that the export of round logs will not be permitted unless by permission of the Forest Service, by permit, and this is our idea with respect to the national forests of Washington and Oregon.

Senator HATFIELD. Then as I understand it, you want to go one step further than that which we have heard discussed before this committee as to restrictions based upon some sort of level, like, for instance, the 1966 level of 350 million board feet. You want to go one step further, to make all logs, all round logs exportable only under special permit, is that the proposal that I understand you to make?

Mr. JOHNSON. This is correct, Senator.

Senator HATFIELD. Do you then not feel that the so-called temporary restriction based upon the 1966 level would correct the problem?

Mr. JOHNSON. It would help to correct the problem.

Senator HATFIELD. But you feel that it really, to be a long term adjustment here, can only be achieved under a total ban with the exception of a permit?

Mr. JOHNSON. Yes.

Senator HATFIELD. Of round logs?

Mr. JOHNSON. This is correct.

Senator HATFIELD. Would you care to comment about the so-called primary manufacturing arrangements which permit the squared-off logs to be shipped abroad, which means that we get one shot at the so-called mill level of a step toward manufacturing, before Japanese buyers can export the logs? Would you care to comment on that?

Mr. JOHNSON. I am not very familiar with this. I wouldn't care to make any comment upon it.

Senator HATFIELD. But would you not agree that this proposal that has been discussed, I don't believe before this committee as yet, the idea that certain primary manufacturing arrangements that are now existent in Alaska might be imposed upon Washington and Oregon Federal lands, such arrangements meaning that no round logs are exported but only those which have been squared off, do you feel that this general principle or this general economic concept might help cure this problem?

Mr. JOHNSON. We believe it would help to stimulate industry in the wood products field within our State and within the State of Oregon, not only maintain it but stimulate it and develop it, and this is the reason for our position. This is the intended purpose of the restriction upon the export of round logs from Alaska.

Senator HATFIELD. So we are getting down to actually round versus square log concept here. Mr. Johnson, do you know, have you had an opportunity to discuss this log problem with officials of your State other than congressional officials?

Mr. JOHNSON. Yes, we have discussed it with the State land commissioner at various times.

Senator HATFIELD. Did you hear the State land commissioner's views expressed before this committee, I believe it was 2 days ago now?

Mr. JOHNSON. Yes, I did.

Senator HATFIELD. Would you care to give us an evaluation of that position that he expressed to us?

I am not attempting to put you on the spot. Do you feel that this puts you on the spot?

Mr. JOHNSON. No.

Senator HATFIELD. If you do, I don't want you to respond.

Mr. JOHNSON. No. I would only respond in this respect. We understand the position which Mr. Cole is taking. We understand that there are some constitutional questions connected with this but as far as the export of logs from State lands is concerned, we feel that these too might logically be regulated in some manner.

The reason we take this position is that just as in the case of Federal timber, there are some areas of our State which are heavily dependent upon the sustained yield cut from the State forests, and again these contribute to the wood-processing economy of those particular areas. I think this is about as far as I would want to comment upon this testimony.

Senator HATFIELD. I gather then that you do not agree with some of his conclusions as they relate to the plight of the lumber industry today?

Mr. JOHNSON. This is correct.

Senator HATFIELD. And you feel that these matters which you have discussed more clearly represent the interests of the lumber industry and perhaps a consensus of other than yourself, others in the industry than just yourself?

Mr. JOHNSON. Yes.

Senator HATFIELD. I have no further questions. Thank you very much, Mr. Chairman.

Senator MORSE. One more question, Mr. Johnson, but first I want to thank Senator Hatfield for asking such helpful questions. He did a very fine job in examining you.

I am going to ask you this question and I am going to ask other witnesses this question. I want Mr. Hagenstein's attention. This is one of your term papers, and I will be glad to receive the answer from other representatives of industry. I cover the matter in the memorandum of questions which will be on the table in front of you before the day is over. The memorandum is being processed now. But I want to leave no room for doubt that the committee is asking to have the record contain a reply to a certain portion of Mr. Houlihan's argument yesterday. You heard Mr. Houlihan, Mr. Johnson?

Mr. JOHNSON. Yes; I did.

Senator MORSE. On page 3 of his statement under the subheading "Price" he said, and I quote:

Despite the massive propaganda to the contrary, I would again maintain that the price impact of exports is not substantial, whether considered in terms of the whole Pacific Northwest regional or localized areas. For example, the overbids which take into account quality, the difficulty of access and other relevant factors are generally lower in western Washington where approximately 75 to 80 percent of the exports originate than they are in western Oregon. A more specific comparison is between the overbids in the Gifford Pinchot National Forest, which is Washington's forest with the most sales, and a significant portion of the exports, and the Willamette National Forest, which is Oregon's forest with the largest sales but the source of insignificant exports. The overbids have been generally higher in the Willamette Forest during the period of exports than they have in the Gifford Pinchot Forest.

Now, this statement by Mr. Houlihan draws an issue in conflict with the position taken on the price issue by industry witnesses. And sitting on the committee where we have to render a final judgment as to what policies we should advocate, I think it is very important that, the issue having been drawn, the position of the respective sides on the issue be set forth in detail in the record of the hearing.

I do not ask you at this time, Mr. Johnson, to go into the detail that you may want to go into after you have given further study to Mr. Houlihan's comment that I have just read, but I would like to have you say anything at this point that you may wish to say in regard to his argument, in which he seeks to support the premise that the overbids leading to the higher prices really are not a factor that should be considered of controlling importance in the consideration of the issue as to whether restrictions should be placed upon exports of logs to Japan.

What do you have to say about that?

Mr. JOHNSON. Mr. Chairman, the experience that we have been confronted with leads us to completely different conclusions insofar as the western Washington national forests are concerned. However, our principal experience has been in bidding within our more approximate geographic area. The amount of overbids on the Gifford Pinchot as compared to the Snoqualmie, I am not in a position to comment upon at this point, nor am I necessarily able to make any kind of a comparison to the Willamette Forest. I think perhaps the best thing that we

could do at this point is to supply you our observations after a more intensive review of these bid records.

Senator MORSE. But Mr. Johnson, when Mr. Houlihan said that over-bids which take into account quality, difficulty of access and other relevant factors are generally lower in western Washington, where approximately 75 to 80 percent of the exports originate, than they are in western Oregon, does that change in any way the fact of the testimony that you have already given, that the bids in western Washington are so high that it puts the mills in a position where they cannot operate in the black, if they pay the prices that the Japanese paid for timber, for logs in western Washington? Isn't that the issue that faces you rather than a question whether or not the bids somewhere else may be lower or higher? Your testimony is that what you have to pay in western Washington, taking into account the very factors that Mr. Houlihan testified about—access and the problems of getting out the timber, whatever they may be, but also the Japanese bids—is a price so high that you can't buy the logs and operate your mill economically. Is that true or not true?

Mr. JOHNSON. Absolutely true.

Senator MORSE. And therefore it doesn't make any difference to you, buying in western Washington, what the bids may be in Willamette Forest or any other forests. The only issue you have to face as a mill operator is whether or not the high Japanese bids in the particular sales in which you have to bid against them in order to try to get logs happens to be so high that you can't operate economically. Is that true?

Mr. JOHNSON. That is correct.

Senator MORSE. And you have already testified that in 20 sales in which you bid, you found the price so high that you could buy only in one sale, at \$36 for hemlock. And that price, you testified, was so high that it resulted in economic problems for you in manufacturing that hemlock into finished lumber. Am I correct?

Mr. JOHNSON. Yes.

Senator MORSE. Thank you very much. I want to thank you very much for your testimony.

Mr. JOHNSON. Thank you, Mr. Chairman.

Senator MORSE. Before I call the next witnesses, I want to put in the record a statement from Congressman Brock Adams. In fact, since Congressman Adams couldn't be here this morning, I think it will be helpful to those in attendance at the hearing to know the contents of his statement. It is only two and a half pages. I am going to read it. I have already put in the record the statement from Congresswoman Hansen. Mr. Counsel, we are about to hear a series of Washington witnesses, of whom, incidentally, Mr. Johnson was one and Mr. Thompson yesterday and Mr. Bert Cole the day before. I would like to put all the Washington congressional statements that are filed in the record at this point. I have been informed this morning that some members of the delegation will appear personally to testify before the hearings are over, but as of now I would like to read Congressman Brock Adams' statement, as it will take me only a few minutes to read it.

The Congressman says:

MANAGEMENT OF TIMBER RESOURCES IN THE FACE OF RISING JAPANESE DEMANDS FOR LUMBER

The timber resources of the United States should be managed so as to provide the raw material necessary for use within the United States as a first priority and thereafter to provide an exportable commodity which will improve America's trade balance.

The problem has both short-term and long-term aspects which must be recognized if a true solution is to be found. The immediate short-term problems involve (1) an artificial raising of stumpage prices in the Pacific Northwest which is pricing the lumber industry out of the American market, and (2) the present shortage of lumber in Japan which it is estimated will last until the year 1980. At that time the flow of Japanese timber products from their forests will replace to a greater extent the necessity for heavy imports of American, Russian and Southeast Asian timber.

The problem should be solved through bilateral discussions with the Japanese since our trade problems with Japan involve many products in addition to our wood products. There are further discussions to be held with the Japanese on the 20th of February, but prior to that time the United States should develop internally a position that limits on the export of raw logs from the Northwest will be imposed unless the Japanese are willing to make certain agreements on limiting their total importation of raw logs to a reasonable figure and accept in the future a mix of logs and sawn lumber products.

This internal United States position will involve changes in a number of present American federal governmental policies, ranging all the way from management of timber lands in Alaska and in the Pacific Northwest through changes in the restrictions of the Jones Act on shipment of lumber products from Alaska and the Pacific Northwest to the East Coast of the United States.

There is a potential for an increase in the export of raw logs by means of a mix of raw logs and sawn lumber from Alaska to Japan. This can be done by changes in Forest Service policies in Alaska but only if stumpage prices in Alaska can reach a reasonable level through allowing Alaskan lumber to compete with Canadian lumber through amendment of the Jones Act on the shipping of lumber to the East Coast of the United States. This would take pressure from the raw log sources of the Pacific Northwest and constitute a positive offer to the Japanese of the needed relief in their market. It will also strengthen the Alaskan economy by providing for competitive Alaskan mills.

It is also possible during the period between now and the early 1980's when the Japanese demand for lumber will be at its highest to change certain management policies in the forests of the Pacific Northwest to make available certain overage timber and thus increase the availability of timber resources for American industry during this period without injuring at all the sustained yield potential of the American forests during the period from now through the year 2000.

It should be indicated to the Japanese that the United States is willing to provide a mix of raw logs and sawn lumber to the Japanese markets so they can maintain the 1966 level of imports, but any additional increases in the Japanese consumption of American wood products from the year 1968 onward would require them to continue to accept a mixture of logs and processed lumber from Alaska and the Pacific Northwest.

The unavailability of the Japanese market through controls by the major Japanese trading companies must be corrected by the Japanese if we are to continue to provide log and lumber exports to Japan. The area of compromise should be decided in the February 20th negotiations with the Japanese and if the Japanese government refuses to make any concessions at that time, then the United States government should make it clear that it will be forced to consider unilaterally establishing the same type of log export controls as presently exist in Russia, Canada and the Philippine Islands.

I hope it will not be necessary for the United States to take unilateral action because the general trade we enjoy with Japan is important to the United States and Japan has been one of our strong allies and friends in the Pacific since World War II. The log export problem is only one part of a very large relationship, but I do not believe the United States is being unreasonable to request access to the Japanese market on a free trade basis for our lumber products in return for maintaining the free trade principle of making American forest products (logs and sawn lumber) available to Japan.

The committee appreciates very much receiving Congressman Adams' statement and I thought it particularly appropriate that I should read it into the record just preceding the testimony of Washington witnesses.

We are going to have a panel to testify now, and I am very glad to call on Mr. Ray Heinke, Mr. Henry E. Soike, and Mr. Donald Van Brunt. Will you come forward?

Mr. Heinke is representing the port of Tacoma, Mr. Soike is representing the port of Grays Harbor and Mr. Van Brunt is representing the ILWU, the Longshoremen's Union.

Gentlemen, on behalf of the committee I welcome you. We are delighted to have you with us. It is very important that we receive for the record statements from port authorities and from maritime worker representatives as to what they think ought to be a reasonable and fair solution to the problem that confronts the committee. You may proceed in your own way.

STATEMENT OF HENRY E. SOIKE, MANAGER, INDUSTRIAL DEVELOPMENT DIVISION, PORT OF GRAYS HARBOR, ABERDEEN, WASH.

Mr. SOIKE. Thank you, Mr. Chairman.

I would like to submit my prepared statement for the record and to review it at this time.

My name is Henry E. Soike and I am manager of industrial development for the Port of Grays Harbor. I am here today representing the Washington Public Ports Association and speaking for those major ports in our State who provide public facilities for waterborne commerce and are extensively engaged in the log exporting movement to Japan. The ports to which I specifically refer include: Bellingham, Anacortes, Everett, Seattle, Olympia, Port Angeles, Willapa Harbor, Grays Harbor, Longview, Vancouver, and Tacoma—who is represented here today.

As a result of the telegram received by our association, soliciting testimony at this hearing, representatives of these ports met as a group to assist in preparation of the statement I am making here today.

I must first state the Washington Public Ports Association is opposed to restrictions upon the export of logs. In a resolution passed by the association November 29, 1967, it reiterated its opposition to the restraint of trade, the restriction of log exporting, and the imposition of Federal quotas, and urged the U.S. Department of State to seek from the Japanese elimination of trade barriers that presently impose restrictions detrimental to free exchange of commodities. Our opposition to export restrictions is based upon a confident knowledge of the economic benefit of the free exchange of commodities, and the insistence that full consideration must be given to the following factors:

1. The importance of foreign trade to the Pacific Northwest economy.
2. The millions of dollars of port plant investment.
3. The thousands of jobs, and the millions of dollars in payrolls directly attributable to the log export movement.
4. The economic devastation which could result if the proponents of trade restrictions are heeded.

The public ports in the State of Washington are realizing revenues directly attributable to log export movements which at the present time are at the rate of \$4,078,416 annually (1967). This substantial revenue has provided a firm base allowing the ports to embark on capital expenditure programs to provide much-needed facilities for all types of commerce. These capital expenditures, made possible by log export revenue, today is in excess of \$42 million, with additional new projects being developed. In most cases the financing of these capital expenditure projects is being provided by revenue bond issues which are conditioned upon the continuing high level of port revenues. The statement presented by the port of Tacoma here today will more definitively outline the impact of log export on a port and its surrounding community. Further testimony will divulge that more than 7,000 new jobs have been created by log export and in excess of \$106 million in new money was generated to the local economy in 1967. (Figures developed from report by Bureau of Business Research, University of Oregon.) Statements have been made that 4,000 jobs have been lost due to sawmill closures. We quote from the report by Mason, Bruce, & Girard, consulting foresters, dated October 12, 1967, and titled "A Comparison of Economic Conditions and Trends in Four Selected Communities in Relation to Log Exports," and we quote:

Total estimated wood manufacturing employment has remained about constant, changing from 9,726 to 9,615.

The impact and importance of log export revenues goes much deeper into community affairs than is sometimes realized. One particularly revealing facet is the importance of these revenues to our schools. Figures developed by the Washington Education Association have shown that \$3¾ million in 1967 went into the common school fund in the State of Washington derived from timber sales from Federal lands.

The most interesting aspect of this economic boom is the self-replenishing ability of the resource, unlike coal, petroleum, and ores. Our forests are being managed by the Federal and State Governments and by private industry on the basis of "annual allowable cut" which is the estimated annual crop which can be obtained without endangering the even flow in future years. The annual harvest has not yet reached that level. The "Treasury Department Staff Report on the Pacific Northwest Log Export Problem" reveals some interesting and outstanding facts which should be given full consideration, and we wish to quote directly from that report, and we quote:

At present, roughly 35 percent of the annual growth of our forest inventories are lost to fire, disease, and other sources of timber mortality.

An intensified forest stand improvement program can, according to the Forest Service, considerably reduce these mortality losses. In a recent public letter to Congressman Wyatt, the Forest Service estimated that the annual allowable cut could be increased by about 500 million board feet (log scale) per year.

In addition, the Forest Service has an aerial balloon logging technology under development, as do the Canadians. This technique is considered promising, particularly for logging presently commercially inaccessible steep slopes (areas supporting very substantial timber volumes not currently a part of the annual allowable cut). A 1.0 billion board feet increase in the allowable cut in Washington, Oregon and Alaska should be possible as a result, according to published Forest Service estimates.

And we continue to quote:

The scope of the forest-stand improvement measures, and the harvesting of dead timber, could be considerably expanded, if completion of the already-planned network of forest access roads on public lands were to be accelerated. No estimates of costs and benefits with respect to an expanded road network are available to us. We would hazard a guess that an additional 0.5 billion board feet per year, beyond above estimates, could be obtained for annual expenses of \$5 million per year for road maintenance and forest management in these presently inaccessible areas, and a one-time investment of \$50-\$100 million for roads. The value of this timber, in domestic terms, easily could approach \$20 million per year.

The increased yields set forth above pertain to Federally-owned timberlands.

All of the above measures have the advantage of being within the present framework of Federal timber management policies.

The report, recognizing that these programs will take time, further states, and we continue to quote:

An additional cut is currently needed. However, there now exists a very large inventory (relative to needs) of overmature wood. With the assurance that the above programs will be placed into effect, the inventories could permit some immediate adjustments of the allowable-cut rates.

Timber will rot on the forest floors in Washington, Oregon, and Alaska, under present policy.

The Department of Agriculture publicly has stated harvesting this presently-wasting timber through an accelerated cutting program would substantially increase the available supply of timber over the next few decades without any diminution thereafter from the presently planned sustainable yields.

A rationale appears to be avoidance of disruption of the economic situation of the local communities, through a "temporary" economic boom of over 40 years duration, based on "catch-up" cutting. The Forest Service thus appears to be advocating the waste of as much as 160 billion board feet of timber, worth a conservative \$8 billion, to avoid prosperity now, and dislocation 40 years hence.

It is worth emphasizing that no significant economic dislocation need occur from an accelerated cut to harvest this U.S. timber. The Japanese import requirements bulge through the 1980's, and then taper off. By the late 1980's an increasing stream of harvests of native Japanese timber, now being developed under an intensified forest management program, will permit a tapering off of imports.

Thus the bulge in the American cut can be tailored to the bulge in Japanese import needs, with benefits to both countries. To the extent that some of these exports are in the form of logs no "temporary" dislocation of sawmill communities would result.

Here we end our quotes of the Treasury Department's report, but urge that the report in its entirety be studied by this committee. We took the liberty of quoting from the report quite extensively, as we believe that it offers the most promising and logical solution to the problem of log supply as expressed by the sawmill and plywood interests. Certainly the restriction of log exports is not a solution, but increased harvesting promises the best, long-lasting results.

Representatives of the ports extensively engaged in log exporting activities have indicated that no economic depression exists in their

port districts; in fact the opposite is true. Prior to the recent emphasis on log exporting, many of these communities, which in all cases are timber processing communities, were designated by Federal agencies as economically depressed areas and qualified to receive Federal aid.

We trust the action taken at the Federal level will not return these areas to their prior depressed status.

Mr. Chairman, I wish to thank you and the committee for the opportunity of presenting this testimony for your consideration.

Senator MORSE. Mr. Soike, we are happy to have your testimony. I am going to continue the panel discussion. We will hear the other two witnesses and then all three of you will be open to such questions as the committee may wish to ask.

Therefore our next witness will represent the Port of Tacoma, Mr. Ray R. Heinke, manager, terminal division of the Port of Tacoma.

We are delighted to have you. You may proceed with your statement.

STATEMENT OF RAY R. HEINKE, MANAGER, TERMINAL DIVISION, PORT OF TACOMA, TACOMA, WASH.

Mr. HEINKE. Senator Morse and members of the committee, I am Ray R. Heinke, manager, terminal division of the Port of Tacoma, Tacoma, Wash. We are the port of Pierce County.

You have heard previous testimony from Mr. Henry Soike, representing the Washington Public Ports Association. He outlined basic policy of the association and the overall impact of log export on the deepwater ports of the State of Washington. I propose to outline for you specific data on the impact of log exports on the Port of Tacoma and the contiguous area.

PORT POLICY

The Port of Tacoma is chartered by the State of Washington to primarily provide two services:

1. Provide land developed and suitable for acquisition by industry and industrial development.
2. Provide public facilities in support of waterborne commerce engaged in import-export activities.

FACTORS TO CONSIDER

This committee has heard, and will hear considerably more, data concerning the economics of manufacture versus exporting, changing economic patterns as they affect the wood products industry, competition from other building materials, the sustained yield, harvesting, and many others. I, as a port manager, am not fully qualified to discuss these factors completely. However, I can give this committee a detailed account of the impact of log exporting on the Port of Tacoma and Pierce County. I also propose to raise one other point that I do not believe has been brought to the attention of the committee as yet. That is the strategic importance of port development.

ECONOMIC CONSIDERATIONS

The Port of Tacoma does not look upon log exporting as a separate entity, but rather as one of the substantial building blocks in overall

port development. Revenues from log exporting, which has increased rapidly in the past 6 years, has been the base for expansion and modernization of the terminal facility. It has also provided a base for the sale of revenue bonds with which to provide terminal facilities and development of a growing industrial district. For the terminal division, we have under construction two pier complexes. Our pier 7 complex consists of three 600-foot berths; one warehouse; six cranes, one of which is the most modern on the Pacific Coast; some 45 acres of backup area; and an additional 800-foot berth presently on the drawing board. This pier complex has a value of \$7.8 million. Our pier 4 complex, which is now under construction, consists of two 700-foot berths, one 150,000-square-foot warehouse, a container crane in the design stage, and 27 acres of backup land. This pier complex, which will have the capability of handling a multitude of cargoes, will have a capitalized value of \$4.5 million. This provides a service facility to the area and jobs for the people.

PORT CARGOES

By utilizing log exports for a base of terminal development, the port has been able to utilize the pier 7 complex for handling a multitude of cargoes. Many of the import cargoes fall within the critical, strategic material category. Cargoes handled over this pier complex consist of logs, lumber, ore concentrates, heavy equipment, steel, alumina, aluminum, fertilizer, and general cargoes. The port would not have had this complex without the log-handling revenues as a base.

ECONOMIC IMPACT OF LOG EXPORT

In the year 1967, the Port of Tacoma provided facilities over which 227.7 million board feet of logs, Scribner scale, were moved. Since it is customary in port operations to convert miscellaneous items into tons for comparative purposes, this amounts to 1.1 million tons. Utilizing factors developed in two recent studies on the economic benefits of port operations, they revealed that each ton of logs handled had an economic benefit of \$16 per ton to the community. This includes port revenues, wages paid to longshoremen, and others involved in the handling of logs at the port. For the Port of Tacoma, this amounts to \$17.8 million. The two reports from which these data were derived were "Research and Promotion Bureau, Delaware River Port Authority," and "Bureau of Business and Economic Research, University of Oregon."

Utilizing the factors referred to in the previous economic value studies, the overall economic benefit of the port to Pierce County, based on total tonnages moved, would be approximately \$38.3 million.

I would like to point out to the committee that 4 years ago Pierce County was a depressed county under the definition of the U.S. Department of Labor. It was largely the development of industrial lands, which have been sold to some 101 industries, together with the port terminal activities, that have been instrumental in changing this picture.

STRATEGIC IMPORTANCE

The Port of Tacoma, in order to support its log export market, developed berths with high bearing capacity, and large open areas

immediately adjacent. During the recent Vietnam buildup of troop units and heavy equipment, originating from Fort Lewis, 15 miles from our terminal facility, the Port of Tacoma was found ideally suited, and ably prepared, to support these military operations. The heavy cranes used for the log movement were readily adaptable to the heavy lifts required by the military. We were told that the 4th Division, and numerous nondivisional units, would have been hard pressed to move without our port facilities.

We are still continuing to provide facilities for the movement of military cargoes to support the Southeast Asian areas.

OTHER ANCILLARY BENEFITS

The Port of Tacoma has utilized its facilities and expanded its base of operation to where it has now stabilized the longshore industry in Pierce County. The port has also aided the wood products industry by sending its sales staff to Japan to assist in selling lumber products, particularly plywood. While our sales staff found Japan to be quite receptive to importing softwood plywoods for structural purposes, the demand for metric dimensions apparently constitutes a problem for U.S. manufacturers. It is our opinion that the market is there if properly exploited.

U.S. AGREEMENTS

The General Agreement on Tariff and Trade (GATT), signed by the United States and some 60 other countries, is dedicated to reduction of tariffs and other trade barriers. To curtail log exports would conflict with this basic policy.

To quote from remarks made by Mr. H. R. Josephson, Director, Division of Forest Economics and Marketing Research, Forest Service, USDA, while appearing before a recent meeting of the pulpwood industry in Tacoma, Wash.:

Part of the difficulty in establishing controls on log exports stems from the fact that the GATT requires that an exporting nation, placing controls on exports of an exhaustible natural resource, must also restrict domestic consumption. The Export Control Act does not include authority to impose such domestic controls. Also, it's a pretty safe assumption that controls on domestic production or consumption would not be welcomed by U.S. timber industries. And, restrictions on volumes of timber cut would certainly be opposed by many landowners and other economic groups who benefit from log exports.

CONCLUSIONS

1. Pierce County has not, in recent years, had any of its wood products industries closed as a result of log exporting. Consequently, log exports are added incomes over and above the domestic market.

2. Facts have not been developed to date to warrant restrictions on log exporting.

3. If log exporting is substantially curtailed, Pierce County will probably again become a depressed area.

4. Without the log export base, Port of Tacoma would have to rely upon tax revenues to provide funds for expansion and capital improvement.

RECOMMENDATION

That the committee find that log exporting is generally beneficial to the overall good of the national economy, and that exporting not be curtailed.

Senator MORSE. Thank you very much, Mr. Heinke. We are glad to have your testimony as part of the panel contribution.

Now, I am pleased to call upon Mr. D. W. Van Brunt, representative of the International Longshoremen's and Warehousemen's Union. Mr. Van Brunt appeared before us, not this committee but members of the Oregon-Washington delegation. We had two conferences there and he has made very significant contributions to those conferences. We are very desirous to have you, Mr. Van Brunt and other representatives of your union as well as the other maritime unions appear or file statements for the record. I think you may find it desirable and feasible to take advantage of the ruling that the Chair gave yesterday that the record will be kept open until 5 p.m. January 30. I would like to have Mr. Heinke and Mr. Soike keep this in mind too, if there are any supplemental statements that you may want to file for the record. I will close the record at 5 p.m. January 30. I will close the hearings at the end of our hearings next Tuesday. We will run as long as necessary to hear all the witnesses.

Now, Mr. Van Brunt, you may proceed in your own way.

**STATEMENT OF DONALD W. VAN BRUNT, REPRESENTATIVE,
INTERNATIONAL LONGSHOREMEN'S & WAREHOUSEMEN'S
UNION, SAN FRANCISCO, CALIF.**

MR. VAN BRUNT. Thank you, Mr. Chairman and members of the committee.

My name is Donald Van Brunt. I represent the Columbia River and Oregon District Councils of the International Longshoremen's & Warehousemen's Union and the Puget Sound District Council of the International Longshoremen's & Warehousemen's Union.

The ILWU locals of Oregon and Washington, having received a telegram from Senator Morse dated January 5, 1968, submit the following in answer to his three questions:

(1) What are the essential facts of log exports in terms of the total regional economy, jobs eliminated, jobs created, interests aided, and interests injured?

(2) How and why do the Japanese pay the prices they do?

(3) What can and should be done by Government to minimize detrimental effects of log exports and maximize whatever benefits may be involved? What is your view of the proper, equitable balance to be struck between conflicting interests? And what are the best methods for achieving balance?

In answer to the first question, we have prepared the attached statistics, showing the footage shipped from each port in Oregon and Washington, the revenue received by each public port authority, the hours worked, and wages received by the loggers and trucks who cut the timber and haul it to the sorting yards and ponds, the hours and wages of the men who sort, grade, and move the logs to the shipside, the hours and wages of the longshoremen who load the logs on the ships,

the hours and wages of all administrative and clerical employees who are directly involved in the exporting of the logs.

Senator MORSE. What you have just described, Mr. Van Brunt, identifies for the record "1967 Log Exports," and this will be inserted in the record at the conclusion of your statement.

Mr. VAN BRUNT. Thank you.

The total in man-hours to the two States is 15,086,371 and the total wages involved amount to \$57,573,519.60, plus \$5,386,284.92 income in revenue to public port authorities.

Figuring 2,000 hours as an average year's work, there are 7,543 people employed as a direct result of log exports.

As to the interests aided besides those mentioned above it is to the interest of everyone in the two States to see that we do not lose the \$57,573,519.60 income we have from log exports in hopes that someone may be able to reemploy some of the unemployed from the lumber industry which has been a developing problem since the mid-1950's. We find the basic problem is in marketing of domestic lumber and plywood products, as well as transportation, high interest rates, competitive building products, low housing starts and increased imports of Canadian wood products.

In answer to the second question, we can only say that the Japanese manufacturing methods provide them with a somewhat better return in lumber products than does the American method and there is a market for the lumber in Japan that there is not in the United States.

In answer to the third question by Senator Morse, several things could be done by various Government agencies to help the Northwest lumber industry:

1. The U.S. minimum wage could be raised in order to bring the southern U.S. competition closer to the northern wage standard.

2. There could be an equalization of freight rates between the West and the East and the South and the East.

3. There could be a tariff placed on the import of lumber products from Canada which would give the Northwest a better chance at the east coast market.

In view of the domestic market, the declining annual cut, the lack of an existing foreign market, and the U.S. import of lumber products from Canada, and the Forest Service statistics showing that the allowable cut under our sustained yield program is increasing annually, we can see no reason to restrict any portion of the log exports.

I would like to add for the record, Mr. Chairman, that early in the 1960's the longshore industry of the Northwest was very depressed. The longshoremen in 10 out of the total of 16 ports in the Northwest were not able to make a living. As a matter of fact, in 1962 the Pacific Maritime Association and the I.L.W.U. were trying desperately at great expense to move the longshoremen from the depressed ports to the more prosperous ports, in an effort to retain the many skills and years of experience in the industry.

Today, with the exception of Newport, Oreg., which by the way does not ship any logs and has never shipped logs, every one of those ports in the Northwest are blessed with full employment, and are the highest earning ports in the longshore industry on the Pacific coast of the United States. And were log exports to be severely cur-

tailed, or curtailed to any great extent, it would have an immediate effect on the economy of those ports. Willapa Harbor, Grace Harbor, Port Angeles, Anacortes, Bellingham, Olympia, Everett, Coos Bay, Oreg., and Astoria, Oreg., would immediately become depressed ports. Where we were moving people in the early sixties from those ports as well as from one port in Alaska and Hawaii to other places in order to retain their employment we have added to every one of these ports manpower, in order to meet this demand. We feel, as we said in our December 5 letter-statement to you, we feel that very careful deliberation should be given to what now exists prior to any restriction being placed on log exports.

Senator MORSE. Mr. Van Brunt, I would like to include that letter in the record at this point, that is your letter of October 5?

Mr. VAN BRUNT. December 6 I think it was.

Senator MORSE. See that counsel is supplied with a copy of it. It ought to be made a part of your testimony. It will be inserted in the record at this point.

(The letter and the table of statistics referred to follow:)

INTERNATIONAL LONGSHOREMEN'S & WAREHOUSEMEN'S UNION

150 GOLDEN GATE AVENUE, SAN FRANCISCO 2, CALIFORNIA, PROSPECT 5-0533

HARRY BRIDGES
President

J. R. ROBERTSON
Vice-President

LOUIS GOLDBLATT
Secretary-Treasurer

December 6, 1967

TO: Art Greeley, Associate Chief, Forest Service,
Department of Agriculture.

Boyd Rasmussen, Director of the Bureau of Land Management,
Department of Interior.

Stanley Nehmer, Deputy Assistant Secretary for Resources,
Department of Commerce.

Mr. Paul Heise, Department of Labor
14th and Constitution N. W., Washington, D. C.

Joseph A. Greenwald, Deputy Assistant Secretary for International
Trade Policy, Department of State.

Washington State Senators.

Oregon State Senators.

Washington State Congressional Delegation.

Oregon State Congressional Delegation.

Dear Sirs:

Re: Log Exports

The I. L. W. U. locals of Oregon and Washington have carefully studied all the material presented by the lumber and plywood industry at the hearings in Washington, D. C. as well as spending many countless hours of research over the past years and particularly in the past six months on the subject of Log exports, their effect on the sustained yield, their effect on employment in the North West, and their effect on the lumber and plywood industry in general.

We would like to point out some facts that we feel you must give great consideration too prior to your making any final decision on this subject.

Longshoremen in Oregon and Washington earned \$14,687,383.60 in wages from log exports in 1966 (See attached) and loggers and haulers earned \$27,984,624.00 from the same logs for a total income to the two groups of \$42,672,007.80. In addition to this, tug boat crews, sorting yard employees and truckers sued to move the logs to ships side earned an additional

Page Two - Re: Log Exports
December 15, 1967

4½ million dollars in wages, or a total of 4.7 million dollars in wages.

In 1967 this income has increased by approximately 30%.

In the early 1960's the Longshore industry in the North West was very depressed, the longshoremen in 10 out of the total of 16 North West ports were not able to make a living. In 1962 the Pacific Maritime Association and the I. L. W. U. were trying desperately to move the longshoremen from depressed ports to the more prosperous ports in an effort to retain their many skills and years of experience in the industry. Today with the exception of Newport, Oregon, the only port that doesn't export logs, the ports in the North West are blessed with full employment and have had to add to their work force in order to meet the manpower demands.

Since the increase in log exporting, the public ports have invested in excess of 42 million dollars in facilities and equipment to handle logs. The maintenance and operation of these facilities has created a substantial income for many port employees in addition to the longshore income involved.

The stevedore companies have invested in new equipment and machinery that has again created income over and above the longshore income.

Records of the log shipments made, show that in excess of 80% of the total log exports are now Hemlock, which is not used to any large extent by the small saw mills who are claiming they are being deprived of logs to saw in their mills.

U. S. import records show that the United States imported over 800 million feet of finished lumber products from Canada in 1966, of that sum Weyerhaeuser imported 280 million, yet they are one of the many firms that complain of a poor domestic market.

Many of the firms that were represented in the Washington, D. C. meeting of November 27 and the Portland, Oregon meeting of December 6 (copy of names attached) claimed that they were unable to buy public timber because the export market was forcing the prices steadily upward, yet in the graph they prepared (copy attached) the price has steadily dropped in the year 1967, while the volume of exports from public lands steadily increased.

In conclusion we find that the problem in the lumber and plywood industry has been developing since the mid 1950's and that the basic problem is in marketing of lumber and plywood products, as well as transportation, high interest rates, competitive building products, low housing starts, and increased imports of Canadian wood products.

Page Three - Re: Log Exports
December 15, 1967

We urge the United States State Department to seek from the Japanese Government elimination of trade barriers that presently impose restrictions detrimental to free exchange of commodities, and particularly forest products, and that the importance of foreign trade to the Pacific Northwest's economy, the millions of dollars of investment, and the additional millions of dollars of employment created by the log export movement be given full weight in any deliberations concerning foreign commerce.

Very truly yours,

D. W. Van Brunt

D. W. VAN BRUNT

For I. L. W. U. Locals of
Oregon and Washington

1330 Spruce

Longview, Washington 98626

DWV:edf
ptoeu #11
Enc. 3

LOG EXPORTS

LOGGING & HAULING TO THE POND

PORT	QUANTITY-FT	LONGSHORE		LOGGING & HAULING TO THE POND	
		MAN HOURS	WAGES	MAN HOURS	WAGES
Willapa Harbor	45,341,000	58,580	\$ 363,196.00	240,034	\$681,813.61
Grays Harbor	363,367,617	469,467	2,910,695.40	1,635,150	5,464,126.17
Port Angeles	162,452,297	209,886	1,301,293.20	731,034	2,051,768.03
Anacortes	32,333,028	41,773	254,992.60	145,498	486,205.81
Bellingham	43,773,712	56,555	350,641.00	196,978	658,235.31
Seattle	24,299,258	31,394	194,642.80	109,344	365,378.74
Tacoma	283,289,443	366,007	2,269,243.40	1,174,800	4,959,956.66
Olympia	59,164,417	76,439	473,921.80	266,238	889,678.65
Everett	135,668,371	175,282	1,086,748.10	610,506	2,040,107.55
Vancouver	35,758,000	46,198	286,427.60	160,820	537,405.62
Longview	162,475,942	209,917	1,301,485.10	731,136	2,443,212.78
TOTAL	1,347,923,085	1,741,498	\$10,793,287.60	6,301,538	\$20,577,888.93
Portland	132,634,614	171,362	1,062,444.40	596,852	1,994,480.42
Astoria	279,000,000	360,465	2,234,883.00	1,255,500	4,295,462.50
Coos Bay	74,500,000	96,253	596,763.60	334,250	1,116,792.35
OREGON TOTAL	486,134,614	628,080	\$3,894,096.00	2,186,602	\$7,406,735.27
TOTAL	1,834,057,699	2,369,578	\$14,687,383.60	8,488,140	\$27,984,624.20

GRAND TOTAL
 1,834,057,699 feet of logs
 10,857,718 man hours
 \$42,672,007.80 wages

NOTE: Longshore Wages include travel time and subsistence.

PEOPLE IN ATTENDANCE LOG EXPORT MEETING HELD DECEMBER 6, 1967
IN HILTON HOTEL, PORTLAND, OREGON

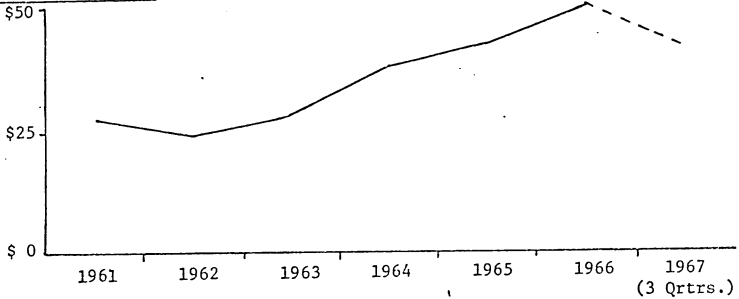
<u>NAME</u>	<u>ADDRESS</u>	<u>REPRESENTING</u>
D. W. Van Brunt	1330 Spruce Longview, Wash. 98632	ILWU
Richard Ford	210 E. Union Olympia, Wash.	Wash. Public Ports Assn.
L. L. Stewart	Culp Creek, Oregon	Western Wood Products Assn.
Wendell B. Banes	Yeon Building, Portland	Western Wood Products Assn.
Jim Bailey		United Brotherhood of Carpenters and Joiners of America
Ted Prusia		Western Council of Lumber & Sawmill Workers
James Bledsoe		Western Council of Lumber & Sawmill Workers
Kenneth Davis		Bro. Carpenters
Joseph W. McAadren		Western Forest Ind. Assn.
Ray C. Swanson		Swanson Bros. Lumber Co. Western Forest Ind. Assn.
John C. Hampton		Willamina Lbr. Co. & WWPA=
B. L. Orell	Tacoma, Wash.	Weyerhaeuser Company
Don Baskes		Cabas Mills Barker-Willamette Lbr. Co. (North West Timber Assn.)

<u>NAME</u>	<u>ADDRESS</u>	<u>REPRESENTING</u>
O. D. Hallin	San Francisco	Crown Zellerbach
W.O. Hagenstein	Portland	Industrial Forestry Assn.
R. F. Dwyer	Portland	
John Brandis	Portland	Brand-S Corp.
Stanley Bishoprick	2000 S. W. 5th Ave. Portland, Oregon	Dant & Russell, Inc.
Ellis Bischoff	Rte 3, Box 6856 Salem, Oregon	Mountain Fir Lumber Co.
W. Swindells	1002 Executive Bldg. 811 S. W. 6th, Portland	Willamette Ind.
Donald J. Murray	910 Fifth Ave. Seattle, Wash. 98104	Wash. Education Assn.
Ed Garrison	P. O. Box 1563 Tacoma, Wash.	Resource & Trade Committee
E. L. Perry	P. O. Box 1612 Tacoma, Wash.	Port of Tacoma
Fred R. Smith		Seattle Stevedore Co.
Neill Whisnant	Portland, Oregon	Brady-Hamilton Stevedore
M. Stewart	Seattle, Wash.	Seattle Stevedore Co.
Gene W. Sibold	Olympia, Wash.	Port of Olympia
Del Bausch	111 W. Thurston Olympia, Wash.	ILWU Local 47
Paul H. Conner	Rte 1, Box 60 Port Angeles, Wash.	State Representative
Michael O. Benett	Bell St. Terminal Seattle, Wash.	Port of Seattle
E. W. Clackson	P.O. Box 660 Aberdeen, Wash.	Port of Grays Harbor
Jack O. Hudson	4th & Anderson Coos Bay, Oregon	Port of Coos Bay
Robert E. Dillman	290 S. 4th St. Coos Bay, Oregon	Port of Coos Bay

<u>NAME</u>	<u>ADDRESS</u>	<u>REPRESENTING</u>
Keith Hansen	3070 N. W. Front Ave. Portland, Oregon	Portland Public Docks--
Sam Konnie	2010 Graham Drive Eugene, Oregon	Swanson Bros. Lbr. Noti, Oregon
Arthur Lindley	Dexter, Oregon	Kimball Bros. Lumber
John A. Davenport	Portland, Oregon	WFIA
Wayne Gaskins	Portland, Oregon	WFIA
Bronsen Lewis	Portland, Oregon	APA
John Martinson	Portland, Oregon	Anacortes Veneer Co.
Mrs. Paul Collins	6101 N. E. 94th Ave. Vancouver, Wash.	League Women Voters
Mrs. Herbert E. Evans	348 Tenth St. Washougal, Wash.	League Women Voters
Mrs. C. R. Bryant	12716 N.W. 31st Ave. Vancouver, Wash.	League Women Voters
Charles E. Young	Portland, Oregon	WWPA
T. L. Bentley	6637 S. E. 100th	APA and Publishers Paper
Chas. Mann	252 Broadway Tacoma, Wash.	Log Export Council
Darrell Robinson	2525 S. W. 3rd Portland, Oregon	Western Lbr. Marketing Assn.
Ed Westerdahl	State Capitol	Governor's Office
Kess Cannon	State Capitol	Governor's Office
Paul King	700 Yeon Bldg. Portland, Oregon	WWPA
W. F. Newell	State Capitol	Governor's Office
C. E. Hodges		Port of Astoria
Wm. J. Moshofsky		Georgia-Pacific Corp.

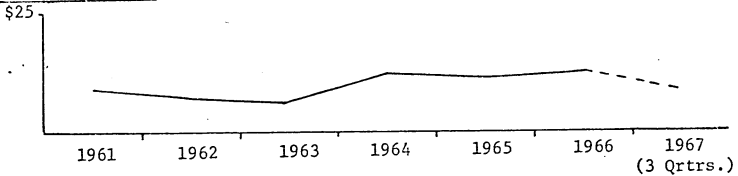
Average Stumpage Prices For Sawtimber Sold From National Forests
Region Six
1961-1967

Douglas Fir-West Side



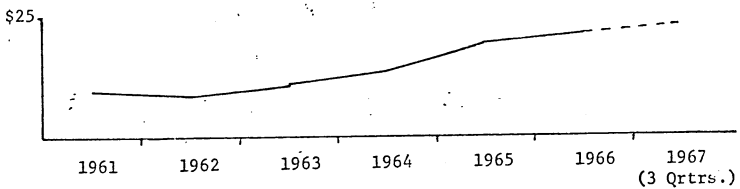
D. F. West \$27.60 \$24.80 \$28.00 \$38.10 \$42.60 \$50.00 \$41.60

Douglas Fir-East Side



D. F. East \$ 9.10 \$ 6.90 \$ 5.80 \$10.90 \$10.20 \$11.80 \$ 8.60

Western Hemlock



West. Hem. \$ 9.70 \$ 8.90 \$10.40 \$13.30 \$19.10 \$20.60 \$22.20

Source: "Production, Prices, Employment and Trade in Pacific Northwest
Forest Industries"
Pacific Northwest Forest and Range Experiment Station

1967

LOG EXPORTS

P. O. R. T.	QUANTITY-FY SCHUBER	QUANTITY-FY BREITAN	PUBLIC PORT REVENUE	LONGSHORE		LOGGING AND HAULING TO POND CRAYED		SORTING-BRIFFING AND HAULING TO SHIPS		ALL AMVIS'RTVE MAN, A. T. O. C. E. R. I. A. L. MAN, A. T. O. C. E. R. I. A. L.	
				MAN HOURS	WAGES	MAN HOURS	WAGES	MAN HOURS	WAGES	MAN HOURS	WAGES
VILLAPA HARDOR	25,080,000	45,600,000	\$130,000.00	50,160	\$321,024.00	171,423	\$526,233.96	28,728	\$120,083.04	20,777	\$1,352.64
CRAYS HARDOR	301,551,572	548,275,586	1,069,320.00	603,102	3,859,852.00	2,061,186	6,327,841.02	345,413	1,443,826.34	252,217	913,033.48
PORT ANGELES	132,955,614	241,737,400	242,759.00	255,910	1,701,824.00	908,787	2,709,976.09	152,234	636,588.92	11,192	401,738.88
ANACORTES	21,811,072	39,656,496	207,247.14	43,621	279,174.40	149,084	457,637.88	24,983	104,428.94	16,342	56,400.88
BELLINGHAM	30,708,616	55,833,847	142,932.00	61,416	393,062.40	209,301	644,596.07	35,175	147,031.50	2,484	93,489.76
SEATTLE	17,759,733	32,250,424	69,106.00	35,519	227,321.00	121,392	377,673.44	20,343	85,033.74	14,153	54,064.92
TACOMA	227,781,912	414,148,930	773,552.88	455,562	2,915,596.80	1,556,950	4,779,836.50	260,913	1,030,616.34	190,109	693,452.76
OLYMPIA	92,382,000	169,058,191	865,261.00	185,963	1,190,163.20	635,557	1,951,159.99	106,507	455,199.26	77,767	283,071.88
EVERETT	83,050,000	151,000,000	85,000.00	166,100	1,063,040.00	567,669	1,742,743.83	95,130	397,643.40	69,440	252,834.40
VANCOUVER	2,386,450	4,339,000	10,959.00	4,772	30,540.80	16,312	50,077.84	2,734	11,428.12	1,916	7,265.44
LONGVIEW	111,123,223	202,042,224	432,969.00	222,246	1,422,374.40	759,557	2,331,839.99	127,286	532,055.48	92,239	339,297.96
WASHINGTON TOTALS	1,047,198,192	1,903,982,163	\$4,078,416.92	2,093,371	\$13,403,973.00	7,157,823	\$21,979,516.61	1,199,506	\$5,023,935.08	875,825	\$3,160,033.07
PORTLAND	110,550,000	201,000,000	\$430,140.00	221,100	\$1,415,040.00	755,639	\$2,319,811.73	426,630	\$529,313.40	92,460	\$3,16,554.40
ASTORIA	137,893,602	359,817,453	770,009.00	395,799	2,533,113.60	1,352,697	4,152,779.79	226,685	947,543.30	155,516	432,478.24
COOS BAY	27,427,950	49,869,000	106,719.00	54,856	351,078.40	187,477	575,554.39	34,417	131,323.06	22,940	83,501.60
OREGON TOTALS	335,877,552	610,686,453	\$1,306,867.00	671,755	\$4,299,232.00	2,295,813	\$7,048,145.91	511,362	\$1,608,179.76	280,116	\$1,022,534.24
TOTALS	1,282,067,744	2,514,668,626	\$5,386,284.92	2,765,126	\$17,703,205.00	9,453,636	\$29,027,662.52	1,710,868	\$6,632,114.84	1,156,741	\$4,210,537.24

TOTAL MAN HOURS 15,086,371

TOTAL WAGES \$57,573,519.60

TOTAL EMPLOYEES BASED ON 2,000 HOURS PER YEAR 7,543

Mr. VAN BRUNT. I would also like to point out that relative to the market, we believe the industry, the lumber and plywood industry, the U.S Government, your committee in particular, the public port authorities, the longshore stevedoring industries, are all busy defending their own individual positions. Most certainly as you know I have been. I think we are all missing a great opportunity. The Japanese are doing something with this material, and that which they are doing could be done by us perhaps. But I find no studies, and I think I have almost the same truckload of material you have, I find no studies as to the specifics, grade, price, et cetera that the Japanese might be interested in, in finished products. And I note, and I think it should be corrected for the record, that on several occasions people have referred, including yourself, to the finished lumber shipped from Alaska. Rest assured there is nothing, and I have been to every one of those mills and have watched personally the loading of the cargo from every one of them in Alaska, there is no one stick of what you or anyone else could possibly consider to be finished material shipped from Alaska to Japan.

Senator MORSE. What about Canada?

Mr. VAN BRUNT. Canada not as you and I or the general public would consider finished material, although theirs is far closer to finished material than is anything shipped from Alaska. Alaska they are not even shipping what the industry considers to be general cants. They are not four-sided surfaces. They are only two-side surfaces, and sometimes you must have a vivid imagination to even see those two sides that have been touched with a saw. They are what is termed primary processed, that is they have been touched in some manner by a saw. I have seen some of them or a great number of them that were sawed into three pieces, and the center piece most certainly was sawed on two sides. But the two outside parts that were back on it were simply slabs. However, this is not the average. The average is canted, that is it is two sides cut, not surfaced, and these are then put into rough packages and shipped to Japan, and they are then cut into some type of finished product. However, in Canada you will find that there is a 5 by 6, 6 by 6, 4 by 8, something you could recognize as a dimension. There is not true from Alaska. It is merely enough to get by the regulation. It is not sawed lumber, and in my opinion some money, some time, and some effort should be spent in determining the Japanese need in specifics of actual finished product, and then we must be prepared to give them what they want, not what we want to sell.

Senator MORSE. I think this is very important testimony, Mr. Van Brunt. You are quite right. The committee has got to get all the information. You are saying to the committee that so far as your observations are concerned, and your knowledge is concerned, when you come to the question of lumber that Canada exports to Japan, it is not finished lumber in the sense that we ordinarily think of it. It is not in the form in which it can go directly into, let us say, house construction or office building construction without further processing in Japan.

Am I to understand, Mr. Van Brunt, that so far as your observation and knowledge are concerned, that the lumber that is shipped from Canada to Japan is not in the form of finished 2 by 4's, finished 2 by 6's, panels, rounds, all the other dimensions of lumber that are used in house construction and office construction, warehouse construction, and other building construction?

Mr. VAN BRUNT. As you know, Mr. Chairman, I visit periodically the Port of Vancouver, British Columbia, for the purpose of determining exactly what is being loaded on the vessels to Japan, and I am not saying that there are not small amounts of finished product. I am saying that there is no measurable amount of finished product as we know it shipped to Japan from Canada.

Senator MORSE. This record shows in part thus far that one of the reasons that Japan buys finished lumber from Canada is that the Canadian mill operators will cut to Japanese dimensions. American witnesses have said, "Give us the orders in those quantities necessary to justify whatever revisions are necessary in our mills and we will cut to any dimensions that the Japanese order."

One of the conclusions I am drawing from your testimony is that the orders from Japan to Canada are not in accordance with the dimensions that the Japanese actually use in their construction, but are orders for really unfinished lumber in various dimensions that needs to be finished in the Japanese mills. Is that correct?

Mr. VAN BRUNT. As we call it, remand, right. It goes through a remand plant.

Senator MORSE. And your testimony is that in Alaska the lumber that is shipped to Japan is even less finished than the lumber that is shipped from Canada?

Mr. VAN BRUNT. It is cut to the absolute minimum requirement in order to meet the term "primary process," and this is not the answer.

Let me say that what I am saying—and I am sure that the public port authorities, the stevedoring companies, the steamship people, and all people involved in our so-called side of the industry would be most happy to ship lumber products. We do not feel that you can or should curtail any part of log exports. Rather, what should be done is to develop a market in Japan and actually begin to ship a finished product, and that this will curtail automatically the shipment of such large numbers of logs in the round, and that this will then cause no delay, no stoppage of employment in our portion of the industry as it begins to pick up the unemployed, if they exist in this form, and I have some real doubt that this is true as it is painted to be, in any other industry that is involved.

In other words, shut off nothing. Simply begin to develop a market based on the need, and it will take care of itself.

Senator MORSE. Going back to Alaska for a moment, would it be correct and appropriate for me to gather from your testimony as to your observations of the shipments of lumber from Alaska, that it is shipped in the form in which, for all practical purposes, it could be said that Alaska does ship logs in substance? Is it your testimony that the form that the logs are in, when they go on the boats out of Alaska, is such that it requires the Japanese mill to really do all the processing of the log, and that this primary finishing in Alaska is more a matter of form than substance?

Mr. VAN BRUNT. It is more a matter of form than substance.

Senator MORSE. Would I be too far wrong if I interpreted your testimony to say that what is happening in Alaska is a policy of shipping logs in a form that constitutes an escape from the restriction that logs shall not be shipped, but only lumber?

Mr. VAN BRUNT. That is all that is being done.

Senator MORSE. Senator Hatfield.

Senator HATFIELD. Gentlemen, I do not think it is necessary to reiterate in great detail the fact that over a number of years I have shown a great deal of interest in port development and port facilities, the development of the river section in the Port of Portland I think has become recognized as a great port and industrial area of the Pacific coast, the long-term port commission study that we organized and set up to make plans for long-range development of our ports in Oregon. All of these things I think should indicate to you my deep and long interest in port programs.

I do not think that here on this committee, or really for that matter those who have testified thus far before the committee, do any of us feel that this is a matter of either being for the lumber industry or for the maritime ports, but rather that we are seeking through information and data to resolve the basic problem with the lumber industry relating to log exports, and not to the detriment of port or maritime interests. Our desire—as I know Senator Morse has expressed many times, and I also—is to resolve this in such a way that everyone is helped where there is need and no one is hurt. All these interests must be considered. We are not here to set up any kind of program which is going to help one at the expense or the hurt of someone else.

That is why on November 27 when we held a session here in Washington, I posed as merely points of discussion and possibly points for departure for further discussion, four suggestions which were developed and organized under this basic philosophy which I have just expressed, of recognition first of all of the problem that the lumber industry faces today, and second, to try to incorporate within some sort of approach an understanding of all the interests that are involved, not just one but all interests.

At that time, Mr. Chairman, you had indicated the other day that you would like to make this a part of the record, and I am honored to accede to your request. I felt this might be the appropriate place to do so.

Senator MORSE. I am glad to have it.

(The document referred to follows:)

RECOMMENDATIONS OF SENATOR MARK HATFIELD FOR COMPROMISE SETTLEMENT OF PROBLEMS ARISING FROM LOG EXPORTS TO JAPAN

1. That the annual volume of log exports from Washington and Oregon to Japan be restricted to the 1966 level of log exports (1.1 *billion* feet) under a system administered by the United States Government.
2. That for every additional 1,000 board feet of export logs purchased by the Japanese in Washington and Oregon over the 1.1 *billion* foot restriction, the foreign buyer be required to purchase an equivalent amount in manufactured lumber of plywood from within the same state in which this additional log supply originates.
3. That together the Congressional delegates of Washington and Oregon execute a program whereby the federal agencies controlling government timberlands in *all* western states will be required to place on the market each year for open sale, including export to Japan, those portions of their sustained yield annual allowable cuts which were not offered or were unsold in the preceding year.
4. That together the Congressional delegates of Washington and Oregon, the two states now most adversely affected by log exports to Japan, set and transmit to the State Department a specific time limit in which to conclude a practicable voluntary agreement on log exports to Japan prior to the initiation of new legislation to provide the curbs considered necessary.

Senator HATFIELD. I would like to have, with the approval of the chairman, the insertion in the record of text four points, merely to again indicate the interest of this committee in resolving the problem with all interests involved and consideration for all interests, because in these four suggestions, it was indicated that there might be considered a temporary restriction placed upon the shipment of logs, not to cut off shipment but rather to temporarily hold it to the 1966 level.

In my concept, it seemed to me that we should deal with both public and private lands. There are those who disagree with me on this point, but in my own view I think that we must find some practical way, though it may appear difficult at this moment, if we are to place restrictions we must, I feel, consider and incorporate in any such program both private and public.

This figure would be at 1.1 billion feet, which is the highest level for the 1966 level.

Secondly, it seemed to me we must be flexible on whatever we do on this, and again to indicate flexibility was the second point or the second recommendation, that we could ship more logs than the 1.1 billion foot restriction, but it would be tied to a Japanese purchase of manufactured products, some formula. There is no set idea here, but some formula for each additional 1,000 board feet of logs, for instance, there would be required an equivalent amount of manufactured lumber.

This would be used to encourage, as Mr. Van Brunt indicated a moment ago, the expansion of markets for the American manufactured lumber product.

Thirdly, again recognizing what points you have already indicated, all three of you, and other witnesses, that we try to rate the amount of the resource available for market. I have indicated here in this third point the idea of open sale, including the export to Japan of those portions of the same yield annual allowable cuts which were not offered or were unsold in the preceding year.

During the witnesses' testimony before this committee, it has been indicated, and again today, that there is professional base upon which we could move for increasing allowable cuts, maintain our commitment to the sustained annual yield program and good conservation practices, and this indicates one such thought.

Fourthly and lastly was the idea expressed here that we work through the Department of State, with certain time limits involved, with the Japanese toward a voluntary agreement on log exports, not only to get an agreement in terms of specifics, but to sense a spirit with which we are working in attempting to solve this problem. In other words, that we act in the national interest, yes, but we also act with the consideration for the needs of the Japanese people in meeting their own requirements for lumber products, their general economic needs.

Well, I only indicate at this point in our testimony, Mr. Chairman, these points because I had the privilege of visiting, after that November session with some of the members of this panel here and other people as well, and at that time I sensed in their thinking and their expressions as well as today a desire to help resolve this conflict or this problem outside of conflict as between interest groups, and today I merely would like to follow through by asking Mr. Van Brunt specifically as relates to his last line of his last page of his statement when he says, "We can see no reason to restrict any portion of the log exports

based upon" certain applications as previously stated in that paragraph, do I understand, Mr. Van Brunt, that you are not categorically or adamantly opposed to some comprehensive program, recognizing many factors, both economic and political, that might include a temporary recession? Do I understand that or do you feel that under no circumstance, regardless of what combination of factors might be involved or formulas, that you would support a restriction?

Mr. VAN BRUNT. Senator Hatfield, we have studied this from every possible angle, and feel that a restriction, and I am not sure what you mean by temporary, would not solve the problem of the lumber and plywood industry. We feel that the only solution is to obtain or is to enter into that market that exists in Japan, and that this must be done without the restricting of log exports. This automatically comes as you begin to sell or fulfill some part of their need in a finished product, you will automatically reduce their need for logs in the round, and that this is the approach. Thus it will reduce in time automatically the logs exported, but it will increase substantially the wood product exported, and thus employ people in the lumber and plywood industry, while it continues to employ those that are now employed in the maritime end of the industry, and that the chopping off of some portion of log exports will bring no immediate market in Japan. It is more apt to cause hostilities and reduce our chances of coming to an understanding with them as to their actual needs in the finished product.

We are better off to leave that situation alone and pursue vigorously their needs in finished product, vigorously, earnestly and rapidly.

Senator HATFIELD. Mr. Van Brunt, I am informed by the Chairman about procedures which we would like to follow, and I will either conclude at this point my questions or I would pursue them, whatever is your desire.

Senator MORSE. If it meets with the convenience of my colleague, I would like to recess the hearing until 2 o'clock, and ask you three gentlemen to return to the witness stand at 2 o'clock for further questioning, if that is convenient to you. We will recess until 2 o'clock.

(Whereupon, at 12:15 p.m., the subcommittee was recessed, to reconvene at 2 p.m. on the same day.)

AFTERNOON SESSION

Senator MORSE. The hearing will come to order.

I want to express to the panel my regret that we could not start right on time but it was impossible.

Senator Hatfield, do you have further questions of the panel? I want you to take your time.

Senator HATFIELD. I would like to ask one or two more brief questions of the panel.

Before we took the break for lunch, Mr. Van Brunt, you were commenting to me on the question I had posed to you about the circumstances or if you could conceive of circumstances, combination of circumstances under which you might support a type of restriction or a form of temporary restriction. You responded to the effect that it would not be necessary to consider any restriction as I recall, if we pursued more aggressively the development of Japanese markets for

our manufactured products, along with increasing our allowable cuts and other such factors.

Would you agree that there might be a transitional period before some of these other factors, such as the development of such a market for manufactured goods or the increased allowable cuts could take place, in which there might be some temporary measures taken to assist the present plight of the lumber operator?

STATEMENT OF DONALD W. VAN BRUNT—Resumed

Mr. VAN BRUNT. We feel that these pressures, Senator, even though temporary, would result in lost man-hours to those people not only employed and unnecessarily so in that no one involved, either as I stated from the Government's side, the maritime industry or the lumber industry have pursued aggressively a study, and a real effort to develop a market for the finished product, and that if we attempt to force in effect the Japanese to purchase products by cutting off some portion or any or all of log exports, I think that we then begin our negotiations or discussions for the sale of finished products from an adverse position. That we are better off to leave things as they are, and immediately and as I stated aggressively and jointly, all people concerned, pursue the idea of developing a market. I am sure that all the people that I am directly connected with would participate in this type of a group. I see no reason why the Government agencies would not, and I certainly see where the plywood and lumber industry would, because we realize that they have a problem. We just do not agree with them on what the problem is.

Senator HATFIELD. Or how best to solve it.

Mr. VAN BRUNT. Or how best to solve it. We think something that can be done together, something we can all do and something that we can all see again for all concerned in is something that should be done. We feel that pursuing this market, we know it is there, is the answer.

Senator HATFIELD. We had witnesses testify to the effect that either they themselves or colleagues of theirs in the industry were confronted with the question of closing their mill or keeping it open on the next go-around on bidding for new log supply. That matters had reached the point where things were that acute, and that on each time that there has been a new log bid program, some mills have just not been able to survive up to that point without the acquisition of additional and new logs. Now, how would you respond to that situation confronting these particular mills which are now functioning and working on a log supply that they obtained at a bid some time back, and realizing that it does take time to develop these markets, whatever product you are working with, you are still involved with time, the time factor, and you are still involved with a time factor before you could actually achieve an increase in the allowable cut on the part of the Federal agencies, if they were so persuaded to do so?

Mr. VAN BRUNT. Senator, the answer to the question, No. 1, let me say I have a list as you have, and produced by the same people showing the number of softwood plywood plants that have closed in let us say the period of 1960-66. I also have a list here prepared by the American Plywood Association and data from Southern States of the U.S. Department of Commerce to show that the total number of ply-

wood plants in production at the beginning of the year 1938, since we are concerned with the years beginning primarily with 1961 or 1960, I will refer to those. In the State of Washington in 1960 there were 34. Today, according to those statistics, there are 37. Yet we have listed many that have closed. But apparently the ones that have closed, there are still more in production than there were at that time.

Also I note that the production has increased annually, both in lumber and in plywood in the years 1960-66. All of the Department of Commerce, the Forest Service and the lumber industry itself all agree to this. At least whether they agree to it or not, the facts they publish say this.

Senator HATFIELD. That production has increased?

Mr. VAN BRUNT. Right, production has increased, and if the production has increased—

Senator HATFIELD. But in how many mills or operations?

Mr. VAN BRUNT. Right. The number of mills has declined, there is no doubt about it, but the amount of production has increased. Now to open or to further enlarge the number of mills or the production of the existing mills, we must first and foremost get a market. These mills that are closing are not closing solely or even in my opinion to the greatest extent because of log exports. If they were open, who is going to buy what they produce? Is there a shortage of lumber and plywood products on the American market? The facts that we have again say that there is not a shortage. As a matter of fact, they have difficulty in the sale of it. Their own statistics show this. So our answer is not in my opinion, and from all the statistics and material that we have gathered in cutting off log exports, or even in reducing it. What will this do to give them a market to sell what they have?

Senator HATFIELD. How do you account for the number of witnesses we have had before this committee who almost unanimously have indicated that mill closures or their own individual economic problem was directly related to the log export situation, and that if those logs had not been purchased by the Japanese at these rather erratic prices, that they would have purchased such logs? They are going to find some relation between buying a log and selling a product, aren't they?

Mr. VAN BRUNT. That is my point exactly. What would they have done. What will they do with it if they produce it today? Who is going to buy it? This they have not shown us. Are they talking about reducing the retail price and hopefully this will increase the housing starts in the United States? We have pointed out that we think this is one of the problems. We do not think it is the high price of their lumber but the high price of interest that is causing a lack of housing starts as well as the high price of lumber, and that the entire picture is the cause of the problem, not just log exports. We feel that we would like to help them, but we feel we can only help them by helping them to develop a market that if they had every log at any price that they wanted to pay for it, they would still have in a very short time the identical problem that they have now, because they have no market, unless they can get into the Japanese market, and I say a concerted effort on the part of everyone concerned, the ports, the stevedore companies, the plywood industry, the lumber industry, and the U.S. Government must pursue this point.

Senator HATFIELD. I could not agree with you more, and that is just what this committee is trying to do. One question as it relates to your chart that you have attached to your testimony: You talk here in your summary about total employees based on 2,000 hours per year, and then that figure has been corrected on my copy, I believe, to read 7,543.

Mr. VAN BRUNT. Correct.

Senator HATFIELD. This table is headed "1967 Log Exports." Am I to interpret that to mean that there were such number of employees through the longshoremen's union who were directly related to log export business?

Mr. VAN BRUNT. No, sir.

Senator HATFIELD. How am I to interpret that?

Mr. VAN BRUNT. Longshore logging and hauling to the barn, sorting and racking, hauling to the ship, administrative and cargo personnel all combine as it relates to log export. The longshoremen, in order to determine the number of men, you would take the total man-hours which were 2,765,126 and divide it by 2,000, and it would tell you how many were longshoremen. The same thing under logging and hauling will tell you how many were involved in that. The same thing in sorting, rafting, administration.

Senator HATFIELD. How many of that total figure would possibly have been involved in the same handling, if the purchaser had been an American firm operating within that area or that region?

Mr. VAN BRUNT. How many? If we put it into a sawmill instead of on a ship?

Senator HATFIELD. Yes.

Mr. VAN BRUNT. 4.5 thousand approximately.

Senator HATFIELD. 4.5 thousand?

Mr. VAN BRUNT. We still have to cut it and haul it.

Senator HATFIELD. Yes. Then what would happen say to the remainder of that group, 3,000 others? Would you care to give us a guess-timate as to what they might have been doing or might not be doing?

Mr. VAN BRUNT. No. We would have continued our program which we began in 1960 of moving the longshoremen, in the case of Willapa Harbor, our intention was to close the longshoremen there out and in Grays Harbor we would have moved Port Angeles and Bellingham, Everett we would have moved the men either into the Seattle-Tacoma-Longview area, which we could not have, we were already full, but to California which we would have done. In the case of Astoria and Newport, Oreg., we would have continued to move men out of there as we did, and try to place them in other ports. We were out of ports in the Northwest, so we would have gone to California.

As to the ports of Rainier, Oreg., and St. Helena, as you know, we did close them, and there are no longshoremen there. They now travel there from other places. We would continue that program.

Senator HATFIELD. So from the employment approach or from the employment aspect of this, it would have been necessary to replace in employment or to shift to other places for employment a total of about 3,000 men?

Mr. VAN BRUNT. Well, I point out that we have added men. We would have had about half that number to move but we have added about half the number since, we have had another 1,500 to have done away with, that we would not have employed in the first place.

Senator HATFIELD. So log exports then would have accounted for 3,000 men working in the areas where they were working, who would not otherwise have been working there, 1,500 regular former members, and 1,500 new members?

Mr. VAN BRUNT. Well, of course part of the 1,500 new come into this sorting, rafting, and moving to the ship.

Senator HATFIELD. So actually then as far as prelogging exports it would only have involved about 1,300?

Mr. VAN BRUNT. Right.

Senator HATFIELD. About 1,500 men whose employment might have been affected by nonexport?

Mr. VAN BRUNT. Who would have been affected because we were in the process at the time that the log exporting picked up of moving them, and this is a slow process.

Senator HATFIELD. Would it be fair then to try to draw a certain parallel or analogy here of how many men we are dealing with as far as potential unemployed men or actual unemployed men due to mill closures? I am looking here at the regional economy and not any one town or one community. We would be then using the figure 1,500 as it relates to the maritime industry that you represent?

Mr. VAN BRUNT. Right.

Senator HATFIELD. 1,500 men as it might relate to whatever other figure could be proven as it involves men out of work because of mill closures?

Mr. VAN BRUNT. Right.

Senator HATFIELD. That would be accurate?

Mr. VAN BRUNT. We feel, however, very strongly that with some concerted effort of all concerned, that we can retain all 7,000 of those people who are through, plus developing additional employees in the lumber and plywood industry, if everybody works together at that aim.

Senator HATFIELD. And that is exactly what our hope is. It is not to take an either-or position, but rather to increase employment in all phases of the economy involved in this issue we are discussing. I have no more questions at this time.

Senator MORSE. Thank you very much, Senator Hatfield.

Congressman Wyatt, do you have any questions?

Representative WYATT. I just would like to ask Mr. Van Brunt you understand, I do not think anybody is advocating the termination of log export from Oregon and Washington to Japan. But our concern is with the geometric increase in the last 2 years and the plans that are forthcoming. Do you have that clearly in mind?

Mr. VAN BRUNT. Yes, I understand that. We, however, are not in agreement if there must be any restriction that it be on just public lands, as we stated in previous testimony.

Senator HATFIELD. Yes, I understand.

Mr. VAN BRUNT. We think any restriction must be an overall restriction.

Senator HATFIELD. I understand. I wanted to be sure that that point was clear and understood, Mr. Van Brunt. I appreciate your testimony. Thank you.

Senator MORSE. Congressman Clausen.

Representative CLAUSEN. I recall from your previous testimony that your comments are consistent here today. I note, however, that you

have not included anything in your report relating to the Humboldt County, Calif., area. Did you do this on purpose?

Mr. VAN BRUNT. I kept to the report only to answer the questions as they were received by me from Senator Morse, the question as I understood him referred to Oregon and Washington, and I therefore confined our answers to Oregon and Washington.

Representative CLAUSEN. I am assuming that your comments relating to Oregon and Washington would affect California in a similar fashion, right?

Mr. VAN BRUNT. Yes, similarly.

Representative DELLENBACK. And you thus were left with the man-the timber-producing areas of northern California.

Mr. VAN BRUNT. Right.

Senator MORSE. Congressman, I want to thank you very much.

Congressman Dellenback.

Representative DELLENBACK. Thank you.

Thank you, Senator. May I clarify a number of points in my mind. I did not hear Mr. Van Brunt's direct testimony but I had a chance to read the statement. As against this may I ask when you answered Senator Hatfield's question, Mr. Van Brunt, as to your computation as to what portion of the 7,500 would or would not be covered, I gather you did this on the basis of looking to your chart and taking that column on logging and hauling to yard?

Mr. VAN BRUNT. Right.

Representative DELLENBACK. And taking that out?

Mr. VAN BRUNT. Right.

Representative DELLENBACK. And you thus were left with the man-hours of direct longshore and sorting, rafting and hauling, and all administrative and clerical, so that if there were to be replacement in administrative and clerical work—let me rephrase the question.

Would there be any other portions of those tasks that would have had to be performed anyway, of either the administrative or clerical, or the direct longshoring, that had there not been this export would still have had to have been done so that some of those jobs would have remained in existence? Or do you feel that all, the entire amount in those three columns would have come out?

Mr. VAN BRUNT. We were very careful to include nothing in those columns except what was directly related to the existing log exports.

Representative DELLENBACK. So that there are not any man-hours in any of those as you have computed them that dealt with longshoring or anything else on other products than log exports?

Mr. VAN BRUNT. No. This we were very careful to see that nobody included them, because we wanted and assumed that the Senator in his questions wanted just that which related only to log exports.

Representative DELLENBACK. The other point that I just wanted to explore a little bit further, and as Congressman Wyatt has pointed out, we are all aware that we are not talking about a banning of exports, but we are talking about whether or not there should be any meaningful restrictions put on these, and if the restrictions, if there should ultimately be any, if they were placed on a basis of 1967 figures, you would find that there would be no loss in any of this, is that correct?

Mr. VAN BRUNT. If there was a ban placed or a restriction placed at the 1967 level?

Representative DELLENBACK. Right.

Mr. VAN BRUNT. There could be none then.

Representative DELLENACK. You would be going on exactly so there would be no log whatsoever, so if it were to be decided ultimately that there would be no attempt to roll back but merely to place some sort of a limitation on further increases in log exports, there would be no loss in any of this employment to which your figures pertain?

Mr. VAN BRUNT. Right.

Representative DELLENBECK. Is that correct?

Mr. VAN BRUNT. Correct.

Representative DELLENBACK. Have you made any computation of what the 1966 figures would be?

Mr. VAN BRUNT. You have that. Each of you received a similar draft from me either at the hearings we had in late November or in the mail immediately thereafter, and they are available.

Representative DELLENBACK. It is a comparable set of statistics based on 1966?

Mr. VAN BRUNT. As it relates only to longshore logging hauling. In 1966 we did not take the sorting, rafting, hauling, administration and clerical into account. We were not able to obtain the figures early enough in the year to be of any value.

Representative DELLENBACK. Do you have any fairly accurate figures that would tell us what number of employees would be comparable to this 7,543 figure that you have in your 1967 figures?

Mr. VAN BRUNT. For 1966?

Representative DELLENBACK. Correct.

Senator MORSE. Congressman Dellenback, my face is red with Senate embarrassment. There is a little procedural battle going on over on the floor of the Senate, and a live quorum has been called for. I will try to demonstrate how fast I can get over and get back, but I am going to have to recess the session, I hope for not more than 10 minutes, while my colleagues and I can go over and answer the live quorum.

(At this point in the hearing a short recess was taken.)

Senator MORSE. The hearing will come to order.

Congressman Dellenback, you may proceed.

Representative DELLENBACK. If I may just briefly, Mr. Van Brunt, so that we may see it at this point in the record in comparison with the 1967 figures, what are the comparable figures that you have for 1966 on exports so far as the total of longshore and logging and hauling are?

Mr. VAN BRUNT. In 1966 there were 10,857,718 man-hours, in 1967 12,300,000 man-hours.

Representative Dellenback. So that the total of the two columns that were involved in your 1967 figure would show a total of about 12,200,000 I get by rapid addition?

Mr. VAN BRUNT. Right.

Representative DELLENBACK. And you have for 1966, 10,957,000 man-hours?

Mr. VAN BRUNT. Right.

Representative DELLENBACK. So that to the degree that these figures remain constant, and I recognize that the per thousand figure might fade off at any given time, but to the degree that there was a constancy in the underlying factors, if there were to be any restriction placed on log exports based on 1966 log exports in the area of longshoring,

logging, and hauling to pond, there would be a falloff of only 1,400,000 man-hours out of the total of 12,200,000 man-hours, so that the bulk of the man-hours would still be involved, if we were to roll back to 1966 export total; am I correct in this?

Mr. VAN BRUNT. Correct.

Representative DELLENBACK. And if I would ask you how many employees that would mean would actually be displaced, you would work it out by a proportion I assume between this and you would find out what 1.4 million percentage was out of 12.2 million and it would be a port of production?

Mr. VAN BRUNT. 700.

Representative DELLENBACK. So that again emphasizing the point that both Senator Hatfield and Congressman Wyatt just made—and I am sure it has been made by other members of the committee earlier—that if we are not talking in this context about eliminating log exports, but either staying with the 1967 figure, in which case there would be no loss of employment whatsoever, or going back to the 1966 figure, in which there would be only perhaps 700 as opposed to whatever else might happen in the loss to the lumber industry, we are not talking about 7,500 jobs, we are not talking about 3,000 jobs, we are not talking about 1,500 jobs, we are talking about approximately 700 jobs, am I correct in that?

Mr. VAN BRUNT. If you were to roll it back to 1966, yes; plus the fact that there are port employees that would be involved.

Representative DELLENBACK. We ought to have those in the record at some time, too. Rather than going on at this time, I will look over the other testimony and see whether those figures are already in the record.

Thank you, Senator Morse.

Senator MORSE. Congressman Pollock?

Representative POLLOCK. Mr. Chairman. Mr. Van Brunt, I did not hear your earlier direct testimony, but it is not clear to me whether you are distinguishing at all between the export of round logs and the timber upon which there has been any primary manufacturing process. Have you pooled these figures here or are you talking about just one?

Mr. VAN BRUNT. Just talking about logs.

Representative POLLOCK. Just round logs. Do you have any comparable figures for processed logs, processed timber?

Mr. VAN BRUNT. For lumber or plywood figures?

Representative POLLOCK. Yes, or sided lumber.

Mr. VAN BRUNT. Department of Commerce records are very detailed, the exact footage shipped on each.

Representative POLLOCK. I was just trying to get it for comparison with the figures you were talking about, because, again, you are concerned with the shipment of product, whether it is processed or unprocessed here, are you not?

Mr. VAN BRUNT. Correct, and this is something that we must make clear, that we cannot stress too hard: that we are desirous of joining the lumber and plywood industry and the Government, not only the union but the stevedores and the port people concerned, in an effort to increase the market so that it will increase the tonnage shipped. We could not care less in what form it is shipped. We only encourage

that this be done prior and without curtailment of log exports, so that there is no loss in the interim period at all, and we think that this is something that either by oversight on the part of all concerned or lack of sufficient thought in advance we have not done so thus far. I have searched very hard—as have many other people—for such a report, and one does not exist that I can find, and there are Government agencies who make marketing studies that I have on fish and all kinds of products produced in the United States, but I do not find one on this subject, and it is one that these people are in dire need of at this moment, and one that we can assist them in as far as shipping costs and handling costs and so on are concerned, and are very willing to do so, and we think that this is the solution to the problem, to get a market, because we believe that, if we shut off any portion of log exports tomorrow, that they still could not produce something with it unless they had a market, and the market does not exist. We have to develop it.

Representative POLLOCK. Thank you very much, Mr. Van Brunt. I would just like to speak as an Alaskan and say while you may not care in what form your timber is shipped out we in Alaska do. We like to have it processed in whatever port it goes.

Senator MORSE. Senator Gruening, do you want to ask these witnesses any questions?

Senator GRUENING. No questions.

Senator MORSE. Mr. Soike and Mr. Heinke, do you know what the position of the Oregon port authorities is in regard to the Japanese export log program?

Mr. SOIKE. Senator Morse, in prior hearing here at the end of November, a representative from the Oregon port was in attendance. He did not state their position at that time, but endorsed the one that I made for the Washington Public Ports Association, and I felt sure that he had forwarded some information back to your office as a result of that hearing.

Senator MORSE. Counsel tells me that the port authorities were invited to send witnesses, and that they are sending a statement. The statement has not arrived. I wanted to know whether or not you had been in communication with them. The statement from the Oregon port authorities—counsel will take note—will be inserted in the record when it arrives at the conclusion of the testimony of you three gentlemen.¹

Mr. Van Brunt, I think I will read to you a letter that the chairman has received from Cliff R. Taro, president and general manager, Southeast Stevedoring Corp., the Wrangell Stevedoring Co., Ketchikan, Alaska. I think you are entitled to an opportunity to make whatever comment you wish about it:

DEAR SENATOR MORSE: As President and General Manager of the only two contracting Stevedoring Companies in Southeast Alaska, comprising the ports of Ketchikan, Wrangell, Juneau, Haines and Sitka. We have been operating in Alaska for 16 years. I would like to point out some figures to show the growth of the various ports during these years—which has been due to the export of timber products from these ports to the Pacific Rim countries.

Ketchikan:

1953—10 regular employed longshoremen, deriving earnings from weekly supply vessels from Seattle—averaged two days work per week.

¹ The information subsequently submitted for the record by the Oregon Ports Association will be found in app. 2.

1967—With the establishment of Ketchikan Pulp Co. and the Ketchikan Spruce Mills entering the export lumber market, the employment and earnings have continually increased to provide steady employment for 35 longshoremen.

Gross earnings for Ketchikan: 1967—\$330,000.00.

Sample earnings of two average regularly employed longshoremen:

1967—\$11,458.39 & \$10,576.80

Wrangell:

1955—6 part time longshoremen—averaging one day's work per week. Prior to the arrival of the first vessel in July 1955 at Wrangell Lumber Co. Export Mill.

1967—With the continued expansion of Wrangell Lumber Co.'s exports and the establishment of Alaska Pacific Lumber Co.

Gross earnings for Wrangell 1967: \$728,000.00

Steadily employed 48 longshoremen

Sample earnings of the average regularly employed longshoremen:

1967: \$13,454.68 & \$14,343.89

Juneau:

No export mills

1955—12 part-time longshoremen

1967—10 part-time longshoremen

Sample earnings of the average regularly employed longshoremen:

1967: \$1,899.57 (Some small additional earnings from tourist ships)

\$649.32 (Some small additional earnings from tourist ships)

Sitka:

1959—10 regular employed longshoremen averaging one or two days' work per week.

1967—With the construction of Alaska Lumber & Pulp Co.'s Mill in 1960 the steadily employment of longshoremen increased to as high as 48 men loading the export product for Japan.

Gross earnings for Sitka 1967: \$387,000.00

Sample earnings of the two average regularly employed longshoremen:

1967—\$9,439.43 & \$10,348.36

Haines:

Prior to the establishments of the two export lumber mills, Schnabel Lumber Co. and Alaska Forest Products, there were 8 part-time longshoremen working one day every two weeks.

1967—Gross earnings for Haines \$380,000.00

Steadily employed 37 longshoremen

Sample earnings of the two average regularly employed longshoremen:

1967: \$8,738.43 & \$9,434.87

As you can see from the above, the development of the export mills in Southeast Alaska, has created from practically no longshore employment a few years ago to the present, and still increasing, employment of approximately 200 regularly employed longshoremen with a payroll of nearly two million dollars per year.

It is my personal belief should the export of bound logs be allowed from Alaska, aside from the fact that it would curtail the production of the existing export mills, the payrolls created by loading the round logs would:

1. Be lost from the existing ports as the vessels would tend to load at the source of the logs. (Thus eliminating the towing and rafting—there are very few roads in Southeast Alaska for trucking).

2. With the innovation of special log carriers plus the use of large floating cranes for lifting maximum loads aboard ship, the payrolls (left in Alaska) per thousand board feet would drop considerably from that now derived from loading processed lumber.

3. There would be a continued tendency, as has happened on export shipments of round logs from private lands in Southeast Alaska, for the logs to be moved from Alaska to Canada, either by self-loading barges or towed, for loading on vessels at their ports. Thus taking the much needed payrolls and employment from Alaska.

Yours very truly,

SOUTHEAST STEVEDORING CORP. &

WRANGELL STEVEDORING CO.

CLIFF R. TARO, *President, General Manager.*

I thought you should have the opportunity to make whatever comment you care to in regard to Mr. Taro's observations.

Mr. VAN BRUNT. Mr. Taro's observations are most certainly correct on southeastern Alaska. I spent a lot of time with Mr. Terrell, Senator Gruening, the past Governor of the State of Alaska, some years ago on this subject in Alaska, and as I stated earlier, I visited each of the mills and locations in Alaska, where they ship out the timber product. His statement about it being finished lumber is rather erroneous. You can't hardly consider what they do to it as any form of finishing. But they certainly have developed from this shipment a great deal of employment in our industry.

As to what would happen if they shipped round logs, I am not in agreement with him. If they shipped logs in addition to what they have, they would increase their employment considerably. I think that there is a lot of room for increased production in southeastern Alaska of either logs or some type of finished product.

As I stated earlier, we are interested both in Alaska, Oregon, Washington, and California, anywhere in the United States in helping develop a market for a finished product, but I think that we should pursue the market of actual finished product both for Alaska, Oregon, and Washington, rather than the cants that are being shipped from Alaska now, and the logs that are being shipped from Oregon and Washington. But I think this can be done, and effectively reduce the number of logs exported automatically by obtaining the portion of the market of finished product in Japan. I think Alaska has a lot of room. They have got an advantage over Oregon, Washington, and California in shipment time, ship turn-around time from Japan, and that our efforts, if we put them forth to get into finished products in Japan will probably result in a greater economic increase to Alaska than it will Oregon and Washington to begin with.

Senator MORSE. I wanted to give you an opportunity to make the comments that you made. You know in my responsibility as chairman I have to see to it that the record receives all points of view, and that the people that are involved in the pros and cons in those points of view are given an opportunity, in all fairness, to respond. I have one more letter I want to read in the record for your response, Mr. Van Brunt. It comes from the International Longshoremen's & Warehousemen's Union, Local 62, 728 Water Street, Ketchikan, Alaska, President George Inman, Secretary Sayers McAlpin, signed by the secretary, Mr. McAlpin:

DEAR SENATOR MORSE: Please accept this letter as our opposition to round log export from the State of Alaska.

It would appear quite impossible to export 700 million board feet of round logs from Alaska in 1968, as recommended in the Treasury Department Staff Report on the Pacific Northwest Log Export Problem, without causing a disastrous economic situation in the communities involved in the processing of timber.

Industries which process timber in Alaska have spent, and committed, large sums of money to become and remain established. The export of round logs from Alaska will result in the reduction of logs processed in Alaska because speculation in log export markets always leads to inflated log prices with which saw mills will no longer be able to compete.

The U.S. Treasury Department Staff Report on the Pacific Northwest Log Export Problem recommends Federal administrative and legislative changes which would allow the export of round logs from Alaska. We feel that this would impose upon Alaska the same situation which was allowed to occur and is now a serious problem in the States of Washington and Oregon, the closures of established timber processing industries.

We, too, would like to see benefits from the green gold referred to in the report, but not at the expense of sacrificing industries so widely established throughout southeastern Alaska.

Instead of exporting round logs, we advocate an expansion in the export of processed timber for which a Japanese market has been developed and expanded, leading towards greater economic stability in our communities. Let the export of processed timber from Alaska be expanded to the extent necessary to be of the same benefit to the U.S. balance of payments referred to in the report.

Sincerely yours,

SAYERS MCALPIN.

Whatever comments you wish to make about that letter you are welcome to do so now.

Mr. VAN BRUNT. I have been in Ketchikan with local 62 on several occasions, and they have consistently taken the position that any log exports would reduce the number of footage or the amount of footage of export in cants and so on from southeastern Alaska.

As I repeat, the only answer is to get into the finished product market in Japan. If they were finishing what they are shipping right now from Alaska, it would greatly increase their man-hours, their number of employees in the lumber and sawmilling industry. It is true it wouldn't do anything for the longshoring industry but it is not the longshore industry that we are here concerned with as far as loss of jobs is concerned. We feel that Alaska is not cutting and their records show they are not cutting anywhere near what they could cut, and that some of the pressure could be relieved from the exportable round logs from Alaska. The State of Alaska in its entirety does not agree with the shipment of round logs, I can tell you from experience. I have been to the office of these gentlemen up there, both in Alaska and here, and our people there feel the same way as is stated in the letter.

I think that with development of the market in Japan, that it will increase the longshore activity as well as the lumber mill activity in Alaska. Again we have to get into the market.

Senator MORSE. I have one more topic I want to raise before I dismiss this panel, and you may comment on it now, any that care to, and you can supplement your comments with a written memorandum between now and the closing of the record.

As you heard me say this morning, the hearing will close Tuesday night of next week. The record will close at 5 p.m. on January 30. That gives you time from the closing of the hearings to the closing of the record to file any memorandums by way of rebuttal statements that you may wish to file.

With this chairman in this case, as in all hearings, he wants to see to it that the parties have complete opportunity to get into this record any point of view, any arguments, any data that they want to present to the committee for its consideration when we come to decide in executive session what our recommendations to the administration will be.

Throughout these hearings, may I say to the three of you, there has been a considerable amount of discussion of a matter of national policies relating to the administration by the Federal Government of Federal forests. I am not presenting an argumentative statement, but just a report of what I think is a fair summary of the views that have been expressed in regard to this particular issue or subject that I now raise.

I think it is fair to say that the record will show the point of view is shared by many that the very purpose of our Federal laws establishing our national forests in the first place, providing for their maintenance and administration in the second place, and setting up the Forest Service and the Bureau of Land Management within the Departments of Agriculture and Interior, respectively, was for the purpose of carrying out a governmental trusteeship obligation to the American people, who from coast to coast own these forests.

These forests are not owned by the States of Oregon, Washington, Alaska, California, Idaho, Montana, and any other State in which a national forest is located. They are owned by all the people of this country, and the argument is, the point of view is, that the purpose of our whole legislative program for the administration of these forests is to carry out a congressional and governmental responsibility to administer them in the interests of the owners of forests, all the American people, and that that trusteeship obligation carries with it a legislative intent which it is argued is clearly expressed over and over again in the various pieces of legislation that have been passed over the years by the Congress relative to the national forests. The overriding policy is that those forests are to be maintained in a manner that will provide the American people in perpetuity with an adequate timber supply to meet their lumber product needs.

Arguing from that major premise, it is contended that these forests do not exist for the purpose of having foreign countries obtain the trees from those forests in various ways to meet the needs of their people, if by so doing a sound conservation program for the benefit of the American people is interfered with.

Therefore, it is argued further, that there is a question of fact that the Congress must always face up to when it is concerned with a problem that affects the administration of the national forests; namely, do the facts in a given operative case show that a policy of exportation of logs, as in this case, contravenes a protection of the interests of the American people in their forest rights? Is the exportation of logs in excess of the quantity of logs that should be allowed to be exported if the lumber rights and interests of the American people are to be protected?

Now, I have condensed in that very brief statement, let me assure you, a very detailed statement of American national forest policy. Along with that the witnesses have testified that the Department of Interior and the Department of Agriculture have not been carrying out their responsibilities under existing legislation in respect to protecting the American people in connection with this matter of export of logs to Japan.

They argue further that Japan is not entitled as a matter of right to a single log, and no American exporting company is entitled as a matter of right to the exportation of a single log, if that exportation contravenes this overall national forest policy of the Federal Government in relation to Federal forest lands.

So it is argued by these witnesses that the responsibility of the Congress, if the administration continues, as they allege, not to carry out their responsibilities, under existing law, to do what we can as legislators to see to it that that responsibility is carried out. If we fail by persuasion and suggestion and recommendation to get the adminis-

tration to carry out its responsibilities, then we should follow the legislative route, which all of us think should be avoided if at all possible.

May I say that in what I have said there is an assumption of a good many facts, and we are arguing about facts in the course of these hearings, but the assumption of certain facts (which various witnesses may not be willing to assume) doesn't change the major premise of the remarks that the chairman has made about Federal national policy and responsibility over Federal timberland.

Therefore, putting yourself for a moment in the seats that the members of this committee occupy, which are not characterized by coolness, what would you do if you came to the conclusion, after weighing all the evidence, that the degree to which we are exporting logs does in fact contravene the rights of all the people of this country that own these forests to have the Government follow a policy that will restrict the exportation of logs, at least to the degree to which they have been exported since 1960?

It is possible that in a given period of time there has been a lessening of domestic needs for our forests' logs because there was a slump in the building of housing under the tight money policy of the administration, or because there was an impounding of funds appropriated by the Congress for homebuilding, or because of some other administrative policy on the part of the Government; but that doesn't justify our exporting a quantity of logs in excess of what may be found as a matter of fact a sound conservation policy in respect to the protecting of the trusteeship obligation that the Government owes to the American taxpayer owners of the forests.

Do you deny, if we assume those facts, that this committee would be following a mistaken course of action if we didn't seek to mediate this dispute by working out what I have called the balance formula? That refers to a formula to balance, interests, and protect to the maximum extent possible the jobs and the developments in the ports and the jobs and the development in the mills and in the woods, until there can be worked out a negotiated trade agreement with Japan that will resolve, or help resolve the problem in connection with other facets that are involved.

That is a somewhat cumbersome statement but I don't think a single one of you have any doubt as to its meaning, and I would be very glad to have your comments.

Representative DELLENBACK. Mr. Chairman.

Senator MORSE. Congressman Dellenback.

Representative DELLENBACK. May I just make a brief addition to what I think has been a very well-put statement. As you have referred to the objectives of the National Government in dealing with the national forests, there are those, of course, who sometimes in this context link the national forests which are within the province of the Agriculture Department and the national forests within the province of the Interior Department, so that there may be at this point in the record—may we refer back to the testimony which Mr. Hagenstein gave our very first day, that dealt as you have so eloquently stated—in dealing with the national forests stressing the point that a major objective was to furnish a continuous supply of timber for the use and necessities of the citizens of the United States. So far as the objectives of the Congress were concerned in vesting the O. & C. lands, however, there was the point made that the objectives here were that

these lands were to be managed for the purpose of providing the permanent source of timber supply and contributing to the economic stability of local communities and industries.

So there was a deliberate difference in the thrust of the Congress when instead of taking the vested O. & C. lands, instead of putting them into the national forests, they put them in a separate ownership which dealt with the specific areas where those forests lay, so far as the O. & C. lands were concerned, and so far as the national forests were concerned, they dealt with the citizens of the United States in general.

I am sure that this was not anything that you meant to contradict in this very fine statement that you have just made.

Senator MORSE. It supplements, Congressman, what I have said. I include all the various features of our Federal legislative forest policies, which includes the O. & C., on the basis of the premise that all of those separate programs were adopted by the Congress because they were necessary to promote the national interest. When you promote the O. & C. program, you are promoting the national interest. The lands can be used for the specific purposes for which they are earmarked.

I want to get credit for the fact I was as brief as I was, and didn't cover all of the details, because that is quite a speech. But I only wanted to get to my witnesses here this economic philosophy in relationship to our Federal timberlands.

I did not go into the partnership that is created, in a sense, between the owners of private timberlands and the Federal Government, when those owners of private timberlands seek to obtain Federal stumpage to supplement their own land. But that is incorporated, too, by reference.

All I want to hear from you is what your position is in regard to the Federal policy, which as I have pointed out is contended to be the intention of congressional legislation on the books, and whether or not you quarrel with the right of the Government in administering the forests to impose such restrictions as other witnesses in this hearing are advocating that this committee recommend.

Senator HATFIELD. Mr. Chairman.

Senator MORSE. Senator Hatfield.

Senator HATFIELD. May I suggest that the witness be restricted to a yes or no answer. [Laughter.]

Senator MORSE. No, I am a great one to protect the witnesses. I have already suggested to them very tactfully that I want them to be as brief as the chairman and to supplement their views with a written memorandum.

Mr. Van Brunt.

Mr. VAN BRUNT. No yes or no answer. I am afraid that would be a loaded question if you did ask for a yes or no answer.

If the facts indicate that we are depleting our national forests, then you and all concerned should of course make any and all restrictions necessary. I do not feel that the record shows that we are depleting and thus depriving the people of what they should be guaranteed and were by that trusteeship, and therefore I would say that the solution is still in obtaining a market.

They are not saying that we are depleting it. They do not want to stop cutting it. They want to stop cutting it for the purpose for which we are cutting it. I think that the purpose for which it was set aside or put into this trusteeship is being fulfilled, and that there is no danger of our not being able to fill the needs of the people of the United States at any time.

But if it should be getting to this point, then of course such action would have to be taken. No one here has said that this is occurring. They are objecting as to whom we want to sell, and again I say that there is no shortage of the finished product, either paper, plywood, or lumber in the United States. If there was, you would have no choice, nor would we. But we do not see that this is a part of the problem.

Senator MORSE. Thank you very much. Mr. Heinke? Mr. Soike?

Mr. SOIKE. Mr. Chairman, from the Washington public ports standpoint, we oppose a restriction on a single ownership of timber. If, in your judgment, after all of the facts are in, there has to be some limitations placed, we feel very strongly that it must be on private, State, and Federal ownerships alike. We cannot see a two-price system functioning properly in this country.

I can appreciate the complexity of the problem, and I am sure that you gentlemen will carefully evaluate many of the things that have been said in testimony here. I think one of the real significant things that has been brought forth in these discussions is in the past several months the reforestation practices that are now coming into the scene in our forests.

We talked about tree farms. Now we are talking about high-yield forests, and this certainly is an opportunity to put a great amount of additional wood fiber into the marketplace in the years to come, if we follow the practices that are now being developed.

Certainly new logging techniques are being developed that are bringing out material that is suffering from natural mortality, as was indicated by the Treasury Department's staff report.

I think, too, that we have to give consideration to the fact that there has been a lot of material left laying on our forest floors historically to rot that should come out and should be utilized by industry. We have an example of that in the community that I come from, Grays Harbor, where in February the U.S. Forest Service is going to hold a public hearing.

They are going to consider for the first time the advisability of declaring wood chips a primary process and allow them to be exported from a working circle. The world market conditions indicate that material can be brought out of that working circle, chipped and exported. This is a complex problem, but certainly it doesn't make good sense to many of us in that community to leave that material lay there and rot when it could come out and be used for the benefit of mankind.

I certainly can appreciate the chore that the committee has in the subject we are discussing today, and I would hope that if there are limits placed on log exporting in the future, that consideration will be given to the many millions of dollars that ports have invested in public facilities to handle this commerce, and it has built up rapidly in the past few years, and there are long-term obligations to the ports to pay these facilities off.

Thank you.

Senator MORSE. Gentlemen, I thank you very much. The various questions that have been raised and which we have been discussing this afternoon, I want to hear the Government witnesses discuss next Tuesday. They are the ones that ought to bring to us the most reliable expertise in the field. Then after we hear them, weigh their testimony in regard to whether or not there is a short supply of logs, as some of these witnesses testify as far as domestic needs are concerned, and all of the other questions that are involved in this whole matter of complaints concerning the present administrative policies in respect to the Federal forests, we will be in a better position to come to a conclusion as to what the facts are.

Thank you very much, gentlemen.

(The subcommittee subsequently received supplemental documents, as follows:)

INTERNATIONAL LONGSHOREMEN'S & WAREHOUSEMEN'S LOCAL 21, 627 - 14th, Longview, Washington 98632 UNION

PRESIDENT M. F. BANISTER

SECRETARY ALFRED ERICKSON

100

January 26, 1968

Senator Wayne Morse, Chairman
Senate Small Business Sub-committee
Washington, D. C.

Dear Senator Morse:

As president of Local 21, ILWU, I feel compelled to apprise you of the position of the some 500 members of our local, regarding the curtailment of log shipments to Japan.

A thorough study by this Local would indicate that the plight of the small mill operator is not unlike it was several years ago before log buying by the Japanese had any material effect on the supply of logs to these mills. We, therefore, believe that to restrict the sale of logs to Japan would not necessarily relieve the present condition of the small mills and would actually eliminate many of the jobs that are now supported by these sales. The elimination of present jobs in a rather doubtful hope of creating more jobs in the mills would not seem to be the logical approach to the situation.

We feel that among the many suggestions offered to alleviate the plight of the small mills we could come up with one which could guarantee an improved employment picture than the proposed ban on log exports.

Very truly yours,

M. F. Banister
M. F. BANISTER, President
LOCAL 21, ILWU

MFB:edf
ptoeu #11

International Longshoremen's and Warehousemen's Union

AFFILIATED LOCALS

ASTORIA—18 and 50
LONGVIEW, WN.—21 and 43
NEWPORT—53
NORTH BEND—12
PORTLAND—8, 40 and 92
VANCOUVER, WN.—4

COLUMBIA RIVER



DISTRICT COUNCIL

Ed Mapes

President

A. F. Stoneburg

Secretary

2805 N. E. 25th
Portland, Ore. 97212
January 26, 1968

RE: LOG EXPORTS

The Honorable Wayne Morse, Chairman
Senate Small Business Subcommittee
Senate Office Building
Washington, D. C.

Dear Senator and Members of the Committee:

We have previously covered this subject with you. But in view of the publicity given adverse testimony and the fact that the deadline for filing supplementary statements is fast approaching, I am obligated to reiterate views and facts you may already have had presented to you, namely that the economy of tidewater communities located in Oregon and Washington are almost or in some cases entirely dependent upon the log shipments to Japan. I would call this vital cargo in maritime states.

There is no question at all that the handling of this vital commodity has been a major source of income to our own members, as well as to loggers, tug boatmen, boommen and truckers, and indirectly of the greatest benefit to small businesses in Coos Bay, Astoria and Portland, many Washington ports, including Tacoma, and is of potential value to the Oregon port of Newport, where expenditure and planning has gone into the development of facilities for log loading.

Al Hartung, past president of the International Woodworkers of America, in his testimony before your committee, emphasized that the tight money situation has decimated the lumber industry's prime outlet -- building construction. It does not seem fair to imperil existing payrolls when factors other than the exports have been listed as causative to the lumber industry slump.

I have always felt that any curtailment or an embargo relating to foreign commerce is contrary to the best interests of a great trading nation, especially when we are today acknowledged as one of the leading manufacturing countries, as well as having other products, in addition to logs, in an unprocessed state which it is necessary for us to export. Just recently (on January 19) a trade team, including two Portland members, left Seattle on a wheat export promotion mission to Japan, Korea, the

To Senator Morse
Page two
January 26, 1968

Philippines and the Republic of China. This selling trip apparently was brought about due to the world-wide bumper crops of wheat and the increased competition expected in the cash market.

U. S. Department of Commerce figures show Japan is one of our best foreign customers. It is not unreasonable to assume that Japan might seek her grain shipments from other sources.

For these reasons, any hasty action or severe curtailment at any time in the future might result in our losing not only the cash for the logs but in our grain elevators standing idle.

Senator, I most respectfully urge your consideration and the consideration of your committee on our views.

Very truly yours,



A. F. Stoneburg, SECRETARY

AFS:kr

CC: ILWU Locals -
8, 8-A, 12, 21,
40, 43, 50, 53,
92, Columbia River
Pensioners Memorial Assn.,
and ILWU Auxiliaries 5, 5-A,
1, 11, 14, and 42.
Int. Rep. James S. Fantz.
Donald Van Brunt.

Senator MORSE. The next witness is the Honorable C. Girard Davidson, former Assistant Secretary of Interior, known to the members of this committee. I am going to call him to the witness stand now. I want to thank him for coming, and I want also to thank him for the record of contribution that he has made in public service to this country, not only in respect to Department of Interior affairs but a good many other affairs of our Government.

You may proceed in your own way.

STATEMENT OF C. GIRARD DAVIDSON, ATTORNEY, DAVIDSON, SHARKEY & CUMMINGS, WASHINGTON, D.C., AND PORTLAND, OREG.

Mr. DAVIDSON. Thank you very much.

Mr. Chairman, Senator Gruening, and members of the committee, I address myself to the subject of log exports today in the dual role of an Alaskan and an Oregonian; as a recent sawmill operator; and as a former official of the Interior Department, where years of my life were involved with the development and conservation of resources.

I speak today with no vested interest, and for myself only, and shall make, therefore, a somewhat philosophical statement, knowing that others present in industry have reams of valuable information for your consideration.

In the last 10 years in Wrangell, Alaska, I built a sawmill from scratch, in which there is now invested over \$6 million to manufacture lumber in keeping with Forest Service requirements. I—and all others in the lumber business in Alaska—utilized the tree from its natural state in the primeval forest, through primary manufacture to the export of the product to Japan.

I state "Japan" flatly, because it is a sad fact of life that the Jones Act virtually precludes Alaska from the U.S. market; and I should say "sadly," because it is uncomfortable to sit beside Prince Rupert, British Columbia, knowing that Canada supplies 15 percent of the U.S. domestic needs and British Columbia sends 65 percent of its lumber production to the United States and knowing, also, that Japan is, in truth, Alaska's only market.

As an Alaskan and Oregonian, but most of all, as an American, I am concerned about the Pacific Northwest and Alaska becoming a "tree farm" for Japan.

There isn't anything wrong with being a tree farm if we can afford to stay in the business of cutting down trees.

It is perfectly true: We have the "woodpile" and Japan wants our wood. The question is how we can deliver to them a reasonable supply of our vast resources without being stagemanaged out of business.

The Japanese in their anxiety to get logs at this time have:

1. Outbid the domestic market, leaving it inadequately supplied;
2. Run up the price of logs so that hundreds of independent operators in the Northwest can no longer afford to operate;
3. Moved in on Alaska where there is now a monopoly;
4. Threatened our Government into a panic about trade relations; and
5. Succeeded in getting Oregon and Washington into a cat-and-dog fight with Alaska on how to resolve the problem.

Clearly, it is time for our Government to set down tough guidelines for trade which will safeguard our resources and economy. We need not leap into cutting off exports—although I think the idea of a moratorium on log exports is fair enough. But we do need to reevaluate many questions such as:

1. Why haven't we protected our domestic lumber producers?
2. Why won't we permit west coast producers to supply our eastern seaboard market?
3. Why have we created a vacuum in developing Alaskan resources which Japan has quickly met?

Without being shadowboxed into psychedelic fears about losing Japan as a trader or as a friend—let us remind our Government today that Japan wants what we have and we want them to get what we have—but not at the expense of our economy or at an unfair price.

We are talking about several different problems at this hearing:

1. The political and fiscal one involving trade relations with Japan and balance of payments;
2. The domestic economic crisis in the Pacific Northwest with mills closing down because of inflated log prices due to the Japanese demand; and
3. The conservation and domestic moral issue of using up our trees for foreign export, when we are not supplying American needs or creating jobs with our own resources.

I do not believe the answer to exclusive Japanese sales and soaring prices lies just in limiting the export of logs.

I most certainly do not think it lies in the peculiar demand that Alaska be released from its primary manufacture requirement so it will cut its standing trees to make up Japan's deficiency from Oregon and Washington.

Therefore, not in any spirit of "tit for tat," but rather that of constructive suggestion, I submit that Oregon and Washington curtail their log exports and create additional manufacturing plants and payrolls, and open up those sawmills that have shut down by insisting on primary processing within these States prior to supplying the Japanese needs.

The answer to our difficulty in Oregon and Washington is not in pulling the rug out from under Alaska's economy by wiping out sawmills and undermining resource development there, but to be productive where the bite is—in the Pacific Northwest.

We must remember that Alaska is now the "tree bank" of the Nation. The Nation should not be too anxious to overdraw on its account yet.

This is not a new concept for Oregon whose State law in effect prohibits the export of round logs.

When we stress the priority of primary manufacture in this country rather than Japan, the frequent comment is made that logs are highly priced regardless of Japanese export. Of course, the timber-owning giants with private timber holdings, can equalize their cost of log purchases from Government stands and afford to pay high prices. They do very well in the open market today selling logs directly to Japan. But of even more importance is the effect of high prices on the capital gains tax which works to the advantage of the biggest operators in the industry but does little to help the hundreds of small businessmen who are going under.

No one wishes to deprecate the role these Titans played in World War II when they logged exhaustively to provide the Government's needs at a time when Government timber holdings were inaccessible by road.

However, there always comes a point in history when the pacemakers, no matter what they have added to, or subtracted from, the national economy, must stop to listen to the greatest voice of the national interest. In this case it is the economic tragedy of a regional-national industry that is cut off from its domestic market by the Jones Act philosophy that makes domestic shipping prohibitive—and outpriced in the foreign markets, by our do-nothing policy which favors the cheap manufacturing labor in Japan.

As far as losing Japan as a customer for our resources is concerned, it seems reasonable to me that Japan would continue to buy lumber from Oregon, Washington, and Alaska rather than take chances in other exotic and less reliable markets—at least at the present time.

The fact that Japan has invested heavily in Alaska indicates that requirements for primary manufacture have not inhibited them from tapping our woodpile.

It is true that Japan is developing its own timber supplies in Japan for the future, as well as flirting with all potential tree donors.

But I don't know of any law that can insure customers for the indefinite future either here or in any other country. Unreasonable adjustments of our economy to secure future trade, unless it is tied down to specific treaty obligations, is like taking a mortgage on the wind.

We know Japan cannot obtain any substantial quantity of timber from British Columbia or Canada.

As for Japan's latest threat—to turn from the United States to Russia—I ask, "Will Japan really play Russian roulette?" For example, the December issue of the Mitsui Trade News says:

Logs from the Soviet Union, together with those from the United States, play an important role in supplying the domestic supply of building materials. However, the Soviet Government controls exports of timber products and contracts are made on an annual basis so it is hard to influence transactions from the Japanese side.

The Japanese economy, which this country has brought to its present healthy state through our dollars, and through Japanese ingenuity and hard work, is too sound to put its chips on a wheel of uncertain supply in an unpredictable manner, from a nation whose production they cannot control, and whose contracts are uncertainly honored.

Our generosity to a fallen foe is unprecedented in history. Obviously, one cannot buy loyalty or friendship. I do not know what we could do for Japan in the future that we have not done in the past 25 years.

These intelligent and resourceful people are just as interested as we are in maintaining the nearly equal import-export ratio we hold. They will not eliminate their No. 1 customer by crippling any vital segment of U.S. industry.

As our chairman has indicated, this country should affirm its foreign and fiscal policies on the basis of what is good for this country, and this will also be good for our neighbor and friend, Japan. Japan would not want to be confused with the many hippie nations who bite the open hand of Uncle Sugar as if they are "high on pot."

If Uncle Sugar ever gets hungry, the whole world will tighten its belt. It is difficult for many nations to dig the "hangup" of a great

power with no colonial ambitions, a nation that wants to raise the living standard of the world.

But in order to be that generous "Uncle," we must husband our resources, nurture our plantings and our people, and sometimes force feed both, in order not to squander our heritage or the security which enables us to absorb, without taking it too seriously, silly talk from friend and foe alike.

Senator MORSE. Before calling on my colleagues for questions, Mr. Davidson, I must say that I consider that statement not only a brilliant argument in support of the thesis which you defend, but it has many aspects of a literary gem as well. I commend you. I am glad you came before us.

Senator Gruening, do you have any questions to ask Mr. Davidson?

Senator GRUENING. I have no questions, but I want to join the chairman in congratulating him on a most eloquent, pertinent, and excellent presentation, of the overall situation. I am very proud that Mr. Davidson is now an Alaskan as he was a former Oregonian.

Senator MORSE. Congressman Wyatt.

Representative WYATT. I have no questions. I would like to commend Mr. Davidson upon a very clear and fine statement.

Mr. DAVIDSON. Thank you, Congressman.

Senator MORSE. Congressman Clausen.

Representative CLAUSEN. Thank you, Mr. Chairman.

I would join my colleagues in commending you for a very interesting statement. I wonder if I could have a little clarification on page 4, the third paragraph down, the third sentence:

In this case it is the economic tragedy of a regional national industry that is cut off from its domestic market by the Jones Act philosophy that makes domestic shipping prohibitive, and outpriced in the foreign markets by our do-nothing policy which favors the cheap manufacturing labor in Japan.

Could you spell that out? Are you referring to the administration, to the country, to your own organizations?

Mr. DAVIDSON. I have no lumber organization at this point. I am just back practicing law. But I was involved with producing lumber. I built this sawmill, and recently sold it, about a year ago, to two cooperatives, one of which is in your district, Congressman Dellenback, Western States Plywood, and the other is in Tacoma, Wash., Puget Sound Plywood. They are now operating as a sawmill and eventually will use the trees in addition to make veneer and ship the veneer to their plants in Port Orchard and in Tacoma, to make it up into plywood. They purchased this saw mill because of their difficulties of trying to find timber in Washington and Oregon.

Now, what I referred to in one of the first paragraphs of my statement was the fact that I sat in Wrangell, Alaska, having only one customer, Japan. We could not compete with British Columbia. We could compete with Prince Rupert mills, except for the \$10 or \$12 per thousand board foot difference in our shipping costs to the east coast. You cannot send rough green lumber to the east coast by rail because the cost is prohibitive. We could do it by water, if we could use foreign bottoms such as the Canadians can. But as you know, the Jones Act prohibits any shipment between American ports on any ships except American bottoms, and the cost of American ships runs around \$10 or \$12 a thousand more than foreign vessels. So we

could not compete. That is what I was talking about, the Jones Act philosophy keeps us out of the domestic market.

And then in the other part of the statement, that we are outpriced on foreign markets because the Japanese can come in and pay \$80 or \$90, \$100 a thousand for logs, and take them to Japan, where they do not have our minimum wage, and where they have cheap labor. They can process these logs in their mills and then send them back to us finished, and that is what permits them to outprice us. And we have what I consider a do-nothing policy, when the State Department or Treasury or someone else objects if the Department of Agriculture, the Forest Service, and the Department of the Interior attempt to put on regulations in effect which would require primary manufacture of those trees which come from the national forests or from the O. & C. lands. That is what I call a do-nothing policy on the part of our Government.

We should act. We should put some regulations in effect that would require primary manufacture, and I think that should be done in Oregon and Washington as that policy exists in Alaska, not vice versa.

Do not make us in Alaska, where we have a sound policy, get into the same trouble that Washington and Oregon are now in. You are letting the round logs go out from below. Fortunately we are a young State. You know the problems, Senator, and I know you do, Congressmen. We tried to get a new constitution in Oregon. We could not. We have too much history back of it. In Alaska we have the finest one in the country. It is a new State. Similarly, we were in a position in Alaska for the Forest Service to put in the kind of regulations which require primary manufacture. We had no history built up, where the stevedores who testified a little while ago, or the various port authorities and everybody else with a vested interest, were trying to keep the status quo, because they are making a few bucks off of it. Now, please do not come asking us to change a sound policy to get into the unsound one. You ought to join Alaska in its type of regulation.

Senator MORSE. Congressman Dellenback.

Representative DELLENBACK. Thank you, Mr. Chairman. This is a good statement, Mr. Davidson, and we appreciate it.

Mr. DAVIDSON. Thank you.

Representative DELLENBACK. When you talk on page 3 of your statement about Oregon and Washington creating additional manufacturing plants and payrolls by curtailing their log exports, you are not suggesting that the States have the power, or should take this action by themselves? You are not talking, in effect, about actions that should be taken by the Federal Government to assist those States, because as you point out in your statement we are aware of the fact that Oregon has its State law for timber from State-owned lands right at the present time.

Mr. DAVIDSON. You are correct. Thank you for the correction.

Representative DELLENBACK. I thought you were saying that in effect.

Mr. DAVIDSON. Yes.

Representative DELLENBACK. But you are curtailing log exports in the States of Oregon and Washington, rather than looking to the States to correct this themselves.

Mr. DAVIDSON. Right, although the State of Washington could do this on their State lands. I think they should. I think the State of Oregon has a sound policy of prohibiting exports, in effect, from the State's lands.

Representative DELLENBACK. And in Washington it would have a more substantial effect, as I understand it?

Mr. DAVIDSON. Yes.

Representative DELLENBACK. Because the State lands in Washington are considerably more extensive than the State lands in Oregon.

Mr. DAVIDSON. Yes.

Representative DELLENBACK. Since you have touched on these two points, may I ask, while we are looking at this total picture, as the chairman has pointed out a number of times we are striving to do, are you recommending that there be an amendment of the Jones Act?

Mr. DAVIDSON. Yes, I certainly think there should be an amendment of the Jones Act.

Representative DELLENBACK. Would you see it as a repeal of the Jones Act, or would you see it as a specific amendment to permit Alaska to do something expressly?

Mr. DAVIDSON. No; I think the change ought to apply for Oregon and Washington as well. We are precluded from these States getting rough, green lumber to the east coast and the change ought to apply everywhere. I understand this Treasury recommendation is just a very minute change applicable to Alaska. Anything is better than nothing, let me say, and if you can get the Treasury Department to go along with anything, I am in favor of it.

Representative DELLENBACK. But some modification would have to—

Mr. DAVIDSON. Some modification is essential since the Jones Act particularly hurts Alaska, because as I pointed out there is a monopsony in Alaska. We only have one purchaser in all of it, and this is because of the failure of the United States to provide any capital. The Japanese will finance new sawmills up there, but not our Government. I think this is a wrong policy. I think the U.S. Government ought to devote more attention to what it is doing in Alaska, because this is the only remaining tree bank, and a big one.

Representative DELLENBACK. I think that in passing we commend you not only for the erudition showed by that seldom used but very eloquent word, "monopsony." You are making the effective point that Alaska is trapped into the situation of not being able to look elsewhere to sell the product, except either within Alaska, or in effect, to Japan under these circumstances.

May I ask just a question about primary manufacture in Alaska? How far does it go, Mr. Davidson? Is it as extensive as it should be? Is it major or is it not? I do not know, not having been in the State, and had the privilege of seeing this.

Mr. DAVIDSON. Primary manufacture? I would say that in this past year around 200 million board feet of lumber has been exported from Alaska. There are six sawmills in Alaska, two at Haines, two at Wrangell, one at Ketchikan, and one at Petersburg.

Representative DELLENBECK. Are these mills taking it through to finished lumber?

Mr. DAVIDSON. Yes.

Representative DELLENBACK. Or are they making just stabs at it?

Mr. DAVIDSON. Yes; this gentleman who preceded me is just wrong in his statement about what happens in the manufacture of cants in Alaska. He sounds like one of those people who comes up and becomes a 1-day expert on Alaska. It is a big State. The mill I built has been operating at least several years. We have never cut any cants except for a few clears. Our entire production, and this year under the new owners, Alaska Forest Products, which is operating it, it will produce between 35 and 40 million board feet of primarily 4 by 4's; 4 by 4's are packaged, loaded on the ships, taken to Japan, and go right to the job to build the houses. The 4 by 4 is the chief structural member of a house in Japan, and they are as widely used as 2 by 4's are in this country. We have never cut anything else, and we have had contracts with the Japanese for quite sometime, and I would say that mill accounts for approximately 20 percent of the lumber production of Alaska.

Representative DELLENBACK. So that you feel the primary processing law of Alaska really brings forth work in the mills rather than just being a token requirement that can easily be brushed aside?

Mr. DAVIDSON. Yes. Let us not discuss my mill. Let us discuss Wrangell Lumber Co., which is completely Japanese owned. It produces only cants. They have about 120 working in that mill. Very few of them are Japanese. Practically all are Americans.

Now, this is what we say should occur in Washington and Oregon. Just because you square up the log, at least you are getting it through a sawmill, and are providing employment, whether you are making chips or you are making cants. As a matter of fact, the cants load easier on a ship because you can load them tighter than the logs.

You heard from a stevedoring company of Alaska, how the lumber production has gone up. If this gentleman who preceded me had ever gone out to take a look at my mill, or my former mill, and its loading facilities, he could not have made the statement he did. We have a lumber carrier coming direct from Japan to the mill. The 4 by 4's are packaged and put on the ship and it goes off, and it comes back for a load of about 3 or 4 million every month to 6 weeks.

Representative DELLENBACK. We hope you have the same difficulty breaking your relationship to the State of Oregon that you are having breaking your relationship to that former sawmill of yours.

So you are saying then that because of this primary processing, and because a great deal of your sales end up going to Japan, that is there is not a loss of longshoring work, or stevedoring work, or port work, because of what is happening in Alaska. You are saying that there probably is as much as there would otherwise have been if not more than there would otherwise have been, and in addition thereto, we are finding that there is a great deal of employment in the State of Alaska which would otherwise not be the case if we were shipping the raw log?

Mr. DAVIDSON. Right.

Representative DELLENBACK. Thank you very much.

Representative CLAUSEN. Would the gentleman yield? Could you apply what you have just said to the hypothetical situation of a sawmill owner in Oregon or Washington? Are you telling me that they can anticipate or enjoy a part of the business by getting involved in this primary processing of growth that you are discussing? Apply this to the Oregon situation, or the Washington situation, or the northern California situation, for that matter?

Mr. DAVIDSON. Congressman, this is my belief. As I point out I have no statistics to back me up, but I believe that if Washington and Oregon manufactured cants and chips, that the Japanese would buy from us, because as I point out in my statement, they have no other place, really, to buy. Based on the statistics which I understand were given the committee some time ago, I think in 1966 that the Japanese bought about 1.1 billion board feet of logs from the United States, about 3.5 billion from the Philippines, a half billion from Indonesia, and about 2 billion from Russia which makes a total of 7 billion.

Representative CLAUSEN. What species are you talking about, would this be hardwood?

Mr. DAVIDSON. From the Philippines it would be hardwood, and about 3 billion from Russia. As Mitsui points out in my statement and the Japanese that I have talked to say they cannot depend on the deliveries from Russia. They will get a contract to deliver logs on such and such a date and it does show up. They would much rather deal with Americans. And I think they will pay the additional price, and would go for buying that same quantity of cants and chips. We in this country would then get the benefit of primary manufacture. We would get the jobs of primary processing. We can still send the product over there and help their economy. Let them then manufacture it down to the small sizes that they use. If you have been through a Japanese sawmill, you can see how many people they keep employed, and how they tailor its production to their needs. But there is no point in our not getting the benefit of the employment of primary manufacture which is more than just cutting down the tree and getting a few stevedores jobs by loading logs on the ships.

Representative CLAUSEN. Is it your opinion that some of these sawmills that are now in difficulty, that they would be brought out of their current difficulties? Is this what you are recommending?

Mr. DAVIDSON. Yes, I certainly do think they would come out of their difficulty, and I think if we had a requirement for primary manufacture for every stick of wood that came out of the national forests and O. & C. lands in Oregon and national forests in Washington, I think we would open up a lot of those closed sawmills, because then they would only be competing with people in the same relative position and would not have to compete with this export market to Japan.

Representative CLAUSEN. What would be the net effect then, assuming that the President's predictions last night during his state of the Union, that we are going to have all sorts of housing in the United States come true, what would be the net effect in the future?

Mr. DAVIDSON. We could supply lumber for our own domestic markets. We would have the trees to do it with, manufactured in our own mills, and it wouldn't have to be going over to Japan, and then we try to do it some other way. We can try to take care of our own requirements now. As I said, 65 percent of British Columbia's manufactured lumber comes into the United States. Why can't we supply some of that, rather than have our mills closing down, and shipping our logs off to Japan? It makes no sense to me.

Representative CLAUSEN. In your judgment, in keeping with your background, is there ample resources in Alaska and here in the States to be able to supply the continuing demands that might be made by working with the Japanese lumber industry, and then a market under good conditions here in the States?

Mr. DAVIDSON. I think there is. I think there would be sufficient demand, and I think in Alaska if we did not have the competition of

sending all of these round logs over to Japan from Oregon and Washington they would be buying more lumber from us in Alaska.

Representative CLAUSEN. The reason I am asking the question is, would we be correcting an international problem by helping to develop the board lumber industry in their area and then all of a sudden have to, in effect, have a recall situation to meet the local domestic demands?

Mr. DAVIDSON. No, I do not think so. And look, let's put it this way. There is about three-quarters billion feet a year that goes to Japan in round logs, pretty close to it, from private timber holdings and from the State lands of Washington. I think it is around 750 million to 800 million, something like that.

Now, we are talking about a 350 million limitation on national forests on Federal lands. I say cut it all out. It can live on that three-quarter billion.

Let me make one other point while I am thinking about it. When our negotiators go to Japan, we should not be scared to death in talking to them. If anybody ever goes into a negotiation, and at some point is not willing to walk out of it and go home, you are beat before you start. And this is what I am afraid of. We are so scared that they might run away from us. Well, I say, one, where are they going to run, because they need our resources, and two, I do not believe Japan feels that way. They feel close to us. They appreciate what we have done for them over the past 25 years, and they do not want us to go down any more than we want them to go down.

But I think our State Department has got to get tough. I do not think we can flop around on this question.

Representative CLAUSEN. Have you approached some of the people in the State Department?

Mr. DAVIDSON. Look, as I tell you, I have no business being here. I am here in Washington and in New York on other business. I have a client called the city of New York that I am working for and these hearings were coming up so I came down to make a statement. I have some familiarity with this field I think, and I just happened to be here so I came in and said what I think. I have talked to nobody. No, I have had no reason to. I have had nobody to talk for.

Representative CLAUSEN. And this applies to your comments with respect to the repeal of the Jones Act as well?

Mr. DAVIDSON. Oh, sure, this is correct. I represent no one that is in any way affected by this, or the Jones Act, I saw what the Jones Act did to me in Alaska. It made me completely dependent on one buyer. Sure, I would go to him when I was about to go broke, and they would go up. They would pay me \$60 and then they went up to \$62 and \$65 for 4 by 4's. Now, it is up to about \$70 and they keep you going.

Representative CLAUSEN. But you did not either verbally or through correspondence transmit your message to any of the administration officials?

Mr. DAVIDSON. I certainly did. When I was running the sawmill I used to be raising Cain every chance I got.

Representative CLAUSEN. To whom did you direct these communications?

Mr. DAVIDSON. Senator Gruening, Senator Bartlett, Senator Morse, Senator Neuberger before Senator Hatfield was here, everybody who would listen, because I have always said this, Congressman. The Jones

Act makes no sense for the west coast, and I wish we had enough muscle to do something with the southern pine interests and the railroads.

Representative CLAUSEN. Did you communicate directly to the administration?

Mr. DAVIDSON. Well, what do you call going directly to the administration? Look, I was Assistant Secretary of the Interior for a long time. People used to come in, you would talk to them, you might see them at a cocktail party, you might see them anywhere. You go to anybody that you know is involved in this. You tell them what you think.

Representative CLAUSEN. I see. I think this comment, Mr. Chairman, with respect to primary processing does bring into the hearing some rather interesting prospects, and I would be personally interested in hearing some of the Oregon and Washington sawmill people on this very subject which is very interesting.

Incidentally, I have been in Alaska visiting with the distinguished Senator, and also the very distinguished Congressman from your area, so I am a little bit familiar with it.

Mr. DAVIDSON. I recognized that from the questions that you asked of the other witnesses before I got here. Thank you very much.

Senator MORSE. Congressman Pollock.

Representative POLLOCK. Mr. Davidson, I would like to say that I think not only was your statement a very excellent one but your testimony has been terrific. There is no way any of us from Alaska could have said the story better than you did. For my colleague Congressman Dellenback I would like to say that the Jones Act has been a thorn in our side for many many years. We have a very serious problem. Alaska happens to be the only State in the Union separated from her sister States by a foreign nation, and yet we cannot ship from one American port to the other in foreign bottoms. We have been forced to the only market we have, Japan. I think the statement was very eloquently made.

Mr. DAVIDSON. Thank you very much.

Representative POLLOCK. I think you have done a marvelous job and I certainly appreciate your being here and I would like to say, Mr. Chairman, I do not know how many of our 16 Alaskans that are here that will be testifying, but they will be talking about the primary processing and what it has meant for Alaska.

Representative WYATT. Will the gentleman yield?

Senator MORSE. Congressman Wyatt.

Representative WYATT. Mr. Davidson, I just have one question that has occurred to me. The mill that you have been interested in, or were interested in up there, operated I assume as these other mills do on Forest Service timber, on U.S. Government timber?

Mr. DAVIDSON. Right, exclusively.

Representative WYATT. Now, what I fail to see, and perhaps there is an answer, is how mills in Oregon and Washington could compete with the manufactured product of the Alaskan mills, in view of the great difference in the stumpage paid by people such as yourselves in Alaska, and the stumpage paid in Oregon and Washington?

Mr. DAVIDSON. Congressman, it is not the stumpage. It is the log cost at the time the log gets into the mill. And the logging costs in

Alaska are considerably higher than the logging costs in Washington and Oregon.

Representative WYATT. Isn't there still a great disparity though, between the cost of the log at the mill?

Mr. DAVIDSON. Well, there is when they are run up to \$90 and \$100.

Representative WYATT. That is what we are facing.

Mr. DAVIDSON. Yes, but that is because of a condition which I am saying that you all should rectify. If you do not allow this competition of round logs, your stumpage prices would come down to where you have a comparable figure. You must also realize that we are far from any markets. All of the lumber comes up to Alaska that is needed for kiln-dried lumber. There are no kiln-drying establishments in Alaska. All comes from the lower 48. We must have transportation before Alaska can compete. You have to go 600 or 800 miles further by ship just to get down to Vancouver and the Seattle area. Japan is a natural and logical market for Alaska, and I do not want to have any misunderstanding of that, and it is one that we appreciate and like. But we would like a little competition.

To specifically answer your question, I think that it might make us a little more competitive to Washington and Oregon, but we have a long way to go to get our costs down.

Representative WYATT. You talk about what should be done, and your proposed solution is very interesting, but I am sure you recognize, as well as anybody, how difficult of solution this is as an accomplished fact?

Mr. DAVIDSON. Yes, I do.

Representative WYATT. And that as a practical matter it is impossible to solve it this way, then we would have a situation where you would have a great disparity in stumpage costs?

Mr. DAVIDSON. Congressman, this is the great luxury one has when he is not a Congressman and not a Senator and not a Government administrator. One can say—why don't you do it?

Representative WYATT. You are not interested in a mill at the present time? You are not an operating millowner at the present time?

Mr. DAVIDSON. I am just trying to practice law.

Representative WYATT. Thank you, sir.

Senator MORSE. Congressman Ullman, do you have any questions of Mr. Davidson?

Representative ULLMAN. Mr. Davidson, I regret I did not hear all of your testimony, but I have read your statement and I think you have made a very valuable contribution. I would just like to know this. We are talking about primary manufacture. We are talking about cants, aren't we?

Mr. DAVIDSON. Yes, cants are included in primary manufacture. The Forest Service defines what is primary manufacture. They can bring it down to the baby squares which our mill is producing, or they could leave it at what it is, 8 inches or 12 inches wide. In other words, what is termed primary manufacture is somewhat flexible. It means, though, that in addition to cutting the tree down, it is going through another process. It goes through a sawmill or goes through a chipping plant or goes through something.

Representative ULLMAN. Is it your feeling that the rule for primary manufacture should be the same in Oregon and Washington as it is in Alaska?

Mr. DAVIDSON. Yes, that is my position.

Representative ULLMAN. I may have some great reservations about that. I think primary manufacture might be a good solution, but the reason that you go to that, Alaska needs to overextend itself to lower the barriers is because it so desperately needs to attract industry and I for one want to help the people of Alaska in every way that I can, because I am well aware of their problems. We in Oregon have comparable problems, but on a lesser scale. And so for those who are struggling to get along I think it is great.

But in the State of Oregon we have much more advanced lumber industry. Don't you think there could be a justification made for a different scale of primary manufacture?

Mr. DAVIDSON. Congressman Ullman, perhaps you misunderstand me in the definition of primary manufacture. I do not mean to preclude it going further. I just say that as a minimum the log has to go through a sawmill or chipping plant. Now, this does not mean that in the Oregon and Washington sawmills one would not go on and produce dimension lumber—that you would not produce the kind of lumber needed for the house construction. That is much better—much better for the economy than only primary manufacture.

Representative ULLMAN. Do you think a possible point of negotiation would be one whereby you instituted your kind of primary manufacture, but made it clear that over a period of years you would gradually scale up the minimums?

Mr. DAVIDSON. And this is exactly what we think the Forest Service will do in Alaska. Now, they are willing to let us get by with the big cants. I do not think any intelligent person in the wood products industry in Alaska thinks that this is going to continue forever. As we get more mills in there, greater competition for the timber, their requirements will get tougher, and it may very well be that in Washington and Oregon they would require that primary manufactures constitute something more than in Alaska.

Representative ULLMAN. This is my original question. I appreciate your bringing it up.

Mr. DAVIDSON. Yes. But the only point I am making in this testimony is that the present policy of letting round logs go out of Washington and Oregon to Japan has as its consequence that the mills are shutting down in Washington and Oregon, because they cannot compete with the round logs going to Japan. To me this is a very foolish policy, because we need the jobs and we should supply our own market. Let us not throw these things away.

Representative ULLMAN. I think that is good. However, I don't know completely about the economics of the matter, but it would seem to me that if you are just talking about cants, which is such a primitive type of manufacture, that the difference in what they get for a log, a round log, and what they get for a square one probably is not enough to make this a major source of payroll.

Mr. DAVIDSON. I am glad you brought this out, because I want it definitely on the record that this is just a minimum requirement. I would say rather than a round log going out now, bring it down to at least a cant. But I would make primary manufacture go as much further as you possibly could.

Representative ULLMAN. But then the way we could salvage the industry would be to start with the very minimum.

Mr. DAVIDSON. Yes.

Representative ULLMAN. In the way of cant on year, the next year raise the minimum levels, and over a period of years you could thus get to a finished lumber sale which would be beneficial to both Japan and the United States.

Mr. DAVIDSON. Cant and chips. Even if you send the logs through a chipper, you are at least providing jobs here before the wood goes over to Japan. I say do everything we can here, but do not just let the logs go out of Washington and Oregon when you have mills shutting down because of no logs.

Representative ULLMAN. Turning to a different matter on the point of the Jones Act, have you followed the efforts that have been made to charter ships that have, in effect, circumvented the Jones Act?

Mr. DAVIDSON. Not closely. There would be problems of doing that from Alaska, because we have a much longer run to get up there, and it is hard because of the lack of financing to build up a sufficient inventory and just keep it there until you can get a ship in. The Japanese finance our inventory, but we have not found anybody in America that will. Before you came in, I think it was, I made the statement that this country is not doing enough to develop the resources of Alaska, and therefore we of Alaska are very grateful to the Japanese, because they have come in. They have put in the biggest industry up there. They have provided us the market, they have provided the financing. And why this Government does not do it is a mystery to me, and it should.

Representative ULLMAN. Do you think that if we did find some way of shipping in bottoms, that we could retain with Alaska timber as well as Pacific Northwest timber the east coast market?

Mr. DAVIDSON. Yes, I think we could. I think we could retain the east coast market, if we could eliminate the Jones Act. At least we could compete with Canada. Now, I know my former mill up there could certainly have competed with British Columbia and Vancouver British Columbia mills. I could have gone through the Panama Canal back to the east coast. I had a lot of business lined up in New York, New Jersey, and along the Atlantic seaboard. But when we got to figuring the additional cost of shipping it on American bottoms, we could not cut the mustard.

Representative ULLMAN. Thank you. You have been very helpful.

Senator MORSE. Thank you very much; I have one question, Mr. Davidson. You served with distinction as Assistant Secretary of the Interior under Secretary of the Interior Oscar Chapman, and our State is greatly indebted to you and Oscar Chapman for the services that you rendered, on the basis of facts, for our problems in the fields within the jurisdiction of the Interior Department. During those years that you were Assistant Secretary of the Interior, did you have an opportunity to familiarize yourself with the Federal timber policy of the Department of the Interior?

Mr. DAVIDSON. Yes. I supervised the Bureau of Land Management among my other agencies, and I think it was when I was Assistant Secretary under Secretary Krug that we had the hearings on the O. & C. lands on the first sustained yield units we were trying to set up in Oregon. And I remember at our first hearing I was practically run out of Eugene on a rail because I was sent out there to defend the

policies of the Department of Interior, which made absolutely no sense. Subsequently we got it changed.

Senator MORSE. Your statement setting forth your qualifications in the area of the Bureau of Land Management problems when you were Assistant Secretary of Interior makes it unnecessary for me to ask the other questions that I was going to ask to lay the foundation for your qualification to answer the question that I pose to you now.

As a former Assistant Secretary of Interior, as an exceedingly able lawyer, who I happen to know has had a practice that deals in the field of litigation and the great problems that involve national resources, is it your opinion that the executive branch of our Government has under existing law, which deals with the administration and maintenance of our Federal forests, the legal authority to place restrictions on the exportation of logs from Federal timberlands?

Mr. DAVIDSON. I appreciate your kind remarks, Mr. Chairman, and to give a yes or no answer I will, but then I think I would like to make a comment. The answer is "yes." There is presently sufficient authority within the various agencies of Government to take the type action I am recommending.

I think we must understand though that any government administrator finds himself very much in the position of a Senator or a Congressman but a little different. A Senator or a Congressman has the national interest and he also has a constituency interest.

Senator MORSE. There is one difference—

Mr. DAVIDSON. And he gets elected.

Senator MORSE (continuing). One difference, the administrator can get fired. We can get defeated.

Mr. DAVIDSON. Right; but you are both out of office then. But the administrator in looking at the problem is faced with the same kind of conflicts and the same kind of arguments, coming from all sources that you have experienced here in these hearings.

Now, the administrator is only human also, and he is also a political animal. As you say, he can be fired. He wants to do the right thing just as the Senator and the Congressman wants to.

But for him to sign a paper saying to this, when he is going to have the longshoremens and the ports, and everybody on his neck—when he is going to have the State Department on one side and the Treasury on the other, to ask the Chief of Forest Service or the head of the Bureau of Land Management to take specific action is asking them to do quite a job, unless he can get considerable support from the Senate and House, or some of the committees of the Congress.

Therefore, I think these hearings are excellent. But I think you could help tremendously, and it is necessary, because I doubt that the administrators are going to take action unless they know they are going to have some defense over here when all hell breaks loose.

Senator MORSE. I asked the question, Mr. Davidson, to elicit from you the response that you have given. Neither the Chief of the Forest Service, the Director of the Bureau of Land Management, the Secretary of Agriculture nor the Secretary of Interior should be expected to proceed with laying down administrative regulations unless he knows those regulations are approved by the administration that he serves. I understand that, I think we all understand that. And the administration is not going to give authorization to carry out the policy, which is discretionary, without taking some cognizance of

what the attitude is going to be in the legislative branch of the Government. And in essence that is what your answer adds up to.

However, we as legislators have the responsibility of reaching a conclusion as to whether or not the power, the authority exists in the executive branch of Government in connection with the operative facts of this instant case to impose the restrictions that would help resolve to a degree, and I think a great degree, the problem that confronts this committee in respect to the export of logs to Japan.

Speaking only for myself, I am satisfied that the Forest Service and the Department of the Interior know that. I am satisfied that the State Department and Commerce and Treasury Departments and the White House know that. The power does exist. Therefore I happen to be of the opinion that in my capacity as a Senator from Oregon, and I think others in the Congress will join me in it, I have a duty to make clear that we think the administration ought to impose those restrictions.

I happen to think that they would have been imposed by the departments some days ago, if the administrative officials superior to the departments had been willing to have them imposed, and I think one of the responsibilities of this committee in bringing forth our report will be to cover with complete clarity this legal issue, and let the owners of the public timberlands, the taxpayers of this country, know that this administration has the authority to impose the regulations if it wants to follow that course of action.

That does not mean that they are compelled to. They have to stand on their own record of public policy. But I think it is very important that it be pointed out, the answer that you made to my question, which other lawyers who have testified before you have agreed with: that there already exists the authority to impose some degrees of restrictions on the exportation of logs to Japan.

It is the position of the senior Senator from Oregon the imposition of those restrictions is long overdue, and should not wait, should not wait for negotiations in Tokyo on February 20. Thank you very much.

Mr. DAVIDSON. Thank you.

Senator MORSE. Some days ago when the Senator from Alaska, Mr. Gruening, was advised that these hearing were to be held, he called me and said that a group of witnesses from Alaska would like to be heard. I made clear to him, and thought it was clear to all—except for what I understood was the point of view of one witness today that was laboring under the impression that these hearings were limited to Oregon and Washington problems—I thought it was clear to all that these hearings involved log export problems wherever there is Federal timber, California, Montana, Idaho, Washington, Oregon, Alaska, or any other location of Federal timber that was involved in the issue of exportation of logs from those federally owned forests to Japan. So I assured Senator Gruening that these hearings covered Alaska problems as well as Oregon and Washington and other States.

With that assurance on my part, he made a request that time be set aside for the hearing of witnesses from Alaska. A group of witnesses came to Washington. They are here. I apologize to them for the fact that we have not been able to get to their testimony earlier. I commend them for their patience. On the other hand, I have the respon-

sibility of making a complete record here, for this is not a hearing in which the committee only has the responsibility of seeing to it that the legal requirements of a public hearing are met. It is not that type of a hearing.

This is a hearing for the purpose of making a detailed record of all available information, evidence, and data that the parties interested in the subject wish to submit to the committee. That is why it might be described as a "slow bell" hearing. We certainly owe it to the parties at interest to give them whatever time is necessary to change the record. That is why I have not put on the pressure to shut any witness off or to put any time limitation on the questioning period.

I am now ready to hear the Alaskan witnesses. I turn this part of the hearing over to my great friend and distinguished colleague from Alaska, Senator Gruening. I am going to ask him to make whatever kind of a statement he wants to, and present the witnesses. After he makes his statement and before he presents the witnesses, I want to read a letter from Senator Bartlett, insert a statement into the record that he wishes to file for the record, and make a brief comment on his statement, which I appreciate receiving very much. But having mentioned Senator Bartlett's name, I want to make this report to those present.

I am delighted to be able to report that he is making a very rapid recovery from his recent illness, that it is only a matter of a few days before he will be back in his Senate seat on the floor of the Senate, and to his Alaskan constituents let me say, as you will note from the insertions that I shall describe later when I insert his material in the record, Senator Bartlett has stood shoulder to shoulder with us over the years as we have battled away here in the Senate to protect sound policies for the administration of our Federal forest lands.

I am very delighted now to turn the hearing over to Senator Gruening for any statement he wishes to make and for the introduction of his constituents as witnesses.

STATEMENT OF HON. ERNEST GRUENING, A U.S. SENATOR FROM THE STATE OF ALASKA

Senator GRUENING. Thank you very much, Mr. Chairman and members of the committee. It is my privilege today to introduce to you and this distinguished committee a most important group of Alaskans representing the lumber manufacturing and logging industry of my State. These representatives of a vital industry in Alaska can, I believe, make an exceedingly useful contribution to the record of these valuable hearings by presenting this committee with certain basic facts concerning the forest products industry in Alaska and the position of the Alaska industry on matters affecting Alaska uniquely.

Although the industries based on timber resources in the Northwest are of comparable importance in the States of Oregon, Washington, and Alaska, the status of the industry in Alaska differs significantly from that existing in Oregon, Washington, and California. In Alaska, the forest products industries are just beginning to develop into an economic factor of significance. The full growth of a flourishing economy, in which these industries will take their place, lies in the future of Alaska.

Our status as a State has existed less than 10 years. The impetus to the development of a viable economy that statehood provides has been barely felt. We look ahead to a time when the forest products industries, as, also, others, will thrive and grow strong. Now, however, Alaska industries are young and in quite different position from that of our sister States of the Northwest. In Oregon and Washington numerous and vigorous manufacturing establishments have been built by the firms represented at these hearings as well as others that have not appeared but which are, likewise, dependent upon the resources of the forests. These are, except for the difficulties explained to the committee in the last few days, strong and prosperous enterprises.

Also, Alaska differs from her sister States of the Northwest in that not some, but virtually all forest land is under the control of the Forest Service, and, to a lesser extent, the Bureau of Land Management. In Alaska, the Federal Government owns more than 98 percent of the land of the State, as reported by the Bureau of Land Management in its compilation of statistics of public domain for 1966. This statistic is cited in comparison with the 52.160 percent of federally owned land in Oregon, and 29.441 percent in Washington.

Thus, in Alaska, the attitudes and official policies of the Federal Government toward management of the land and resources of our State assume exceedingly great importance and are possibly the most significant determinants of the extent and rate of growth of commerce and industry. Insofar as concerns the industries which are the subject of these hearings no Federal policy is of greater importance than that traditionally applied by the Forest Service, prohibiting the export from Alaska of "round logs." Without firm and unswerving adherence to the policy that requires some processing lumber in Alaska before it may be exported we would indeed, except for logging, have no industry at all.

This being the case, it can be well imagined what a disturbing impact was made upon the sensitivities of the Alaskan forest industries when word was spread of that imaginative bit of original thinking known generally as the Treasury Department staff report on the Pacific Northwest log export problem. We are all aware of the urgency in the executive branch of the Government to improve the American balance of payments. I have my own—differing—ideas as to how this might be accomplished.

However, Alaska has no intention of sacrificing its logs and its infant forest products industry to, at best, an exceedingly dubious scheme for reducing our national trade deficit. We will not allow our forest industry to be impaired and seriously injured by the whimsical proposal of an agency having no responsibility for the care and use of forest products and no expertise with which to make decisions in this important segment of our economy.

We realize fully that these hearings were planned to examine the very real problems of the forest products industries of the Northwest caused by greatly increased prices of lumber long before the staff of the Treasury Department undertook to offer its ill-considered advice on the subject. However, since the emergence of the Treasury's effort, that Department's views have become inextricably entangled in the subject matter of these hearings. Accordingly, the State of Alaska and its forest products industries find it necessary, as I find it necessary, to make it perfectly clear we are in total opposition to that part

of the Treasury Department report suggesting removal of the restriction against export of unfinished logs from Alaska forests.

Fortunately, the Secretary of Agriculture and the Forest Service agree with the Alaskans. I would like to request that the record include the text of a letter addressed to me by the Secretary of Agriculture advising that the Department has no intention of changing its policy in this matter, together with the text of a telegram from the Forest Service to Mr. Don Bell, secretary, Alaska Loggers Association, reaffirming this.

Senator MORSE. The letter and the telegram identified by the Senator from Alaska will be inserted in the record at this point.

(The documents referred to follow:)

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DEPARTMENT OF AGRICULTURE

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WASHINGTON 25, D.C.

JAN 15 1968

Honorable Ernest Gruening
United States Senate

Dear Senator Gruening:

This responds to your telephoned request for information about the Staff Report prepared in the Treasury Department concerning U. S. log trade with Japan and the management of National Forests in Alaska and in the Pacific Northwest.

We received a copy of the Report. It was prepared as a staff paper in the office of the Assistant Secretary for International Affairs in the Treasury Department. It was intended only to be a basis for discussions between the two Departments, and we expect to have such discussions.

However, the Report has received public distribution. It has raised questions in many minds as to whether the Department of Agriculture will abruptly make drastic changes in forest management policy. Consequently, it seems necessary that you and others who are greatly interested in management policies for the National Forests know our reaction to the major points in the Report. We have had the Report only a few days and have not analyzed it thoroughly, but we can give you our initial reactions.

The Report emphasizes the Treasury Department's concern in finding solutions for the current balance of payments problem. In this context, those who prepared it are looking for ways to increase exports. The Report dwells only on ways to continue a high level of exports from National Forest lands, and does not give attention to other objectives in their management. We construe the Report as a request for us to think about ways in which the balance of payments problem might be helped by the manner in which resources are managed. This does not mean that the Department of Agriculture is considering any basic changes in the objectives for which the National Forests are being managed.

The Treasury Department's staff has made some suggestions which are mostly matters we have thought about before. Some are things we have been pushing for, and we intend to keep pushing for them as rapidly as budget considerations will permit. For example, these include more access roads and additional funds for intensification of management of the National Forests.

There are some recommendations on proposals we have previously considered and have decided to not adopt. One of these, for instance, is the suggestion that we should plan timber harvests on a 65-year rotation rather than the current range of 90- to 120-year rotations now in effect. Another is the suggestion that we should so manage the National Forest timber so as to earn a maximum rate of interest, regardless of other considerations. We have explored what can be done with shorter rotations. Rotation lengths must be geared to the site quality of the land and objectives of management. Site qualities in Alaska are such that rotations as short as 65 years would not produce very large sizes of sawtimber nor necessarily the highest interest returns on forestry investments. In any event, it is not our intention to set rotations so as to obtain the highest financial return. It is not the objective of National

Forest management to do this and no change in this objective is contemplated. If we find in future examinations that rotations can be shortened somewhat, it would be done only with balanced management of all the multiple uses in mind, together with providing proper protection for soil and water.

We think the Report's discussion on Alaska is only a partial presentation of Alaska's problems. Much that is desirable could be lost by changing the prohibition against export from Alaska of unprocessed logs. Instead, it seems to us that if there is to be a change from present practices, it should be to obtain, by agreement with the Japanese, shipment from Alaska of processed lumber rather than logs. This possibility is largely overlooked in the discussion in the Treasury Department Report.

Another major recommendation of the Treasury Department proposal is the repeal of the Jones Act, or its modification to exempt Alaska from its provisions. Administration of the Jones Act is not one of the responsibilities of this Department, and it seems inappropriate for us to comment on that part of the proposal.

You have specifically asked if we intend to change the policy in Alaska and make it possible to export from Alaska, in unprocessed form, logs that have been cut from the National Forests. We do not plan any change in this policy.

Sincerely yours,

/s/ Orville L. Freeman

C O P Y

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TO RUWLRAA/2/DON BELL SECRETARY ALASKA LOGGERS ASSOCIATION
KETCHIKAN ALASKA

BT

THE TREASURY REPORT WAS PREPARED AS A STAFF PAPER FOR DISCUSSION WITH AGRICULTURE. UNFORTUNATELY, IT RECEIVED PUBLIC DISTRIBUTION RAISING QUESTIONS WHETHER AGRICULTURE WILL MAKE ABRUPT CHANGES IN ITS MANAGEMENT POLICIES. TREASURY OVERLOOKS ALASKA'S EXPANDING JAPANESE TRADE IN CANTS AND SQUARES AND THE DESIRABILITY OF INCREASES. ALSO OVERLOOKED ARE MULTIPLE USE AND TECHNICAL CONSTRAINTS ON REDUCING TIMBER ROTATIONS TO PERMIT HIGHER ANNUAL CUTS. WE DO NOT PLAN ANY CHANGE IN THE PRIMARY MANUFACTURE POLICY IN ALASKA.

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Senator GRUENING. In addition to the communications from the Department of Agriculture that have been inserted in the record, I should also like to request that the record include letters, telegrams, and other statements on the subject which have been received in my office.

Senator MORSE. Fine. Without objection, we'll insert it right here.

(The correspondence referred to by Senator Gruening follows:)

WRANGELL, ALASKA, *January 10, 1968.*

Hon. ERNEST GRUENING,
U.S. Senate, New Senate Office Building,
Washington, D.C.:

Wrangell Chamber of Commerce strongly opposes any action by the Federal Government to allow round log export to Japan. If allowed it would create an economic disaster to our area.

WRANGELL CHAMBER OF COMMERCE,
EDWARD J. BRADLEY, *President.*

KETCHIKAN, ALASKA, *January 10, 1968.*

Hon. ERNEST GRUENING,
U.S. Senate, New Senate Office Building,
Washington, D.C.:

The Greater Ketchikan Chamber of Commerce Board of Directors opposed to the export of round log from Alaska. Copy of Resolution 68-1 follows.

F. A. SEYMOUR, *Manager.*

KETCHIKAN, ALASKA, *January 10, 1968.*

Hon. ERNEST GRUENING,
U.S. Senate, New Senate Office Building,
Washington, D.C.:

The mayor and City Council of Ketchikan oppose the proposal of the U.S. Treasury Department to the export of round logs from Alaska to Japan. This could seriously affect the economy of the Ketchikan area. We request your support in opposing this proposal.

ORAL E. FREEMAN, *Mayor.*

JANUARY 7, 1968.

Hon. ORVILLE FREEMAN,
Secretary of Agriculture, Department of Agriculture,
Washington, D.C.:

Alaska Loggers Association, which was founded in 1955 and represents 56 independent logging operators in the Tongass National Forest who supply all the logs to southeast Alaska's growing wood products industry, has historically opposed round log export, and is shocked by the release attributed to Joseph Barr, Under Secretary of the Treasury, who reportedly recommended log export to you. The Japanese have been and are buying all the lumber Alaska can supply, therefore, the balance-of-payment situation will be improved by the several million-dollar investments in new mills and facilities which are in process because the Japanese will buy the increased lumber production. It follows that the Japanese will buy logs in preference to lumber if the recommendation is adopted, with the result Alaska mills will close, and communities, school systems, the State and its citizens will be critically damaged. Your regulation requiring manufacture is in the best interest of Alaska, and we urge that it not be disturbed.

ALASKA LOGGERS ASSOCIATION,
By DON BELL, *Secretary.*

JANUARY 6, 1968.

Re Treasury Department balance of trade and Alaska round log export proposal to Department of Agriculture Secretary Orville Freeman.

Hon. JOSEPH BARR,
Under Secretary of the Treasury, Department of Treasury,
Washington, D.C.:

Round log export from national forest lands in Alaska will force immediate and permanent closure of all of Alaska's sawmills and will prevent construction and operation of new sawmills now in planning stage. Long standing U.S. Forest Service policy of requiring primary manufacture of logs in Alaska has enabled the members of the Alaska Lumbermen's Association to develop a vigorous and expanding sawmill industry in Alaska based upon export of manufactured timber to Japan. Continued growth of this industry is essential to the economic well being of all of Alaska. Our association is totally opposed to your Alaska round log export proposal to Secretary Freeman. Balance of trade and Oregon-Washington export problems should not be solved at the expense of Alaska's sawmill industry. We believe development of a Japanese export sawmill manufacturing industry in Washington and Oregon to be the only practical and fair solution and one which would serve all segments of the National and Northwest economy rather than only the favored few. We stand ready to make our experience available to you as an aid to your further consideration of the matter of round log export from Alaska. Letter follows.

ALASKA LUMBERMAN'S ASSOCIATION.

JUNEAU CHAMBER OF COMMERCE,
Juneau, Alaska, January 11, 1968.

HENRY H. FOWLER,
Secretary of the Treasury,
Washington, D.C.:

Greater Juneau Chamber of Commerce urges retention of Forest Service Regulation providing for primary manufacture of logs harvested in Alaska. Removal of this regulation would seriously affect economy of Alaska industry now engaged in such manufacture for export. We see no advantage to anyone in export of a raw product rather than a processed product.

ROBERT A. WELLS, *Manager.*

JUNEAU CHAMBER OF COMMERCE,
Juneau, Alaska, January 11, 1968.

ORVILLE L. FREEMAN,
Secretary of Agriculture,
Washington, D.C.:

Greater Juneau Chamber of Commerce commends and urges continuation of Forest Service regulation prohibiting export of raw logs from Alaskan forests. Development of forest product industry in Alaska is vital to our future and would receive a severe setback with any change in this regulation.

ROBERT A. WELLS, *Manager.*

NEWS FROM ALASKA'S GOVERNOR WALTER J. HICKEL

January 8, 1968.

JUNEAU.—Gov. Walter J. Hickel emerged from an emergency session today with executives of Alaska's timber industry and officials of the U.S. Forest Service, declaring the state will do everything possible to head off what may be a federal effort to ease the U.S. balance of payments situation at the expense of the Alaska timber industry.

Hickel called the meeting after receiving reports that the Treasury Department has proposed a plan for improving the U.S. balance of payments—a plan apparently keyed to the opening of round log exportation from Alaska to Japan.

The proposal, reportedly backed by some Pacific Northwest members of Congress, appears intended, Hickel said, to hold log exports to Japan from Washington and Oregon to a 1966 level, while allowing exportation of enough round logs from Alaska to give Japan as many logs as it imported in 1967.

"On the surface," Hickel said, "this proposal might appear to be favorable to Alaska—but that could hardly be further from the actual situation.

"If the federal government takes steps leading to the export of round logs from Alaska, while holding the line on Washington and Oregon exports, we will witness a severe and possibly disastrous blow to the Alaskan timber economy.

"This move could destroy primary timber processing and close down our mills simply for a 'quickie exploitation' of our long-term log resources."

The Governor continued, "A serious question for Alaskans is this: 'In the event we would export round logs from Alaska, what reason would we have for expanding our timber manufacturing facilities?'"

John Daly, president of Ketchikan Spruce Mills and the Alaska Lumbermen's Association, and a member of the Governor's Timber Task Force, told Hickel he believes all saw mills in Alaska would close down within six months if round log export to Japan were permitted, putting several hundred Alaskans out of work.

Others present at the meeting included Commissioner Frank Murkowski of the state Department of Economic Development; Howard Johnson, regional forester for the U.S. Forest Service; Russ Lockhart, Johnson's assistant; Art Brooks, Ketchikan Pulp Co. vice president; Clarence Kramer, administrative assistant, Alaska Lumber and Pulp Co.; Chuck Cloudy, attorney for the Alaska Lumbermen's Association, and Cliff Reeves, president of Alaska Lumber Products of Haines.

After the meeting, the Governor contacted Price Daniels, head of the Office of Emergency Planning, asking Daniels to carry the state's appeal for caution of any change in log export from federally-owned lands in Alaska directly to President Johnson.

Hickel also said the state and the Alaskan timber industry will send representatives to testify in Washington on Jan. 16 when Oregon Sen. Wayne Morse, chairman of the Senate Small Business Sub-Committee, will hold hearings on the Treasury Department proposal.

Hickel said, "If Washington and Oregon would adopt a policy of primary manufacturing such as Alaska follows, they would have no problem.

"This would help the balance of payments, relieve unemployment by reopening mills in the Northwest, and contribute to increased sales of timber products from all three of our states."

"I cannot believe," Hickel added, "that any proposal to help Washington and Oregon at the expense of Alaska's lumber industry could be acceptable to Congress. It certainly isn't to Alaskans."

JANUARY 11, 1968.

HON. WALTER J. HICKEL,
*Governor, State of Alaska,
Juneau, Alaska:*

Reurtel concerning Treasury Department internal staff study proposing changes in domestic timber and shipping policies. I will oppose any effort to sacrifice Alaska's interests and have advised Commissioner Murkowski that I will introduce Alaska representatives at Senate small business hearing on log export problem when they testify. Please have Commissioner Murkowski wire pertinent data re round log export from Alaska.

ERNEST GRUENING, *U.S. Senator.*

JUNEAU, ALASKA, *September 10, 1967.*

HON. ERNEST GRUENING,
*New Senate Office Building,
Washington, D.C.:*

The following message was sent to Mr. Corman, office of E. L. Bartlett, Washington, D.C.:

"Reur wire on round log export the State, timber industry representatives, and service industry association will appear at subcommittee hearings to voice vigorous opposition to round log export from Alaska. The continuing growth of our lumber export economy points the way to a solution of the balance-of-trade problem as well as the depressive effect of round log export on Oregon-Washington economy. The disastrous loss to Alaska's economy bound to result from round log export will completely offset any benefits to either national or local economy otherwise anticipated.

WALTER J. HICKEL, *Governor of Alaska.*

MR. ROBERT BUTLER,
Director, Small Business Administration,
Anchorage, Alaska.

DEAR MR. BUTLER: You may have heard about the proposal of the U.S. Treasury Department to open Alaska to the Export of round logs. A hearing on this matter has been called in Washington by the Small Business Administration before a Senate Committee headed by Sen. Wayne Morse of Oregon. Many sawmills in Oregon and Washington have already closed because of round log export to Japan and others are being threatened with closure. Seems that the Japanese need the round logs and will pay almost any price to get them.

The S.B.A. wants to help them and it is a critical situation. To keep the mills of Oregon and Washington operating they insist on rolling back round log export to the 1966 level, which they say they can live with. Then, to offset the reduction of export logs from Oregon and Washington, they propose to make up the difference by exporting the required quantity of round logs from Alaska.

In theory this may seem well and good. It would satisfy the Treasury Dept. by keeping the export dollars flowing in. It would be allright with Oregon and Washington Mills as many of them feel that Alaska has had preferred treatment from the U.S. Forest Service. But such a plan, if carried out, would be the height of folly and would not accomplish the objective. It would cost the U.S. Govt. more direct dollars than it would receive from the export of the round logs. It would be like killing the Goose now laying golden eggs. Here is the situation.

1. Alaska is rapidly developing logging, sawmills and pulp mills. This is due to the wise policy of the Forest Service in requiring primary manufacture in Alaska. This provides thousands of jobs for Alaskans and many direct sources of tax revenue to the U.S. Govt., the State of Alaska and local towns and Burroughs.

2. Open Alaska to round log export and you will kill this growing industry. No doubt about it. How could we possibly compete on any subsequent timber sale when we would have to bid against Export operators. Our mills, and possibly the pulp plants, would grind to a stop in less than a year. We could not afford to saw our \$50.00 logs when we could get \$80.00 by exporting.

3. Export logs from Alaska! I say what logs? Those not familiar with Alaska say "they have great quantities of unused timber rotting on the stump". What foolishness! The facts are that we are nearing the allowable annual cut of both the U.S. and State Forests in Alaska. With the placing of the Admiralty Block, now up for contract, and the Afognak Timber coming up for sale March 1st, it does not leave a great volume of timber available. This remaining volume is being prepared for bids by the U.S. Forest Service and will find a ready sale in Alaska as fast as it is ready for bids.

4. To cancel the carefully worked out plans of the U.S. Forest Service for harvesting the Alaska timber would be about the worst mistake the Administration could make. Not only would it ruin our Forests, denude our land of timber faster than it could be regrown, but it would be unfair to the generations of Alaskans to come. This is part of their heritage. We cannot fail them because of the current pressure to develop some export dollars.

5. We should thank and encourage the officials of the U.S. Forest Service for their wise management of Alaska Forests and then let these experts decide what can and cannot be done in the best interests of all concerned—the U.S. Treasury Department included.

6. We can do this: Request the Forest Service as rapidly as possible to allocate the remaining timber under the present allowable cut schedule. We can and we will produce more lumber and more export cants and thus provide the additional export dollars. But we will do this as now being done—by primary manufacture in Alaska—the only fair and right way. In doing it the Forest Service will make provisions for the existing mills, setting up blocks of timber to give them a backlog of timber, permitting them to stay in business. Some of the existing mills will need to expand. Other sawmills may have to be installed, possibly at Juneau, Sitka and Yakutat, in addition to the ones projected for Afognak and Seward. But this will do the job and will keep Alaska moving forward.

7. In conclusion we urge you to present these facts at the hearing in Washington, D.C. on Tuesday, Jan. 16th and to do all you can to prevent the easing of the present export restrictions on round logs from Alaska.

Sincerely,

COLUMBIA LUMBER CO. OF ALASKA,
 THOS. A. MORGAN, *President.*

MOORE CLINIC,
Sitka, Alaska, January 11, 1968.

HON. ERNEST GRUENING,
Senate Office Building, Washington, D.C.

DEAR SIR: We are writing to you to urge you to join the efforts of many Alaskans in protesting the round log exports.

We feel that devastation of Southeastern Alaska would quickly follow the wholesale logging that would ensue. There is already problem enough with clogged salmon streams, erosion, and the sheer ugliness of logged-off areas without hastening the process.

At present the sawmill owners are protesting; in a few years, when the pulp mills and loggers move out for lack of trees, it will be the entire area.

Alaska is the last chance of this country to treat a large wilderness area wisely and well, to avoid the rapacious tactics that have ruined so much else.

Knowing that you love Alaska as we do, we are hopeful, as private citizens, that you will help.

Sincerely,

Dr. and Mrs. G. H. LONGENBAUGH.

KLAWOCK, ALASKA, January 9, 1967.

HON. ERNEST GRUENING,
U.S. Senate, Washington, D.C.

DEAR SENATOR: The West Coast Development Association has taken a stand against exportation of our Alaskan round logs.

We feel exportation of round logs to Japan will not contribute to the development of home industry in our state. Log exportation is contrary to the program that our organization has presented. We will continue to seek and encourage primary and complete manufacture plants to locate here, thus providing more jobs per thousand board feet of timber harvested than would be derived from the export of round logs.

We were sorry you were unable to attend the west coast hearing on January 2. We feel much valuable and pertinent testimony was given regarding the timber industry in southeastern and the tremendous need and potential for new timber industry here in our west coast communities. As soon as we can get a copy made, we plan to send a tape recording that we made of the complete proceedings in the Jan. 2 meeting in Craig. We have asked Senator Bartlett to share it with you and Representative Pollack so that our complete Alaska delegation will be fully informed on what went on that day.

We do not intend to diminish our efforts in the least in this matter. We realize there is much hard work still to be done in order to get the wheels rolling on a concrete plan of action for west coast industry. We are not discouraged by the negative thinking of some individuals. We are certainly grateful for the encouragement and assistance we have received from many. We thank you for your help and hope you will continue to give us your support in this matter.

Sincerely,

WEST COAST DEVELOPMENT ASSOCIATION,
FRANK PERATROVICH, *Chairman*.

RESOLUTION OF THE GREATER KETCHIKAN CHAMBER OF COMMERCE, KETCHIKAN,
ALASKA

Whereas, the long-standing United States Forest Service policy of requiring the manufacture of logs in Alaska has encouraged and developed an expanding timber manufacturing industry in Alaska based upon the export of manufactured timber to Japan; and

Whereas, due to the very low cost of Japanese labor, no sawmill products would be purchased by the Japanese if they could obtain round logs and process them in Japan; and

Whereas, continued growth in the timber manufacturing industry is essential to the well-being of all Alaska; and

Whereas, increased round log export could conceivably force a closure of all Alaska's sawmills selling to the Japanese market, and could prevent construc-

tion and the operation of new timber manufacturing facilities in the planning stages; and

Whereas, increased round log export would result in an exploitation and depletion of Alaska's long term timber resources;

Now, therefore, be it resolved by the Greater Ketchikan Chamber of Commerce that the Chamber is totally opposed to round log export from the forests of Alaska and that the Chamber favors and heartily endorses the long-standing policy of requiring primary manufacture of logs in Alaska.

PETER ELLIS,

President, Greater Ketchikan Chamber of Commerce.

Date: January 9, 1968.

Attest:

F. A. SEYMOUR,

Manager, Greater Ketchikan Chamber of Commerce.

BOARD OF DIRECTORS OF THE GREATER KETCHIKAN CHAMBER OF COMMERCE,
KETCHIKAN, ALASKA—1968

Peter Ellis, President, Ziegler, Ziegler, Cloudy & Ellis, Box 1079, Phone CA 5-4145.
Owen T. Hunt, First Vice Pres., Tongass Trading Company, 312 Dock, Phone CA 5-5101.

Robert E. Gray, Secretary, Southeast Stevedoring, Box 1411, Phone CA 5-3030.
R. E. "Bud" Steffen, Second V.P., Ketchikan Pulp Company, Route 1, Box 635, Phone CA 5-2151.

Kenneth Thynes, Treasurer, Alaska Coastal Airlines, Box 1059, Phone CA 5-3161.
John Berkey, Immediate Past Pres., Transamerica Title Insurance, Box 2614, Phone CA 5-2936.

DIRECTORS

James G. Barry, McGillivray Bros. Gen. Contractors, Box 2667, Phone CA 5-2665.
Donald A. Bell, Alaska Loggers Assoc., Box 425, Phone CA 5-4171.
Robert K. Buchanan, First Nat'l. Bank, Totem Branch, Box 2407, Phone CA 5-2168.

Kenneth Burns, The Bon Marche, Box 297, Phone CA 5-2165.
Dale P. Harlow, Salmon Derby Chairman, 1217 Water Lwr., Phone CA 5-4891.

William M. Hardesty, Western Airlines, Box 17, Phone CA 5-3138.

Leonard C. Laurance, Alaska Line, Box 78, Phone CA 5-3151.

Fred Miller, Jernberg & Miler, Box 1769, Phone CA 5-2149.

Carl H. Porter-Spaulding-Milligan Ins., Box 778, Phone CA 5-3164.

Kenneth L. Shrum, Cordell Transfer Company, 128 Front, Phone CA 5-2161.

Lew Williams, Jr., Ketchikan Daily News, Box 79, Phone CA 5-3157.

Paul Wingren, Wingren's Food Stores, Box 377, Phone CA 5-2385.

(*Ex-Officio Member*) James R. Eide, Manager, City of Ketchikan, Box 1110, Phone CA 5-3111.

CHAMBER OF COMMERCE OF PETERSBURG, ALASKA,
January 12, 1968.

HON. ERNEST GRUENING,
House of Representatives, Washington, D.C.

DEAR SIR: Your attention is called to the Federal proposal for unrestricted round log export from the State of Alaska.

The Petersburg Chamber of Commerce continues to support the primary manufacture regulations that are in effect in the State of Alaska at the present time, and vigorously opposes any change in these regulations for the following reasons:

1. Existing processing plants and their employees would be placed in severe jeopardy.
2. Any additional expansion of processing facilities would be ruled out.
3. Wood processing plants are becoming a major factor in the economy of Alaska towns and their loss would be a severe blow to the economy of Alaska.
4. The wood products industry is experiencing a stable and continuous growth. The proposed changes in the primary manufacturing regulations would create a chaotic condition.

We solicit your support in opposing any changes in the present raw log export regulations.

Sincerely,

ROBERT M. THORSTENSON, *President.*

KETCHIKAN, ALASKA, *January 14, 1968.*

Senator ERNEST GRUENING,
Senate Office Building,
Washington, D.C.:

Urge you oppose round log export from Alaska. Letter follows:

SECRETARY,
Local 62, International Longshoremen's and
Warehousemen's Union, Ketchikan, Alaska.

INTERNATIONAL LONGSHOREMEN'S &
WAREHOUSEMEN'S UNION, LOCAL 62,
Ketchikan, Alaska, *January 15, 1968.*

Senator ERNEST GRUENING,
Senate Office Building,
Washington, D.C.

DEAR SENATOR GRUENING: As constituents of your for these many years, we urge you to oppose round log export from the State of Alaska as recommended in the Treasury Department Staff Report on the Pacific Northwest Log Export Problem.

The economic impact of round log export in the States of Washington and Oregon has been so detrimental as to result in closures of some long established timber processing industries and narrowing profit margins and short time employment in others.

It appears there must be a way of resolving the Pacific Northwest Log Export Problem other than imposing upon Alaska the same situation which caused disruption of the economic situation of the local communities in the States of Washington and Oregon.

Locally, the Ketchikan Spruce Mill has developed and expanded the Japanese market for processed timber (cants) from 10,321,744 board feet on 5 ships in 1963 to 38,719,615 board feet on 13 ships in 1967 with prospects of shipping 70 million board feet in 1968. This indicates a sizable sum of money spent and committed for plant improvements and production expansion. In that round log export leads to inflated log prices with which sawmills are unable to compete it will quite likely result in sawmill closures.

The report recommends the use of resources in Alaska to benefit U.S. balance of payments. As the report indicates the domestic Japanese market for sawn lumber is bouyant, we urge that any Federal administrative and legislative changes made in the export of timber from Alaska remain in keeping with present policies of exporting processed timber only and that his type of export be expanded to the extent that it will include all timber in Alaska referred to in the Report as necessary added annual cutting.

Sincerely yours,

SAYERS MCALPIN, *Secretary.*

WRANGELL CHAMBER OF COMMERCE,
Wrangell, Alaska, *January 11, 1968.*

HON. WALTER J. HICKEL,
Governor of Alaska, Juneau, Alaska.

DEAR GOVERNOR HICKEL: The proposed change in log export regulation could mean financial disaster for this community of 2,500 persons.

One-fifth of the residents of Wrangell are in millworkers' families. A total of 150 persons are employed by the island's two mills—Wrangell Lumber Company and Alaska Wood Products.

Last year the community's two mills produced nearly 100 million feet of lumber for the Japanese market and paychecks for 150 families.

Wrangell Lumber, the city's largest taxpayer, provides 12½ per cent of the city's property taxes on its plant which is valued at \$2 million. Actual value of the improvements are approximately \$4 million, with another \$750,000 in work under way.

Wrangell Lumber employs 100 workers, 40 more than a year ago. It went onto a second shift during 1967.

The Wrangell plant won its designation of "E" mill in June of 1962 when the last President John Kennedy selected it to receive the E-for-Export award for significant contributions to the export expansion program of the United States.

At Alaska Wood Products, the force of 50 workers is scheduled for expansion this year as that firm goes onto a second shift. Plans also call for addition of

a plywood veneer plant which would provide veneer for shipment to the lower 48. AWP's plant and facilities is worth approximately \$2 million.

A change in the present regulations on export of lumber would undoubtedly mean a drastic cutback in both operations or permanent closure. The economic impact upon the community would be immense. Service businesses would suffer extreme setbacks.

Lumber processing provides Wrangell with a stable, year around industry. It is complemented by fishing and sea food processing. Both of these industries, however, are seasonal in nature.

The reasoning behind the change in ruling is hard for residents of this community to grasp. At present, almost 100 per cent of all the lumber shipped from Wrangell is sent to Japan. How changing the type of product being shipped would mean an increase in the balance of payments picture is very difficult to understand.

It would mean the death of Southeastern Alaska's primary year around business.

And it would mean financial disaster to this community.

With few exceptions, the residents of Wrangell are 100 per cent behind you in your opposition to this change. We feel the balance of payments within our community and state are our primary interest. We feel we have been doing our part for several years as one of the few areas that has been able to export goods and at the time provide local jobs and economic growth with the same industry.

It is our feeling that without such an industry, Southeastern Alaska would become economically depressed to such a degree as to become a financial burden to all levels of government.

Sincerely yours,

EDWARD J. BRADLEY, *President.*

NEWS FROM ALASKA'S GOVERNOR, WALTER J. HICKEL; JUNEAU, ALASKA; JANUARY 15, 1968

PORTLAND.—Alaska Gov. Walter J. Hickel called on the Oregon and Washington timber industry here today to join Alaska in opposing a federal plan which would permit the export of unprocessed, round logs from the 49th State to Japan.

Speaking before the Portland Chamber of Commerce, Hickel said the Pacific Northwest timber industry could ease pressures on its own timber market better by increasing production of "cants"—logs which have gone through primary manufacture, rather than by supporting round log exports from Alaska.

The Governor said such development would encourage new sawmill construction and raise employment levels in the Pacific Northwest, while also easing price pressures on Oregon's and Washington's domestic timber markets.

Hickel said Alaska continues to strongly oppose a proposal by the Treasury Department which would permit round log exports from Alaska, because "We have found it good business to require primary manufacture in Alaska, and I am sure your timber people would too."

"In fact," Hickel added, "we suggest that your timber industry follow our program, and further develop the export of processed lumber to Japan."

Hickel said such a policy would "assist our government's effort to maintain a more favorable balance of payment policy," while "revitalizing sawmill production and stimulating employment" in Oregon and Washington.

Outlining the administration's reasons for opposing round log export from Alaska, Hickel said, "We made commitments to American and Japanese firms to provide them with a sustained-yield supply of timber in return for building plants in Alaska.

"We will not turn our backs on these commitments. The plants are good for Alaska—good for Japan—and good for the United States."

Hickel repeated an Alaska timber industry warning that round log exports from the 49th State could result in "closure of every sawmill in Alaska within six months."

And the Governor continued: "Any plan to restrict log exports from Oregon and Washington and open up log exports from federal lands in Alaska will ruin our timber industry."

"We cannot stand idly by," Hickel added, "while our timber resources are sacrificed—rather we would ask that you join us in what we believe would be a successful solution to the problem you face here.

"We urge you to work for the prohibition of round log exports both from Alaska and from your state. I guarantee you will find it economically rewarding."

Hickel was scheduled to depart Portland later today for Fairbanks, where he is to stay tonight.

Tuesday morning the Governor will drive to Nenana to witness the departure of the first field team of the North Commission, which is heading into the Arctic to blaze a trail for an extension of the Alaska Railroad.

The Governor will fly back to Juneau later Tuesday.

KETCHIKAN BUILDING AND CONSTRUCTION
TRADES COUNCIL, AFL-CIO,
Ketchikan, Alaska, January 15, 1968.

Senator ERNEST GRUENING,
U.S. Senate, Washington, D.C.

DEAR SENATOR GRUENING: The Building and Construction Trades, at their last meeting unanimously agreed to ask your support in barring any means to export round logs from the state of Alaska; to do so would be detrimental to many of our workers who are engaged in the wood industry as a whole, and would place many on the out of work list.

Thanking you kindly, we remain,

President, Ketchikan Building and Construction Trades.

KETCHIKAN CENTRAL LABOR COUNCIL, AFL-CIO,
Ketchikan, Alaska, January 15, 1968.

Senator ERNEST GRUENING,
U.S. Senate, Washington D.C.

DEAR SENATOR GRUENING: The Ketchikan Central Labor Council, unanimously ask you to please use your influence to bar any legislation or agreement in exporting round logs from the state of Alaska, as this would put many of our people out of work in our state.

Thank you, Senator Gruening.

JOHN W. MOLT,
President, Ketchikan Central Labor Council.

Senator GRUENING. The Alaskans who are here today to testify before this committee wish to present formal statements from representatives of the group. After statements have been presented, it is the wish of the witnesses that, when questions affecting specialized interests of the industry are directed, that other individuals among the delegation be allowed to present answers when this would clarify the record to the fullest extent possible. It is my hope this method of testimony will be agreeable with the committee.

Senator MORSE. Entirely agreeable. That is just how I planned to handle it anyway.

Senator GRUENING. Those from Alaska who will present statements are: John O. Daley, president, Alaska Lumbermen's Association; A. M. Brooks, vice president, Ketchikan Pulp Co.; Charles MacDonald, vice president, Alaska Lumber & Pulp Co.; A. Momma, executive vice president, Alaska Lumber & Pulp Co.; Patrick Soderberg, president, Alaska Loggers Association; Jackie Reekie, senior vice president, National Bank of Alaska on behalf of Alaska Bankers Association; Clarence F. Kramer, president, Alaska State Chamber of Commerce; Frank Murkowski, commissioner, Department of Economic Development, State of Alaska.

Thank you very much for giving me this opportunity to appear before you today.

Senator MORSE. Thank you again, Senator Gruening. I doubly thank you for the unfailing cooperation you give to the chairman in connection with handling all of our forestry problems. Will the witnesses that Senator Gruening has just named come forward and take seats at the witness table as a panel.

Senator GRUENING. I believe that the order in which I read them they would like to appear. That would mean that the first would be Mr. John O. Daley, president of the Alaska Lumbermen's Association.

Senator MORSE. I would like to have you all up here at the same time.

Representative CLAUSEN. Would the chairman yield for a point of personal privilege?

Senator MORSE. Yes.

Representative CLAUSEN. Mr. Chairman and my distinguished colleagues from Alaska, I would like to take this opportunity, and this will come as a surprise to him to ask that you pay particular attention to the gentleman who is the president of the Alaska Loggers Association. He is a former Californian. I am referring, of course, to Mr. Patrick Soderberg. He was formerly from the Humboldt-Del Norte Counties in California, and I might add that he enjoys one of the fine reputations of the logging community. He certainly left the area with the kind of reputation that we in California are very proud of. In other words, Alaska's gain certainly was California's loss and I wanted to make sure I had this opportunity to introduce a very close friend of mine, Pat Soderberg.

Senator MORSE. We are delighted to have that statement. If the facilities were available I would be very glad to buy a cup of coffee for this distinguished Alaskan for the tribute that has just been paid to him, deserved I am sure, by the gentleman from California. But joking aside, in all seriousness, I am delighted to have this distinguished former Californian with us, Congressman Clausen. I am glad to have each one of you here. I am going to really turn the running of this part of the hearing over to the senior Senator from Alaska. I am also pleased to have Congressman Pollock here. I want him to feel free to, in a sense, take over this part of the hearing, along with Senator Gruening. I do think, however, before you start, the chairman should read the letter that Senator Bartlett asked me to read. I do so at his request. The letter is addressed to me, and reads:

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
January 18, 1968.

HON. WAYNE MORSE,
*Chairman, Subcommittee on Retailing, Distribution and Marketing Practices,
Senate Select Committee on Small Business, Washington, D.C.*

DEAR SENATOR MORSE: First, I want to thank you for the kindness you showed the delegation from Alaska when you agreed to meet with them at the conclusion of your hearings Tuesday evening. I know that the delegation also appreciated your thoughtfulness.

Second, I want to compliment you for taking the initiative to call these hearings to look into the very real problem of log exports from the Pacific Northwest.

Finally, I want to compliment your personal staff and the subcommittee staff who have cooperated in every way with members of my staff in arranging for the appearance before your subcommittee of the delegation from Alaska.

I have enclosed a statement and some other material which I would greatly appreciate having placed in the record of these hearings.

I regret that I cannot take part in these hearings, but as a member of the

Senate Select Committee on Small Business. I am looking forward to working with you on this problem in the very near future.

With best wishes, I am,

Sincerely yours,

E. L. BARTLETT.

Senator Bartlett's statement will be included at this point in the record. It deals with some of the problems that we have been discussing in connection with Alaska interests in the export log problem. It deals also with the Treasury's staff report. I think this would be the appropriate place also, Mr. Counsel, to insert into the record a copy of the Treasury's staff report that has been supplied the committee, because I understand that some of these Alaskan witnesses will be discussing it. So we will put that in the record following the insertion of the Bartlett material. It is understood, of course, that when the Treasury witnesses come before the committee, we will receive any statement that they make in regard to the status of that staff report or any modifications or qualifications they may wish to make in respect to it, which might have developed since they first submitted the report.

In the Bartlett material, in addition to his prepared statement, I include at his request a speech that he made on April 1, 1966, in the Senate of the United States on balloon logging. I include also a speech that Senator Bartlett made in the Senate on October 14, 1966, on the subject of "Save Our Forests." I insert in the record Xeroxed copies of certain correspondence in the form of letters as well as telegrams that the Senator from Alaska, Mr. Bartlett, wishes to have included in the record. I insert all those materials, followed by the Treasury staff report, at this point.

(The statement for the record, speeches from the Congressional Record, and correspondence furnished by Senator Bartlett follow:)¹

STATEMENT OF HON. E. L. BARTLETT, A U.S. SENATOR FROM THE STATE OF ALASKA

ROUND LOGS AND ALASKA

Mr. Chairman, we Alaskans appear before you at this meeting of your subcommittee of the Select Committee on Small Business to discuss not small business, but big business. The subject that engages our attention is the export of logs from the United States to Japan. This is big business because we are told that substantial increases in round log exports from the Pacific Northwest states are doing tremendous damage to the domestic industry there. We know that it is big business in Alaska because there our timber resources constitute one of the principal industries in the State with an almost unlimited growth potential if unnecessary and unwise government action does not take place.

Alaskans sympathize with their neighbors to the south. They know that the more unprocessed logs which are shipped to Japan, the more difficult it is for the State lumber industry to operate profitably.

What brings about this appearance before the subcommittee at this time when, I am told, 18 Alaskans have come from the 49th State to protest against any change in existing Forest Service regulations?

A primary source of their concern, to the best of my knowledge, was a recently issued memorandum by an unidentified group within the Treasury Department bearing on this subject.

This is rather a novel departure from the manner in which government usually operates, if I may say so, but I shall add quickly that in these days one must be prepared to expect anything.

What we have is the Treasury Department—officially or unofficially. I am not sure which—proposing that by following its formula, which includes exportation of round logs from Alaska, there will be a substantial improvement in our balance of payments position.

¹ NOTE.—Correspondence duplicating materials previously inserted by Senator Gruening omitted.

What we have is the Treasury Department instructing the Forest Service how more trees may be grown.

What we have is the Treasury Department displaying a complete lack of knowledge of why the Forest Service regulation prohibiting the export of round logs from the national forests of Alaska came into being and why it is still in effect.

Long ago—about 40 years ago—it was decided that if Alaska timber within the national forests were to be utilized in accordance with Forest Service procedures which have proved to be so sound, that timber in suitable blocks would have to be held intact so that private enterprise firms interested in building pulp mills in Alaska for the production of paper and by-products could be persuaded to locate there. It was not easy. Early efforts failed. Admittedly, there are certain disadvantages in Alaska. Among them are higher production costs.

Finally, and as a result of the Forest Service's adherence to its sound policy, capital became interested and the first pulp mill was built at Ketchikan. That was followed by the construction of another mill at Sitka.

One big stand of timber for a third mill remains up for bid. Let us examine this situation for a moment or two. One company bid on this timber block and held it for years before pulling out. More recently, another company successfully bid for the timber and then gave up the project. If this stand of timber is held intact, there are still very reasonable prospects that a third mill will be built in Southeastern Alaska. Interest has been manifest.

The Treasury "forest experts" have called for an increase in national forest stumpage fees in Alaska. Comparatively they are low in the 49th State. They have to be low if capital is to be interested, granted the competitive disadvantages existing in Alaska.

Every attempt should be made to find an equitable way of correcting these serious problems which obviously exist for an important segment of the economy of the Pacific Northwest.

It is clear as clear can be, despite the "findings" of the Treasury Department experts to the contrary, that the policy banning the export of round logs from Alaska has been a major factor in the development of a successful timber industry in Alaska. All of the timber processed in the Sitka pulp mill, the logs which undergo primary processing at Wrangell and elsewhere, are shipped to Japan, thus creating for Alaska and for the nation a plus in the balance of payments situation. I am told that further help in this direction is given by the fact that much of the production from the Ketchikan pulp mill is sold to South America.

All thoughtful Americans recognize the balance of trade problem and what that problem can mean to the strength of the dollar and, therefore, to the strength of the free world. We all have an interest in improving our balance of trade, but in a way that is fair to domestic interests and does not increase pressures for increased trade restrictions which would be harmful to both Japan and this nation, and within this nation, perhaps especially to Alaska.

At this point, I want to consider the implication in the report that opposition to a change in the log-export policy in Alaska is against the national interest.

That implication is made on page 5 of the Treasury Department report, or memorandum, or call it what you will:

"If negotiations on the log problem remain at an impasse, export quotas on log exports to Japan may be imposed. We will be in the position of—cutting exports to Japan, and at the same time,

requesting balance of payments accommodation from the Japanese."

Without having been made privy to secrets locked deep perhaps within administration circles, I should think the last thing this government would want to do would be to cut off exports of any kind to Japan. I should think so because everything that is exported by us to Japan redresses in some degree our unfavorable balance of payments situation and because Japan is one of our best customers. If we act against what Japan considers to be its essential interests, there may be a reaction harmful to us.

The Treasury Department blithely proposes a solution by changing the Forest Service policy in Alaska. I wonder if the experts there have made any effort to discover whether Japanese interest would lag if the Alaska policy, namely, primary processing, were required in the Pacific Northwest states as it is in Alaska. It is conceivable that the Japanese would be altogether willing to import logs so treated.

There is every reason to believe that an increase in the quantity of logs which have undergone primary processing in Alaska can ease the pressure on round logs in the Pacific Northwest even if no decision is made to have primary processing there.

I reject the implication in the Treasury report that accommodations should be made in areas other than in the export of round logs, particularly when the export of processed logs and other processed timber will do more good for our balance of trade than does the export of round logs.

I have not gone into any great detail about the importance of the ban on round log exports from Alaska to our timber industry, about the possibilities of increasing the annual yield in Alaska, or about the nature of the industry's trade relations with Japan. These tasks will be accomplished in exemplary fashion by the delegation from the Alaska timber industry which will testify at these hearings. Their experiences in this field make them more qualified than I to discuss the full ramifications of the present policy and what any change would mean.

This delegation opposes any change in the log export policy, as do I. To indicate the breadth of support for this position in Alaska, I ask unanimous consent that the attached telegrams and letters from Alaskans be made part of the printed testimony of these hearings. These letters are from persons from many walks of life—from management, labor, service organizations and individually concerned citizens. They are all opposed to the export of round logs from Alaska. I expect to receive several more letters on this subject and ask unanimous consent that any letters received before the record is closed be included in the record of these hearings.

I do want to call the committee's attention to the telegram from the Wrangell Chamber of Commerce, for it spells out in dramatic fashion the importance of the timber industry and the ban on round log exports to the economy of that city.

Before closing, I want to turn to a number of the proposals contained in the Treasury Department's staff report on the Pacific Northwest log export problem.

The report proposed that as part of the package to accompany a change in the log export policy in Alaska, the nation's cabotage laws be amended to allow the shipment of Alaska timber to the East Coast in foreign bottoms. The report contends that such an exemption would make Alaska lumber competitive with Canadian lumber on the East Coast, thereby opening new markets for Alaska processed timber.

Ignoring the very real political difficulties involved in getting such an amendment approved by Congress, the facts do not support a conclusion that Alaska lumber will become competitive. The report does not take into consideration that production costs are higher in Alaska than in Canada, that Alaska timber still would have to be carried 700 miles farther than Canadian lumber and that there is no East Coast market for the types of timber harvested in Alaska. In addition, the report makes no mention of the fact that our balance of trade would suffer if Alaska lumber were carried in foreign bottoms.

When those facts are considered, I think it is quite clear that this suggestion offers no help to the Alaska timber industry.

The Treasury report proposed a number of programs to increase the annual yield from our national forests. Few, if any, of these suggestions were new.

For instance, as a member of the Senate Appropriations Subcommittee for the Department of the Interior I have supported increased appropriations for building access roads.

On April 1, 1966, I pledged my support for appropriations for research in balloon logging, and on October 14 I outlined activities in and pledged support for appropriations to finance research in ways of saving our forests. In the latter statement, I noted that by the year 2000 the world may be facing a timber shortage.

It is my great hope that now the Treasury Department has ventured into the area of timber production, we can count on the department's support for well thought out programs to increase the annual yield from our national forests while still retaining the principle of sustained yield.

I ask unanimous consent to include in the record copies of the statements I made on the Senate floor entitled, "Save Our Forests" and "Balloon Logging."

Mr. Chairman, I want to thank you for your kindness in accepting the statement and want to praise you for taking the initiative in calling these hearings. I believe these hearings will provide the forum for a full discussion of the log-

export problem and of the Alaska timber industry. I am confident that when these hearings are completed, all will have a better understanding of the log-export problem and of the Alaska timber industry. At that point, I believe all will see the case for continuing the Forest Service's ban on round log exports from Alaska and we will be able to come up with a solution to the problem in the Pacific Northwest.

[From the Congressional Record—Senate, Apr. 1, 1966, p. 7086]

BALLOON LOGGING

Mr. BARTLETT. Mr. President, for some time now I have been keenly interested in various aerial logging techniques. More recently, my interest has been directed to research developments in the field of balloon logging for reasons I will explain.

First, I am interested in timber and logging techniques because the timber products industry in my home State of Alaska is currently developing in a very big way. With two major pulp mills already in operation, the St. Regis Paper Co. was recently awarded an 8.75-billion-board-foot timber contract which requires construction of a third mill by July 1, 1971.

The St. Regis plant is expected to add more than \$30 million to Alaska's expanding economy and provide more than a thousand new jobs in the mill and woods combined.

Much of this timber development is taking place in southeast Alaska, and most of it there within the Tongass National Forest. Therefore, receipts from the timber harvested go into the U.S. Treasury through our agent, the Forest Service.

The topography of the Tongass National Forest is generally mountainous and rough. Logging is extremely difficult and a portion of the marketable timber is impossible to reach or at least economically unfeasible to harvest by conventional methods.

Balloon and other aerial logging systems offer excellent possibilities for economically harvesting timber from difficult access areas while protecting multiple-use values. Conventional logging methods on these areas of difficult access and steep terrain are very costly and tend to increase soil erosion, landslides, and flood damage. In addition, conventional logging and roadbuilding are not always compatible with the high demand for scenic and recreation areas, also important resources in the Alaska economy.

Developments in aerial logging to date have been accomplished by cooperative efforts between the timber and equipment industries and the U.S. Forest Service. These efforts have shown balloon logging to be feasible.

With industry-developed equipment and Forest Service systems engineering research, basic information has been obtained for laying out and operating sky-lines and balloon logging systems. Having demonstrated the technical feasibility of balloon logging, further research is needed to make the system economically operational. Studies are needed on balloon configurations, development of gas supply systems, means of deicing, ground handling and transport facilities, and other performance tests.

The substantial progress made to date with the limited resources available for this work is indeed a tribute to the ingenuity and dedication of both the industry and Forest Service engineers working on this vital project.

I think the time has now come for the Federal Government to make an additional contribution to the aerial research work. In my view we should step up our efforts in this area. My motives are somewhat selfish, in that the development of a commercial balloon logging system would be a great boost to the Alaska timber industry, but there is more to it than that.

It is estimated that development of balloon logging or other aerial logging systems could capture an additional 440 million board feet of annual allowable cut in Alaska on National Forests alone. None of this timber could be logged by currently used conventional methods. Over \$1 million per year additional would be realized in stumpage receipts; three-quarters of that amount would go into the Federal Treasury. The remainder would be added to the income of local Alaska governments. Even more important perhaps is the fact that several thousand new jobs would result in Alaska from the harvesting and processing of this extra stumpage.

Mr. President, the promise which balloon logging holds is by no means confined to Alaska. For example, the Forest Service estimates that such a system would

capture 500 million board feet annually of allowable cut lost on timberlands not now loggable in the Douglas-fir region. Timber harvesting on an additional 17 million acres of currently nonloggable lands in western United States would be possible with less road construction and better protection of water and soil resources.

In conclusion, I would like to say simply that I consider any Federal money spent on additional aerial logging research a good investment. By increasing the amount of timber harvested annually we will experience direct returns to the Treasury, at least with respect to that timber harvested on national forest lands. The additional jobs created by the harvesting of previously impossible-to-reach timber will return income to the Treasury in the form of taxes on wages and salaries. Moreover, balloon logging promises to further Alaska's economic development, a matter of considerable Federal concern.

None of this even goes to the conservation benefits that accompany aerial logging techniques. Balloon logging, for example, reduces the need for logging roads by about 50 percent. Each mile of road permanently destroys 10 acres of trees—trees which naturalists enjoy and trees which could be harvested again in the future.

I urge for an increase in Federal participation in aerial logging research at the earliest possible date.

[From the Congressional Record—Senate, Oct. 14, 1966, p. 25849]

SAVE OUR FORESTS

Mr. BARTLETT. Mr. President, in the near future, America and the world may be confronted with a very serious problem—the problem of a timber shortage. Although presently there are large timber resources in the United States, and throughout the world, the world's timber needs are growing. It is probable that in another 10 years our supply will meet our demand and that by the year 2000 there will be a timber shortage. We must recognize this problem and prepare for it. Not only must we try to conserve our current sources but we must also try to find new sources.

Mr. President, my State, Alaska, provides these new sources; it is perhaps the only undeveloped potential source left in the United States. There are 40 million acres of untapped timber resource in Alaska which is thought to be of use commercially. However, conservation of this land presents a grave problem, for Alaska has always been plagued by forest fires. In the last 10 years many thousands of acres of forest land have burned in Alaska, and in 1966 vast acreages have been burned over with threat to life and property. One reason for the extent of this burned acreage is that a fire in Alaska frequently spreads to thousands of acres if it is not controlled within the first 300 acres. An average of 4,400 acres per fire are destroyed in Alaska as compared to a 30-acre average in the rest of the United States.

Such high statistics are due to a variety of conditions typical only to Alaska in the United States. Weather conditions constitute one of the major reasons. Glaciers can cause extremes in weather; their presence may affect wind velocity, giving it added force and increased irregularity. The winds tend to become stronger in late afternoon at which time most lightning storms occur. These storms account for a large percentage of burned acreage because controlling methods are not always as available to areas with lightning fires as they are to areas with man-caused fires. Remote, uninhabited areas are susceptible to lightning fires but not to man-caused fires. Air pressure units, which affect the strength and development of the fire, also tend to build up in sections of Alaska. Grass, moss, and other rapid burning plants are present in all of Alaska's vegetative area. The enormity and lack of communication facilities in some of the more sparsely populated areas of Alaska increase the problems and the necessity of better detection methods.

The need for improved fire detection methods exists not only in Alaska but in every one of the 50 States. Each year million of acres of valuable forest land are destroyed by fire. With the increasing need for timber we must conserve as many of our timber resources as possible. Even if enough new sources were found and utilized there would still exist the exigency of preservation. In the past people have relied upon visual observation for fire detection. This has proved ineffective for obvious reasons. Weather conditions, illumination, topography and even the extent of the delay from the time the fire ignites until it is discovered

are the most prevalent reasons. Realization of visual limitations and concern over our growing timber needs have resulted in great progress in new detection methods. The Northern Forest Fire Laboratory began a research program in the latter part of 1961 which has resulted in newly developed detection systems using remote sensing. These new methods of remote surveillance make detection not only of going forest fires foreseeable in the future but also the possibility of mapping a fire and of locating storms resulting in fire. Let me briefly describe some of the more promising and advanced methods.

The most developed and effective of the new remote sensing detection systems is an infrared system. Infrared is the name assigned to a "specific wavelength region of the entire electromagnetic radiation spectrum." Its value is in its ability to detect fires by the energy emitted from the fire by wavelengths rather than by illumination. Thus problems of night detection would be eliminated as would the problem of discovering fires which went unobserved until after a previous fire had been controlled because of heavy smoke. The infrared system also provides a method for measuring the size of the fire and for mapping its location to the extent that rivers, roads and other landscape characteristics are shown. The fire's exact location is then determined and the best approach to the fire is revealed. The intensity and velocity of a fire can be calculated by this system. The infrared system is being experimented with in aircraft; the system requires an unobstructed view of the source of the energy or heat to be effective and thus a high observation point is essential.

Radar and sferics are two types of remote sensing being tested for use in tracking lightning storm situations. Radar is employed by the U.S. Weather Bureau to track "cumulonimbus cloud formations, normally associated with thunderstorm activity." The radar set operates by transmitting pulses of microwave energy in a narrow beam and detecting the energy reflected by a target. Radar is quite effective in determining the location of a possible storm but it cannot, as of now, distinguish between an actual storm and one that does not develop.

It would thus be used primarily as a planning method in detection and as a study device to learn more about "the specific nature of fire-setting lightning storms." From the knowledge, techniques can be developed for early storm warnings and evaluations of wet or dry storms, fast or slow moving storms, and severe and moderate storms. Sferics is a method of tracking lightning by means of electromagnetic energy discharged by the lightning and carried in wavelengths of the radio wave spectrum. This travels along the earth's surface, as well as a straight line, giving the sferics device the ability to detect lightning from thousands of miles. This, in addition to a very low cost as compared to radar, cause the sferics equipment to be considered quite important. Television is also being considered. Although, it has the same limitations as a human, it has the added advantage of being used in uninhabitable region.

And so, Mr. President, it is clear just how far fire-detection methods are progressing. The potentialities of remote surveillance are enormous. They broaden the scope of fire detection immensely.

I commend the Northern Forest Fire Laboratory for its outstanding work thus far and urge that these efforts continue. This research merits our full support. Preservation of timber resources from fire now appears in the realm of the possible. As a member of the Senate Appropriations Subcommittee handling Forest Service appropriations, I pledge my support to the continuation of these efforts.

WEST COAST DEVELOPMENT ASSOCIATION,
Klawock, Alaska, January 9, 1968.

HON E. L. BARTLETT,
U.S. Senate,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: The West Coast Development Association has taken a stand against exportation of our Alaskan round logs to Japan.

We feel exportation of round logs to Japan will not contribute to the development of home industry in our state. Log exportation is contrary to the program our organization has presented. We will continue to seek and encourage primary and complete manufacture plants to locate here, thus providing more jobs per thousand board feet of timber than would be derived from the export of round logs.

In regard to the Department of Agriculture hearing held in Craig at our request on January 2, we plan to send a copy of the very good and complete tape recording that we were able to make of this meeting to you very soon. We hope you will have time to listen to this very forthright testimony and also share the tape with the rest of our Alaska delegation, Senator Gruening and Representative Pollack. We hope you will not let the Forest Service get sidetracked on their stated intention of doing something about helping us to get some industry in the timber line started here. We still believe that a veneer or saw-mill business is the minimum that will fill the need here and that small cottage type industry as suggested by the Farmers Home loan administration would be nothing more than stop gap and temporary measures for the problem.

We certainly intend to continue and reinforce our efforts now that the hearing has been held. We feel that much valuable and pertinent testimony was brought out to show the need for changes in several areas pertaining to the timber industry in the Tongass National Forest.

We certainly appreciate your interest and help in attacking these problems. Thank you. We hope you are making good recovery from your recent illness and wish you well.

Sincerely,

FRANK PERATROVICH, *Chairman.*

[Telegram]

WRANGELL, ALASKA, *January 15, 1968.*

HON. E. L. BARTLETT,
U.S. Senate,
Senate Office Building, Washington, D.C.:

Economic reasons we oppose log exportation proposed by Federal Government.

LOCAL 87, INTERNATIONAL LONGSHOREMEN'S
& WAREHOUSEMEN'S UNION.

CHAMBER OF COMMERCE,
Petersburg, Alaska, *January 12, 1968.*

HON. BOB BARTLETT,
U.S. Senate,
Washington, D.C.

DEAR SIR: Your attention is called to the Federal proposal for unrestricted round log export from the State of Alaska.

The Petersburg Chamber of Commerce continues to support the primary manufacture regulations that are in effect in the State of Alaska at the present time, and vigorously opposes any change in these regulations for the following reasons:

(1) Existing processing plants and their employees would be placed in severe jeopardy.

(2) Any additional expansion of processing facilities would be ruled out.

(3) Wood processing plants are becoming a major factor in the economy of Alaskan towns and their loss would be a severe blow to the economy of Alaska.

(4) The wood products industry is experiencing a stable and continuous growth. The proposed changes in the primary manufacturing regulations would create a chaotic condition.

We solicit your support in opposing any changes in the present raw log export regulations.

Sincerely,

ROBERT M. THORSTENSON,
President.

Letters also sent to:

Hon. Howard Pollock, House of Representatives, Washington, D.C.

Hon. Ernest Gruening, U.S. Senate, Washington, D.C.

Hon. Wayne Morse, U.S. Senate, Washington, D.C.

Hon. Joseph Barr, Undersecretary of the Treasury, Washington, D.C.

Hon. Orville Freeman, Secretary of Agriculture, Washington, D.C.

MOORE CLINIC,
Sitka, Alaska, January 11, 1968.

HON. BOB BARTLETT,
Senate Office Building,
Washington, D.C.

DEAR SIR: We are writing to urge you to join the efforts of many Alaskans in protesting the round log exports.

We feel that devastation of Southeastern Alaska would quickly follow the wholesale logging that would ensue. There is already problem enough with clogged salmon streams, erosion, and the sheer ugliness of logged-off areas without hastening the process.

At present the sawmill owners are protesting; in a few years, when the pulp mills and loggers move out for lack of trees, it will be the entire area.

Alaska is the last chance of this country to treat a large wilderness area wisely and well, to avoid the rapacious tactics that have ruined so much else.

Knowing that you love Alaska as we do, we are hopeful, as private citizens, that you will help.

Sincerely,

Dr. and Mrs. G. H. LONGENBAUGH.

P.S.—Hope your health is improving rapidly.

INTERNATIONAL LONGSHOREMEN'S &
WAREHOUSEMEN'S UNION, LOCAL 62,
Ketchikan, Alaska, January 15, 1968.

Senator E. L. BARTLETT,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BARTLETT: We take this opportunity to urge you, who has done so much for the economic development of Alaska, to oppose round log export from this State of Alaska.

Much has been done in this community by the Ketchikan Spruce Mill to develop and expand exports to the Japanese Market in processed timber. A sizable amount of money has been spent and much more committed for plant improvement and production expansion. The recommendation of the Treasury Department Staff Report on the Pacific Northwest Log Export Problem to export round logs would likely result in sawmill closures and other economic disruptions similar to those which occurred in the States of Washington and Oregon.

We feel that some method of utilizing timber resources in Alaska to benefit U.S. balance of payments can be developed without imposing the same situation upon Alaska which proved disastrous to long established timber processing industries in the States of Washington and Oregon.

Rather, we wish to see expansion of the export of processed timber to the extent needed to accommodate all timber in Alaska referred to in the Report as necessary added annual cutting, and in volume large enough to benefit U.S. balance of payments.

Sincerely yours,

SAYERS MCALPIN.

[Telegram]

JUNEAU, ALASKA, January 10, 1968.

Mr. CORMAN,
Office of Senator E. L. Bartlett,
Senate Office Building, Washington, D.C.:

Re your wire on round log export, the State timber industry representatives and Service Industry Association will appear at subcommittee hearings to voice vigorous opposition to round log export from Alaska. The continuing growth of our lumber export economy points the way to a solution of the balance of trade problem as well as the depressive effect of round log export on Oregon-Washington economy. The disastrous loss to Alaska's economy bound to result from

round log export will completely offset any benefits to either national or local economy otherwise anticipated.

WALTER J. HICKEL,
Governor of Alaska.

[Telegram]

KETCHIKAN, ALASKA, *January 14, 1968.*

Senator E. L. BARTLETT,
Senate Office Building, Washington, D.C.:

Urge you oppose round log export from Alaska. Letter follows.

SECRETARY,
LOCAL 62, INTERNATIONAL LONGSHOREMEN'S
& WAREHOUSEMEN'S UNION.

[Telegram]

KETCHIKAN, ALASKA, *January 13, 1968.*

WAYNE MORSE-BOB BARTLETT,
U.S. Senate, Washington, D.C.:

Appreciate your invitation to present testimony on log export. Prior commitment precludes my attendance. Have designated John Reekie to attend and represent Alaska Bankers Association.

A. D. ROBERTSON,
President, Alaska Bankers Association.

INTERNATIONAL WOODWORKERS OF AMERICA,
LOCAL 3-193,
Ketchikan, Alaska, January 15, 1968.

Senator E. L. "BOB" BARTLETT,
*Senate Office Building,
Washington, D.C.*

DEAR SENATOR BARTLETT: The matter of raw log exports has become a very controversial matter over the past few years and there are many mixed feelings over it, not only among employers but the bargaining representatives of their employees as well.

Our International Union feels that there should be a very thorough study of the matter and solid facts established before the matter is changed materially. This is pointed out in a wire from International President, Ronald Roley, to the informal hearing held by the Oregon and Washington Congressional Delegates on November 27. (A copy is enclosed herein.) The Local Union membership in Alaska support this and request that any further legislative action be held up until facts covering the entire picture are known.

We in Alaska have a vast timber resource and wish to attract new industry within our State boundaries. The Local membership, while only a part of our International Union, feel that the export of raw logs from Alaska will make it unnecessary for foreign capital to invest in manufacturing or primary manufacturing plants in Alaska as they now indicate the interest to do. It would also tend to discourage domestic capital from investing in Alaska, either on a new venture basis or expansion of existing operations.

After the facts are all known we will then be in a position to act more positively and cooperatively in the industry, however until the entire matter is clear we are opposed to the export of raw logs from Alaska.

To cite one example of what we are talking about, we will have a mill in the City of Ketchikan which employs approximately 60-70 people. They plan to expand to a double shift very soon. This mill is in the export business and is at present applying the primary manufacturing aspect to these logs before the lumber is shipped. They have installed a chipper and are in the process of installing a barker. If these logs are shipped in the round it is quite clear what will happen to the employment at this mill.

Thanking you for your interest and attention we are,
Sincerely

ED DECKER,
Financial Secretary.

International President Roley's telegram to the members of Congress follows:
 "This wire conveys the deep appreciation of more than 100,000 members of the International Woodworkers of America, AFL-CIO for the invitation extended to us to testify before the Oregon and Washington congressional delegations on November 27 on the log export issue.

"We deeply regret our inability to be with you personally today due to our special meeting of IWA's International Executive Board on November 28 during which our referendum-elected international officers will be sworn into office for a two-year term.

"While these occasions often simply formalize the reinstallation of the existing officialdom, such is not the case in this instance. Of the four constitutional offices involved, one represents a change in the international presidency while another entails installation of a new second vice-president.

"This is relevant to your deliberations because the incoming administration has for some time been committed to the need for a thorough going re-examination of this union's long-standing policy with respect to the log export issue. This is not to say that a major departure from our past position is necessarily in the making. But it does reflect our awareness that past policy was established by our membership quite a number of years ago when many of the relevant circumstances differed in significant detail from those of 1967.

"As a consequence, we recognize that the complexities of the issue are such as to require a new in-depth study to assess the public interest as well as that of our membership under these changed conditions. The fact that the employer community itself is divided on the issue confirms the fact that circumstances have been so profoundly altered as to warrant more than an automatic reaffirmation of our past position or a superficial reformulation based on inadequate study or monetary impressions.

"An in-depth study of the problem has in fact been contemplated as one of our major research efforts during 1968. But unfortunately these hearings are taking place prior to the time that such a reevaluation of the problem is possible on a basis where all factors can be adequately taken into account.

"We can nevertheless unequivocally advise the department that our long-standing policy in support of the AFL-CIO's free trade position with respect to our own industry is being subjected to serious scrutiny for the first time by our membership.

"This questioning has developed quite recently due to the unparalleled unfolding of four concurrent developments: (1) The severe decline in the housing market; (2) The very substantial escalation of log exports from the Pacific Northwest to Japan; (3) The sharp increase in log prices that this expansion of exports has helped bring about; and (4) The growing threat of resource depletion particularly with respect to old-growth timber.

"These developments affecting the welfare of U.S. Woodworkers and the communities in which they reside unquestionably justify a searching look at existing policy. They have already precipitated employment cutbacks in the Pacific Northwest.

"Perhaps more importantly, the long term survival of the industry in this area could be placed in serious jeopardy through gradual depletion of its timber resources. Nor does our advocacy of such a course of action compromise our traditional support for free trade principles due to the federal government's dual role as guardian of timber resources owned directly by the American people and as the principal supplier of such resources to the export market.

"This role of the federal government differs quite sharply from virtually every other export industry where international commerce involves the marketing of privately owned raw materials and finished products. This is a profound difference, in our view, and it matters little that some of the exported logs actually come from private holdings since almost invariably they are replaced by the seller from public timber sources.

"We are therefore suggesting that, in such a context, the federal government has a totally different responsibility if its own economic studies conclusively demonstrate that publicly owned timberlands are being manipulated as the source of supply for rapidly increasing log exports at the expense of the public interest, i.e., the people employed in that industry and the communities dependent upon a prosperous lumber economy in the Pacific Northwest.

"In closing, we would like to thank you for conveying the content of this wire to the November 28 conference and to assure all of you of our hope to participate personally in future proceedings on this issue."

(The text of the Treasury staff report, preceded by a Treasury Department transmittal memorandum, follows:)



TREASURY DEPARTMENT

WASHINGTON, D.C. 20220

Treasury Department Staff Report on the
Pacific Northwest Log Export Problem

Attached is a copy of a staff report prepared by economists in the Office of the Assistant Secretary for International Affairs. The Treasury Department is interested in the Pacific Northwest log export problem because there are ways in which this problem can be handled so as to help the nation's current balance of payments difficulties.

The Treasury Department is asking the Departments of Agriculture and the Interior to consider the proposal in the staff paper, along with other proposals now before the Government, as a possible long-range solution to the present log export problem. Some of the recommendations would require obtaining changes in existing legislation. Other recommendations would require changes in long-standing administrative policy that has been sanctioned by the Congress.

The Staff of Office of Assistant Secretary for International Affairs believes that implementing the plan could bring about significant benefits to U. S. balance of payments and could be useful as a solution to the current problem of log exports from the Pacific Northwest. The urgent need to improve this country's balance of payments position was underlined by the President's statement of January 1, 1968.

The Treasury Department believes that significantly increased investments for intensified forest management constitute an important balance of payments measure as well as being justified on their own merits.

Improving the U. S. ~~Balance~~ of Payments in Lumber -
A Major New Balance of Payments Initiative

SUMMARY

The following package is set forth as illustrative of the possibilities of solving the political and economic problem in the Pacific Northwest and at the same time significantly improving the U.S. balance of payments in wood products:

ON THE DEMAND SIDE

- I Permit Japanese purchases of unprocessed logs, from Alaska and the U. S. Pacific Northwest together, up to 1.7 billion board feet per year, the present limit from Washington and Oregon:

1.0 billion from the Pacific Northwest

0.7 billion from Alaska

- II Permit in addition Japanese purchases of cants (simply processed logs) from Alaska to continue at present limits of

0.4 billion board feet per year

- III Persuade the Japanese to take part of the growth in their wood needs out of Alaska, in the form of sawn lumber. The sawn lumber purchases should be understood as a quid pro quo for the continuation of log exports. Given the lumber potential in Alaska, this could provide an additional 1.0 billion board feet of lumber.

IMPLEMENTATION

- I At a minimum, these steps require:

1. An administrative decision by Agriculture and Interior to permit log exports from Alaska.

2. An informal understanding with the Japanese on log and lumber purchases.
3. An administrative decision by Interior and Agriculture to raise the allowable cut in the rain forests in the southeast of Alaska at least to 1.8 billion board feet a year -- a level which certainly conforms to their present management philosophy.
4. An executive branch decision to support maintenance of more intensive forest management levels, both in Alaska and in the Pacific Northwest.

Under this minimum program, an increase in stumpage prices on Alaskan timber is needed, to obtain full payments benefits from exports to Japan. It would be preferable to let free market forces bring this about, through a cabotage exemption for Alaskan lumber, but more realistic Forest Service price practices might also serve.

II The full program:

To obtain the full potential payments benefits, the allowable cut in both Alaska and the Pacific Northwest should be moved up by the amount of 3.5 billion board feet a year -- the Duerr Report philosophy.

- The level of forest management would have to be raised; and a fertilization program should be instituted.
- The Federal Forest Extension Service should be intensified.
- Additional forest access facilities should be provided.
- The cabotage laws should be amended.

Ongoing balance-of-payments benefits of \$250-500 million per year may be realized, depending on the mix of policies chosen for this full program.

CONCLUSION

Despite the problems in getting the full program (II above) through, it is strongly recommended. It both substantially benefits our payments position, and results in more rational use of our economic resources.

BACKGROUND

Japanese purchases of the cream of the Pacific Northwest annual log harvest have risen from under 0.1 billion board feet (log scale) in 1960 to 1.0 billion in 1966 to an estimated 1.7 billion in 1967. The Japanese purchases now constitute in excess of 15 percent of the harvest in the Pacific Northwest; the impact of their purchases is much higher west of the Cascades, where the bulk of industry complaints originate. The cost of logs to our mills in the Pacific Northwest has risen sharply--from \$49 in 1960 to \$69 in 1966, per thousand board feet of hemlock--a 41 percent increase; see Table 1.

The rise in raw material costs hits the U.S. Pulp/Paper, Plywood, and Saw Mills partially or entirely dependent upon public timber--in excess of 90 percent of the number of operating mills--particularly hard. Prices for their manufactured products have not kept pace with their log costs. On the product side, sawmills face competition in U.S. markets from Canadian sawn lumber, and the plywood plants face competition from new U. S. southern pine plywood mills.

- Canada effectively limits log exports; Canadian logs have not jumped in price, and Canadian sawmills across the border in British Columbia have obtained a net competitive advantage.
- Southern pine logs are not wanted by Japanese importers.

The Japanese demand for imports of logs likely will continue to grow substantially, because of their construction boom, and the rapid pace of general economic growth, which stimulates demand for a range of softwood products, including pulp and paper. The domestic Japanese market for sawn lumber is bouyant, and prices quite high, because their building boom is coupled with effective restrictions on imports of sawn lumber. The Japanese prefer to process imported logs into sawn lumber in Japan. Largely informal import restrictions effectively limit the ability of U. S. sawmills to compete in product markets in Japan; Japanese trading companies control the import of logs into the high-priced Japanese market and effectively control through financing many of the domestic Japanese mills, and as a result the Japanese trading companies can outbid U. S. mills for the desirable good quality logs produced from U. S. timber stands.

This situation is damaging in terms of:

- Domestic politics. The Pacific Northwest Congressional delegations -- both parties -- are demanding corrective action. An export quota bill, to reduce log exports, may be introduced. Some sawmills have closed and other are experiencing narrowed profit margins and short-time employment.
- Our Balance of Payments. The U.S. has a large and growing deficit--\$1.1 billion in 1966-- in timber, wood, and products. Our exports of logs to Japan are replaced by imports of higher-valued sawn lumber from Canada, which does not permit unrestricted log exports but does sell increasing quantities in Japan.
- The Forthcoming U.S.-Japanese Balance of Payments Discussions. We hope to arrange offsets for the U. S. balance of payments effects of U. S. military expenditures in Japan.

If negotiations on the log problem remain in an impasse, export quotas on log exports to Japan may be imposed. We will be in the position of

- cutting exports to Japan, and at the same time,
- requesting balance of payments accommodation from the Japanese.

The above problems possibly can be resolved with ongoing benefits to the U.S. balance of payments in the range of \$250-500 million per year, depending on the particular mix of policies used.

The key--and solvable--element is the unnecessary shortage of top-quality U. S. logs available to domestic mills. This shortage contributes greatly to our imports of lumber from Canada--now running at about \$400 million per year--and underlies the strongly hostile reactions of the Pacific Northwest sawmill industry to the increasing pace of U. S. log exports to Japan.

The available supply of U. S. logs directly depends on the land-management policies of the U. S. Forest Service (Agriculture), and the Bureaus of Land Management and Indian Affairs (Interior). Together these Agencies administer roughly 71 percent of the timber inventory available in the Pacific Northwest and Alaska. (See Table 2)

The explicit management goals of these agencies are the maintenance of a relatively steady crop of harvestable good quality timber, into the distant future. The so-called "allowable cut" is the estimated annual "crop" which can be obtained without endangering the even flow in future years.

Timber is a crop. The amount of the harvest does depend, as the Forest Service has noted in public documents, on the level of forest management and on the harvesting techniques.

Forest stand improvement measures include control of fire, disease, and insect damage; cutting out weak trees and excessive vegetative cover; replanting harvested or burned-out areas promptly with commercially superior varieties; and harvesting overage stands of trees, which have a negative growth rate, before the harvest of younger stands in which the net volume of usable wood is still increasing.

The harvest of dead or fallen timber also adds significantly to commercially usable timber supplies.

At present, roughly 35 percent of the annual growth of our forest inventories are lost to fire, disease, and other sources of timber mortality.

An intensified forest stand improvement program can, according to the Forest Service, considerably reduce these mortality losses. In a recent public letter (copy attached) to Congressman Wyatt, the Forest Service estimated that the annual allowable cut could be increased by about 500 million board feet (log scale) per year. The budgetary cost is estimated at \$80 million, spread over 10 years. The balance of payments value of this increase in harvest is in the range of:

- \$40 to \$80 million per year, in the form of log exports (depending upon species and grade of log, etc.)
- \$70 to \$100 million per year, in the form of sawn lumber and plywood exports.

In addition, the Forest Service has an aerial balloon logging technology under development, as do the Canadians. This technique is considered promising, particularly for logging presently commercially inaccessible steep slopes (areas supporting very substantial timber volumes not currently a part of the annual allowable cut). A 1.0 billion board feet increase in the allowable cut in Washington, Oregon, and Alaska should be possible as a result, according to published Forest Service estimates. The budgetary cost of the necessary final developmental work is estimated at \$2-3 million.

The scope of the forest-stand improvement measures, and the harvesting of dead timber, could be considerably expanded, if completion of the already-planned network of forest access roads on public lands were to be accelerated. No estimates of costs and benefits with respect to an expanded road network are available to us. We would hazard a guess that an additional 0.5 billion board feet per year, beyond above estimates, could be obtained for annual expenses of \$5 million per year for road maintenance and forest management in these presently inaccessible areas, and a one-time investment of \$50-\$100 million for roads. The value of this timber, in domestic terms, easily could approach \$20 million per year.

A fertilizer program could increase timber yields per acre by as much as forty percent on an average tract, according to expert opinion. Available data suggest that log prices may be approaching a level at which use of fertilizer is profitable on a purely commercial basis. The size of the potential increase in yield suggests that very serious consideration be given the immediate implementation for Federal forests of such a program, and further, that ways of encouraging use of fertilizer on private lands be examined. This latter point could possibly include expansion of the Forestry Extension Service's "in-depth" programs, and adequate tax offsets. A fertilizer program merits consideration as a balance-of-payments measure, even if on purely commercial grounds it should not at present be fully justified.

All of the above measures have the advantage of being within the present framework of Federal timber management policies.

The net increase in harvestable timber could easily be in the range of 1.0 to 2.0 billion board feet (log scale) a year -- enough to deal with the problem immediately at hand. However, the expected growth in the Japanese economy, and in Japanese timber needs, in two years time might again be pressing against these expanded supply possibilities.

The increased yields set forth above pertain to Federally-owned timberlands. But much of the high quality

timberland in the Pacific Northwest is owned by the States of Washington and Oregon, and by private forest operators. The private holdings range in size from small unmanaged timber lots to very large commercial holdings, owned by the large lumber companies, and operated on a sustained-yield basis. The best-managed large commercial holdings are operated successfully at intensities of forest management higher than that now practiced on the Federal forests.

The quality of resource management on these non-Federal timberlands also varies widely. There may be considerable room, through the use of matching Federal funds, to induce improvements in the quality of forestry operations on the state and private lands. No information now is available on the costs or expected yields of such a program. The possibilities however merit inquiry in view of the potentially large increases thereby obtainable in our net international trade position on timber and wood products.

The major immediate question for timber-stand improvement programs, access road investment, etc., is timing. An additional cut is currently needed. However, there now exists a very large inventory (relative to needs) of over-mature wood. With the assurance that the above programs will be placed into effect, the inventories could permit some immediate adjustments of the allowable-cut rates.

Much larger, immediately available, increases in supplies of top-quality commercial timber can be obtained, however, if present concepts of forest management are revised.

The major issue is the computation of the allowable cut, which is intended to obtain a steady yield of timber over time. Under present policy, much good timber may be permanently lost, and the growth capacity of the forest lands never realized. Timber will rot on the forest floors in Washington, Oregon, and Alaska, under present policy. In part, it is not adequately recognized that new stands of trees grow fairly rapidly--i.e., have a positive real rate of interest, and the old, overripe prime forest actually has a negative rate of interest--mortality losses over time exceed new growth, and therefore the usable volume of harvestable timber is reduced.

Moving to an accelerated-cut policy will yield larger "one-time" gains, spread over several decades, by:

- reduction in mortality losses from overage stands;
- making timber available now, through more rapid use of existing large inventories of timber (similar to shifting tax revenues forward in time on a once and for all basis);
- realizing the growth potential of the forest land; a stand of timber increases only for 120 years or so--if the timber is not then harvested no new growth can take place on the land. The old stand does not grow and no new stand can be planted.

The basic notion is to maximize the economic value of the trees harvested from a tract of forest land, in contrast to maximizing the timber grown in a given stand of trees. Forest land will grow successive stands of trees. Further, the economic value of a 75 year old tree, harvested now, likely easily exceeds the economic value of the same tree at 120 years growth--even though the tree is larger, unless the rate of interest is very low. The meaning of interest is that goods today are more valuable than goods tomorrow, and much more valuable than goods forty years from now.

The level of interest rates is a key factor in any economically rational decision as to when to cut down a tree. In a recent study, it was suggested, for example, that at a 5 percent rate of interest, the subject forests should be harvested roughly every 65 years. Of course, interest rates in the U. S. now are in the range of 7 percent for good quality long-term corporate bonds--and corporate bonds probably are a much less risky investment than stands of trees. Allowing for risk, the applicable rate of interest possibly should be in the range of 9 percent. At such a rate, a forest should be harvested roughly every 50 years, to maximize the economic returns from timber lands. Such a computation would appear to strongly support an accelerated cut policy, designed to harvest mature Federal timber stands and reduce present rotation periods.

It should be emphasized that questions of aesthetics and conservation apparently are not at issue. The present policy is defended on the grounds that a sustained yield of timber can be attained over the years.

Reputable independent graduate foresters, including the present head of the School of Forest Economics at the Syracuse University College of Forestry, have described this policy as unnecessarily wasteful. A competent study, prepared for the Forest Service, suggests that the net waste of timber under present policies could average 3 to 5 billion board feet a year over the next several decades.

The Department of Agriculture publicly has stated harvesting this presently-wasting timber through an accelerated cutting program would substantially increase the available supply of timber over the next few decades without any diminution thereafter from the presently planned sustainable yields.

A rationale appears to be avoidance of disruption of the economic situation of the local communities, through a "temporary" economic boom of over forty years duration, based on "catch-up" cutting. The Forest Service thus appears to be advocating the waste of as much as 160 billion board feet of timber, worth a conservative \$8 billion, to avoid prosperity now, and dislocation forty years hence.

The greatest part of this timber is exportable on very competitive terms--or could replace imports we otherwise must obtain, because of our growing net deficit position on timber and wood products.

On world export markets, in the form of sawn lumber, this wood at present prices possibly would earn in excess of \$10 to \$12 billion. Literally green gold.

It is worth emphasizing that no significant economic dislocation need occur from an accelerated cut to harvest this U.S. timber. The Japanese import requirements bulge through the 1980's, and then taper off. By the late 1980's an increasing stream of harvests of native Japanese timber, now being developed under an intensified forest management program, will permit a tapering off of imports.

Thus the bulge in the American cut can be tailored to the bulge in Japanese import needs, with benefits to both countries. To the extent that some of these exports are in the form of logs no "temporary" dislocation of sawmill communities would result. Logging camps are more temporary and portable. It should also be pointed out that sawmills now tend to be centrally located, just to avoid undue dependence on particular timber stands or subregions.

Modification of present policies, taken together as a package, may offer a key to both the Japanese problem and to a major sustainable improvement in our balance of payments. These policies include:

- the overly conservative limits on timber harvests described above;
- the Jones Act, or cabotage laws, which keep Alaskan lumber from competing with Canadian lumber on the U.S. East Coast;
- the Forest Service administrative policy (favored by the Government of Alaska) which prevents log exports from Alaska; and
- Forest Service timber pricing practices in Alaska, under which the Japanese obtain valuable Alaskan timber at prices far below those they are willing to pay, in return for doing some minor processing of the timber in Alaska.

Appropriate adjustments in this mix of U.S. policies can yield very substantial U.S. balance of payments gains. Each policy is discussed below.

ALASKAN TIMBER POLICY

Shipment of logs from state and Federal timberlands, either abroad or to the continental United States, is currently prohibited. The rationale of this administrative policy of the U.S. Forest Service and of the State Government of Alaska is to increase value added and employment in Alaska.

The policy does not achieve its goal. The cabotage laws make Alaskan lumber non-competitive with Canadian lumber in the rest of the U.S.A. As a result Alaska has been able to market only a limited amount of crudely processed logs, nearly all of which go to Japan. Under present policies, then, even the present very conservative allowable cut cannot be marketed or harvested, and a good portion of Alaskan timber resources is permanently lost every year through fire, insects, and mortality related to the fact that Alaskan forests are over-mature. Thus, from its southern rain forests, Alaska sells (almost entirely to Japan) about 400 to 500 million board feet of simply processed logs, only half the present allowable cut.

Alaska has a lumber potential in excess of 2.3 billion board feet per year (log scale), on the basis of present lumber inventories exceeding 180 billion board feet.^{1/} Such a cut rate would, in expert opinion, be well within Alaskan capacity for sustained timber harvests, over the next few decades.

To realize the full commercial and balance of payments potential in this presently wasting national asset, a package of Federal administrative and legislative changes are necessary:

- I Exports of logs from Federal forests in Alaska should be permitted. Existing authority would permit this. Japanese purchases of logs from Alaska and the Pacific Northwest together should be held to 1967 levels--about 1.7 billion board feet per year (excluding cants).

The projected increases in Japanese needs should be in the form of sawn timber. The Japanese have indicated that taking the growth in their needs in the form of sawn products is acceptable.

^{1/} One board foot log scale equals about 1.4 board feet lumber scale.

For us, the advantages are twofold:

- sawn products exports yield much more in foreign exchange earnings than do log exports. The increase in Japanese sawn lumber purchases should approximate 1.0 billion board feet (lumber scale)--equivalent to \$65 to \$120 million of foreign exchange earnings, exclusive of any Federal tax revenues from the Japanese subsidiaries now operating in Alaska.

The lower figure assumes continuation of present cheap stumpage values; the higher price represents the competitive value of the lumber, if Forest Service appraisals reflected Japanese market prices; modification of the cabotage laws (described below) would be of service in establishing the higher market value of this timber.

- on political grounds the Alaskan desire for sawmills will be met; and the pressure on log supplies in the Pacific Northwest--where the present political pressure comes from--will be relieved, and sawmill employment in that area will increase.

II Full market value should be realized on log sales for export. Apparently this is not the case now.

Japanese trading firms may be getting an excessively good bargain in Alaskan timber. Forest Service timber destined for export to Japan now is being sold in the range of \$3 to \$5 a thousand board feet; identical timber stands, across a bay, fetch ten times as much. The higher-priced timber is owned by an Indian tribe and managed by the Bureau of Indian Affairs. The Bureau is under a legal requirement to strike the best possible bargain for the Indians. The price difference, in balance of payments terms, probably means U.S. loss on the order of \$15 million per year. The reasons for this pricing anomaly require exploration. There appear to be two basic factors:

- 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.

However, a limited exemption for, say, shipping 1.5 billion board feet per year of lumber between Alaska and the U. S. East Coast should be considered.

III Cabotage laws affecting Alaska should be amended. Such an amendment would be of an advantage in several quite important respects:

- Alaskan lumber could become very competitive in U. S. markets; the resulting sawmill employment should be of help in getting Alaskans to accept limited exports of logs to Japan. Such exports are now opposed by the State Government.
- The monopolistic hold of the Japanese on Alaskan timber resources would be broken, by the natural operation of market forces. A better price on exports to Japan would result.
- The U. S. now is a net importer of high-quality lumber from Canada. A portion of these imports could be displaced from U. S. markets by Alaskan lumber, by the operation of market forces.
- A more rapid economic development in Alaska, and a much more efficient utilization of our natural resources, would result.

No U. S. shipping interests would be adversely affected by such a change -- at present there is no significant through service between Alaska and the U. S. East Coast.

Precedents exist for such limited exemptions, when no significant shipping interests are adversely affected.

The exact size of the exemption will pose problems. If the exemption applies only to Alaskan lumber, rather than also to lumber from the U. S. Pacific Northwest, U. S. lumber interests in Washington and Oregon may experience a considerable disadvantage in East Coast markets. But too small an exemption poses other problems.

Table I

Examples of Average Log Price Increases 1/

<u>Hemlock - #2 Sawmill Grade</u>		<u>Year*</u>	<u>Douglas Fir - #2 Sawmill Grade</u>	
<u>Puget Sound</u>	<u>Greys Harbour</u>		<u>Puget Sound</u>	<u>Greys Harbour</u>
\$48.95/M	\$45.36/M	1960	\$64.81/M	\$54.80/M
\$69.48/M	\$64.77/M	1966	\$69.93/M	\$72.14/M

* In dollars per 1,000 board feet, scribner scale.

1/ Industrial Forestry Association, Open Market Log Price Report
(published in Portland, Oregon).

Table II

Summary of Sawtimber Ownerships
 (Alaska, Oregon, & Washington)
 (Millions of board feet, International 1/4-inch rule)

	<u>Total</u>	<u>Federal</u>	<u>Federal % of Total</u>
Alaska <u>A/</u> (Coastal only)	183,422	168,815	92.0
Oregon <u>B/</u>	515,879	380,000	73.7
Washington <u>B/</u>	<u>358,661</u>	<u>200,090</u>	<u>55.8</u>
	1,057,962	748,815	70.8

A/ Alaska's Forest Resource, U.S. Forest Service, P.N.W. Bull #19, 1967, Table 10.

B/ Timber Resource Statistics, U.S. Forest Service, P.N.W. Bull #9, 1965, Table 10.

U.S. DEPARTMENT OF AGRICULTURE,
FOREST SERVICE,
Washington, D.C., April 27, 1967.

HON. WENDELL WYATT,
House of Representatives.

DEAR MR. WYATT: This is in further reply to your letter of March 17 asking for a plan to modernize the Program of Reforestation and Timber Stand Improvement of the National Forests of Oregon and Washington and to complete the work in six to eight years.

Our current estimate of the total amount of this work to be done in the two States is 171,000 acres of reforestation (tree planting and tree seeding) and 1,525,000 acres of timber stand improvement (thinning and release). These acreages include areas cutover by sale of timber for which K-V funds are not available. K-V collections are generally adequate to do the needed work on sale areas in Oregon and Washington, and we do not anticipate that future timber sales will make any significant addition to the acreages to be financed with appropriated funds. Acreages are added at times because of forest fires and periodic changes are made as surveys produce more accurate information on the size of areas to be treated.

The location of the work by States and Sub-regions is shown in the attached table No. 1.

The "East Side" Sub-regions are East of the Cascade Summit where the predominant species is ponderosa pine. The "West Side" Sub-regions are West of the Cascade Summit where the predominant species is Douglas-fir.

All of the acreage in Oregon and West Side Washington is in our Forest Service Region 6 under the direction of the Regional Forester at Portland. The "East Side" Sub-region in Washington includes the Colville and part of the Kaniksú National Forests which are under direction of the Regional Forester in Missoula.

The estimated cost of doing all of the work is about 80 million dollars. About 20 million dollars would be used for tree planting and tree seeding and 60 million dollars for release and thinning to increase growth in young stands. About 48 million dollars would be needed to do the work in Oregon and about 32 million dollars in Washington.

About \$2,750,000 of the \$17,640,000 in the F.Y. 1967 Forest Service budget for reforestation and timber stand improvement is being used for this work on the National Forests in Oregon and Washington. A program to complete the work in eight years would require an average of 10 million dollars per year.

A workable program to complete the job in eight years is developed in the attached table No. 2. Attached tables 2a and 2b show how it probably would be divided between the two States in carrying out the individual National Forest programs. The \$2,980,000 shown in the tables for F.Y. 1968 is the amount planned for the work in Oregon and Washington under the present 1968 Budget Request of \$17,640,000. Allocations would be increased each year on a graduated scale. This would be better than a sharp increase from the current program to 10 million dollars per year. It takes two or three years to grow the additional trees in our nurseries for a larger planting program, work areas would have to be laid out and other preparatory work would have to precede a much larger overall annual program. Timber stand improvement work can be expanded faster than reforestation because it requires less preparation work. This is illustrated in the above referenced table No. 2.

We estimate the eight year program will result in the following increased timber growth and an equivalent increase in allowable annual cut.

	Acres	Cost	Increased annual growth (million board feet)
Reforestation:			
Oregon.....	130, 000	\$14, 950, 000	70
Washington.....	41, 000	4, 715, 000	20
Total reforestation.....	171, 000	19, 665, 000	90
Timber stand improvement:			
Oregon.....	832, 000	33, 280, 000	225
Washington.....	693, 000	27, 720, 000	190
Total stand improvement.....	1, 525, 000	61, 000, 000	415
Total program.....	1, 696, 000	80, 665, 000	505

We have been working with the Department's Program Evaluation and Planning Staff during the past year to develop economic evaluations for our reforestation and timber stand improvement work. Preliminary findings indicate that nearly all of this kind of work in the commercial timber types of Oregon and Washington will yield internal rates of return to Management intensification ranging from a minimum of 3% to 9%. These rates of return are for timber production without credit for benefits to other Forest values and uses that result from the work.

We appreciate your interest in this program. If you desire additional information, we will be glad to furnish it.

Sincerely yours,

A. W. GREELEY,
Associate Chief.

TABLE #1 - NATIONAL FOREST LAND NEEDING REFORESTATION OR
TIMBER STAND IMPROVEMENT IN OREGON AND WASHINGTON

LOCATION OF THE WORK	ACRES AS OF 6-30-65	
	REFORESTATION	RELEASE & THINNING
West Side Oregon	45,000	318,000
East Side Oregon	85,000	514,000
Total Oregon	130,000	832,000
West Side Washington	22,000	153,000
East Side Washington	19,000	540,000
	41,000	693,000
Total Oregon & Washington	171,000	1,525,000

(1)
Includes 7,000 acres in R-1

(2)
Includes 275,000 acres in R-1

TABLE #2 - PROGRAM TO COMPLETE ALL REFORESTATION AND TIMBER STAND IMPROVEMENT WORK
ON THE NATIONAL FORESTS OF OREGON AND WASHINGTON IN 8 YEARS

		TOTAL PROGRAM OREGON AND WASHINGTON									
(1)		1968	1969	1970	1971	1972	1973	1974	1975	TOTAL	
REFORESTATION											
Acres		12,000	12,000	13,000	20,000	30,000	40,000	30,000	14,000		171,000
Dollars		1,380,000	1,380,000	1,495,000	2,300,000	3,450,000	4,600,000	2,450,000	1,610,000		19,665,000
TIMBER STAND IMPROVEMENT											
Acres		40,000	75,000	150,000	200,000	200,000	200,000	300,000	360,000		1,525,000
Dollars		1,600,000	3,000,000	6,000,000	8,000,000	8,000,000	8,000,000	12,000,000	14,400,000		61,000,000
TOTAL PROGRAM											
Dollars		2,980,000	4,380,000	7,495,000	10,300,000	11,450,000	12,600,000	15,450,000	16,010,000		80,665,000

(2) These amounts are the same as are in the 1968 Budget Request

TABLE #2a - PROGRAM TO COMPLETE ALL REFORESTATION AND TIMBER STAND IMPROVEMENT WORK
ON THE NATIONAL FORESTS OF OREGON AND WASHINGTON IN 8 YEARS

		OREGON PORTION OF THE TOTAL PROGRAM								TOTAL	
		1968	1969	1970	1971	1972	1973	1974	1975		
<u>REFORESTATION</u>											
Acres	9,000		9,000	10,000	15,000	23,000	30,000	23,000	11,000		130,000
Dollars	1,035,000		1,035,000	1,150,000	1,725,000	2,645,000	3,450,000	2,645,000	1,265,000		14,950,000
<u>TIMBER STAND IMPROVEMENT</u>											
Acres	22,000		40,000	85,000	110,000	110,000	110,000	155,000	200,000		832,000
Dollars	880,000		1,600,000	3,400,000	4,400,000	4,400,000	4,400,000	6,200,000	8,000,000		33,230,000
<u>TOTAL OREGON PROGRAM</u>											
Dollars	1,915,000		2,635,000	4,550,000	6,125,000	7,045,000	7,850,000	8,845,000	9,265,000		48,230,000

TABLE 25 - PROGRAM TO COMPLETE ALL REFORESTATION AND TIMBER STAND IMPROVEMENT WORK
ON THE NATIONAL FORESTS OF OREGON AND WASHINGTON IN 3 YEARS

WASHINGTON PORTION OF THE TOTAL PROGRAM											
	1968	1969	1970	1971	1972	1973	1974	1975	TOTAL		
<u>REFORESTATION</u>											
Acres	2,000	2,000	3,000	5,000	7,000	10,000	7,000	3,000	41,000		
Dollars	345,000	345,000	345,000	575,000	805,000	1,150,000	805,000	345,000	4,715,000		
<u>TIMBER STAND IMPROVEMENT</u>											
Acres	18,000	35,000	65,000	90,000	90,000	90,000	145,000	160,000	693,000		
Dollars	720,000	1,400,000	2,600,000	3,600,000	3,600,000	3,600,000	5,800,000	6,400,000	27,720,000		
<u>TOTAL WASHINGTON PROGRAM</u>											
Dollars	1,065,000	1,745,000	2,945,000	4,175,000	4,405,000	4,750,000	6,605,000	6,745,000	32,435,000		

Senator MORSE. I also want to include in the record at this point a joint statement by all the groups represented by the witnesses before us this afternoon. This is a joint statement that they submitted to the chairman of this committee upon their arrival in Washington Tuesday afternoon. I want that statement in the record.

The chairman met with the Alaskan group Tuesday evening. I hope I helped clarify for them the purposes of this hearing, its jurisdiction, the areas that are covered, which as I just said a few minutes ago covered any area of the country in which the Federal forests existed.

Other members of the Oregon delegation were present. Congressman Clausen was present. The staff members of some of the Oregon delegation offices and Washington delegation offices were present, and the chairman of the committee assured the Alaskan group that he would send a memorandum to each member of the Oregon and Washington delegations containing the prepared statement that the Alaskan group filed with him.

I insert my memorandum and the joint statement of the Alaska groups in the record at this point.

(The memorandum and joint statement referred to follow :)

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United States Senate

SELECT COMMITTEE ON SMALL BUSINESS
 (CREATED PURSUANT TO S. RES. 14, 81ST CONGRESS)
 WASHINGTON, D.C. 20510

WILLIAM T. MCINARNEY,
 STAFF DIRECTOR AND GENERAL COUNSEL

RAYMOND D. WATTS,
 ASSOCIATE GENERAL COUNSEL

January 17, 1968

MEMORANDUM

TO: ALL MEMBERS OF THE OREGON AND WASHINGTON DELEGATIONS
 FROM: WAYNE MORSE
 SUBJECT: ALASKAN VIEWS ON THE LOG EXPORT PROBLEM

Following the first day of hearings yesterday before my Senate Small Business Subcommittee on "The Impact of Increasing Log Exports on the Economy of the Pacific Northwest," I met informally with the group of Alaskans who have journeyed to Washington to testify at the hearings tomorrow, January 18.

The Alaskans requested this meeting with "all members of the Oregon and Washington delegations or persons from their staffs" through Senator Gruening.

Your office was notified of this request and the scheduled meeting by telephone on Tuesday afternoon, but, with such short notice, attendance was small.

I am enclosing a copy of a joint statement of position of the several governmental and private interests from the State of Alaska in attendance at the hearings. Also enclosed is a copy of the witness list for the Thursday session at the hearings, which will identify the Alaskans who are to be heard in person.

cc: Honorable Ernest Gruening
 Honorable E. L. Bartlett

Joint statement of:

Alaska Lumbermen's Association
 Alaska Logger's Association
 Ketchikan Pulp Company
 Alaska Lumber & Pulp Company
 Alaska Banker's Association
 Alaska State Chamber of Commerce
 Governor of Alaska's Timber Task Force
 The State of Alaska
 On Log Exports From Alaska
 Washington, D. C.
 January 16, 1968

1. Long standing and historic policy of U.S. Forest Service and State of Alaska prohibiting export of round log spruce and hemlock from either National Forest or State lands in Alaska is responsible for the development of a stable, vigorous, and expanding primary manufacturing timber industry in Alaska presently based upon the manufacture of pulp, lumber, and other wood products.
2. Export of round logs from Alaska will wipe out the existing Alaska timber industry and will frustrate steps now being taken by industry to open Alaska's forests to their fullest development.
3. Contrary to popular belief outside of Alaska, there is no surplus of timber on National Forest lands in Alaska. If an additional 700 million board feet per year is available to the Alaskan timber industry on a sustained yield basis from these lands, the industry is prepared to absorb this cut into its primary manufacturing processes. In any event, the industry is willing to absorb and has long asked for the full harvest of the allowable cut on a sustained yield basis which looks to the highest and best use of these forests through the development of a fully integrated timber industry based upon primary manufacture.

4. The Alaskan timber industry is fully aware of the need to establish and maintain favorable trade balances. As a consequence, the industry has consistently opposed any proposal which looks to the export of unprocessed timber resources from Alaska because favorable trade balances are better encouraged through the export of a resource which has been increased in value by primary manufacture rather than through the export of an unprocessed resource.

Representative POLLOCK. Mr. Chairman, I very much appreciate the information you have given us, that the record will close on the 30th of January at 5 p.m., and I would reserve the right, with your permission, to prepare a statement later for submission in the record after the Government witnesses have testified next Tuesday.¹

Senator MORSE. We will be very glad to receive the statement. I have an announcement to make now in regard to the hearings tomorrow, which not even the staff knows about, but it is necessary for us to do it this way to keep the record straight. I wanted the official reporter to hear. The hearing will continue tomorrow morning at 9 o'clock in this auditorium. It is now apparent that we are not going to be able to finish with all the Alaskan witnesses tonight, so I am going to ask them, or as many of them as can, to come back and continue with the testimony at 9 o'clock tomorrow morning. We shall continue tonight until 6 o'clock.

Senator GRUENING. Mr. Daly.

STATEMENT OF JOHN O. DALY, PRESIDENT, ALASKA LUMBERMEN'S ASSOCIATION, KETCHIKAN, ALASKA

Mr. DALY. Thank you, Senator.

Mr. Chairman and members of the committee, my name is John Daly. I am a lifelong resident of Ketchikan, Alaska. I am also general manager of the Ketchikan Spruce Mills, a sawmill which has been in continuous operation, through three generations of ownership of my family, longer than all but a few sawmills on the Pacific coast—this mill having been founded in 1898. During the 69-year history of Ketchikan Spruce Mills, this mill has been in and out of the lumber export markets of the world with shipments of lumber to England, Australia, Korea, France, Italy, Okinawa, Guam, and Japan.

Although I am appearing here on behalf of the Alaska Lumbermen's Association, out of the necessity of experience, my remarks in some respects will be made with reference to the experience of Ketchikan Spruce Mills.

The Alaska Lumbermen's Association includes in its membership five of the six sawmills operating in the Tongass National Forest.

Mr. Chairman, at this point I would like to depart from my prepared statement for a moment.

Senator MORSE. The witness' prepared statement will be inserted in the record and the witness is free to summarize it in any way he cares to.

Mr. DALY. I would like to finish it, Mr. Chairman, but at this point I would just like to make a remark.

Senator MORSE. You may depart from your prepared statement at any time.

Mr. DALY. These were some statements made yesterday, Mr. Chairman, that I unfortunately don't have with me, and I can't quote them from memory. But basically the implication was that the Japanese have a monopoly of the lumber manufacturing industry in Alaska, that they control this industry.

Mr. Chairman, this is not a true statement. This is not the case. I just wanted to set that straight at this time.

¹ The statement referred to will be found at the end of part 3 of these hearings.

Senator MORSE. I am delighted that you made that record.

Mr. DALY. Membership in our association is open to all sawmills in Alaska; however, due to the fact that almost all of the presently merchantable timber in Alaska is located in the Tongass National Forest, no sawmill industry of consequence has as yet been developed outside of the Tongass Forest, and all of the sawmills in our association are totally dependent upon the U.S. Forest Service for their timber. I have a map of Tongass National Forest for inclusion in the record, if that is permissible, as an aid to the committee in orienting themselves to the geography of this forest.

I have two maps here, Senator, of the southeastern Alaska region that I thought perhaps the committee would like to see.

Senator MORSE. We will receive the maps to be kept as appendixes to the record, but not printed in the record. They will be available to the committee for consideration in our executive sessions.¹

This is a regular practice because of the difficulty of getting the maps into the printed record.

Mr. DALY. I understand.

The members of our association have long been engaged in the development of a Japanese lumber market. As early as 1956, experimental shipments of lumber were being made to Japan for the purpose of exploring this market. Since that date, this market has grown to the point where 200 million board feet of lumber were shipped to Japan in 1967. During 1968, Alaska sawmills expect to ship 300 million board feet of lumber to Japan. Since 1960, three ships specially constructed for the ocean shipment of lumber have been constructed by the Japanese for this trade. A fourth ship is under construction and a fifth such ship is on order for delivery in 1970, in addition, five conventional Japanese ships have been and continue to be engaged in this trade under full-time charter. The impact of this development on the communities of southeastern Alaska located in the Tongass National Forest cannot be overstated. It has stabilized the economy of two of the communities located in the Tongass National Forest. It has strengthened the economy of the largest community in the Tongass.

Although comparisons can be misleading, I believe the comparison of a few of our association's sawmill economy statistics, as they developed for the year 1960, the year in which a firm attachment to the Japanese market was first accomplished, with similar figures for 1967, fairly represent the economic impact of this sawmill development on the communities located in the Tongass National Forest. The following comparisons relate only to sawmills which are members of the Alaska Lumbermen's Association and do not include such statistics as might be available for the small mills of limited volume otherwise situated in Alaska.

	1960	1967
Gross sawmill payrolls.....	\$1,000,000	\$1,300,000
Gross longshore payrolls.....	\$250,000	\$2,500,000
Export lumber volume (million board feet).....	281½	200,000,000
Plant investment.....	\$1,800,000	\$12,750,000
7-year total lumber export volume (million board feet).....	500	

¹ The maps referred to are retained in the committee's files as an unpublished appendix.

Plant expansion undertaken by the sawmills of our association since 1960 includes deepwater dock facilities able to handle oceangoing lumber ships presently capable of lifting 5½ million board feet of lumber; Ketchikan Spruce Mills is again expanding its deepwater dock facilities to handle the Ketchikan Maru, a special lumber ship now being constructed in Japan with a capacity of 7 million board feet. Wastewood recovery systems, which include barkers, chippers, and barge-loading facilities, are being installed in all the sawmills of our association. Our 1968 production which will be sold to the two pulpmills located in the Tongass National Forest, is now projected at the rate of 70,000 2,000-pound bone-dry units per year with an annual gross sale value in excess of \$1,200,000.

The sawmills in Alaska have been looking to the day when they could develop the Japanese lumber market to the point where our mills could go on a double-shift operation. As any sawmill man well knows, a double-shift operation is a necessity if the profits necessary to the success of a sawmill are to be realized. I am happy to report at this time that two of the largest sawmills in Alaska will be going on a double-shift operation in March or April of this year.

I have a number of photographs of my sawmill taken in the past few years which show the size and nature of our operation. Although I realize these cannot be included in the record as such, I offer them to the committee for their consideration. The photos are representative of the other large sawmills located in the Tongass National Forest.

Senator MORSE. The photographs, appropriately identified by the witness, will be made a part of the appendixes filed with the hearing and will be considered by the committee in executive session.¹

Mr. DALY. They are identified, Mr. Chairman, and one of the reasons I thought they might be appropriate is that they show the type of lumber we produce. If there is any question, you can just take a look at it as shown right here.

Senator MORSE. We will be glad to receive them. I think it would be wise if counsel would get those so we can see them now.

Mr. DALY. Sawmill people in Alaska are of the positive belief that we have barely scratched the surface of the Japanese lumber market. We are actively pursuing the means of developing a further refinement of our position in the Japanese lumber market through the use of spruce side cuts and hemlock lumber. All of us are looking to the day, in the not too distant future, when these market demands will increase to a point in excess of the cutting volumes available in Alaska. Our association has consistently pressed the U.S. Forest Service to further open the Tongass National Forest to sawmill cutting on a basis which will not only allow further expansion of the existing mills and ownerships but which will permit a competitive entry into Alaska by Northwest operators who are looking for a challenge in this market. To further highlight these developments, I want to mention that when the members of our association leave these hearings, we will be going directly to Japan on a long-scheduled trip designed to further explore the Japanese lumber market.

¹ The photographs referred to are retained in the committee's files as an unpublished appendix to the record.

This growth has not been without an uphill struggle. Although all of the mills in our association are presently operating at a profit, operational losses in excess of \$2 million were sustained during the developmental stages of our entry into the Japanese lumber market. I mention this in order to bring to your attention that you cannot expect to leap into the Japanese lumber market and realize instant profits. Even though Ketchikan Spruce Mills, under the ownership of my family, had been in the world lumber markets for 60 years before we probed the Japanese market, we sustained annual losses at the rate of \$50,000 to \$100,000 per year during our "break-in period." During this same time, the Japanese sawmill at Wrangell, Alaska, even though under the leadership of one of the most experienced sawmill men in Alaska, lost in excess of \$900,000. As Mr. Park observed the other day in his testimony, although in another context, "you have to have a deep sock."

The members of our association have followed with more than a passing interest the round log export controversy which has made headlines in Washington and Oregon the past few years. The growth of the Alaska sawmill industry which I have outlined could not have taken place without the protection and encouragement of the long-standing and historic policy of both the Forest Service and the State of Alaska which prohibits the export of round log spruce and hemlock from either national forests or State lands.

At this point, Mr. Chairman, I would like to mention in the case of the State this has been a State policy since statehood under two administrations of both parties, or former Governor Egan for 8 years was very much in favor of our round log export ban, if you will, and our present Governor, Governor Hickel, is also in favor of it.

Senator MORSE. Mr. Daly, may I interrupt before you proceed, before I pass these pictures on?

I hold in my hand these photographs of pictures taken on the dock of Alaska Lumber Mills, about which you have been testifying. The pictures show what I judge to be, 4 by 4's and I would guess 4 by 8's and other dimensions of lumber that has gone through your sawmills and that would meet the definitions of finished lumber. In fact, I think three or four piles that I am looking at in one picture are obviously 2 by 4's and certainly dimensions other than 4 by 4's.

I hold in my hand another picture that shows piles of lumber that I would describe as boards.

Is it your testimony that these piles of finished lumber shown in these pictures are piles of lumber of the identical types that are exported out of Alaska to Japan?

Mr. DALY. No, those pictures, the big pictures, show my sawing. The large piles of lumber you see in there are basically the type we cut for Japan, 6 by 6 by 20, to 20 feet long. The piles of finished lumber you see there were manufactured in my sawmill for the local retail lumber trade. We have a retail yard right close to our sawmill which is why they are in the same picture.

Senator MORSE. You heard Mr. Davidson testify that his mill, when he was operating it at Wrangell, finished 4 by 4's that were put in so-called package form for loading on the vessels and went directly from the docks in Japan to the building sites, ready to go into houses. Does your lumber mill produce any such lumber as that for export to Japan?

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?

Mr. DALY. No.

Senator MORSE. You may proceed.

Mr. DALY. In this connection, the statement made by the Treasury staff that a repeal of the Jones Act would enable Alaska sawmills to enter the domestic markets of the east coast of the United States is ridiculous. The 69-year experience of my company in the world export markets has been one of necessity rather than of choice. Alaska sawmills cannot even compete with Oregon and Washington sawmills for the domestic Alaska lumber market, let alone compete with Canadian sawmills for east coast markets. For example, my company operates three sales yards in Alaska and we import lumber from Oregon and Washington for resale in these yards because our sawmill cannot meet the price. Two years ago I told my yard managers that they were to sell lumber to make a profit; I did not care whose lumber, or where it came from. Since that day, our sawmill has not sold a stick of lumber to any of these yards.

For this reason, a repeal of the Jones Act as it applies to Washington, Oregon, and northern California so as to enable their hard-pressed sawmills to compete with Canadian imports, makes a great deal more sense to me than does the Treasury staff proposal for Alaska.

To conclude these remarks, which describe the sawmill economy of Alaska, based as it is on the export of lumber to Japan, and which states the disastrous effect round log export from Alaska would have on our sawmills, our association believes that we have the answer to the basic question implicit in the stated purpose of these hearings; that is, how to rescue the sawmills of Washington and Oregon from destruction at the hands of round log export. Our answer, simply stated, is to prohibit round log export, and to develop what we know to be the expanding Japanese lumber market.

Senator GRUENING. Mr. Daly, thank you for a very excellent statement. I would like to make this comment at this time. This dire calamity that brought this distinguished delegation from Alaska is not going to happen. Those of us who are familiar with Alaska in recent years know that arbitrary, ruthless, and unwise actions have often been taken by Federal agencies, but we are not going to allow this to happen. So I would like to say at this point, because I would like to relieve whatever tension or fear may be in the minds or hearts of this delegation, we are going to oppose it so unqualifiedly that it is not going to be mentioned again, but it is interesting that it has come up, because it enables us to discuss our problems and find ways in which the industry feels present conditions can be improved.

At present, the opinion seems to be that the status quo is pretty good, but we may find that there are ways in which that can be further improved.

I have to express my regret that I have got to leave. I have a number of people waiting for me in the office, but I shall try to be back tomorrow and attend part of these hearings. Unfortunately, being in the Senate is not a two-ring but a 10-ring circus, and we have many overlapping engagements which we can't always fill.

Mr. DALY. Thank you, Senator.

Senator MORSE. We are delighted to have you with us, Senator, and look forward to having you with us tomorrow.

Congressman Pollock, any questions?

Representative POLLOCK. I have no questions. I think it was a very excellent statement and I am looking forward with interest to hearing the rest of the Alaskan witnesses.

Senator MORSE. Congressman Wyatt.

Representative WYATT. Thank you, Mr. Chairman. I would like to ask Mr. Daly just a few questions here.

Is it your statement, Mr. Daly, do I understand, that sawmills in Alaska do not have long-term contracts with the Forest Service?

Mr. DALY. That is correct, sir. We bid on our normal timber sale contract maybe 2 or 3 years.

Representative WYATT. How many sawmills in total are in Alaska, would you say?

Mr. DALY. I couldn't say. There are six operating in the Tongass National Forest Service in southeastern. There are a number of very, very small one- or two-man operations throughout the interior.

Representative WYATT. Your main sawmill industry is in this one area that you have described, is that right?

Mr. DALY. At the present time it is concentrated there, although there have been some moves.

Representative WYATT. Is that where the bulk of your sawmill industry is, is that fair to say?

Mr. DALY. Yes.

Representative WYATT. And none of these mills have 35- or 50-year contracts with the Forest Service?

Mr. DALY. Not the sawmills, no.

Representative WYATT. Well, has the——

Mr. DALY. Pardon me, one exception. It is not a member of our association but Mr. Davidson's mill does have a contract.

Representative WYATT. How long is that? Do you know?

Mr. DALY. Well, it is 1 billion feet of timber, I understand, his ex-mill, I understand. It is, I understand, a billion feet.

Representative WYATT. Has the Forest Service given out contracts to others other than the one you have just mentioned, to anyone else, whether it is a sawmill or not, on a long-term basis?

Mr. DALY. Pulp mills have long term, yes.

Representative WYATT. Do you know how long they are?

Mr. DALY. I believe they are supposed to be 50-year allotments.

Representative WYATT. But the sawmills themselves have no long-term contracts?

Mr. DALY. No.

Representative WYATT. And so that is why you say, you conclude, that if the export of logs in the round were permitted, that you would have the same kind of competition that we have been experiencing in Oregon and Washington?

Mr. DALY. That is correct. There is no private timber either, so we are immediately under the gun for our increase.

Representative WYATT. First, I would say to you that I sympathize with your point of view, and I certainly agree that it is far better to export the manufactured product than the logs in the round, but unfortunately Oregon and Washington aren't in that favorable position.

Would it be possible in your judgment to have certain areas in Alaska from which you could have sales for export, reserving other areas for your own domestic sawmills?

Mr. DALY. In my opinion, no. We have had a quite a bit of discussion among ourselves on this in the last year or so, and my firm belief is no. But I think when some of these other gentlemen get done testifying, they are much more knowledgeable about timber volumes and contracts, and you may have a better understanding of why I say that.

Representative WYATT. Do you know approximately how much lumber was produced in Alaska in 1967 in round figures?

Mr. DALY. Well, we shipped 200 million to Japan. Now, there is more than that produced, because my company ships high-grade timbers and cants and so forth to Seattle and so forth for remanufacture there also.

Representative WYATT. You don't know what the total manufacture is?

Mr. DALY. No. We just split out the Japanese shipments.

Representative WYATT. Do you have a rough estimate as to what percentage of your lumber manufacture in Alaska does not go to Japan, what percent of the total, just in a rough way?

Mr. DALY. Maybe 10 percent.

Representative WYATT. In other words, about 90 percent of the lumber sawmill production in Japan, or rather, in Alaska, goes to Japan?

Mr. DALY. Yes.

Representative WYATT. What are the mechanics of your sales of your lumber to the Japanese? Will you describe them for the record?

Mr. DALY. I can describe our mill, yes. I can't describe the others, because I am not really familiar with them, but I will tell you how ours works annually.

Representative WYATT. That would be helpful.

Mr. DALY. For a number of reasons, but we sell through a Japanese company, and Wrangell Lumber Co., and we sell our lumber to them, and we negotiate with them annually for price and volume. The volume of course is somewhat flexible, depending on log supply, weather, and what have you. The price is fixed for the year.

Representative WYATT. Is that for a year?

Mr. DALY. Yes, it usually runs I think from April to April, and we prefer it this way and so do they.

Representative WYATT. One other question on this original subject. Do the pulpmills have long-term contracts with the Forest Service? Are they permitted to resell any part of their timber to the sawmills?

Mr. DALY. Oh, yes, practically all my timber comes from the Ketchikan Pulp Co.

Representative WYATT. In other words, your timber is coming indirectly through from long-term Forest Service contracts?

Mr. DALY. Well, for me, yes, but not for all of the mills.

Representative WYATT. What about the rest of the industry?

Mr. DALY. No, I think we are about the only one that gets practically all. We have a rather unique situation because I just sold my mill to Georgia-Pacific which is a part owner of Ketchikan Pulp Co. That is why I get all my timber there.

Representative WYATT. Do the other mills in this area get substantial quantities of their logs from the pulp companies?

Mr. DALY. Not off the pulp allotments, no.

Representative WYATT. What do you mean by the pulp allotments?

Mr. DALY. Well, the 50-year contracts.

Representative WYATT. You would not say that they get a substantial amount of their logs from the pulp allotments or the pulp companies?

Mr. DALY. No.

Representative WYATT. Just in your particular case are your logs from the pulp allotments from the Forest Service, Forest Service pulp allotments?

Mr. DALY. I would have to defer that question to Art Brooks. He is the logger manager for the Ketchikan Pulp and he can probably tell you a lot more about my logs than I can as to what sale they would come off of, because they don't get all of their timber off of their 50-year contract either.

Representative WYATT. They have other Forest Service purchases?

Mr. DALY. That is correct.

Representative WYATT. None of this timber is private timber, is it?

Mr. DALY. No, there is no private timber.

Representative WYATT. It is all Forest Service.

Mr. DALY. A very, very minor amount. It doesn't even qualify.

Representative WYATT. Do you know the average stumpage price that is being paid on Forest Service contracts?

Mr. DALY. On the 50-year contracts?

Representative WYATT. Yes.

Mr. DALY. Or on the recent sales?

Representative WYATT. Well, give me, if you can, the average figure on each; I would appreciate it for the record.

Mr. DALY. I can't tell you on the 50-year contracts because I don't know. It is none of our business. But the most recent sale that we bid on was somewhere around \$15 a thousand, if I am correct.

Representative WYATT. This is a smaller scale and shorter term Forest Service sale.

Mr. DALY. Oh, yes; this was a 60-million-board-foot sale.

Representative WYATT. Mr. Chairman, at this point, I wonder if I might make a personal request that we ask the Forest Service to furnish to us its average stumpage price on their 50-year contracts. I think it would be a useful part of this record.

Senator MORSE. Counsel is directed to send a communication to the Forest Service requesting that information.

(Counsel subsequently furnished a memorandum, as follows:)

U.S. SENATE,
SELECT COMMITTEE ON SMALL BUSINESS,
February 7, 1968.

MEMORANDUM

To: Hon. Wayne Morse, chairman, Subcommittee on Retailing, Distribution, and Marketing Practices.

From: Raymond D. Watts, Associate General Counsel.

Subject: Average stumpage prices, Forest Service 50-year contracts, Alaska timber.

The Forest Service, at my request and as directed by you, has provided, over the telephone, the following information responsive to the question Representative Wyatt discussed with Mr. Daly.

Prices of stumpage in selected Forest Service 50-year contracts:

[Price per 1,000 board feet]

1. Alaska Lumber & Pulp Co. contract:

Species:

Spruce -----	\$2.90
Hemlock -----	1.75
Other -----	1.65

2. Ketchikan Pulp Co. contract:

Spruce -----	2.24
Hemlock -----	1.82
Cedar -----	1.75
Other -----	2.25

3. U.S. Plywood-Champion Papers, Inc., contract (announced Feb. 7, 1968):

Spruce -----	6.54
Hemlock -----	5.10
Other -----	1.00

Representative WYATT. Thank you, Mr. Chairman. I don't suppose you have too much information as to the logging costs. We are interested in the cost of the log to you.

Mr. DALY. Cost of the log delivered to the mill is what I am interested in. There are some other gentlemen here who have been logging for quite a while who can tell you about that.

Representative WYATT. I think that is all I have of Mr. Daly.

Thank you very much.

Senator MORSE. I thank you, Mr. Daly. I thank you, too, Congressman Wyatt.

I shall be very much interested in the comments that the Treasury Department and the Forest Service and BLM make to your statements. I shall, of course, give them an opportunity to comment on your testimony.

Thank you very much.

Mr. DALY. Thank you.

Senator MORSE. The next witness will be Mr. A. M. Brooks, vice president, Ketchikan Pulp Co.

Mr. Brooks.

**STATEMENT OF A. M. BROOKS, VICE PRESIDENT, TIMBER DIVISION,
KETCHIKAN PULP CO., KETCHIKAN, ALASKA**

Mr. BROOKS. Mr. Chairman and members of the committee, my name is A. M. Brooks and I am vice president, timber division, in charge of the log supply for Ketchikan Pulp Co., Ketchikan, Alaska.

I am here to present our company's opposition to the export of spruce and hemlock logs from Alaska which have not received at least primary manufacture within the State of Alaska.

In June 1951, our company signed an agreement with the U.S. Forest Service covering 8¼ billion feet of timber on the Tongass National Forest, previously bid in at public auction. This timber was to be harvested over a 50-year period.

This contract required the construction of a pulpmill of 525 tons per day in capacity for which three-quarters of the log supply was to come from the contract area.

The Ketchikan Pulp Co. mill was completed in 1954 at an original cost of \$55 million and an additional \$29 million has since been expended to bring it to its present capacity of 650 tons per day.

During that period we have increased our employment in the mill and the Ketchikan Pulp Co.'s direct logging operations from 540 people to 790. Indirectly our log supply now requires approximately another 500 men employed in contract logging upon our sale area and in independent logging wherein the logger purchases his own timber from the Forest Service and we purchase the logs.

Our direct annual payroll has grown from \$2,350,000 in 1954 to \$7,650,000 in 1967, and our present expenditures in the Ketchikan area for logs, supplies, and materials are \$1,250,000 per month, which has provided this community with a sustained prosperity it would not have otherwise enjoyed.

People in the contiguous 48 States and even in the Pacific States are often uninformed and misinformed about Alaska. Its vast size of 586,000 square miles contrasts sharply with a population of 270,000—a population less than a modest city in your area.

It is necessary, therefore, to use comparisons to bring to your attention that an industry or firm which would be of little consequence in your area is of real importance to our State. Thus, the fact that in 1965 Ketchikan Pulp Co. alone paid 25 percent of the total State corporate income tax on a modest profit, and that the annual gross sales value of our product is approximately one-third as large as our State's yearly budget may serve to illustrate the importance of the timber industry to Alaska.

To revert to our timber sales contract and the manner in which these long-term timber sales operate in Alaska under the Tongass Timber Act:

This contract guarantees us 75 percent of the timber from the pulp timber allotments in the South Tongass National Forest to operate at the rate of 525 tons per day for 50 years.

We have a relatively modern dissolving pulpmill, one which has been improved and updated throughout the period of operation. Nevertheless, due to the high costs prevalent in the Ketchikan area, and a continuing depression in the dissolving pulp market since 1958, it has been necessary to increase our capacity to 650 tons per day in order to compete in the world markets and avoid operating at a loss.

The timber for such added capacity must come from timber sales on the uncommitted areas of the Tongass National Forest and we have been assured by the Forest Service that our position would be recognized in allocating the annual allowable sustained yield cut

thereon. To date there have been no operable national forest timber sales that have not been bought at appraised or higher prices.

However, we are most concerned with this situation, and the recent Treasury Department staff release recommending the export of round logs from Alaska as a means of building a more favorable balance of trade has brought home to us the necessity of bringing to the attention of all interested parties the actual timber situation in Alaska, particularly that situation with respect to the coastal forests of southeastern Alaska which are the subject of the Treasury Department staff report.

The Treasury Department staff report apparently overlooked the fact that two large pulpmills have been established in Alaska under Forest Service timber management which together manufacture 25 percent of the U.S. production of dissolving pulp.

Practically all the pulp manufactured at Sitka by Alaska Lumber and Pulp Co. is exported to Japan; and a \$5 million net favorable balance of trade comes to the United States annually from foreign exports by Ketchikan Pulp Co.

Our company has the greatest amount of experience in large-scale logging operations in Alaska. We have logged 1,750 million b.f.m. from our own contract area and have produced 2,220,000 tons of pulp. Recent evaluation of the remaining timber and area left within the boundaries of our contract based upon our recovery to date have brought to us the realization that the 8.25 billion feet b.m. originally estimated thereon was actually only 5 billion feet of operable timber.

At intervals during our logging operations we have checked this situation jointly with the Forest Service and each time a lower estimate of the remaining volume of timber has resulted.

A difference of opinion exists as to what additional timber may become available in the future through new techniques in logging, but as one who has spent a lifetime in the industry and who has explored with an eager mind every new method proposed to increase the recovery of timber and reduce the cost of logging, I can see little in the foreseeable future which would significantly increase the recovery from the southeastern Alaska timberlands.

Furthermore, a general knowledge of the forest areas outside our immediate area leads me to believe that the relation of timber estimates to actual operable timber in the other areas of the Tongass National Forest will prove them to be at least equally as deficient in comparison to Forest Service estimates and probably more so.

There have been numerous references in the press and trade publications concerning the advantages enjoyed by Alaska timber operators over those in the other Pacific Northwest States. It is very true that we have a favorable stumpage cost in comparison to those people who are bidding against the log exporters. However, we feel certain that those who make such references have not investigated the unfavorable factors offsetting the stumpage or realize what few advantages we would have if we were forced to compete against round log export.

In the first place we in Ketchikan have a 26-percent higher wage rate in logging and manufacturing than is current down South and all payroll-related costs are based on this high rate. In addition, almost all logging operations are conducted on a 6-day basis which means 52 hours' pay for 48 hours' work.

Operators in Washington and Oregon have practically forgotten the added expense and the myriad problems involved in running a logging camp; yet almost every logger in Alaska faces these problems.

Capital investments in our type of logging operations are probably four times the amount required for the same annual production in Washington and Oregon. There are other problems in Alaska but I fully believe that the industry people both in manufacturing and logging have just recently achieved control of the situation, and these people and others who desire to come to Alaska, who are competent and have a sincere desire to come to Alaska and to put their ability and capital into the industry, should be afforded an opportunity to develop the industry to the fullest extent under the timber programs presently in force in our State.

As for our company, I also believe that the U.S. Government through the Forest Service has not only a commitment for the contractual volume of timber but also for the additional volume of timber necessary to the continued operation of our mill at an economic level, provided, we maintain an efficient operation and that until such time as it can be determined beyond any reasonable doubt that timber is available for that purpose there should be no consideration of round log export from Alaska.

If the national forests in Alaska were opened to log export within the sustained yield management thereof it would inevitably follow that the sawmill industry would be forced out of business as is occurring to the Washington and Oregon mills.

Unless the Alaska sawmill industry continues its vigorous growth, we will not be able to develop the waste wood recovery system so vital to the continued health and growth of our Alaskan pulp industry.

Even without the log cost-price squeeze which would result from round log export, the continued success of our Alaska pulp industry is in part directly related to the fully integrated utilization of our Alaskan forests through maximum development of sawmills, chipping facilities for sawmill wood waste for pulp use, and pulpmaking.

It is very doubtful that our company could operate at a profit in competition with log export prices for the approximately 38 percent of our log supply which must come from national forest timber outside our contract area.

The prohibition against log export brought our company to Alaska, but it is certain that the removal of this restriction would either put Ketchikan Pulp Co. out of business or would greatly shorten the life of our operation.

In summation, we would like to emphasize the following points:

(1) There is no surplus of operable timber on the Tongass National Forest at the present time on the basis of the annual allowable sustained yield capacity.

(2) If any surplus was made available it could be absorbed by expansion of the existing manufacturing facilities more rapidly than by any other means.

(3) The U.S. balance of trade is presently favorably influenced by the export of timber products from Alaska and any increase in manufacturing would go into the export market thus improving this situation and at the same time the economy of the State of Alaska would be improved.

(4) The Ketchikan Pulp Co. is unequivocally opposed to round log export from the State of Alaska.

I thank you, Mr. Chairman, and I would like also to present to the committee some pictures of our mill and the logging camp that may interest you, for the record.

Senator MORSE. The Chair will be very pleased to receive the pictures, properly identified by the witness, and they will be made a part of the unpublished appendixes to the record. We are very glad to have them.

Congressman Pollock.

Representative POLLOCK. I have no questions, Mr. Chairman.

Senator MORSE. This is a very fine statement, Mr. Brooks. I am glad that you bore down on this matter of whether or not there is a differential in cost in getting the log to the millsite between Oregon and Washington on the one hand, and Alaska on the other. You set forth some of the higher costs that confront you in Alaska. Mr. Davidson this afternoon testified on the same lines that you did on this point. He also mentioned more specifically than you do that there are greater costs in getting the logs out of the woods to the mills in Alaska than out of the woods to the mills in Oregon and Washington.

Are you familiar with those differences sufficiently to verify or comment upon Mr. Davidson's testimony on this point?

Mr. BROOKS. Mr. Chairman, I spent 25 years logging in the State of Washington and about three and a half years in the State of Oregon, and I have now spent 15 years in the State of Alaska, all in the logging business, and I can assure you that our costs are exceedingly high in comparison.

In the first place, I gave you the figures on labor, which is a large part of the logging operation. Our cost of developing our roads in the Tongass National Forest in Alaska is astronomical compared to the cost incurred in Oregon, for instance, and we have so many other costs. For the people who are operating in the logging industry and in the sawmilling and pulp manufacturing industry in the lower 48 States, it is hard to conceive of the actual difference. I am sorry that the Congressman left, because we do have a very modest stumpage, and for the record I would say that our stumpage is at the present time on pulp timber sale averaging \$2 a thousand. It is made up of \$1.50 for hemlock and \$3 for spruce stumpage. But by the time we get the logs to the mill, we have a problem of making a reasonable profit on our end product, because the price of our end product is determined on the world markets. We can do nothing about that, and we just have to be within it, and it is not an easy thing to make a go of it in Alaska, I can assure you of that. My people tell me every time I see them how high our costs are and that we ought to do better.

Senator MORSE. It is obvious to you because you live with it but it may not be obvious to some of my colleagues in the Senate who may come to read the transcript of these hearings in preparation for a discussion of this problem so far as legislative policy is concerned.

Mr. DALY testified that he wasn't qualified to particularly comment upon the itemization of the costs of getting the logs out of the woods to the mill. His interest was confined to the cost of the log to him at the millsite, and he suggested that we defer our questions on that matter until you were on the stand.

In the course of your testimony you talk about the lumber camp. You point out that your lumber colleagues from Washington and Oregon are of this generation and don't remember the lumber camp problems of the earlier days in Oregon and Washington. Our modern transportation makes it possible for our loggers to work in the woods during the day and spend the evening with their families; modern automobile transportation and road facilities make this possible now, but it was not always so.

You didn't go into any detail in regard to the lumber camp in Alaska, I suppose, because as a veteran in this field you just took it for granted that everybody would know about it, but of course they don't. Would you take a moment to discuss in more detail the cost of the log operator in maintaining a log camp? Those costs have to be considered in computing the cost of the log to the millowner at the site of the mill.

Mr. Brooks. I believe that Mr. Soderberg, who will follow me has something on that. I don't think I will take anything away from him.

Senator MORSE. You would prefer to defer it. I just want to be sure we get it in the record.

Mr. Brooks. I would like to take a minute, if you don't mind. I do hope you will take a look at these pictures which are taken at our logging camp which is 40 miles from Ketchikan, and is reached only by boat or airplane. It is the 30th largest city in Alaska. We have over 500 people at our Thorne Bay Camp, including 85 families. We have all the facilities of any town to prepare for them, and it is a great expense. I would make an estimate it runs \$2.50 to \$3 a thousand just for the operation of the camp itself. This is over and above the people that live there, the people that work and live in the bunkhouses, pay board and room. It costs us a great deal more; in fact it costs us double the amount they pay in support of the camp. I would like to conclude on that.

Senator MORSE. I want to say, Mr. Brooks, that all one has to do is to look at the pictures and read the description at the bottom of each picture to understand what you are talking about when you say the maintenance of the log camp sites increases the cost of the logs at the mill site. When I see the size of these small towns, I am surprised it isn't more than \$2 or \$3 a thousand board feet, which is your testimony.

Thank you very much for the pictures. It has been very helpful testimony.

Our next witness will be Mr. A. Momma, resident vice president, Alaska Lumber & Pulp Co.

You may proceed in your own way, Mr. Momma.

**STATEMENT OF A. MOMMA, RESIDENT VICE PRESIDENT, ALASKA
LUMBER & PULP CO., INC., SITKA, ALASKA**

Mr. MOMMA. Mr. Chairman and members of the committee, I am A. Momma, resident vice president of Alaska Lumber & Pulp Co., Inc., Sitka, Alaska, and of Wrangell Lumber Co., Wrangell, Alaska.

The two companies are owned by Japanese interests and run by American staff and workers. More than 95 percent of the production of both companies is being exported to Japan.

I feel it a great privilege and honor to join the delegation from Alaska representing the said two companies.

Briefly, I would like to state how Japanese capital came to participate in the development of Alaskan timber.

As you all know, Japan was under occupation in about 1950, and was hard pressed with the lack of timber which was needed for the rebuilding of the nation. Under such circumstances, a request was made to the Supreme Command for the Allied Powers for the importation of logs from Alaska.

There are two letters on the diplomatic level between Japanese Government and Supreme Command for the Allied Powers which tell the story:

1. Letter dated January 25, 1952, from Minister of Agriculture and Forestry of Japanese Government to SCAP.

Subject: Plea to the U.S. Government to export softwood timber of the Alaska Tongass National Forest.

In the said letter, Japanese Government openly requested "to be permitted to have the softwood logs of your Alaska Tongass National Forest imported to Japan on a large scale."

2. In the reply to the above letter, the Japanese Government received a letter from the U.S. Embassy, dated June 9, 1952, which reads:

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs and has the honor to transmit the following information relative to the joint petition for the import of softwood timber of Alaskan Tongass National Forest * * * 25 January 1952, addressed to General Headquarters Supreme Commander for the Allied Powers.

The Department of State informs the Embassy that it is feasible for Japan to procure forest products from Alaskan National Forests and considers that the most practical method for Japan to participate in Alaskan timber development would be by the incorporation in the United States of a United States or Japanese company to produce lumber, pulp or other processed items.

To promote such an action, the United States Forestry Service has several pulp timber units for sale to an organization planning to establish a newsprint or pulpwood mill in Alaska. A timber unit is immediately available in the vicinity of Juneau where there are dock facilities and arrangements can be made for an adequate supply of power.

In view of the indicated favorable consideration of the Japanese Government's petition to secure softwood timber from the Alaskan national forests, it is suggested that an application for a timber concession, together with a specific development plan be submitted to the Department of State through the Embassy of Japan in Washington.

Through this letter and through several meetings with American officials, we Japanese have learned that the primary manufacture policy has been maintained over 30 years and greatly contributed to the introduction of industry and labor in the less populated and remote locations such as Alaska.

As a consequence, Japanese were obliged to give up the idea of importing round logs from Alaska, and in order to comply with the primary manufacture policy proceeded to build a sawmill at Wrangell and a pulpmill in Sitka.

Needless to say, Alaska Lumber & Pulp Co., Inc., is a U.S. corporation, financed with Japanese non-Government capital, and she has acquired a pulp unit in the Tongass National Forest through public bid conducted by the U.S. Forest Service.

What I would like to say most here is that the primary manufacture policy has been most successfully carried out in Alaska and has been

the basic understanding upon which Alaska Lumber & Pulp Co., was organized.

Speaking of balance of payments, or protection of the U.S. dollar, now on issue, the exports of pulp and lumber from both Alaska Lumber & Pulp Co., and Wrangell Lumber Co., although as far as pulp business is concerned is not yet financially successful due to high cost of manufacture in Alaska, were \$250 million in total for more than the past 10 years. In 1968 alone, the sales production of both companies is estimated to be about \$50 million.

Wrangell Lumber Co., was honored by the U.S. Secretary of Commerce with an "E" flag in 1962 for its contribution to U.S. export, of which we are most proud as an outstanding event in the history of the two companies.

Should the export of round logs be permitted in Alaska, we are most positive that we would be confronted with the similar experience which Oregon and Washington are now undergoing and that we would be forced to shut down our mills within less than 6 months. The impact of this to the United States will be loss of U.S. dollars.

I am also positive, as one of the operators in Alaska, that the loss of the primary manufacture policy which has been maintained for almost 40 years in Alaska will be a great detriment to the United States.

Senator MORSE. Thank you very much.

Congressman Pollock.

Representative POLLOCK. Mr. Chairman, I would like to certainly congratulate Mr. Momma. I think this is a most unusual kind of testimony. Here is a man from Japan who has indicated that he and his colleagues have invested money in Alaska because they were obliged to give up the idea of importing round logs from Alaska, and in order to comply with the primary manufacturer policy they proceeded to build an industry. They put a sawmill in Wrangell and a pulpmill in Sitka, and it has worked out very well for them, has assisted our balance of payments and I think particularly, Mr. Momma, the statement that you have made on page 4, the second to the last paragraph I think is extremely important.

Should the export of round logs be permitted in Alaska, we are most positive that we would be confronted with the similar experience which Oregon and Washington are now undergoing and that we would be forced to shut down our mills within less than six months. The impact of this to the U.S. will be loss of U.S. dollars.

I think it is rather to be expected that people of the United States would come and make testimony as we have heard here today. I feel it is a privilege for the committee and certainly for me as one of the Members of Congress to hear you come and join with the other people of the State of Alaska in making the kind of testimony you have.

I congratulate you. Thank you, Mr. Chairman.

Senator MORSE. Thank you, Congressman.

Senator Hatfield.

Senator HATFIELD. No questions.

Senator MORSE. I just want to take a minute longer because I want to hear as many of the witnesses as possible before we recess.

I agree with Congressman Pollock. I think this is very weighty testimony. It needs to be considered very carefully by the State Department and Treasury Department in respect to the balance-of-payments

problem. So that I maybe completely within the realm of accuracy so far as my own deductions are concerned, although you won't say it just this way, I want to know if I could accurately draw this conclusion from your testimony: that if, instead of exporting from Alaska to Japan the pulp that your company now exports and the lumber that goes through at least the so-called primary processing, Alaska exported round logs, the result would be that the United States would be the loser in respect to the balance-of-payments issue. Am I correct in concluding that the United States receives more dollars from the export of pulp and the primary processed lumber than she would receive if she exported round logs to Japan? Is that true?

Mr. MOMMA. Because of my language barrier, I would like to make sure of your question.

Mr. MACDONALD. I am Charles P. MacDonald. I am vice president of the Alaska Lumber & Pulp Co., of Sitka, Alaska. If I may, I don't think he fully understood your question. May I repeat it as I understood it?

Senator MORSE. Yes.

Mr. MACDONALD. I believe your question was, Would the United States lose dollars by shutting down the pulpmill at Sitka, Alaska, and converting to a straight round log export position, is that right?

Senator MORSE. The United States doesn't at the present time permit the export of round logs out of Alaska, but as Mr. Momma testified, it was the United States, in the exchange of these letters that he refers to in his testimony that said to Japan, "If you want softwood from Alaska, come on over and build a lumber mill and build a pulpmill."

I am condensing it but that is what we said. And you did that.

Now, if we hadn't followed that course, but had answered the other way when the Japanese asked for softwood from Alaska, and if we had instead shipped them round logs, I want to know—from the balance-of-payments standpoint—whether we are obtaining more money from shipping the pulp and the primary processed lumber than we would if we conformed to the request in the first place and authorized the shipment of round logs.

Mr. MACDONALD. I believe we are receiving more dollars this way, and I think that was what you intended to testify to, but please correct me if I have misspoken.

Mr. MOMMA. I believe that if we comply with these policies, that we can get more money from Japan.

Senator MORSE. I want to make one other comment about your testimony.

Congressman Pollock referred to this. Without referring by way of identification to a great Japanese industrialist who also has financial interests in Alaska and the United States, I had the privilege of talking with him some days ago, and he said exactly what you say: that he would be opposed to the shipment of round logs out of Alaska, and he would favor the position taken by the overwhelming majority of witnesses appearing before this committee to date in these hearings. He believed that certainly an understanding should be reached with Japan for striking this balance that the chairman and other members of my committee have talked about so many times, a balance between the exportation of finished lumber and the exportation of logs from Oregon and Washington.

Here is an exceedingly responsible Japanese industrialist, who, when he comes to look at the problem from the side of the United States, reaches exactly the same conclusion that you lumbermen in Alaska have reached in respect to how best to handle your timber resources, and the same position that the lumbermen in my State have reached, and the lumbermen in Washington, when it comes to handling the timber resources of Oregon and Washington. I think that is very important that I find today, from Mr. Momma, this verification of the viewpoint expressed to me by another Japanese industrialist just a few days ago when I was in Oregon.

I only want to say good naturedly for the record: State Department, Treasury, Commerce, Forestry, Interior, and White House, please take note. If it is the balance-of-payments issue that you are concerned with, then to follow the policy that Mr. Momma has supported and that other witnesses have supported before my committee is going to give us more benefit in solving that problem than would a policy of shipping round logs to Japan, the course of action that you have recommended.

Whatever other policies are involved, we certainly also want to work out amicable trade relations with Japan, but they have to be bottomed upon seeing to it that those trade relations do not do injury and place in jeopardy legitimate economic interests of our own industries in our own country. Whenever the State Department proposes to do that, then it must be opposed.

It happens to be my judgment, although I will be glad if they can show me that I am wrong, that the State Department has not evidenced yet a clear understanding of the principles the chairman has just enunciated, I think, as has been said earlier by these witnesses, we have got to follow a course of action in the resolution of this problem, wherein we say to the Japanese Government, "This is the floor below which we will not go, and you have got to face up to that floor of ours as your ceiling, when it comes to the matter of the exportation of round logs. We are willing to enter into an agreement with you for exportation of round logs to that amount that can be shown will not do damage to the trusteeship relationship of our Government to administer our natural resources in a way that will protect the longtime interests of the American consuming public in having available to them in perpetuity a supply of timber to meet their wood products needs." That is what our Government should be saying to Japan.

We cannot, or at least we should not, as a matter of national policy ever export logs in quantities which amount in effect to taking away from the American-consuming public a log supply to which they are entitled under our national forestry programs.

An agreement with Japan should maintain a balance of log exports which will protect economic interests of the ports of the United States and the workers connected with the maritime industry, and likewise the economic interests of the lumber mills and their workers, but not go beyond a clear-cut, understood ceiling.

And therefore the main question of fact before this committee is: What should be the log export limitations from the Pacific Northwest that will maintain the economic balance that I am talking about, that would be fair to the ports and their workers and the maritime workers involved in the export trade, and also to the lumber mills and the workers therein.

The figure that has been used the most in these hearings is for right now; it is not a fixed figure for all time. It doesn't mean that it can't go up, and if economic conditions change it may have to go down. That figure is 350 million board feet per year, which is the 1966 figure for the exportation of round logs from Federal forests, to be supplemented, may we say to our Japanese friends, with an understanding or agreement that they will take a larger quantity than they are now taking of primary-processed lumber out of the States of Washington and Oregon, and continue their economic lumber trade relationship on the basis of the present program with Alaska.

Some of you seemed to think the other day—and I don't blame you, because lines of communication become confused—that there might be some desire on the part of the members of this committee to seek to make recommendations of policy that would change your lumber practices in Alaska vis-a-vis Japan. There never has been any such intention. I am afraid that any of you that did form that impression must have got it out of the Treasury staff report, which isn't our report, and about which the chairman is going to continue to take testimony from this group of Alaskan witnesses and undoubtedly from witnesses from other States as well.

I am sorry to take this much time, but I thought it was so important in view of what both of you gentlemen have said about the balance-of-payment issue, that we ought to pin it down before we recess tonight.

(The supplemental information submitted by Mr. Momma, subsequently received, follows:)

ALASKA LUMBER & PULP Co., INC.,
Sitka, Alaska.

Senator WAYNE MORSE,
*Chairman, Subcommittee on Retailing, Distribution, and Marketing Practices,
Senate Select Committee on Small Business:*

For the purpose of clarifying the testimony given by me on January 18, 1968, to the Senate Select Committee on Small Business, I wish to state for the record as follows:

1. That my reference to the two states of Oregon and Washington was for the purpose of identifying the subject of the hearing which was to determine the economic impact of round log export in the Pacific Northwest.

2. My desire and intention was to protest against any attempt to open Alaska to round log export.

3. It was not my intention to deprecate or judge any situation about which I am not directly knowledgeable.

4. My testimony was intended to apply to conditions in the state of Alaska and then only as they affect our company's operation, where we operate a large sawmill and pulp mill.

5. In the light of Alaska's historic experiences with the primary manufacturing policy covering a period of 40 years or more, we Alaskans are opposed to any action to open Alaska to round log export.

ATSUSHI MOMMA,
Resident Vice President.

Senator MORSE. Now it has gotten so late that I'm afraid we can't hear another witness. I am about to recess until 9 o'clock tomorrow morning and will proceed with the next witness at that time.

Mr. SODERBERG. Mr. Chairman, I have a plane to catch and I have a short presentation. I don't think it will take very long if you could hear it.

Senator MORSE. Go ahead. I will be glad to hear it.

STATEMENT OF PATRICK A. SODERBERG, PRESIDENT, CLEAR CREEK LOGGING CO., INC., AND ALASKA LOGGERS ASSOCIATION, KETCHIKAN, ALASKA

Mr. SODERBERG. Mr. Chairman and members of the committee, I am Pat Soderberg, president of Clear Creek Logging Co., Inc., and president of the Alaska Loggers Association.

The Alaska Loggers Association has 64 logging company members. This is almost 100 percent of the logging companies in southeast Alaska.

We became aware of the Treasury staff recommendation a short time ago. We became alarmed. It looked to us like they were trying to solve the Oregon and Washington log export problem by opening up Alaska forests to round log export. We hope this isn't so. I would like to describe an Alaska logging camp operation, so you might better understand some of our problems.

This logging show was Rodman Bay located 60 miles from Sitka, Alaska. The only way to Rodman Bay is by water, 60 miles, or by airplane, 35 miles. We moved our camp buildings, logging equipment by barge to the campsite. After several months of work building streets, sewers, waterlines, roads, docks, and airplane floats for supplies, mail, and passengers, we were finally ready to start moving people into camp. We had to provide family housing, bunkhouses, cookhouse, recreation hall, electric power generating plants, schoolhouse, and supply boat to haul camp supplies from Sitka.

This is a far cry from a logging show that you can drive to on a good highway. All our communication is by radio or mail service three times a week.

Now, Rodman Bay, by Alaska Lumber & Pulp Co.'s forestry department spot cruise and aerial photo, which have consistently been lower in estimate and cruise than the U.S. Forest Service, was estimated between 250 and 300 million board feet. We signed a contract to log this area in 10 years. We finished it 5½ years later—150 million board feet. This is about one-half of what we had hoped to get off of this area.

Now I am sure that both of the large pulpmill allotments are going to be way short of what they were cruised. I think the allowable cut for Alaska of 860 million may be too high. Now getting back to the logging camp operation. Getting competent and good people to come to a logging camp located 60 miles from the nearest town by boat or plane is not as easy as you might think. We have to take care of our employees. We pay top wages, provide a good camp, have a pension plan, health and accident medical plan, recreation movies, playgrounds, and transportation to hunting and fishing areas. Some of our people have been with us since we came to Alaska 8 years ago. They come to depend on us for almost everything.

Now we don't think the type of a market that is "cut out and get out" is what we want. We are confident that with the primary manufacture of lumber, pulp, and other wood products in Alaska we will continue to have the stable market that we have had in the past. We logged in Oregon and California for many years before going to Alaska.

After watching the effect of log export on the wood products mills in Oregon and Washington, we are sure we don't want that to happen to us in Alaska. The Alaska Loggers Association has opposed round log export from Alaska for many years. We will continue to oppose it.

Regarding the Treasury staff recommendation on access roads, we feel more access roads would be a help to enlarge the allowable cut for the Tongass National Forest.

The balloon logging is certainly still in the experimental stage. In 1962 we became interested in the Wyssen skyline system of logging. The Alaska Lumber & Pulp Co., in hopes of logging some of the inaccessible timber, entered into an agreement with Clear Creek Logging Co. that they would purchase this equipment if we would operate it. Cost of this experimental equipment was about \$55,000.

We have used the Wyssen skyline logging system for the past 4 years. This system will reach logs as far as 5,000 feet from our roads. We think there is some hope this kind of logging system could reach some of the inaccessible timber, but up to date the cost of operating this kind of logging show hasn't been very good. We hope to improve and have made plans for the coming logging season. We would like to use helicopters to transport the crews on these long steep slopes. Of course, the cost at this time is prohibitive.

In our group from Alaska there are some very knowledgeable people in all phases of the wood products industry from Alaska so anyone having a question can very likely get someone of this group to answer it.

That is about all I have, so thank you for letting me testify.

I do have one comment. I don't have any cost sheets with me or anything like that, but there seems to be quite a lot of interest in the difference in the cost of logging in Alaska than in Oregon. If you would care to have me comment on that a little bit without any profit and loss sheets here, why, I might make a small comment.

Senator MORSE. I think we ought to have it.

Mr. SODERBERG. Well, in northern California we logged approximately 150 million feet of timber for private land and timber owners, and we did approximately the same job that we are doing in Alaska, and I would say that the difference in doing very nearly the same kind of work would be roughly around \$15 to \$20 a thousand. So there is quite a substantial difference in logging in Alaska than there is in Oregon, Washington, or California.

Roadbuilding is at least twice as high. You can just figure all phases of your labor are at least 25 percent higher than in Oregon, Washington, or California. All of your supplies, in fact everything needed for logging, costs more. For example, it might cost you \$30 just to get a radio call through the Alaska Communications System to get one part, and these things all add up, and along those lines I would say even with the modest rate of stumpage for Alaska that if you will check this out, you are going to find that when those logs reach the mill, they are still pretty expensive logs.

Senator MORSE. I think you have made a terrific case and I am very glad to have your testimony.

Now I want to talk to you a moment about your schedule. I have just been advised that you are not the only one that has to leave tonight. How many in this delegation have to leave Washington tonight?

Congressman Pollock spoke to me and said he thought others had to leave tonight to go to Japan and he suggested that he would be glad to read the statements tomorrow of anyone who has to leave.

I am very sorry that we haven't been able to get to you before, but no one has any question about the fact that we haven't been wasting time in making the record, and we have to take these witnesses in order.

I am going to recess the hearing now until tomorrow morning at 9 o'clock with the understanding that any of you that have to leave will leave your statement with those members of the delegation that don't have to leave, and they will read the statement for you tomorrow morning and take the questions in regard to your statement. You all know each other's points of view anyway.

I am terribly sorry but that is the way it is going to have to be.

I want to insert in the record a letter of November 16, 1967, that I addressed to the Secretary of Commerce, a reply that I received under date of November 28, 1967, by Mr. Rodney L. Borum, Administrator of the Department of Commerce, who wrote in behalf of the Secretary and at the Secretary's request, which included in it a memorandum entitled "U.S. Department of Commerce Business and Defense Services Administration Recent Trends in United States Exports of Logs, Lumber and Other Wood Products."

I am going to put it in the record today so that representatives of the industry will have it available in their copies of the transcript in ample time prior to the testimony of Department of Commerce representatives next Tuesday.

I think a fair summary of the Department of Commerce memorandum is that they are not convinced that we have a problem that justifies placing restrictions on export of logs to Japan.

Fortunately we are going to be able to have a transcript to submit to them before they testify that in my judgment is a complete and thorough rebuttal of both the letter of November 28 and the memorandum that the Department of Commerce filed with the chairman of this committee. However, I thought it ought to be available to you representatives of the industry for your rebuttal in supplemental memoranda that you will file for this record by 5 p.m. on the night of January 30.

(The materials referred to follow:)

November 16, 1967

Hon. Alexander B. Trowbridge
Secretary
U. S. Department of Commerce
Washington, D. C. 20230

Dear Mr. Secretary:

As you may be aware, the exportation of logs from the Pacific Northwest has been causing increasing concern.

In the May, 1967 hearings in Portland, Oregon, of the Senate Small Business Committee, Mr. Branson J. Lewis, the Secretary of the American Plywood Association, testified as follows:

"The Japanese are importing increasing amounts of timber from the Pacific Northwest, more than one billion feet in 1966. The rate in the first quarter of 1967 suggests 1.3 billion feet this year. These purchases, even in a time of domestic market slack, have developed a highly competitive log market on the West Coast, tending to inflate timber prices and drain off raw material.

"Part of the problem has been our success in selling plywood building systems in Japan. . .the Japanese obviously prefer. . .(to) add value to a relatively inexpensive raw material by manufacturing it in their sheltered market. . . ."

As you would imagine, the greatest impact of these developments is upon the small, non-integrated sawmills in Washington and Oregon.

As a result, it appears that diplomatic discussions will commence between the governments of the United States and Japan in December of this year in an effort to reach an understanding in this matter.

It is my understanding that it is the policy of the United States to use export controls to the extent necessary (a) to protect the domestic economy from the excessive drain of the scarce materials and to reduce the inflationary impact of abnormal foreign demand; (b) to further the foreign policy of the United States and aid in fulfilling its international responsibilities; and (c) to exercise the necessary vigilance in exports from the standpoint of their significance to the

ional security. In implementation of these policies, Congress acted the Export Control Act of 1949, which was Public Law 515 of the 87th Congress.

With these developments in mind, I would like to request that the Department furnish my office with a current analysis of the log export situation, and an opinion as to whether it would be possible,, under the circumstances, for the Department to take action under any of the various provisions of the Export Control Act.

I also request advice as to any other programs, in operation or under consideration, by the Department of Commerce, including those related to expanding exports of finished products which may offer or promise immediate relief or a long-term solution to the problems faced by the forestry industry in Oregon.

With kind regards,

Sincerely,

Wayne Morse

WM:mec



U.S. DEPARTMENT OF COMMERCE

BUSINESS AND DEFENSE SERVICES ADMINISTRATION

WASHINGTON, D.C. 20230

OFFICE OF THE ADMINISTRATOR

Honorable Wayne Morse
United States Senate
Washington, D. C. 20510

Dear Senator Morse:

The Secretary has asked us to reply to your letter of November 16, which was acknowledged on November 20 by Mr. Lawrence P. Redmond, Acting Special Assistant to the Secretary. You request an analysis of the softwood log export situation, and an opinion as to whether it would be possible, under the circumstances, for this Department to take action under any of the various provisions of the Export Control Act.

We are pleased to enclose two copies of "Recent Trends in United States Exports of Logs, Lumber, and Other Wood Products."

The Department has received and denied requests to impose restrictions on log exports under the Export Control Act. The criteria for imposing export controls on grounds of "short supply" are not met in this situation. First, there is not a shortage of softwood timber nationally or even regionally. The latest available forest survey data, contained in the official report of the U.S. Forest Service, "Timber Trends in the United States," indicate vast resources of softwood growing stock on commercial forest land including 2,058,022 million board feet of sawtimber size as of January 1, 1963. On the basis of rising lumber and plywood output since 1963, it is estimated that the current annual cut of sawtimber is close to 40,000 million board feet. Even if the cutting rate should be increased, there is scarcely any prospect that our softwood sawtimber resources face any serious depletion inasmuch as the annual growth increment (which is estimated at about 35,000 million board feet annually) covers the cutting drain to a substantial degree. According to the same Forest Service data 42 percent of our national softwood timber inventory is located in the States of Washington and Oregon.

Second, if we consider the current exports of softwood logs from the standpoint of their impact on domestic stumpage prices, it does not appear that such price increases as have occurred in recent years were due primarily to exports. Stumpage prices for softwood timber, as reflected in National Forest timber sales, have fluctuated greatly during the last ten years as a result of various factors including domestic market conditions, timber quality, species composition,

Honorable Wayne Morse

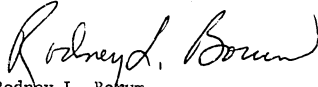
accessibility of supply, export demand for logs and others. These prices, composite average for all species, were reported by the U.S. Forest Service to be 27 percent lower during the second quarter of 1967 than in the preceding first quarter and 21 percent under the average for the year 1966.

The Department of Commerce has worked with the forest products industry by giving assistance to three industry-organized, government-approved trade missions to Japan. These were the American Plywood Association missions in August 1964 and April 1965 and the West Coast Lumbermen's Association mission in April 1965. Currently, this Department is assisting the American Plywood Association regarding a plywood exhibit in Tokyo, Japan, in the spring of 1968.

Further, the Department has participated in and has endorsed and supported programs to obtain added production from timberlands in the Pacific Northwest and Alaska; expansion of the Forest Development Roads and Trails Program; the Set-Aside Program for Small Business; and other positive action programs. The Department of Commerce is a member of the Softwood Log Task Force which will meet the representatives from Japan on December 11-12, 1967, in an effort to reconcile conservation and trade interests in the use of timber resources of the Pacific Northwest and Alaska.

The Task Force met with representatives of the Pacific Northwest forest products industries on November 27, to discuss all aspects of the problem preparatory to discussions with the Japanese. Further, the Task Force plans to discuss with industry representatives the results of the meeting of December 11-12 and points which should be explored in a subsequent meeting. This thorough preparation should result in an expeditious and satisfactory solution of the softwood log export problem.

Sincerely,


Rodney L. Borum
Administrator

Enclosure

U.S. DEPARTMENT OF COMMERCE
Business and Defense Services Administration
Washington, D. C. 20230

RECENT TRENDS IN UNITED STATES EXPORTS OF LOGS,
LUMBER, AND OTHER WOOD PRODUCTS

Summary

United States exports of forest products show a marked upward trend during recent years, increasing from \$648 million in 1961 to \$1,022 million in 1966 and an estimated \$1,140 million in 1967.

An upward trend is evident as well in exports to Japan, with an increase from \$74 million in 1961 to \$172 million in 1966 and an estimated \$217 million in 1967. Softwood logs, wood pulp and softwood lumber are the principal export commodities, but a rapidly growing trade is developing in wood chips and prospects for increased exports of softwood plywood appear favorable. It seems likely that these exports, in general, will continue to expand.

Imports of forest products from Japan consist primarily of hardwood products. Exports of softwood logs alone exceed total imports, and the U.S. export surplus in forest products will be about \$140 million in 1967.

A. SOFTWOOD LOGS

A.1. Logs at record high

Exports of softwood logs from the United States have increased steadily and substantially during the past seven years. They will attain an unprecedented high level in 1967. The largest year-to-year gain in volume is in prospect this year--500 million feet--which will raise exports to better than 1,800 million board feet, or about 40 percent above 1966 exports.

At the current level, log exports represent somewhat less than 5 percent of the estimated 40 billion board feet total softwood sawtimber cut in the United States.

The predomderant share of the exported softwood logs--88 percent during 1967, and close to that level in previous recent years--originates in the Pacific states. (See Table 1.)

A.2. Largest share of logs to Japan

The rapid rise in U.S. exports of softwood logs during the Sixties is due mainly to the increased demand for such logs in Japan. Annual shipments from all regions to all countries have grown from 432 million board feet during 1961 to 1,850 million during 1967. The yearly average export volume during this seven-year span is 1,010 million board feet, of which nearly 60 percent, or about 791 million board feet, went to Japan. (See Table 2.)

A.3. Japanese concentrate log purchases

Japanese procurement of logs in the U.S. right along has been and continues to be almost entirely concentrated in the Pacific states. Of the 5,500 million board feet purchased by Japan during the last seven years, all but a small part (less than 1 percent) was acquired in the Pacific States.

Correspondingly, the states of the Pacific region consistently ship the predominate portion of their exported logs to Japan. Of the current year's volume of 1,325 million board feet exported from this region to all countries, about 94 percent is going to Japan. Exports of logs from Washington, Oregon and California represent 6.3 percent of the estimated sawtimber cut (24 billion feet) in those states during 1967.

(Table 2)

A.4. Washington-Oregon leading log source

By far the largest volume of U.S. softwood log exports originates in Washington and Oregon. The volume from these two states is expected to reach a record high of approximately 1,550 million board feet during 1967, a gain of 40 percent over the 1966 total of 1,100 million feet and close to 5 times higher than the 1961 export volume. The estimated 1,550 million board feet of combined Washington-Oregon export shipments in 1967 account for 84 percent of total U.S. softwood log exports during that year. At their 1967 level, log exports represent about 8.6 percent of the sawtimber cut (estimated at 13 billion board feet) in those states.

(Table 3)

Basically, these states have a substantial capability for log exportation that probably cannot be equalled elsewhere in this country. The advantageous factors supporting this capability include: a large timber resource and a corresponding large-scale production and distribution structure; close-by deepwater ports some of which reportedly, at substantial expense, have been greatly improved with facilities to handle the booming log export trade; the large degree to which available timber is, or can be when cut, concentrated in proximity to the shipping ports.

The log export trade is causing concern and controversy in Oregon and Washington. It is claimed, mainly by smaller non-timber-owning sawmills, that log exports create a shortage of raw material for local timber processing industries and push up timber costs to a level which those industries cannot meet. On the other hand, exporters point to the substantial economic benefits that accrue to all those involved in the export business, including port authorities, loggers, truckers, and related workers. Some members of Congress from Washington and Oregon and other interested organizations and individuals have consistently called for Federal action to restrict exports.

The Department has received and denied requests to impose restrictions on log exports under the Export Control Act. An Interdepartmental Task Force in 1965 considered a request to seek an agreement with Japan that would

restrict log buying to a proportion of lumber and plywood purchases. The Task Force recommended against such action, also against Federal restrictions on exports.

The issue has been aggravated because a portion of the exported logs are cut in forests owned by the Federal Government. A petition to curb exports of such logs by the establishment of a "sustained-yield unit" on National Forests in Oregon and Washington was denied by the Department of Agriculture, the administering agency.

A.5. Species of log exports

No complete breakdown of exported softwood species is available from the statistics published by the Census Bureau. The largest volume of the exported logs is recorded in a miscellaneous "basket" category. It is understood that hemlock accounts for the largest volume in that category in which a gain of over 1 billion board feet has occurred between 1961 and 1967. Douglas-fir logs show a relatively large increase, and currently make up over 15 percent of the total quantity of exports.

(Table 4)

A.6. Log Export prices rise

Along with expanded volume, the prices of exported logs moved higher between 1961 and 1967. Substantially higher prices (average declared values per M board feet) prevail currently for Port Orford Cedar, and for the unidentified species comprising the miscellaneous category in Census statistics. Douglas-fir logs show a moderate gain.

(Table 5)

B. WOODPULP, CHIPS, SOFTWOOD PLYWOOD

B.1. Woodpulp

Aggregate U.S. exports of woodpulp have followed an upward trend during recent years. These exports for 1967 are likely to reach an estimated 1.9 million tons, a record level and a gain of 63 percent since 1961. Some 50 countries are in the trade pattern, and, on a regional basis, Europe is the principal market--significant quantities go to the United Kingdom, Italy, West Germany, France, Belgium, and the Netherlands.

Japan is the leading export market among individual countries. This market has expanded substantially during recent years, from 162,000 tons in 1961 to an estimated 430,000 tons in 1967, an increase of 165 percent. By value (\$56 million in 1967), wood pulp is second in importance to logs.

(Table 6)

B.2. Pulpwood chips

The exportation in quantity of chips for pulping began in 1965, and has markedly increased in that short 3-year span as a result of growing demand in Japan. Shipments to Japan account for all except a small percentage of the total export volume, and they are nearing lumber in value. Further substantial expansion appears as a definite prospect.

(Table 6)

B.3. Softwood plywood

Exports of softwood plywood show a steep growth rate during recent years. This is attributable in part to increased shipments to Japan from a zero level. However, the aggregate volume of exports is relatively low (less than 1 percent) compared with domestic output.

Promotional efforts have been programmed in the interest of expanding exports. The market in Japan is expected to be an important factor in the growth pattern.

(Table 5)

C. SOFTWOOD LUMBER

C.1. Lumber exports gain

Exports of softwood lumber from the U.S. have increased steadily during the past seven years. It is likely they will reach 920 million board feet in 1967 on a gain of nearly 8 percent over exports in 1966. The volume of 1967 exports is 54 percent larger than the 596 million feet exported during 1961.

The current level of softwood lumber exports represents approximately 3 percent of total U.S. softwood lumber output, which is estimated at 28,700 million board feet.

As in the case of logs, although to a lesser degree, lumber exports from the Pacific states are a major factor in the U.S. trade pattern. Western exports expanded 95 percent between 1961 and 1967--from 325 million to 634 million board feet. This gain in large part accounts for the overall expansion in U.S. softwood lumber exports during that seven-year period, and it raised western exports to 69 percent of the total 1967 export shipments from all regions.

(Table 7)

C.2. Japan a ranking lumber market

The U.S. ships softwood lumber to more than 90 foreign countries, and over a million board feet to each of about 30 of those countries. For many years shipments to Japan have held second rank, after Canada. However, in 1967 Japan is expected to be on top with an estimated 245 million board feet, against about 205 million for Canada, on an approximate increase of 40 percent over 1966 exports of 172 million board feet. The shipments to Japan represent 27 percent of the total volume to all countries in 1967.

(Table 8)

C.3. Japan's main lumber source in Pacific states

The Pacific region, as it is for logs, is the primary source of U.S. softwood lumber to Japan. Of the estimated 245 million board feet exported to Japan during 1967 from all areas of the U.S., about 86 percent (210 million feet) originated in the Pacific states. Within this region Alaska is the leading supplier by far. Alaskan exports to Japan, after building up for several years, reached 158 million board feet during 1967, accounting for 75 percent of the Pacific region's lumber exports to Japan.

Conversely, current exports to Japan from the Pacific states account-- in the aggregate--for about a third of their exports to all countries. However, virtually all of Alaska's lumber exports go to Japan. At the other extreme, shipments to Japan represent about 1 percent of the 120 million feet exported to all countries through the Washington Customs Districts. Oregon Districts export about 16 percent of their total volume to Japan.

(Table 9)

* * * * *

The attached tables present data relating to the foregoing analysis. They were prepared by the Forest Products Division, OC&MI, Business and Defense Services Administration, Department of Commerce, mainly from statistics issued by the Bureau of the Census. Annual figures for 1967 are estimates based on Census statistics for the first 8 months. Western Customs Districts as used in the tables are those in Washington, Oregon, N. California, and Alaska.

Table 1. - United States exports of softwood logs,
by quantity and value, totals for U.S. and
western Customs Districts, 1961-67

(Quantities and values in millions)

Year	Total U.S.		Western Customs Districts		
	Board feet log scale	Value	Board feet log scale	Percent of U.S. total	Value (dollars)
1961	432	33.8	367	85	28.2
1962	453	30.4	351	77	24.3
1963	830	55.3	756	86	49.1
1964	1,023	66.8	852	83	58.8
1965	1,114	82.6	928	83	72.8
1966	1,318	104.3	1,147	87	92.3
1967	1,850	153.0	1,625	88	142.0

Table 2. - Exports of softwood logs from the United States
and from western Customs Districts, by quantity, to all
countries and to Japan, 1961-67

(Quantities in million board feet, log scale)

Year	Total U.S.			Western Customs Districts		
	All countries	Japan	Percent Japan	All countries	Japan	Percent Japan
1961	432	359	83	367	359	98
1962	453	326	72	351	325	93
1963	880	689	78	756	686	91
1964	1,023	752	74	852	752	88
1965	1,114	800	72	928	782	84
1966	1,318	1,080	82	1,147	1,071	93
1967	1,850	1,530	83	1,625	1,520	94

Table 3. - United States exports of softwood logs to all countries, quantities and values by Customs Districts, 1961-67

Year	Washington	Oregon	North California	Alaska	Other	Total
- Millions of board feet, log scale -						
1961	148	188	28	3	65	432
1962	154	147	37	2	103	453
1963	412	297	38	9	124	880
1964	464	371	13	3	172	1,023
1965	610	283	15	11	187	1,114
1966	720	389	22	15	172	1,318
1967	1,010	540	40	35	225	1,850
- Millions of dollars -						
1961	9.9	15.6	Included with other		8.3	33.8
1962	9.8	11.9			8.7	30.4
1963	25.2	20.4			9.7	55.3
1964	30.3	26.4			10.1	66.8
1965	44.6	25.8			12.2	82.6
1966	55.9	36.0			12.4	104.3
1967	82.3	51.4			19.3	153.0

Table 4. - Volume of softwood logs exported from Washington and Oregon,
Customs Districts by species, 1961-67

(Million board feet, log scale)

Year	Douglas fir	Port Orford Cedar	Other	Total
<u>To all countries</u>				
1961	66	51	219	336
1962	47	36	220	311
1963	71	52	585	709
1964	82	40	712	835
1965	110	30	761	901
1966	128	34	947	1,109
1967	226	38	1,286	1,550
<u>To Japan</u>				
1961	61	50	217	328
1962	43	35	209	287
1963	66	52	521	639
1964	65	40	635	740
1965	73	29	673	775
1966	123	34	866	1,023
1967	222	37	1,191	1,450

Table 5. - Average values of softwood logs exported
from Washington and Oregon Customs Districts
by species, 1961-67

(In dollars per thousand board feet, log scale)

Year	Douglas fir	Port Orford Cedar	Other
<u>To all countries</u>			
1961	\$ 77.04	\$ 124.39	\$ 64.34
1962	79.99	144.59	55.73
1963	69.10	116.72	59.06
1964	70.24	132.80	64.05
1965	73.61	175.14	75.07
1966	74.62	176.31	80.58
1967	80.46	258.38	81.81
<u>To Japan</u>			
1961	75.76	123.88	64.12
1962	79.09	144.34	56.06
1963	68.88	116.07	57.62
1964	69.38	132.51	64.93
1965	76.00	174.93	78.09
1966	74.04	176.41	82.39
1967	80.35	258.13	84.68

Table 6. - United States exports of woodpulp, pulp chips, and softwood plywood, quantity and value, to all countries and to Japan

	<u>Quantity</u>		<u>Value</u>	
<u>Woodpulp:</u>	<u>(1000 short tons)</u>		<u>(1000 dollars)</u>	
<u>Year</u>	<u>All countries</u>	<u>Japan</u>	<u>All countries</u>	<u>Japan</u>
1961	1,178	162	159,003	26,791
1962	1,186	181	157,721	27,793
1963	1,422	327	182,003	42,549
1964	1,580	331	207,975	44,402
1965	1,396	290	189,720	38,123
1966	1,548	364	207,800	48,240
1967	1,920	430	260,000	56,000
<u>Pulpwood chips:</u>	<u>(1000 cords)</u>		<u>(1000 dollars)</u>	
<u>Year</u>	<u>All countries</u>	<u>Japan</u>	<u>All countries</u>	<u>Japan</u>
1965	80	76	1,909	1,809
1966	188	183	4,458	4,315
1967	470	460	11,060	10,850
<u>Softwood plywood:</u>	<u>(Million square feet)</u>		<u>(1000 dollars)</u>	
<u>Year</u>	<u>All countries</u>	<u>Japan</u>	<u>All countries</u>	<u>Japan</u>
1961	13.7	nil	1,880	nil
1962	16.7	nil	2,140	nil
1963	17.5	nil	2,328	nil
1964	28.2	0.2	3,484	24
1965	30.3	0.7	3,607	83
1966	47.7	2.9	5,540	226
1967	85.0	9.7	8,800	770

Table 7. - United States exports of softwood lumber
by quantity and value, totals for U.S. and western
Customs Districts, 1961-67

(Quantities and values in millions)

Year	Total U.S.		Western Customs Districts	
	Board feet	Value	Board feet	Percent of U.S. total
1961	596	\$ 52		55
1962	621	68	381	61
1963	740	85	502	68
1964	796	94	483	61
1965	771	94	460	60
1966	855	101	521	61
1967	920	106	634	69

Table 3. - Exports of softwood lumber from the United States
and from western Customs Districts, by quantity, to all
countries and to Japan, 1961-67

(Quantities in million board feet)

Year	Total U.S.			Western Custom Districts		
	All countries	Japan	Percent Japan	All countries	Japan	Percent Japan
1961	596	147	25	325	147	45
1962	621	74	12	381	74	19
1963	740	113	15	502	111	22
1964	776	126	16	483	125	26
1965	771	103	13	460	103	22
1966	855	172	20	521	164	33
1967	920	245	27	634	210	33

Table 9. - Exports of softwood lumber from western Customs
Districts, by quantity, to all countries and to Japan,
1961-1967
(quantities in millions of board feet)

<u>Year</u>	<u>Washington</u>	<u>Oregon</u>	<u>California</u>	<u>Alaska</u>	<u>Total</u>
<u>1961 -</u>					
All countries	97	198	(30)	NA	325
To Japan	40	69	NA	NA	147
% to Japan	41	35			45
<u>1962 -</u>					
All countries	75	231	(46)	29	381
To Japan	9	29	NA	NA	74
% to Japan	12	13			19
<u>1963 -</u>					
All countries	116	272	(59)	55	502
To Japan	21	28	7	55	111
% to Japan	18	10	12	100	22
<u>1964 -</u>					
All countries	103	245	(46)	89	483
To Japan	8	25	3	89	125
% to Japan	8	10	7	100	26
<u>1965 -</u>					
All countries	96	242	(44)	78	460
To Japan	1	20	4	78	103
% to Japan	1	8	9	100	22
<u>1966 -</u>					
All countries	98	237	(51)	135	521
To Japan	3	23	3	135	164
% to Japan	3	10	6	100	33
<u>1967 -</u>					
All countries	120	264	90	160	634
To Japan	1	43	8	158	210
% to Japan	1	16	9	99	33

Source: Compiled by Forest Products Division, Business and Defense Services Administration, U.S. Department of Commerce, from U.S. Bureau of the Census statistics. Total exports from California (in parenthesis) from PLIB statistics.

Senator MORSE. We stand in recess until 9 o'clock tomorrow morning.

(Whereupon, at 6:15 p.m., the hearing was recessed to reconvene at 9 a.m., Friday, January 19, 1968.)

LOG-EXPORTING PROBLEMS

FRIDAY, JANUARY 19, 1968

U.S. SENATE,
SUBCOMMITTEE ON RETAILING,
DISTRIBUTION, AND MARKETING PRACTICES,
SELECT COMMITTEE ON SMALL BUSINESS,
Washington, D.C.

The subcommittee met, pursuant to recess, at 9 a.m. in room 308, New Senate Office Building, Senator Wayne Morse (chairman of the subcommittee) presiding.

Present: Senators Morse, Scott, and Hatfield.

Also present: Senator Ernest Gruening of Alaska; Representative John R. Dellenback, U.S. Representative from the Fourth District of Oregon; Representative Howard W. Pollock, U.S. Representative at Large from Alaska; Raymond D. Watts, Associate General Counsel; and Herbert L. Spira, Counsel.

Senator MORSE. The hearing will come to order.

Will the witnesses from Alaska come to the witness table? I am sorry to get you here so early, gentlemen. I want to thank you very much for cooperating with the committee by coming at 9 o'clock. We have such a long list of witnesses today that I wanted to start early. I appreciate your attendance. We will start with Mr. Charles P. MacDonald, vice president of the Alaska Lumber & Pulp Co., Sitka, Alaska.

You may proceed in your own way.

STATEMENT OF CHARLES P. MacDONALD, VICE PRESIDENT, TIMBER AND PUBLIC RELATIONS, ALASKA LUMBER & PULP CO., SITKA, ALASKA

Mr. MACDONALD. My name is Charles P. MacDonald, vice president, timber and public relations, Alaska Lumber & Pulp Co., Sitka, Alaska.

In spite of the fact that the recent staff report of the Treasury Department failed to acknowledge the existence of any pulpmills in their comments on Alaska's forest resource, my firm has been producing sulfite pulp for the export trade at its Sitka, Alaska, mill since 1959.

It is operating solely on public timber, primarily from the Tongass National Forest. It was the successful purchaser of the long-term Sitka pulp sale from the Forest Service in 1957, comprising a 50-year commitment of 5.25 billion board feet primarily from Baranof and Chichagof Island on the southeast Alaska coast.

The export sales value of the 1967 production from our Sitka mill amounted to on the order of \$25 million. The production of this output furnished employment to a mill force of 496 persons, plus over 600 more in the logging camps and on tugboats.

The community of Sitka has grown from a population of about 2,000 in 1950 to over 7,500 in 1967. The 1967 net earnings of Sitka citizens employed by the mill was \$5,632,000. The income tax revenues from this employment amounted to \$182,000 to the State of Alaska and \$914,000 to the Federal Government; and payroll related taxes of \$21,000 to the State and \$157,000 to the Federal Government. Purchases of supplies and service last year amounted to over \$300,000 in Sitka, over \$8,000 elsewhere in Alaska, \$5 million from the other States, and \$140,000 from Japan. Its purchases of logs provided over \$8 million in revenue to log suppliers and towboat firms. The 21 shiploads of pulp sent overseas from Sitka furnished regular employment to 25 longshoremen.

While it is self-evident that the Sitka pulpmill would never have been built, and be able to make these contributions to Alaska's economy, if there had not been a primary manufacture policy at the time for Alaska national forests, the retention of this policy is no less vital to its continued existence. The long-term pulp sale was never intended to supply all the wood needs for the Sitka mill. The Forest Service wisely allowed for log purchases from independent firms operating elsewhere in the Tongass National Forest, thereby spreading the economic contribution made by such a plant.

Since it has been impossible to develop the obligated contract volume from the initial operating area defined by our timber sale contract, the Forest Service reduced the amount of this obligation in 1964 for the operating period involved. By definition, this makes us even more dependent on outside log purchases for that period. While the total volume to be made available over the life of the contract is guaranteed by our contract with the U.S. Forest Service, it is quite apparent that the area originally defined to provide it is seriously inadequate. We are now engaged in a bilateral survey with the Alaska region of the Forest Service to put a quantitative definition on this shortage, upon which corrective action will have to be based. We have gone to great expense with an experimental skyline system, not even as revolutionary as some of the means suggested in the Treasury report to develop inaccessible areas, but the cost in proportion to production thus far proved too great. In the meantime, until a solution is reached on our sale area shortage, we are especially dependent on purchased logs for our wood procurement. We have never failed to offer a market for any logs, or chips, within a competitive towing distance from our mill. In 1967 over 30 different operators from all over the northern portions of the Tongass National Forest, and on adjacent State and private lands, supplied our log needs.

The hazards of an open export policy to our log procurement, and therefore our survival, were recently brought home very clearly when an established reliable supplier to us from the Yakutat area, was bid above a level the domestic market could stand, and therefore lost a sale he needed to stay in timber and business to a group apparently hoping to break the round log export restriction.

In summary, the primary manufacture requirement of the U.S. Forest Service, for the Alaska national forests, brought our plant to Alaska. The retention of that policy is essential to its continued existence.

Thank you very much.

Senator MORSE. Mr. MacDonald, this is an excellent statement. Before I call on Senator Hatfield for questions, I might as well deal now with the point you make on page 4, the last page of your statement. At that point you say:

The hazards of an open export policy to our log procurement, and therefore our survival, were recently brought home very clearly when an established reliable supplier to us from the Yakutat area, was bid above a level that the domestic market could stand, and therefore lost a sale he needed to stay in timber and business to a group hoping to break the round log export restriction.

Is it possible for you to expand your explanation of that matter?

Mr. MACDONALD. Yes. We have a contract logger operating up in the Yakutat area, who was unable to operate with the stumpage as high as the last sale went. I believe that sale went at \$15.50, and Yakutat, of course, is a long way for towing, and thus the expense of towing from that area is much greater than any other area that we acquire logs from, and as a consequence there is a matter of several hundred thousand dollars of equipment idle at this time, because he was not able to get a sale, and has not been thus far to keep him in business. He is just waiting to see what happens.

Senator MORSE. These logs were bought by another purchaser at the sale?

Mr. MACDONALD. Yes.

Senator MORSE. Was that purchaser buying for Japanese interests?

Mr. MACDONALD. That person has not done any logging to my knowledge there, and the sale is lying dormant at this time. At least there is no operation going, while another man is there with, or, I would say \$200,000 or \$300,000 worth of equipment, and has no logs now to operate on or no stumpage.

Senator MORSE. But you say, quoting again from your statement:

Therefore lost a sale he needed to stay in timber and business to a group apparently hoping to break the round log export restriction.

Do I infer from that that you think that the purchaser hopes to export those logs?

Mr. MACDONALD. It would so appear. I believe there has been a press release from the State government's office dated I think January 15, indicating that they have been approached at the State level for assistance in getting the primary manufacturing requirements released or relieved or something along that line. I think Mr. Murkowski perhaps could cover that when his testimony comes. I am not entirely familiar with that.

Senator MORSE. These are logs derived from Federal timberlands?

Mr. MACDONALD. Yes.

Senator MORSE. Do you know of any instances in which round logs off of Federal timberlands have been exported to Japan?

Mr. MACDONALD. No; I do not know of any case where logs off of the Federal timberlands, U.S. Forest Service, have been exported except the species that have no market in Alaska, and that was cedar.

Senator MORSE. I believe we have not spelled out in the record yet, as to just how the Forest Service restrictions are applied. Am I correct in my understanding that before any round logs off of Federal timberlands in Alaska can be exported to Japan, it would require approval of the Forest Service?

Mr. MACDONALD. I believe that is entirely correct.

Senator MORSE. Is it your understanding that bidders on Federal timber in Alaska bid with the understanding that logs purchased shall be used for processing lumber for domestic use or for primary processing prior to any exportation?

Mr. MACDONALD. That's right.

Senator MORSE. But the purchaser of these logs is not in the processing business, and it is believed that the logs might be purchased in the hope that this purchase could break, as you say in your statement, the round log export restriction. Do you have some information that inquiries have been made to the Government's office in order to make it possible for them to export these round logs?

Mr. MACDONALD. I think that is true.

Senator MORSE. Do you think some other witness on the panel will be able to testify in greater detail in regard to this particular transaction?

Mr. MACDONALD. I think quite likely that Mr. Murkowski from the Government office will probably cover this in his testimony, at least the date of this press release.

Senator MORSE. I have a general comment on your excellent statement, Mr. MacDonald. My intuition whispers to me that it does not stand to reason that the Forest Service, in view of the data you have put in this statement, will be very prone to change their administrative policies in Alaska with respect to the exportation of round logs.

Therefore, I am inclined to share the rather definite and emphatic statement that Senator Gruening made yesterday afternoon that the exportation of round logs from Alaska just is not going to come to pass. You cannot be around here as many years as I have without appreciating that type of defense of a Senator's State interests that Senator Gruening expressed yesterday afternoon. I am sure that the observers in the audience from the departments downtown took note. If they did not, I respectfully suggest that they reread the transcript of yesterday.

It also bears out what I told you when you had your conference with me the first afternoon that you arrived. There is no intention on the part of this chairman to change any log policies in Alaska. The hearings are convened primarily for the purpose of making a record for the benefit of the administration offices downtown. The record will set forth the facts brought forth by spokesmen for the industry from the States concerned, who meet with this committee by way of their right to petition against grievances. That is part of the legislative responsibility of Congress, both Senate and House.

The completion of that kind of a record in support of those petitions will be available throughout the Government for the negotiation which will be conducted between the executive branch of the Government and the Japanese. I would like to have that clearly understood by the offices downtown too.

Your statement this morning is filled with considerable objective data as to the consequences of changing the log policy of Alaska upon

the economy of Alaska. As far as this Senator is concerned, I would have to have that data answered by the departments before I would go along with any change in the administrative policies governing the Alaska forests.

It seems to me that the thrust of your statement is consistent with the position that this chairman has taken throughout these hearings—that the burden of proof is on the administration now. They should come forward and tell us why they are not imposing the restrictions that the law authorizes them to impose, if they are to carry out their responsibilities in protecting this industry.

This is not an all-or-none approach with this chairman. They can do it by helping us find that balance point that we have talked about consistently, that will give the maximum protection to the ports and to the mills and the workers in each area without continuing to do what I think the record establishes thus far is irreparable injury to the lumber economy of the Pacific Northwest. Your statement supports that thesis, I believe.

Senator Hatfield, any questions?

Senator HATFIELD. Mr. Chairman, I have just two or three brief questions. Are you aware of any interests in Alaska who might be interested in changing the present log policy?

Mr. MACDONALD. Well, I can only assume that there are some people who are interested in round log export. Naturally there would be, because as you know here in Oregon, the trading companies of Japan have offered a higher price for logs than the domestic mills can pay and still operate at a profit, and I think we have the same situation up north.

I think it is only natural that we are apprehensive, with large developments in milling equipment and installation of plants, that if that situation ever develops up north we cannot possibly hope to compete.

Senator HATFIELD. So there may be those who are outside your particular group here today who would favor some change?

Mr. MACDONALD. That is quite possible.

Senator HATFIELD. What about the allowable cut pattern in Alaska? Is all of it purchased?

Mr. MACDONALD. Well, personally I think the allowable cut is just about reached now. For instance, in our case we have inventoried our timber sale of U.S. Forest Service timber and our inventory figures show a much lower volume of timber on the area than the original Forest Service estimate.

Now to date we have cut much less than our own figures indicate, so I would assume that, that would eventually reduce the allowable cut that is now on record with the Forest Service. This, of course, is an assumption on my part.

Senator HATFIELD. Why are you cutting less?

Mr. MACDONALD. Why?

Senator HATFIELD. Yes.

Mr. MACDONALD. Well, that is a difficult question to answer except this. That we try to harvest everything that is on the ground, and the cruise have not cut out completely. I might give you an example. The last man who testified last night was Mr. Soderberg, president of the Clear Creek Logging Co. They logged under a logging contract for our company a show known as the Rodman Bay. I believe our cruise

figures were in the neighborhood of 250 to 300 million on this show. We made a contract with Soderberg to complete the logging of that particular unit in 10 years. He finished logging it in five, and I have forgotten what his figures were that he gave in testimony last night, but I believe it was——

Senator HATFIELD. 150.

Mr. MACDONALD. Yes, so obviously much less than we had cruised, and our total cruise was much less than the Forest Service cruise, so you see by applying that same reason it would appear that when the joint inventory is completed, that we will find we have less timber than we originally contracted for.

Now, we are not worried except in the case that the allowable cut is exceeded, and we find ourselves with less timber than will justify or fulfill our contract obligation.

Senator HATFIELD. When the Government puts up for bid certain tracts of timber under the allowable cut program, what percentage of that is purchased?

Mr. MACDONALD. What percentage?

Senator HATFIELD. Is it all purchased, all the allowable cut?

Mr. MACDONALD. Well, the allowable cut and the sale I think are two different things. For instance, in our sale we were guaranteed five and a quarter billion feet over a 50-year period. As I pointed out in my testimony here, the Forest Service very wisely allowed for purchase of additional timber off of our allotment, which gives employment and business to local concerns. And so we still have to have a background of timber to, you might say, fall back on when there is not enough of logs that can be bought from independents.

Senator HATFIELD. Let me approach it another way. Do you feel that the present cutting policies as exercised by the control of the Federal agencies could be increased in volume in relation to the amount of timber that is standing in the great State of Alaska? Do you think you are undercutting, are you about even or are you overcutting?

Mr. MACDONALD. I think we are about even on the southeastern Alaska areas. I am not familiar with the interior of Alaska where I understand a great volume of timber exists.

Senator HATFIELD. Is this where the very devastating forest fire took place about 2 or 3 years ago?

Mr. MACDONALD. That is in the interior?

Senator HATFIELD. That is the interior?

Mr. MACDONALD. Yes.

Senator HATFIELD. And about how many acres did it burn do you recall?

Mr. MACDONALD. I could not answer that. I do not have those figures.

Senator HATFIELD. It was a very large fire though, was it not?

Mr. MACDONALD. What?

Senator HATFIELD. I say it was a very large fire.

Mr. MACDONALD. Yes.

Senator HATFIELD. And was there any effort made or any program to fight that fire?

Mr. MACDONALD. I am sure there was. The Bureau of Land Management has a very positive fire protection program, and I am sure that they made a great effort.

Senator HATFIELD. They were restricted though in effectiveness because of lack of access roads?

Mr. MACDONALD. Yes, I think that is true. Alaska is very short of roads.

Senator HATFIELD. Do you think that this would benefit the resources as a whole, considering the entire State of Alaska, if access roads and programs to develop more access roads became a priority and the sale of logs might be part of that access road building program?

Mr. MACDONALD. Yes, providing the stumpage remains the same. I think that the more roads we have in Alaska, the better job of fire-fighting can be done, and more accessible timber will be available.

Senator HATFIELD. What would you feel about the combination of more sales, particularly in the interior tied to the program of building roads with the sale of timber tracts and what-have-you, if this could be brought about would you favor that in the increase of the overall cutting program for the State of Alaska?

Mr. MACDONALD. I would like to condition that, that I would favor it for developing the great volumes that are in the interior of Alaska. I think the coastal fringe, in which our operation is confined, I think it is up to its proper cut.

Senator HATFIELD. Yes. I understand your differentiation. Do you feel that this is feasible under the present primary manufacturing policy, this question of developing the interior with roads and extracting some of the ripe timber from that part of Alaska?

Mr. MACDONALD. Yes; I do. I believe that with the railroad up there having no backhauls—that is, freight all going inland and nothing coming back—that they could make a very advantageous rate so that mills could be built in the seaward area at the water terminal, and I think it would greatly develop the country. I believe that is quite possible.

Senator HATFIELD. There is—there would be naturally, I suppose by just the constitution of things great amounts of timber ready now, right now, for harvest, if access were available?

Mr. MACDONALD. I think that is true in the interior, although I am not an authority on it, and I would prefer somebody that lives in the interior and is more familiar with it to give that testimony.

Senator HATFIELD. And do you subscribe to the Pinchot concept of conservation, that conservation is not to lock up but wise utilization?

Mr. MACDONALD. Yes; I do.

Senator HATFIELD. On the question of wood chips, would you tell us a little bit about this. This comes under the primary manufacturing policy that you can export with chips as you do in terms in the square-cut log, is that right?

Mr. MACDONALD. I am not positive about that, but I do know that chips that come from waste materials such as the sawmills down here would be exportable. In fact, they are being exported down here.

Senator HATFIELD. Do you have any export of wood chips to Japan?

Mr. MACDONALD. No; we have none. We use all the chips we can get. We buy all the chips we can get.

Senator HATFIELD. But you would not be prevented from engaging in that, would you, under the primary manufacturing agreements or arrangements?

Mr. MACDONALD. I doubt if we would be, but as I say, I am quite familiar that chips that come from waste would be exportable. I do not know that they would permit us as a primary manufacturing requisite to take the round log and convert it strictly into chips for shipment, but I believe it is possible, because a year ago or 2 years ago there was a Japanese concern very seriously considering building a chipmill near Homer.

Senator HATFIELD. Do you think it would be conceivable to broaden your primary manufacture concept along such a hypothetical situation as this. That if round logs were desired, that a ratio between the purchase of square-cut logs and round logs could be established, that if someone wanted to buy a certain number of round logs, they would have to first of all purchase x amount of square-cut logs, and that you would tie that to a rising trend of what you project will be under your present policy, a rising trend of square-cut log sales, so that it is not free square-cut log sales at present levels but give it room to grow, but still with the interior possibilities there, a need for access roads, that you could tie together some kind of a formula that might mean the interior development, and at the same time provide to a world market round logs that are not now available from Alaska? Is this hypothetical consideration conceivable? Is there any validity to that possibility?

Mr. MACDONALD. I think it would be possible, but I would not consider myself qualified to make judgment on it. I think anything of that sort would require much study before offering an opinion.

Senator HATFIELD. Let me assure you, as the chairman has assured you, our chairman today, that I certainly am not anxious to do anything that would inhibit or restrict the development of the great State of Alaska. I think you know that I can say this, I think, without being critical of next-door neighbors. That you received from the State of Oregon longtime stronger support for statehood than other States of the Northwest, and so there is a long tie of relationship and friendship between the State of Alaska. I recall that we had the wonderful agreements whereby we provide special education for the people of Alaska in the field of blind and deaf, special education, and our State public institutions of higher learning also welcome many students from Alaska. So, I do not want to leave any impression that I am anxious to foist upon you the problems that we have in Oregon. But at the same time I do feel compelled to probe and to interrogate along the lines of policies that might possibly be beneficial to both Alaska and to Oregon.

I do not see ourselves unrelated or isolated one from the other and as you pointed out very eloquently and others before you, you can foresee problems that we now have if your policy were changed or different. I am sure that shows that we do have interrelationships, but I am anxious to see if there is any possibility which might be developed whereby Alaska could see this interior developed, opened up, access roads to help not only protect the resource but to utilize the resource, that this could be done and relieve the situation that we have at the same time, and I think it would be mutually beneficial; I would see nothing wrong with that. I am not an expert, but I am just asking the questions in order to find out if these things are possible. I appreciate what you have told us this morning.

Senator MORSE. Thank you very much, Senator Hatfield. Congressman Pollock?

Representative POLLOCK. Yes, Mr. Chairman.

Mr. MacDonald, would you go into a little more the problem at Yakutat, since it has been brought out. It is my understanding that this area is so isolated from any of the mills that the only way at the present time of removing any of the cut timber would be by barges rather than log floats, as is done in southeastern Alaska.

Mr. MACDONALD. That is true, and I think our company has the only barge system that is capable of moving logs from there to the mills, and this logger that has been logging quite successfully for us up there is totally dependent upon sending his logs to our mill at the present time, but he is unable to get timber at this time, and he is shut down now, just hoping that the State will make available some timber before he is in complete financial difficulty.

Representative POLLOCK. I want to pursue the matter of availability of timber in just a minute, but is it your understanding that the bid that was successful in the Yakutat area was a bid in your opinion that would be too high a cost to then tack the primary processing costs on top and sell it?

Mr. MACDONALD. That is right, because there is an expensive cost in the moving of the logs, you see, so that naturally is added to the total cost of the logs delivered to the mill. It does not matter whose mill.

Representative POLLOCK. Was this bid a much higher cost than any of the timber that has gone for sale in southeastern Alaska?

Mr. MACDONALD. Yes. I believe the bid price on that was \$15.50, and I think the previous price was around \$6.

Representative POLLOCK. I believe, Mr. Chairman, when Commissioner Murkowski testifies the record will show through his testimony that Governor Hickel and the Alaska State administration are not in support of the appeal which was made by this individual who was the successful bidder in Yakutat to ship round logs to Japan. The position of the Governor and the State administration is very much in support of primary processing.

Now, Mr. MacDonald, would you discuss a little bit the question of the availability of timber in Alaska, in the southeastern area as you are more familiar with it, vis-a-vis the allowable cut? In other words, is there a lot more timber available for cutting on a sustained-yield basis than has been made available?

You have been given a guarantee of a certain volume of timber in a 50-year period, but in the areas which have been allocated to you, the prediction of the available timber has been incorrect. There is not as much timber there as was anticipated?

Mr. MACDONALD. Yes.

Representative POLLOCK. So how are you going to resolve this matter with the Forest Service?

Mr. MACDONALD. There is a provision for contingency areas in the contract, and of course we have got to prove that the timber does not exist on the present sale areas as defined in our contract, and that is the purpose of this joint venture in reinventory. So that our foresters and foresters of the U.S. Forest Service will do a joint inventory together, so that when the final figures are in on that, I think there will

be no dispute, no difference of opinion between the Forest Service and the company.

Representative POLLOCK. Do you think there is any difference of opinion now?

Mr. MACDONALD. That I could not say, but I think there was to begin with.

Representative POLLOCK. Do you think that the Forest Service is aware that there was not as much timber available in the allotted areas?

Mr. MACDONALD. This is an assumption on my part, but I think they are.

Representative POLLOCK. I am asking for an opinion, yes.

Mr. MACDONALD. But so far as I know, they have made no public statement to that effect.

Representative POLLOCK. I want to congratulate you as I have the other witnesses who have testified before for a very fine statement. I think it was very factual and very useful. Thank you very much.

Senator MORSE. Thank you, Congressman.

Mr. MacDonald, did you hear Mr. Van Brunt's testimony yesterday representing the Longshoremen's Union?

Mr. MACDONALD. Yes, I did.

Senator MORSE. In his colloquy with the chairman he expressed the view that primary processed lumber shipped out of Alaska to Japan in many instances results in such little modification of the log that it could be said that form rather than substance was involved as far as primary processing is concerned. Did you hear him testify to that effect? I paraphrase him, but I think accurately. He stated that from his own observations, on the various docks in Alaska, he had seen lumber ships to Japan in which only cuts on two sides of the log had been made, that in some instances only a slab had been taken off, but no substantial primary processing had taken place. His conclusion, from his own observation was that in order to get the log qualified to be exported, as little modification of it as could be made and still fall under the ruling that primary processing had taken place seemed to be the practice.

Then were you in the room when Mr. Davidson testified?

Mr. MACDONALD. Yes, I was.

Senator MORSE. You heard him say that he had owned and operated a mill in Wrangell prior to his sale of it.

Mr. MACDONALD. Yes, I did.

Senator MORSE. You heard his description of the type of primary processed lumber that at least went out of his mill, particularly calling attention to the 4 by 4's that were processed in his mill and went directly from the dock in Japan to the building sites and on into the houses?

Mr. MACDONALD. Yes.

Senator MORSE. I think the record will show that Mr. Davidson also testified that these processing practices were not limited to his mill, but were characteristic of the primary processing of the other lumber mills. Therefore he found himself in substantial disagreement with Mr. Van Brunt's testimony. Do you recall that testimony?

Mr. MACDONALD. Yes.

Senator MORSE. What is your testimony in regard to the nature of primary processing on logs that are shipped to Japan? In what form are the cants when they leave Alaska mills for export to Japan? Is it true that the processing is a matter of form and not of substance?

May I say that when I raise these questions, I raise no question as to the veracity of any witness nor of their observations. However, whenever I am presiding over a case, and there is a conflict in the statement of facts, I think I owe it to the committee and to the witnesses to get clarification in the record.

I do not question the honesty of either witness. But, you know very well that individual witnesses can be placed in circumstances where one sees something and another sees something else. All you have to do is go through an automobile accident case to know how witnesses can vary, each testifying as to what they actually did see but they saw a different thing. What I have to find out from the standpoint of my committee is how much primary processing takes place on these cants, and is the practice one that might be characterized as really a manufacturing subterfuge in order to get under or within a regulation that requires primary processing.

Mr. MACDONALD. May I answer your question as I understand it?

Senator MORSE. Take your time. You may answer.

Mr. MACDONALD. Let us put it this way. I believe the manufacturing, primary manufacturing policy calls for maximum size that will go through a 10-inch edger. Now when you put a cant through a 10-inch edger, you can set those saws and cut it into 1-inch boards with no extra time required. It is just a matter of setting the saws and bang, it goes through the edger and it comes out in 1-inch boards, except those boards are not saleable in Japan even at anywhere near the price that we can get for what we call waney woods which is cants, so I think nothing could be gained by cutting it up into small pieces, into 1-inch boards. It might mean one or two more men on the green chain and that is all, and it would drop the value of it that is there in a thicker cant, because the Japanese mills that remanufacture this have very thin saws, and their labor of course is quite low, and they are able to manufacture these larger cuts which we call cants into any market or any field that they wish. So it becomes more desirable to them and they will pay more money for it in the cants than they would in the 1-inch boards. In fact we could not sell 1-inch boards to Japan. Does that answer your question?

Senator MORSE. Partly. In, however, putting those cants into the form and shape that they need to be put in in order to be exported to Japan and meet the requirement that there must be primary processing, are they cut on four sides or are they cut on two sides? Is the bark taken off of the two sides or four sides? Are they squared out or do they simply go through the edger, and the edges taken off on two sides?

What I am trying to get you to tell us on the basis of your own experience as an operator, as to whether or not this primary processing is one that is carried out by way of an operation that squares these cants on two sides or four sides. In other words, is this process, generally, what Mr. Davidson testified to when he said that he packaged four by fours or what Mr. Van Brunt described as a 2-sided squaring? You heard his testimony?

Mr. MACDONALD. Yes.

Senator MORSE. We have this conflict in the testimony as to whether or not we are dealing, in Alaska, with an export practice that is, as I said in my inquiry of Mr. Van Brunt, a matter of form rather than substance. That would be coming as near to shipping round logs as you can and still come under the regulation of primary processing. That is what I want to get cleared up in the record. We want to know what the form of these cants really is.

Mr. MACDONALD. Mr. Chairman, may I have your permission, we have a sawmill man, here, sitting at the table, may I defer this question to him?

Senator MORSE. Delighted. Glad to have you do it. Mr. Daly.

Mr. DALY. Mr. Chairman, this argument, if you will, is mostly a matter of words, I think, really. It depends on the quality of the log, the size of the log, and the location of the log. The area I live in, and where my mill operates we have a lot of high-grade spruce logs, large logs, and the great majority of our cants, if you will, are four-sided. You get farther north where you get into a smaller low-grade log, for example, an 8-inch diameter log, if you are taking a 6-inch cant out, you cannot take much off of that log and still get 6 inches. Mr. Davidson's testimony was entirely correct. It all depends upon where you are and what particular type of log you are using, whether it is hemlock or spruce, and what particular market you are going into.

Senator MORSE. The two chief species are hemlock and spruce?

Mr. DALY. Hemlock and spruce, yes. I think the point, really, that I would say Mr. Van Brunt is probably missing is regardless of the amount of processing done, there is a sawmill there, and there are people working in that mill, and there is an investment in the mill as well as the longshoring. To say that Mr. Davidson's mill is representative of all of Alaska is not true, but it is fairly representative of the industry.

Senator MORSE. The question the chairman wants to get answered is how much labor is expended on the logs. Is it simply a question of the log going through for a one edge or a two-side edge or a four-side edge?

Mr. DALY. That is entirely true.

Senator MORSE. And Mr. Van Brunt says on page 554 of the transcript of yesterday:

As you know, Mr. Chairman, I visit, periodically, the port of Vancouver, British Columbia for the purpose of determining exactly what is being loaded on the vessels to Japan, and I am not saying that there are not small amounts of finished product. I am saying there is no measurable amount of finished product as we know it shipped to Japan from Canada.

Later on page 555 the chairman said:

And your testimony is that in Alaska the lumber that is shipped to Japan is even less finished, than the lumber that is shipped from Canada?

Mr. VAN BRUNT. It is cut to the absolute minimum required in order to meet the term primary process. That is not the answer. Let me say that what I am saying, and I am sure that the public port authorities, the stevedoring companies, the steamship people and all people involved in our so-called side of the industry will be most happy to ship lumber products, but we do not feel that you can or should curtail any part of log exports. Rather what should be done is to develop the market in Japan and that should begin to ship the finished product.

On page 552 he continues:

... Canada or not as you and I or the general public would consider finished material although this is far closer to finished material than anything shipped

from Alaska. Alaska they are not even shipping what the industry considers for general cants. They are not four-sided surfaces. They are only two-sided surfaces and sometimes you must have a vivid imagination to even see those two sides that have been touched with a saw. They are what is termed primary process, that is they have been touched in some manner by a saw. I have seen some of them or a great number of them that were sawed into three pieces. The center piece most certainly was sawed on two sides, but the two outside parts that were back on it were simply slabs. However, this is not the average. The average is canted, that is the two sides cut, not surfaced. These are then put into rough packages and shipped to Japan and they are then cut into some type of finished product.

You get these two points of view between and among witnesses. Do I understand correctly now, Mr. Daly, that it is your testimony that it depends upon the size of the log—whether you are dealing with a large log or a small log?

Mr. DALY. Senator, all I can say really, I mean there is no way to solve this argument unless you actually come up there and look at it, but we do as much as we can to the log before we ship it, within the price restrictions on the log, and we comply with primary manufacturing requirements, and I do not think, or I disagree with whoever said it, that it is form rather than the substance. The restrictions are laid down and we comply with them, and there are a group of us that are going over to Japan as soon as we can, today or tomorrow, and we are going to meet with our buyers to—as Mr. Van Brunt said yesterday and I entirely agree with him. The more you can do to a log, the more labor you put in it, the better off you are, the higher quality product you sell, and that is exactly what we are trying to do. We are trying to increase the value of our product to Japan.

Senator MORSE. I think this exchange has been helpful. You are welcome to file any supplemental statement for the record on this point that you care to.

Mr. MacDonald talked about the big fire in interior Alaska. We of course have been plagued with forest fires in Oregon. We had the Oxbow fire, the Tillamook burn, serious burns last summer. Following our burns the Forest Service and BLM have been very cooperative in helping us to salvage programs trying to get as much of the burned-off sumpage out as possible. Is there any salvage operation going on in Alaska at the present time in regard to your big interior burn?

Mr. MACDONALD. Not to my knowledge on a large scale. I am not familiar with the interior. It is like being in another world, because of the vast mileage involved, so we do not get back and forth very much, and I am unable to speak from first-hand knowledge other than what I read in the press. But I believe there are very few mills in the interior, and those that are in existence are very small and cater to just very narrow markets, so I could not answer that question.

Senator MORSE. The Washington Post this morning, and I hope participants in the hearing will take note, has a story which says:

The Department of Agriculture has cut its budget by \$389, of which \$21.5 million will come out of the Forest Service budget.

This is a newspaper story. I do not know what the official statement of the Department is. The chairman takes notice of the story, and certainly all in the lumber industry should do the same. I hope that the Department of Agriculture witnesses next Tuesday will be prepared to advise us if there is a \$21.5 million cut out of the forest budget, what services are going to be cut: whether this means cuts in

access roads programs, whether it means cuts in personnel so that there will be a reduction in cruising, whether it means cuts that will have the effect of slowing up the placing of stumpage on the market in sales, or whether it is going to result in a restrictive program in meeting the already short supply of logs alleged to exist by witnesses that have already testified in these hearings. A \$21.5 million cut in the Forest Service budget, if that cut has the effect of reducing the supply of raw materials to the mills of this country, would compound the problems that already exist in this industry as described by the witnesses in this hearing.

Furthermore, I hope that the Forest Service witnesses and the Treasury witnesses will be able to relate such a budget cut program to the balance-of-payments problem. The committee would find that very interesting. As one who has taken a great interest in the laws of economics ever since he was a graduate student, I have never been able to follow any argument that reducing productive power in a time of economic crisis which we are in, could possibly be helpful either in the control of inflation or meeting a balance-of-payments problem. It seems to me that, in such times of economic crisis, you should expand your economy, not restrict it; that you should produce more goods to produce more wealth to meet your economic problems, not less goods. An economy of scarcity does not decrease inflation. Every freshman economics student knows that.

Unless this \$21.5 million cut, if it is the cut they are making, is going to be made in a manner that will not decrease the productivity of our forests, then this chairman would have to conclude that this is another example of "penny wise and pound foolish" policy.

It could also be pointed out that, if this is going to be the kind of cutting that this administration is going to engage in, then there is quite a disparity between assertions of the administration that we are going to meet our domestic needs and at the same time meet our foreign-policy needs.

You cannot meet the domestic needs by impounding funds needed for expenditures to expand the economy. You cannot meet the domestic needs by making cuts that will have the effect of denying to an already depressed area the sales of Federal timber essential to providing the mills with the logs essential and necessary for their operation.

The administration had better be ready, as far as this chairman is concerned, to show that whatever reduction they are going to make, will not cause further increases in log prices.

I raise this point because these are not singular issue problems. This is a complex mixed economic problem on this matter of forestry. And, as far as I am concerned, the burden of proof is on the Department of Agriculture to show where the \$21.5 million out of the Forest Service budget is going to be taken, and what the effect of that cut is going to have in connection with supplying an already depressed lumber industry with the logs that it needs to operate.

If they make a multimillion-dollar reduction without impairing present or future production, they ought to have done it long before this, because if they can make that kind of a cut, they have been wasting a lot of taxpayers' money up until now.

This chairman, may I say, is going to have to have more than semantics from the administration to satisfy him as to the effect of any

such cut on the lumber industry in my State, in Washington, Alaska, and the Pacific Northwest and generally for that matter anywhere else in the country.

Well, with that little message to the administration we are ready to hear the next witness. But first, I want to insert in the record at this point the newspaper article to which I referred.

(The news article referred to follows:)

[From the Washington Post, Jan. 19, 1968]

FREEMAN CUTS '68 SPENDING

\$386 MILLION TRIM AFFECTS FOOD FOR PEACE

(By Walter Pincus and Carroll Kilpatrick)

The Department of Agriculture is cutting \$386,530,821 from its originally programmed spending for the next six months, it was learned yesterday.

The cutbacks during the last half of fiscal 1968 are being made in response to the 1967 law requiring Federal agencies to trim payroll costs by two per cent and program costs by 10 per cent.

The cuts were detailed by Secretary Orville L. Freeman in letters to House and Senate chairmen of subcommittees handling department appropriations.

The biggest reduction is \$167 million to be cut from Food for Peace shipments to needy countries between now and July 1.

Overseas Jobs Are Cut

The Agriculture action became known as the White House confirmed a story in yesterday's editions of The Washington Post that the President was ordering a 10 per cent cut in Federal employment overseas, except for Vietnam.

[United Press International reported that President Johnson is considering cutting back the Federal highway construction fund by \$600 million as part of his economy drive. Transportation Secretary Alan S. Boyd had warned in November that cuts might be made if Congress forced deep cuts in Government spending.]

In addition to announcing the overseas employment reduction, the White House revealed yesterday that the President also sent out a memorandum aimed at cutting travel abroad by Government officials.

The personnel and travel reductions are part of an overall program to cut Government dollar expenditures abroad by \$500 million in 1968.

25,000 Work Abroad

Americans serving under ambassadors overseas, exclusive of Vietnam, total 25,000 and include about 7000 from the State Department, 1500 from the United States Information Agency, 5300 from the Agency for International Development, 9000 from the Defense Department, 500 Peace Corps officials, and 1500 from the Departments of Commerce, Agriculture, Labor and other agencies.

No mention was made in the President's directive of Central Intelligence Agency employes overseas, for which no estimate of numbers or assignments is available.

In ordering a curb on official travel, the President told officials to reduce the number of international conferences to which the Government sends delegates, to limit the number of officials attending those held and to schedule as many conferences as possible in the United States.

Among the Agriculture reductions, in addition to the Food for Peace cuts:

- \$40 million to be cut from available Rural Electrification Administration loan funds.
- \$5.6 million from the school lunch program. Agriculture officials say obligations will still run \$9 million above those of a year earlier.
- \$25 million from agriculture research programs.
- \$26.4 million from soil conservation programs with \$20 million to come from watershed and flood control construction funds.
- \$50 million from Farmers Home Administration funds.
- \$21.5 million from the U.S. Forest Service.

- \$24.5 million from the Agricultural Stabilization and Conservation Service cost-sharing aid to farmers.
- Outright cancellation of a new \$8. million program to convert croplands to recreation areas.

Senator MORSE. Do you have any questions, Congressman?

Representative DELLENBACK. No, Mr. Chairman.

Senator MORSE. The next witness will be Mr. Jack Reekie representing the Alaska Bankers Association.

STATEMENT OF JACK REEKIE, SENIOR VICE PRESIDENT, NATIONAL BANK OF ALASKA, KETCHIKAN, ALASKA; REPRESENTING THE ALASKA BANKERS ASSOCIATION

Mr. REEKIE. Chairman Morse, committee members, I am Jack Reekie, representing the Alaska Bankers Association, which is an association representing all of the banks of Alaska. I am also a senior vice president of the National Bank of Alaska. I wish to thank you for the opportunity to appear before you today.

Earlier in these hearings the Treasury Department's staff report on the Pacific Northwest log export problem suggested that round logs be exported from Alaska. You are all aware of the primary manufacture policy of the U.S. Forest Service which prohibits the exportation of round logs from national forests in Alaska. The purpose of this policy is to develop the local economies in the areas of our timber stands. The Forest Service should be highly commended for this position and I salute them.

I know you have received communications from the various communities of southeastern Alaska, all expressing unanimous opinions that to allow log exports would be disastrous to the communities of southeastern Alaska.

Let me present a few facts and figures to show you the impact of the primary manufacture policy of the Forest Service. My remarks and data are confined to southeastern Alaska, the archipelago stretching south and east from the rest of our State along Canada's border and on the Pacific Ocean. This comprises the Tongass National Forest, is part of the North Pacific rain forest, and is the only area of significant timber development in Alaska at the present time.

In 1942, approximately 10 years before the first pulp mill was constructed in Alaska, bank deposits in the southeastern communities totaled roughly \$12 million. In 1952, prior to the start of pulpmill construction, bank deposits totaled \$24 million. Today they total in excess of \$90 million. In other words, during the 10 years prior to the start of Alaska's first pulpmill deposits were growing at a rate of \$1.2 million per year.

Assessed valuations of southeastern communities have shown a very similar pattern of growth. From 1944 to 1954 assessed valuations increased 140 percent; from 1944 to 1967 they have increased 500 percent. These increases have taken place despite some very significant fire losses in Ketchikan, Wrangell and Sitka. This growth has taken place during a period of nonexpansion in our fish industry, in fact we have a contraction. Instead of seven canneries we now have only two in Ketchikan. The site of Wrangell's only cannery is now used as storage area for the lumber of the Wrangell Lumber Co. Planned capital expenditures of private funds for the year 1968 in the community of

Wrangell is \$1,370,000 or 17 percent of that city's present assessed valuation.

I can unequivocally say that without the Forest Service policy prohibiting exportation of round logs, southeastern Alaska would not have this growth. I would like to quote a letter from P. K. Johansen, assessor for the Gateway Borough, the taxing authority encompassing the city of Ketchikan and the Ketchikan Pulp Co.:

"It is the appraiser's opinion that this tremendous growth was due to the fact that the Ketchikan Pulp Co. established their plant adjacent to the city in 1954 and it is known that the only reason their plant was built was that the timber supply or raw material was available to them at that time."

Senator MORSE. The entire letter will be inserted in the record at this point.

(The document referred to follows:)

EXHIBIT A

**THE GATEWAY BOROUGH**P. O. BOX 142
KETCHIKAN, ALASKA 99901

12 January 1968

Mr. John Reekie
Senior Vice President
National Bank of Alaska
Box 1538
Ketchikan, Alaska 99901

Dear Sir:

This will confirm our telephone conversation and your request relative to the assessed valuation for the City of Ketchikan and the Ketchikan Independent School District in 1954 and 1967.

The assessed valuation for the City of Ketchikan in 1954 was \$22,553,870., the school district in 1954 was \$3,724,900.; the assessed valuation for the City of Ketchikan in 1967 was \$45,302,500., and the School District was \$30,167,710.

It is the appraiser's opinion that this tremendous growth was due to the fact that the Ketchikan Pulp Company established their plant adjacent to the City in 1954 and it is known that the only reason their plant was built was that the timber supply or raw material was available to them at that time. It can also be pointed out that in 1954 we had seven salmon canneries operating within the City of Ketchikan and the School District; in 1967 only two canneries were operating within the same area, which would indicate that the fish supply is on the decline.

I trust this information will be of help to you.

Yours truly,

KETCHIKAN GATEWAY BOROUGH

P. K. Johansen
P. K. Johansen
Borough Assessor

PKJ:jlj

Mr. REEKIE. Alaska, more than any other State, has a battle with weather conditions. We are cursed by seasonality, which is accentuated by severe winters. We are striving to overcome these problems through development of winter tourism. The key is spreading of payrolls throughout the year rather than confining them to the summer months. Year-round employment brings people to Alaska as permanent residents, who build homes, schools, commercial buildings, and pay taxes and contribute to general economic growth.

For too long Alaska has had to contend with boomers and exploiters, who come in, earn high seasonal wages, then leave our State, without contributing anything. To allow round log export would only contribute to our seasonality problem, not relieve it. Pulpmill and sawmill operations continue year-round. Logging must shut down for a minimum of 2 months each year.

Log export is job export. Alaska is just beginning to emerge from colonial status. In order to continue and sustain a standard of living and thus become economically self-sustaining we must increase the manufacturing process within the State in order to get the added value of the processing.

The U.S. Forest Service has had the foresight to prohibit log export and require primary manufacture and the determination to stand by this very wise policy in spite of much opposition. Any relaxation of this attitude would not only be the eventual ruination of Alaska's lumber and pulp industry—it would be disastrous to the local economies of the communities of southeastern Alaska.

In closing, and as a banker, I would like to thank the banking industry of both Oregon and Washington who have assisted Alaskan banks by participating in financing some of the timber industry needs in southeastern Alaska. One of the keys to a successful pulp or sawmill operation is an adequate supply of low-cost logs. Oregon, Washington, and Alaska banks have extended credit on this basis. If current practices are changed that increase the costs of these logs we are going to be faced with sizable loan losses. The liquidation value of a mill is measured in tons—junk value. I trust we won't have to use this form of measurement.

Thank you.

Senator MORSE. Mr. Reekie, this is very helpful testimony. These data will be considered by the committee, and I hope will be noted by the administration also.

Congressman Pollock?

Representative POLLOCK. Thank you very much, Mr. Chairman. I would like to comment to Mr. Reekie that his statement is a very fine one. I think the information presented is very useful. I wonder, Jack, if you might discuss a little bit the comment on the bottom of page 3 that "to allow round log export would only contribute to our seasonality problem and not relieve it." It would be useful for the record to discuss it.

Mr. REEKIE. Well, logging is a seasonal operation. Pulpmills, sawmills that input the primary manufacture require them under the law to provide year-round employment which you are well aware of.

They also have to cut the logs, but that is a seasonal job. The work in the pulpmill and the work in the sawmill continues the year around, and this is the point I am making.

Representative POLLOCK. Is part of what you are saying that because there is a processing of the timber, that a lot of it is cut in the summer months, stored until winter and utilized the year around?

Mr. REEKIE. Very definitely. Art Brooks or Charlie MacDonald would have to comment on the amount of storage, but again you have to come to Alaska to visualize what is taking place. But throughout our coast and the areas adjacent to the pulp and sawmills there are vast areas of logs stored that must be built up through the summer months to allow the mills and the pulpmills to continue cutting the year round.

Representative POLLOCK. I wonder, Mr. Chairman, if we might have a comment on this from Art Brooks. Yesterday evening we got a little short on the questioning and I think it might be useful, concerning the year-round employment aspect of primary processing which might not be available if round logs are exported?

Senator MORSE. Mr. Brooks, we shall be very glad to hear your response to this question.

Mr. BROOKS. As I follow the trend of your thinking if the logs were exported they would have to be logs just the same as if they went through the mills, but it is true that in our area, which is possibly the most favorable since we are in the most southerly part of the Tongass National Forest, an average operating season for logging is about 9 months. We have run the year round, but it is not usual. In that 9 months we produce logs to run the mills for the full year.

The average operation of a pulpmill is about 354 or 355 days a year, and of course the sawmills are on a somewhat lesser schedule but they are presently running on a full season basis too, so that employment is steady and it is very important in our State economy, because we do have a history of seasonality in areas further on.

Representative POLLOCK. I wonder, Mr. Chairman, if Mr. Daly might comment as far as the mills are concerned about seasonal employment versus year-round employment.

Senator MORSE. We will be glad to hear you, Mr. Daly.

Mr. DALY. Well, Mr. Brooks pretty well covered it. In the past when we were serving strictly the domestic market we were down to, in most of the mills, 4 or 5 months out of the year, but now with this market, well, my particular mill will be shutting down for 1 month this spring in order to put in some new machinery. All the rest of them so far as I know are not shutting down at all this year. They are keeping going.

Representative POLLOCK. Aside from this replacement of machinery you would be operating on a 12-month basis?

Mr. DALY. If it were not for that we would not be shut down.

Representative POLLOCK. Thank you very much, Mr. Chairman.

Senator MORSE. Congressman Dellenback.

Representative DELLENBACK. I would like to just make a pair of general statements, Mr. Chairman. One, I have had a chance to look over the testimony having not been here yesterday to listen to the gentlemen, but I appreciated the chance to read their testimony, and a member of my staff has also been involved in this, so I am aware of what Alaska's concerns are in this regard.

But also I just wanted to say a word to these men about thanking them for coming this far to help us on this, because while Oregon is

a long way away and it is quite a trip there, I recognize that it is an even longer trip for you gentlemen. If our process here is to work soundly, as the chairman has stated, all along, our intention not to make a case for a preconceived opinion, but to search out as many facts as we can that pertain to the problem, and we need the sort of testimony that you gentlemen bring. As one Member of the Congress, I express my appreciation for your taking the time, going to the expense of coming this far to help us in this regard.

Senator MORSE. Congressman Dellenback, we appreciate your thanking these witnesses for coming. I associate myself with everything you have said. The committee is grateful for your testimony, Mr. Reekie.

I will now call upon Mr. Clarence Kramer of Sitka, Alaska, who is president of the Alaska State Chamber of Commerce.

STATEMENT OF CLARENCE F. KRAMER, PRESIDENT, ALASKA STATE CHAMBER OF COMMERCE, SITKA, ALASKA

Mr. KRAMER. Thank you.

Mr. Chairman and members of the committee, I am Clarence Kramer of Sitka, Alaska, and am here to speak on behalf of the Alaska State Chamber of Commerce of which I am president.

Our organization is made up of approximately 356 members and embraces a good share of the businesses in our State from the small two-man operations to our largest corporations. Even though Alaska has enjoyed a modest growth in the last 15 years and especially since statehood our industrial base is still quite thin.

Alaska's forests are one of our greatest resources and the fact that they are self-renewing makes them doubly so. Our forest products industry is Alaska's second largest industry exceeded only by fishing.

Because it gives steady employment to more people and leaves more money in the State in taxes, payroll, and local purchases, I feel it could soon have the greatest impact on the economy of our State.

Naturally, when something threatens the stability and future growth of this industry we are deeply concerned.

I feel the size of the delegation that has made the trip to Washington, at considerable personal expense, indicates the depth of their concern. Our Alaska State Chamber of Commerce has long been on record supporting primary manufacture.

This position is reviewed and it is our firm belief that without the protection of a primary manufacture law we would not have the vigorous expanding wood products industry that exists in Alaska today. Our State chamber is interested in the health and growth of all of our industries and in the last 5 years has made three trade missions to Japan to further expand foreign markets, the last one in September of 1967, headed by our dynamic Governor, Walter J. Hickel.

It was my privilege to make two of the trips as a representative of the wood products industry.

Many times my colleague and I were cornered by top Japanese businessmen and asked why we were opposed to round log export from Alaska.

When properly explained and a firm stand taken they would admit that export of raw material—round logs—was a shortsighted policy and one they realized would be limited or abolished in the near future.

The testimony of Mr. A. Momma agrees with this and the increased purchases of cants and rough lumber from Alaskan mills bears out this position. To avoid any misunderstanding I would like to reiterate the Alaska State chamber's interest in all of our basic industries because we need all of the payrolls and tax base derived therefrom.

We are sometimes accused of being a little favorable to the timber industry.

Although I will not take the time of the committee to read the many letters, wires, and resolutions supporting our position in favor of "primary manufacture," I would like to report for the record that the following organizations share our position:

- (1) Ketchikan Chamber of Commerce.
- (2) City of Ketchikan.
- (3) Alaska Loggers Association, Ketchikan.
- (4) International Longshoremen's & Warehousemen's Union, Local 62, Ketchikan.
- (5) The West Coast Development Association, Klawock.
- (6) Wrangell Chamber of Commerce.
- (7) International Longshoremen's & Warehousemen's Union, Local 87, Wrangell.
- (8) Petersburg Chamber of Commerce.
- (9) Juneau Chamber of Commerce.
- (10) Greater Juneau Borough.
- (11) Alaska Sportsman's Council, Juneau.
- (12) Moore Clinic, Dr. George Longenbaugh, Sitka.
- (13) City of Sitka (adopted December 1962).
- (14) Seward Chamber of Commerce.

I was going to read the letter from the Alaska Sportsman's Council because it is a bit unusual and it does indicate we are doing a good job of harvesting timber under the multiple-use concept, but as this will be a long hearing, I will submit this material for entry into the record.

Senator MORSE. The letter will be received.

(The letter referred to for inclusion in the record follows:)