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 Alaskan Command
 Alaska Conservation Society
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Alaska Sportsmen's Council

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Matanuska Valley Sportsmen's Association
 Sitka Sportsmen's Association
 Sitka Sportsmen's Association
 Tanana Valley Sportsmen's Association
 Territorial Sportsmen, Inc.
 University of Alaska Wildlife Club

HONORARY NON-VOTING
 Cordova Izaak Walton League, Honorary

Statement of the Alaska Sportsmen's Council regarding export of round logs from Alaska.

The Alaska Sportsmen's Council, a statewide conservation organization, organized in 1954, became a member of the National Wildlife Federation in 1955. The Sportsmen's Council has a vital interest in the management of all resources in the State of Alaska. We have adopted a policy of adherence to the multiple use concept of resource management. We also have adopted a broad policy in regards to use of Alaska's resources. It is our belief that the resources of Alaska should be manufactured to the utmost degree prior to export from Alaska in order to render a maximum benefit to all of the people of Alaska.

A number of organizations now affiliated with the Sportsmen's Council opposed a similar proposal to export round logs from Alaska during the earlier stages of World War 2. It was our feeling at that time that Alaska's resources are vital to the people of Alaska and to the development of Alaska and timber resources being one of our major resources and if the Forest Service policy was changed to allow the export of round logs, that Alaska would suffer materially and certainly particularly at a time when we are striving to get industry in Alaska. Fortunately the Forest Service policy was maintained and we now have two large pulp operations in Alaska. We have had an expanding sawmill industry that is a user of the forest products coming to Alaska. All of these would not have been possible had the proponents of round log export prevailed.

It is our hope and desire that the Forest Service policy prohibiting any export of round logs or timber from Alaska can be maintained in the public interest, particularly in the interest of the State of Alaska and its people. We would sincerely request that the committee not accept this proposal or any proposal which would jeopardize the economy of the State of Alaska at this time.

A. W. "Bud" Boddy, Executive Director
 Alaska Sportsmen's Council

A. W. "Bud" Boddy



MEMBER NATIONAL WILDLIFE FEDERATION

MR. KRAMER. Now, I would like to change hats and tell you that by some rare coincidence I am not only in State chamber affairs but have had 42 years experience in the wood products industry, mostly in the logging end of the game.

I started as an hourly worker—went to supervision, then ownership, and since last fall back into management. I am presently employed by Alaska Lumber & Pulp Co. as administrative assistant at the vice president level. I have worked in California and Oregon and was a partner in a logging company in Washington before moving to Alaska in the early fifties.

Since moving to Alaska the operations I have wholly or partly owned have cut or produced about 255 million or a quarter of a billion feet of timber. I have contracted for both pulp companies and have purchased both Forest Service and State sales in my own name.

In the past 10 years I have served four terms as president of the Alaska Loggers Association and have been quite active in all industry affairs.

I have been a member of the Forest Practices Committee of Alaska Loggers Association since its formation eight years ago.

This committee handles problems between industry and the Forest Service and meets several times a year.

Some of the subjects we consider at almost every meeting are:

(1) Allowable cut as it concerns present commitments and installations.

(2) Logging practices and methods.

(3) Logging under the multiple-use concept.

I serve as an industry member of our Governor's timber task force.

With this personal background and in the interest of time, I will conclude my prepared statement with this summary:

No. 1, round log exports would severely cripple the wood products industry and would not be in the best interests of the people of the State of Alaska.

No. 2, until Federal assistance builds roads, railroads, docks, and river and harbor improvements to open up timber other than the coastal forests, our allowable cut has been reached and possibly overstated.

No. 3, after having been both a contract and independent logger since the early fifties, I have seen no concrete evidence of monopoly, Japanese or otherwise, in Alaska. I thank you for this opportunity to speak to you on this subject and would be very happy to answer any questions that I am able to.

Senator MORSE. I want to thank you very much. When you return to Alaska you can tell your chamber of commerce that its expenditure was very well worthwhile.

MR. KRAMER. Thank you.

Senator MORSE. Congressman Pollock.

Representative POLLOCK. Mr. Chairman, I would like very much to compliment Clarence Kramer on his excellent statement. Also, I want to express appreciation as my colleague, Congressman Dellenback of Oregon, did a few minutes ago to all of our delegation from Alaska. I know that you come to Washington with some concern, and I hope that the good chairman has assuaged that concern about any change in policy concerning the shipment of round logs from Alaska.

I wonder, Mr. Kramer, do you have any comment to add to those statements that were made before concerning the difference in year-round industry, whether round logs are shipped or not?

Mr. KRAMER. Well, I have several comments I would like to make, sir.

First, I think there might be some feeling that we are overly concerned about this, and maybe that is only one side of the picture. I think that possibly the biggest service we do in showing up here in this number and with this broad cross-section of the timber industry would be to develop information that would be helpful to this committee now and in the future, on what actually exists in Alaska today, and the potential in the future.

As far as the seasonality thing, with your long residence and involvement in public affairs in Alaska, I am certain that you are well aware of matters like our unemployed insurance problem where seasonal workers have drained the fund. We need people who work the year around to help support our schools and to do the many things that the State government has to do for our people. And this thing, it is very difficult for me to stay out of this discussion about primary manufacture, because certainly we would like to see that lumber, that tree go out of there to make the tabletop, the piano back and everything else, but I have never yet seen an infant jump out of the cradle and run 100 yards in 10 seconds. You get into this thing as you go and as you develop these markets, and it is all part of our problem there, to build up the community and the population, but first you must have the job, and if we can supply the amount of jobs that these mill men have indicated have been developed in the production of just the primary manufactured log in the last 5 years, I think we are headed in the right direction, and I think that we will continue to grow and expand this thing until it will be impossible to buy the log that has not gone through quite a bit more of the process of milling.

Representative POLLOCK. Mr. Davidson, yesterday in his testimony, made a comment that Alaska could not have a problem of mills closing down because of the primary processing rules and regulations which are applied there, and that the States of Oregon and Washington seem to have a problem. The solution is not to drag Alaska into that same problem, but perhaps to correct the rules and regulations and laws there that require primary manufacture. You have done some logging down in Oregon and in the great Northwest, and I wonder where your comments are about this statement of Mr. Davidson?

Mr. KRAMER. Well, I cannot speak for Oregon. I did work there and was in supervision there. But Alaska is in a lot different position than Washington and Oregon due to the fact that there are no large private ownerships.

Representative POLLOCK. Of the timber you mean?

Mr. KRAMER. That is correct. The timber in Alaska is about 99 percent under Federal ownership, either BLM or Forest Service, and it gives everybody about the same shake as far as acquiring timber. You don't have the capital gains problem. You don't have the private ownership problem, and the mills up there at least start out on about an even go as far as competition is concerned. Washington and Oregon have many more aspects and the problem is much more complicated, but I do not think it is without a reasonable solution. I am certainly

not here to advise Washington and Oregon, but I will say that due to the fact that the timber in Alaska is principally owned by the Federal Government, that everybody has the same shake as far as acquiring the timber. It puts us in an entirely different position, and we certainly would not want to go backward into something that was not as good.

Representative POLLOCK. Now, earlier today Senator Hatfield made a query about the feasibility of some kind of a sliding scale with an increase in primary processing, perhaps also get into the business in Alaska of shipping round logs to Japan. I wonder if you might comment on that.

Mr. KRAMER. Well, sir, that is a very dangerous area, and I would with due apology to any underaged or nervous people here, I would say I would liken it to a woman being a little bit pregnant. I do not think you could have a little export.

Representative POLLOCK. Of rounded logs you mean?

Mr. KRAMER. That is correct. If you penetrate that policy or that barrier, and allow round log export, what will happen, you are talking about areas that are underdeveloped, and you are saying, well, up where there are no manufacturing facilities let us export the round log.

Well, after spending most of my life in this business, I can predict what will happen. The venture will not be successful, but fellows like my friends Mr. Reekie here and the banks will become involved, and when the operation fails, then the plea will be, "Well, give us a little better chance like you have down Southeast. Let us export a little down there." And pretty soon you are in the same position as if you threw the thing wide open.

I do not see what round log export would do for you that primary manufacture won't do. Now, I mentioned that I am on the Government's timber task force. Last spring we took a trip of 4,000 miles through all of the timber areas of Alaska, and there are stands of timber there that have not even been properly inventoried. But when you are in an airplane flying at 100 miles an hour and you fly for an hour and do not see a railroad, road, dock, navigable stream or any other means of transportation to utilize that timber, what good is round log export going to do for those areas? You are talking strictly of the coastal areas, and through the efforts of this group, with the help of the Federal and State governments, we have come up with additional industry for areas that are underdeveloped that in my opinion would utilize every stick of timber in Alaska up to an allowable cut on a sensible basis.

Now, what else do you want to do?

Representative POLLOCK. Clarence, one other question. Has the Forest Service generally been conducive to opening areas when there has been interest in the industry in getting timber? I am thinking about the Chugach National Forest, perhaps around the Cordova area where there is apparently a lot of timber but not much lumbering going on.

Mr. KRAMER. Well, we argue back and forth all the time, but as far as our region in Alaska, I feel that they have done a very good job. They have been naturally looking out for what laws and rules are laid down to them. They have a handbook to go by, and they have things that they have to do. But on the whole, I think they have been doing

a reasonably good job of forest management, and have tried to put up the timber and keep the industry going.

However, outside pressures sometimes make it difficult for them to do the best job that they could. They are constantly under pressure from the General Accounting Office, because its stampage is going for \$60 in Oregon, they wonder why it is not going for \$60 in Alaska, and they are constantly under pressure to encourage competitive bidding, to run stumpage up where people can no longer operate and things like that. But as far as the people in our own area and our own region, I would say they are doing a very creditable job, and they are putting up these sales in the areas where we have helped put together industries, and I think they are doing a reasonable job.

Representative POLLOCK. This is part of the question I wanted to ask. Does the industry nominate an area and then the Forest Service make that available, or do they make the total selection on where the timber will be cut?

Mr. KRAMER. It works both ways. They have sale programs up to 10-year programs on areas. That is the way they determine their allowable cut. But usually if an industry shows interest in an area like the Seward area or the Prince William Sound area, there is an installation proposed to go into Seward, a town without a payroll that is just recovering from the destruction of the earthquake. There will be a mill in there. It will be about a \$5 million installation. It will mean the lifeblood of that town, and the State and Forest Service are cooperating very well in trying to put up the timber in as short a time as possible.

Senator MORSE. Thank you very much, Congressman Dellenback.

Representative DELLENBACK. Thank you, Mr. Chairman. May I ask just a few questions. I do not know really whether they ought to be directed to this witness or to any of the others. If I may first just ask a couple of questions of this witness. You indicate, using your analogy of pregnancy, that you cannot just have a little bit of this. Are you saying that it is unsound to export some logs from either Oregon and Washington?

Mr. KRAMER. No, sir. I hope I did not give you that understanding. What I am saying is that there should be no logs exported if there is local market. Some timber, cedar, is exported from Alaska and any specie for which there is no market can presently be exported.

Representative DELLENBACK. Does the Forest Service then work on a flat prohibition basis, or do they work on a surplus basis, so far as export is concerned?

Mr. KRAMER. Well, I do not know if you could define it that way. If you could prove that there was no market for timber, in other words, if there were no mills in Alaska, I think they would be in a very difficult position to hold the primary manufacture of logs, but I do not know of the time when there has ever been surplus logs in Alaska of a major species.

Representative DELLENBACK. Let me be sure that I understand the Alaska procedure, because I thought that the Forest Service had placed a prohibition on the export of logs, of all round logs from Alaska. Now, is this in error? Do they have some sort of a formula for determining surplus, and if there be surplus, then are they available for export?

Mr. KRAMER. I cannot quote the contract and procedures exactly as is written—I am quite sure that my friend Mr. Brooks can give you that exact definition.

Representative DELLENBACK. Fine. I will be very pleased to get it.

Mr. BROOKS. I am afraid you flatter me a little bit. We have the first long-term contract with the Forest Service for eight and a quarter billion feet of timber. In that contract it requires the building of a mill, and that logs must be manufactured except for certain logs that may be exported with the permission of the regional forester.

Now, our contract being a 50-year sale is somewhat different as I recall than the timber sale contracts that are being made now. They require primary manufacture of the product without any equivocation.

Representative DELLENBACK. But your contract permits the export of certain gross feet of low quality logs. Is that correct?

Mr. BROOKS. That is not correct.

Representative DELLENBACK. You could take low-quality logs then that come from this Forest Service land and sell those in export?

Mr. BROOKS. We would have to receive an export permit from the Forest Service, but it would not be available to us because there is an available market for those logs in Alaska.

Representative DELLENBACK. Have you sought to do that?

Mr. BROOKS. The only export of logs we have engaged in was the export of cedar, and that was exported under permit.

Representative DELLENBACK. Then such logs as you have sold in export have been of a certain species rather than locality?

Mr. BROOKS. That is true, yes.

Representative DELLENBACK. Basically the Alaska forest is not a Douglas-fir forest. It is a whitewood forest, isn't it?

Mr. BROOKS. There is no Douglas-fir in Alaska.

Representative DELLENBACK. So then you are dealing with spruce and cedar. This type of wood rather than fir?

Mr. BROOKS. The major species in operable areas is 70 percent hemlock, 25 percent spruce and 5 percent cedar.

Representative DELLENBACK. You have then sold in export some cedar?

Mr. BROOKS. That is correct.

Representative DELLENBACK. But this has required getting a permit from the regional forester before doing this?

Mr. BROOKS. Our only direct export of cedar was all to the State of Washington. This was done some time ago—we presently sell our cedar to Wrangell Lumber Co., and they then export it. I believe it goes to Japan, but it also goes under a forest service permit.

Representative DELLENBACK. Primarily processed first?

Mr. BROOKS. There is no mill to manufacture cedar.

Representative DELLENBACK. Is there any restriction under your contract with the Forest Service that would prohibit you from taking any of your hemlock and selling it to somebody else who could then in turn resell into export?

Mr. BROOKS. There is nothing that I recall in the contract that specifically allows that. My impression is that if we sold logs to a second or third party, they would still require an export permit.

Representative DELLENBACK. Let us go back to the cedar for a moment. You sold it to some other intermediary, who then in turn resold as a round log into export to Japan. It was not necessary for you to get any permission from the Forest Service to make the initial sale, is that correct?

Mr. BROOKS. No; that is correct.

Representative DELLENBACK. Do you know whether or not the purchaser from you needed to get a permit to sell it into export?

Mr. BROOKS. I am quite certain they do, but Mr. MacDonald here could probably answer that better than I can.

Mr. MACDONALD. To the best of my knowledge they have permits for all of their shipments of cedar. We have the officer of Wrangell Lumber Co. who can answer firsthand, and if I may, I would like to defer this question to Mr. Momma.

Representative DELLENBACK. I would be interested very much, not so much inquiring as to what you have done in any given particular situation as to understand the procedure clearly. In this type situation you have a major contract for exclusive rights to eight and a half billion board feet of Forest Service timber. You are able to sell that to other American firms without any permission from the Forest Service at all, is this correct?

Mr. BROOKS. That is correct for domestic manufacture within Alaska.

Representative DELLENBACK. Then just so we may have it clearly on the record, whichever one of the gentlemen is able to answer it, does an intermediary purchaser from you, an American firm, so that it is now separated from Forest Service, have the right to sell those logs into export with or without any permission from the Forest Service?

Mr. BROOKS. I can only say that to the best of my knowledge a permit has been required in every case.

Representative DELLENBACK. Again with apologies, I do not mean to bore in on you particularly, but as soon as you say to the best of your knowledge, I do not know whether that means that you know that this is the fact in every case or whether you are saying you do not know what the requirement is, and you think that this is the requirement?

Mr. BROOKS. I cannot answer you, sir; maybe because I have not seen or been a party to getting those particular permits, but my understanding of the matter is that a permit is required in every situation. Mr. Momma is a vice president of Wrangell Lumber Co. and he could probably tell you directly.

Mr. MOMMA. I understand when we export cedar logs we have to get permission from the Forest Service. That is my understanding.

Representative DELLENBACK. You say this is a requirement that you must have that permission from the Forest Service?

Mr. MOMMA. Yes.

Representative DELLENBACK. Or again do you say, if you understand what it is I am saying, it is not that you think this is the situation but are you able to say to us as a fact that before you as a purchaser once removed from the Forest Service can export to Japan or anywhere else, is it a fact that you must get permission of the Forest Service before you can export?

Mr. MOMMA. Yes.

Representative DELLENBACK. There is such a requirement?

Mr. MOMMA. Yes.

Representative DELLENBACK. And this holds whether it is cedar, spruce, hemlock, or any other specie?

Mr. MOMMA. Just cedar.

Representative DELLENBACK. Just for cedar?

Mr. MOMMA. Yes.

Representative DELLENBACK. Now, what if you bought some hemlock from one of these other firms. Would you be able to export that?

Mr. MOMMA. My understanding is now—I have never exported other than cedar logs.

Representative DELLENBACK. Have you ever sought to export other than cedar logs? Have you ever asked permission or tried to export anything other than cedar?

Mr. MOMMA. I have never tried.

Representative DELLENBACK. Does anybody know whether any other export of hemlock or spruce has taken place from Alaska?

Mr. BROOKS. We have exported spruce logs from Alaska in shipping the cedar logs to the Puget Sound area. In towing them, it was necessary to build what is called Davis rafts, which are deep-sea log rafts.

To strengthen these rafts and build them, it was necessary to use some very minor amounts of long spruce logs, and we received an export permit on that basis. But I am sure we would not have been permitted to export them other than that they were necessary to the rafting.

Representative DELLENBACK. But those exports were to Washington, and thus part of the United States rather than export to Japan or any other foreign country?

Mr. BROOKS. My understanding of the Forest Service policy is that log export to any place, whether it be Canada, Washington, Oregon, Japan, wherever it may be, requires a permit.

Representative DELLENBACK. If I may then let us return to the initial line of inquiry that I was pushing on this particular point. Is it that it is a flat prohibition against export of hemlock and spruce primarily, or is it that there would have to first be a determination that either of these specie were in surplus before they would permit the export?

Mr. BROOKS. We are talking about two different situations. In our contract there is a provision by which the regional forester can issue permits to us to export but the recent sales in Alaska, contain a complete prohibition and require primary manufacture of the logs within Alaska.

Representative DELLENBACK. Fine. That then makes it clear that some of the older contracts talked in terms of the possibility of exporting surplus if the regional forester determined there was a surplus. But the recent contracts, as I understand you, are to the effect that there shall be no export without primary manufacture first having taken place?

Mr. BROOKS. One of the people in our group has just passed me our contract which was signed in June of 1951. It is covered in a very short paragraph. Shall I read it to you?

Representative DELLENBACK. Would you read it, with the permission of the chairman?

Senator MORSE. Please go head and read it.

Mr. BROOKS (reading):

Veneer logs, saw logs, pulp logs, cordwood and other primary forest products shall not be transported for manufacture outside of the Territory of Alaska without the consent of the Regional Forester, but such consent will not be withheld for the export of such products having special value so long as in the opinion of the Regional Forester competitive markets for such special products do not exist within Alaska.

Representative DELLENBACK. Would it be your interpretation of that last phrase or the last sentence that if there were to be a price offered by any foreign bidder that was far in excess of what the local market would bear, that this would not be considered comparable markets and so therefore it would be possible to get that permission?

Mr. BROOKS. I can only answer that by saying that I have posed this question to the regional forester and they said that price was not the object. That the mere fact that we could get more money for the logs someplace else would not be a reason for him to issue a permit for us to export.

Representative DELLENBACK. So that you have the assurance of the regional forester that you dealt with, that they really do mean to enforce their provisions in Alaska against the export of the round log?

Mr. BROOKS. That is correct.

Representative DELLENBACK. Then just going a little bit further, let me ask this and again I do not know of which of you gentlemen. Except for these shipments of cedar, to which there has been reference now, has there been any round logs shipped from Alaska in the last 5 or 10 years into foreign export?

Mr. BROOKS. There have been very minor shipments of private timber.

Representative DELLENBACK. Do you have any idea of what amount approximately?

Mr. BROOKS. My colleague reminds me that shipment is permitted from lands that are under control of the Bureau of Indian Affairs. I would say the total volume would be under 12 million feet in the last 15 years.

Representative DELLENBACK. Twelve million board feet. That is from private ownership?

Mr. BROOKS. Private and Indian lands.

Representative DELLENBACK. There have been statements of a variety of strength that appear either in some of your formal presentations or else made by one or another of the gentlemen already this morning that the export of round logs from Alaska would wipe out existing Alaskan timber industry or would do serious injury to the industry. Would you pin down for me exactly what you mean by saying it would wipe it out?

Let me give you just a question that is in my mind in this regard. Part of the difficulty that we face in Oregon you see, one of the factors that has contributed to the loss of mill capacity and the loss of employment is the fact that because it is possible to export logs, some of our mills are unable to go into the market and get the logs, and this has thus an effect, we feel, in my district. It has caused wiping out of jobs because the export market has taken away the availability of the product.

Now, most of the operations in Alaska as I understand them are under long term commitment to the Forest Service, so that you do not face this same possible loss of supply. Now, if I am correct in that, and set me straight if I am incorrect on this, how do you say that the export of round logs would wipe out the industry?

Mr. BROOKS. It has two facets. No. 1, we must assume that the same thing will happen in Alaska as has happened in Washington and Oregon, wherein the exporter will bid more for the stumpage than the local mills can afford.

Representative DELLENBACK. At that point am I then in error that you have long term contracts so you do not need to worry about your supply?

Mr. BROOKS. That is the second facet. We have long term contracts, but these long term contracts provide for only part of our necessary timber supply. We must secure the rest from our own purchases or from people that buy other Forest Service sales. That is timber from outside of the long term contract area. So in our case with our present requirements for our mill, we can only supply about 62 percent from the area which we have under the long term contract. Therefore, we must look to the remainder of the national forests and other logging operators to purchase the balance of our supply. And if log exports were permitted it seems quite certain that supply would dry up for us. I am talking about the pulp mills now. I think the sawmills would go out even faster. All of the sales that are presently made have the primary manufacture requirement. As soon as those sales are finished, the sawmills would be out of business, because of competition, with exporters of logs. We would lose the 38 percent of our supply that must come from outside on long term contract area. Exporters would force us to cut our own contract timber faster which I pointed out is under running the contract volume. Undoubtedly the inflated export prices and resulting costs would seriously affect our ability to make a pulp mill profit.

Representative DELLENBACK. So far then, as this approximately two-thirds of your raw material supply that comes from these fixed long term contracts is concerned, is it limited by the terms of the contract to this approximately two-thirds that you may take from these fixed supplies and you are forced to go out in the open market for the remaining third. Or is it that, as a practical matter, on a sustained yield basis, or amortized basis, as determined in the contract you can take only about that amount?

Mr. BROOKS. We could not take the entire supply from our contract area. It is not contemplated in the contract that we would. We are required to take a certain amount annually. We are required to take a certain amount from our contract area to live within the terms of the contract. But it is presumed that we would get the balance of our supply from outside that area.

Representative DELLENBACK. Is the requirement set forth in the contract that you must take a minimum from your contract area or that you are permitted to take only a certain maximum from the contract area?

Mr. BROOKS. The contract states that we must take a minimum and a maximum.

Representative DELLENBACK. You could not then under the terms of the contract go into your long term contract supply areas and take 100 percent of your supply?

Mr. BROOKS. That is correct.

Representative DELLENBACK. Is there anything in the contract that would preclude you, were the other available sources blocked to you, from going into your 8½ billion board feet supply or whatever the amount may happen to be in the long term contract, and keep your operation running 100 percent with the fixed supply that you knew that you would have?

Mr. BROOKS. We could have operated 100 percent on the long term contract area if it had not seriously under run the contract volume and if the original plant had not proven to be less than the minimum economic size.

Representative DELLENBACK. If that then is the case, may I then return to my basic question. How can you say that permitting the export of round logs from Japan would wipe out your industry?

Mr. BROOKS. I mentioned the fact in starting that there were two facets to this question. First is the sawmills' position. Second is the pulp mills position, which is different. It would not wipe us, the pulp mills, out immediately because we have the long term contract which the sawmills do not have. But it is our opinion that it would increase our costs of wood supply to the point that we could not compete in available pulp markets.

Representative DELLENBACK. You are not required by contract to go out into the market for any portion of your raw material. From a strictly legal standpoint, you could stay with your fixed supply, which is a contract price, which is by present standards, at least down in the Pacific Northwest, a very favorable contract price. But I understand that, subsequent to your entering this long-term contract, you have increased the capacity of your plant. Well, you could have met your full initial production requirements into the timber from this long-term contract, you are unable to do so with your expanded capacity. So you are now in a position where the maximum cut permitted you under your long-term contract is not enough to operate your plant on an economically sound basis, thus forcing you into the open market to purchase the additional logs you need.

Mr. BROOKS. The stumpage prices are very favorable by Northwest standards and there would be an additional cost increase brought upon us by log export. I am sure the people down there experience the fact that their operations alone are costing them more, because of the ability of log exporters to pay more money than domestic mills have been able to pay. We would be in competition, in other words, for men and supplies and things of that nature with people who had the ability to pay more than we could. That is our opinion.

Representative DELLENBACK. Can you tell me how many of the major operations in Alaska have these long-term contracts?

Mr. BROOKS. There are presently in Alaska three long-term contracts, one with Ketchikan Pulp Co., one with Alaska Pulp Co. in Sitka, and the third is the contract that Mr. Davidson was interested in, with Pacific Northern Timber Co.

Representative DELLENBACK. Since I assume these are matters of public record—I don't mean to be inquiring into your personal busi-

ness affairs—in approximately what amount board footagewise are these contracts?

Mr. BROOKS. Our was for $8\frac{1}{4}$ billion feet. I believe the Alaska Lumber & Pulp was $5\frac{1}{4}$ billion feet, and the present contract that Mr. Davidson holds is for approximately 1 billion feet.

Representative DELLENBACK. Are there other major operations in Alaska which do not have this type of long-term contract?

Mr. BROOKS. None of the sawmill industry has long-term contracts, with the exception of Mr. Davidson's mill at Wrangell.

Representative DELLENBACK. So that as far as the mill operation is concerned, and I believe there was testimony yesterday that there were six sawmills in the State of Alaska, none of these has a long-term contract. They all have Federal contracts that are of short or limited term, is that correct?

Mr. BROOKS. They all have short-term sales except Mr. Davidson's.

Representative DELLENBACK. He indicated to us yesterday in his testimony, I believe, that he no longer has an interest in this mill, so that he kept referring to his mill and then he would catch himself and say "the one in which I was formerly interested."

Mr. BROOKS. I think that is correct.

Representative DELLENBACK. You are talking about the same mill?

Mr. BROOKS. Yes.

Representative DELLENBACK. So you are worried not only about the immediate present but you are worried about the future when you talk about the export of round logs. You are worrying about the door having once been opened to the export of logs, it would cause immediate difficulty for some operations now, particularly the sawmill operations, for example, and even for those pulpmills which have the long-term major contracts to which you allude there would be long-term difficulty.

Mr. BROOKS. That is correct. The potential loss of our chip supply comes from the sawmill residues we see as a very serious threat. That is a reason why I am here representing Ketchikan Pulp Co.

Representative DELLENBACK. And you see the same problem existing at the present time in the States of Washington and Oregon, is that not correct?

Mr. BROOKS. That is right.

Representative DELLENBACK. And it would be your feeling that rather than to open the doors in Alaska, what we should do would be to take some steps in the States of Oregon and Washington to set up a situation that is comparable to that which now exists in the State of Alaska.

Mr. BROOKS. I, like Mr. Kramer, hesitate to advise the States of Washington and Oregon, but I certainly would think that they should adopt some protection.

Representative DELLENBACK. But you see, you aren't advising the States of Oregon and Washington. You are advising the Federal Government, which is in effect responsible for the policy in Alaska now. What you are saying to us as I read your testimony is that the Federal Government should take the necessary steps to institute in the States of Oregon and Washington procedures and policies that are somewhat similar to those that you find existing in the State of Alaska now, which you feel are imperative in the State of Alaska if you are to continue the operation of this industry in Alaska.

Am I correct in this regard?

Mr. BROOKS. You are correct.

Representative DELLENBACK. Is there any member of the panel who would disagree with that analysis of the situation?

By your silence I assume that you all agree with what I have just said.

Thank you, Mr. Chairman.

Senator MORSE. Thank you, Congressman Dellenback, for very helpful information.

Mr. KRAMER, as president of the Alaska Chamber of Commerce, are you seeking to expand both the establishment of new industries and new population in the State of Alaska?

Mr. KRAMER. Yes, we are.

Senator MORSE. Is it true that what Alaska needs in order to become more viable economically is new industry which will result in new jobs, and consequently in new population?

Mr. KRAMER. That is true, sir. We have a wealth of resources, and development of these resources will bring in industry and people, and certainly that is what we need.

Senator MORSE. Do you look upon your vast timber resources as one of the greatest potential supplies for new industry?

Mr. KRAMER. Yes, sir. I think it is at least the most evident. Of course, we have had tremendous growth in the petroleum industry, but the forest is there and you can see it. It is a matter of transportation to get to it and develop it.

Senator MORSE. At the present time it would appear that your mills devote much of their processing to primary processing of lumber. Is it your hope that in due course of time, not too far in the future, that they may be processing beyond primary processing, leading to what we call finished lumber, and products ready to move to construction sites?

Mr. KRAMER. That is true. I think we are very close to the time when we will go into more advanced processing, probably at least green sheet and plywood and some of the things that—actually up in the interior we have stands of furniture quality birch. There might not be too much of it in the total volume, but it is there, and certainly some day will be used to the full extent of its value.

Senator MORSE. If the timber policies of Alaska should be modified so as to remove all restrictions on the exportation of round logs, would that in your opinion discourage new potential industries from coming into Alaska to establish lumber manufacturing plants?

Mr. KRAMER. Well, sir, there is one thing we haven't touched on in that respect. I have heard your name in connection with Oregon and the forestry for many years, and I am sure you are familiar with this problem.

If you were to go into an export situation, naturally you would go into the best areas, and many places in Alaska, if you were to remove part of the stand, in other words, the better part of the stand, the rest of it would be so marginal that it would probably be years before you can ever afford to go back in there. It would take the total stand to make the thing work out for a manufacturing feasibility, and if you pull out part of it, like, say, let us export 10 percent to get started,

you export the best 10 percent, the other 90 won't support a plant. That is why it is very important.

Senator MORSE. This record has shown thus far that in the States of Oregon and Washington the availability of logs for export from Federal timber forests in our State has resulted in increases in prices to the point where it ceases to be economic for many mills to buy the logs at those prices and process them into finished lumber. Therefore there has been a growing tendency on the part of log purchasers in the States of Washington and Oregon to sell their logs to Japan at the very high prices that Japan to date has been willing to bid for those logs, with the result that the production of lumber is decreasing as the purchasers of logs find it more profitable to sell logs and not process them into finished lumber.

Do you think that if the elimination of restrictions on the export of round logs from Alaska to Japan should come about, that the same economic pattern would be likely to develop in Alaska? And would this discourage the building of new mills in Alaska? It would seem that the type of business that you would attract under those circumstances would be to cut off the logs in export, which would mean that that would create some jobs, and some economic income for your State, though it would be only a fraction of the economic income you would receive from the establishment of lumber mills themselves for processing. Would you agree?

Mr. KRAMER. That is true, and it would not only be the Japanese that we would be fearful of, but for many years we have had efforts by our friends down the coast to use Alaska as their private hunting preserve when the market was good.

Senator MORSE. Would it be reasonably accurate for me to say that your contention is based upon a desire to see to it that Alaska does not become a raw material colony for purchasers in Japan, or who knows, some other area of the world that may decide that they would like to buy your round logs and take it to their country for processing purposes? Is it your fear that there is that danger, and is it your desire to preserve for the use of your own State and the people of your own State your raw materials to meet their domestic needs, and also to process into merchantable lumber at a larger return to your State for export trade as processed products rather than as a raw material?

Mr. KRAMER. That is true, sir, and I would like to add that last Sunday in the State chamber office I met with a Mr. Chang, from South Korea, who was in Alaska, and he said he had \$20 million and he would like to buy a few round logs and it wasn't easy to point out to him that we had no round logs to sell, we would like him to come up and see if he wanted to build a sawmill or something. That before we discussed anything about shipping out more jobs, we were looking for a means of bringing more work for Alaska citizens.

Senator MORSE. Alaska, Japan, and South Korea are not the only areas in the world in which there is a short supply or no adequate supply of many types of raw materials, but we are limiting ourselves this morning to logs. Other underdeveloped areas of the world should develop a greater economic viability, and it is very important that we help them do so. It happens that in the opinion of this chairman that is one of the greatest needs for the development of peace in the world. We never will have peace with millions and millions of people ragged,

diseased, ignorant, illiterate, and underfed. Those conditions will always produce war, because they have nothing to lose through revolution, violence, and warlike activities. This seems to be the history of mankind.

But, as we help raise their standard of living, their demands for economic goods will increase. So what we are talking about here is a future problem of working out trade relationships that will help these countries meet their needs.

What you are saying to me, if I understand your theory as to what Alaska's position should be in regard to the development of her own natural resources in the form of her present raw materials is that we will work out those trade programs, but we do not propose to make our State a raw material colony to be exploited by other countries in short supply of round logs.

A sound basis for our trade relationships might be that we will process these logs into finished products and enter into trade exchanges with these nations on a reciprocal basis, but we will not deplete our forests by exporting our forests, and thereby exporting jobs to Japan or South Korea. Let me take you into some neighboring countries. You would be surprised on the extent of the need for lumber, if they had the purchasing power to buy it, in many areas of Latin America. Softwood timber is one of the great needs in the impoverished areas in Latin America and in Central America. And then just think of the other areas of the world, in which you are dealing with deforested countries that will need lumber products in order to raise the standard of living of the people, to provide decent housing and all the other lumber products.

But the existence of that problem, if I understand the theory of your case, does not justify our depleting our raw material nor denying to the American people the protection that all our forest laws on the books quite clearly give them.

Do you disagree with the chairman?

Mr. KRAMER. No, I don't, sir, and along that line I would like to say this. This is another philosophy, but it ties very closely into this.

I agree 100 percent with the chairman that the forests of the United States, the intent of the Forest Service policy, was to make available for the people of our United States and forest industry a supply of timber. Well, that gets back to another thing.

Part of that I think is it puts upon them the burden of seeing that the industry can buy this timber at a price it can pay, and stay in business.

In other words, I don't think the Forest Service is charged with trying to wring the highest nickel out of the stumpage possible at the sacrifice of its own industry. I think that the timber would return more to the public of the United States, if sold at a reasonable stumpage that would provide a healthy timber and manufacturing economy, and put the people to work, and added to the general welfare of our country first. Then the products of this industry would go out and help the underprivileged people through our aid programs and in many other manners.

Senator MORSE. Thank you very much, Mr. Kramer.

Our next witness will be Mr. Frank H. Murkowski, commissioner of economic development of the State of Alaska.

STATEMENT OF HON. FRANK H. MURKOWSKI, COMMISSIONER, DEPARTMENT OF ECONOMIC DEVELOPMENT, STATE OF ALASKA, JUNEAU, ALASKA

Mr. MURKOWSKI. Mr. Chairman and members of the committee, my name is Frank H. Murkowski. I am the commissioner of economic development for the State of Alaska. I am pleased to advise the committee that I was raised in Alaska and went to school there.

This statement presented before the committee is submitted as an official policy statement by the State of Alaska with the authority of the Honorable Walter J. Hickel, Governor of Alaska.

The State of Alaska appreciates the opportunity to be heard at this very important subcommittee hearing on the impact of increasing log exports on the economy of the Pacific Northwest.

Quite naturally Alaska includes herself as one of the Pacific Northwest States. The economic development of Alaska has historically been closely tied with the development of the other Pacific Northwest States.

Alaska shares with the Pacific Northwest States a dynamic timber industry.

In value of product Alaskan timber industry is second only to Alaska's fishing industry. In 1954, 110 million board feet were cut. In 1961, 354 million, in 1965, 425 million, and in 1967 the annual cut went to approximately 560 million board feet. The dollar values for these years were 15 million in 1954, 48 million in 1961, 63 million in 1965, and in 1967, 80 million respectively.

The timber industry has invested over \$200 million to date in Alaska. This capital is both from domestic and Japanese sources. Employment and payrolls have increased from 2,400 men with a payroll of \$19.8 million in 1962 to 3,146 employees with payrolls exceeding \$38 million in 1967.

I think you will agree, gentlemen, that the figures I have just given you and those presented by our industry people are indicative of the rapid development of Alaska's timber industry in a relatively short period of time.

I would like to take this opportunity to brief you on Japan's role in Alaska's economy. In less than 10 years, Japan has invested nearly \$150 million in our State. This includes to date some \$92 million in a pulpmill at Sitka and a sawmill at Wrangell. In addition the Japanese have invested in Collier Carbon & Chemical Co.'s new \$50 million urea and ammonia plant now under construction near Kenai, Alaska. This firm is a subsidiary of Union Oil Co. of California. The plant will be one of the world's largest and will utilize Alaska's vast natural gas resource.

At the present time nearly every major oil company in the world both domestic and foreign is active in searching for and developing Alaska's oil and gas. Alaska today ranks 15th among our States in daily production of oil. By the end of this year we will probably be in 11th place and indications are that by 1970 we will be ranked fifth. The oil industry has invested over \$600 million to date in Alaska. The Japanese alone are planning to spend some \$40 million on an exploration program.

This information concerning the development of Alaska's resources is relevant at this hearing today because it involves a basic philosophy strictly adhered to by our State requiring primary manufacture of our resources. Without such a policy Alaska could quickly be stripped of her vast resources and be left a naked country.

Alaska is a vast land of some 586,000 square miles, about one-fifth the size of the rest of the United States. On an overlay map of the Continental United States our land mass would reach from the Atlantic to the Pacific and from Canada to Mexico. Our coastline alone is in excess of 32,000 miles.

Yet in this, the largest of all our United States, Alaska's population is only 278,000 up from 99,000 in 1946, 212,000 in 1953 and 228,000 in 1957.

Since Alaska does not have a sufficient population to market her resources within the State, Alaska must look to other areas. In addition, Alaska does not have the capital wealth within the State to develop these resources. This capital must come from outside the State, from our neighboring States and friendly foreign allies.

It is only by the orderly development of her resources that Alaska can build an economic base sufficient to support and develop her population.

Alaska welcomes all comers to develop her resources but on our terms.

Alaska, with her abundance of resources, is situated strategically on the Pacific rim adjacent to the vast markets of the Far East and Japan. These countries with their vast populations are developing rapidly and as their standard of living increases, they will require more and more consumer goods. Alaska is in a position to supply many of the resources that will be needed. But Alaska will not allow the exploitation of her resources without first, primary manufacturing taking place in Alaska. It is only by the expenditure of these funds to construct the necessary plants which primary manufacture requires that will enable Alaska to build a sound economic base to speed her development.

Japan has developed as Alaska's best customer. Japan has been willing to invest in Alaska on our terms. Contracts have been made to supply Japan with liquefied natural gas. A \$100 million liquefied gas plant is now under construction owned by Phillips and Marathon Oil Co.

In all cases the Japanese investment in Alaska has adhered to our primary manufacturing policy. The Japanese investment in Alaska makes full utilization of the Alaska labor force and I believe all of the American labor unions are represented in Alaska. Such investment means jobs for Alaska loggers, pulpmill workers, sawmill employees, longshoremen, construction workers, oil and gas employees and every segment of Alaska's labor force. Alaska is aware that the export of round logs is the export of jobs, which has been so forcibly illustrated during this hearing.

We believe Alaska's policy requiring primary manufacturing is a sound and proven approach to the development of our State.

The industry people have provided you with information on the present utilization of the Tongass National Forest.

I would like to tell you what we are doing to utilize the Chugach National Forest and our State and BLM timber.

Last March our Governor appointed a timber task force to promote the development of the timbered areas which are located in western and interior Alaska.

When the task force was formed our Governor did not import outside experts. He called on the men who know Alaska's timber problems best, the men directly involved in our timber industry. Nineteen Alaskans volunteered their services to the State. These men each traveled over 3,000 miles at their own expense examining and evaluating the timber potential of western and interior Alaska.

As a result of this effort, just 56 days after the task force was formed, three major timber developments were announced. The Afognak Timber Co. is capitalized at \$5 million and will be bidding on timber from the Chugach National Forest on Afognak Island near Kodiak.

This development will result in a town of some 300 people with a dock, school, churches, and stores on an island where before not more than a half dozen native fishermen lived. This development will employ about 100 people in the mill and in the woods.

Westward Timber Products was also capitalized at \$5 million. This firm plans to construct a sawmill at Seward, Alaska. They have requested the State to put up a timber sale of 1.2 billion feet in the Fairbanks area in interior Alaska.

A smaller operation was announced near Bethel on the Kuskokwim River. Although small, it is most significant in that it establishes the first year-round payroll in this remote area of the State.

The job done by the Timber Task Force was outstanding but their job is by no means finished. Most of them are in the audience today.

I would like to read for the record three press releases from our Governor, Walter J. Hickel, dated January 8, 1968, January 9, 1968, and January 13, 1968. In addition, I would like to read into the record an excerpt from Governor Hickel's address entitled, "Country on the Move," which was presented before the Portland Chamber of Commerce and the Portland Women's Forum in Portland, Oreg., last Monday, January 15, 1968. I quote from the January 8 press release:

Governor Walter J. Hickel emerged from an emergency session today with executive 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 on 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 on 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 January 16 when Oregon Senator Wayne Morse, chairman of the Senate Small Business Subcommittee, 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."

URGENT NEWS RELEASE

Juneau—Governor Walter J. Hickel and executives of Alaska's timber industry huddled again late today for further talks over means of coping with a Treasury Department proposal calling for the opening of round log exports from Alaska to Japan.

Hickel has called any such move potentially disastrous to Alaska's timber industry.

Following the session today, Hickel announced that the group will put together a team of top industry and state officials to appear in Washington to testify against the round log export plan.

Oregon Senator Wayne Morse, Chairman of the Senate Subcommittee on Small Business, has scheduled hearings on the proposal beginning January 16, in Washington. At that time, Hickel said, the state and industry will present testimony showing the "severe effects of such a change in the log export policy on Alaska's economy."

Hickel also disclosed that within the next two days he will ask several prominent Alaskans engaged in the export of lumber to Japan to leave immediately for Tokyo to discuss substantial increases in the export lumber market for timber which has gone through primary processing—as opposed to round (unprocessed logs)—and to determine Japanese reaction to the Treasury Department proposal.

Industry leaders told the Governor Monday opening of round log exports from Alaska to Japan would result in the closure of every saw mill in Alaska within six months.

These mills currently are active in the preparation of "cants"—processed timber.

The Governor today said he will endeavor to go to Tokyo personally to present the state's case against "throwing the door open to round log exports from Alaska," if the matter "appears to remain at the crisis level."

JUNEAU.—Two logging operators from the Haines area told Governor Walter J. Hickel today that they favor easing restrictions on the export of round logs from Alaska.

The two, Wallace Westfall and Ed Hosford, met with the Governor to ask administration support for a proposal that round log exports be permitted from forests in the Yakutat area, where the two have a logging operation.

Hickel and executives of the southeastern Alaska timber industry who are members of the Governor's Timber Task Force have been meeting in Juneau the past week to discuss steps which could be utilized to head off any such round log export.

The Treasury Department has proposed that round log exports to Japan from Alaska be permitted as a move to ease the U.S. balance of payments, and apparently to ease market demand for logs from Oregon and Washington.

However, Hickel and the Timber Task Force have taken a strong stand opposing such a move, contending instead that the best way to ease balance of payments demands, improve the Alaskan logging economy, and meet Japanese market requirements, is to increase facilities and supply of cants—logs which have undergone primary processing.

Westfall and Hosford told the Governor they believe round log exports from Yakutat area would not harm cant processing, because there are presently no sawmills in that area of the state.

But Hickel contended that "opening the door to round log export from Yakutat would certainly be a factor in discouraging any future development of sawmills in that part of Alaska—sawmills which can provide long-term employment for Alaskans, and provide economic advantages outweighing any immediate profit from round log exportation."

The Timber Task Force has also told Hickel round log export could easily result in every sawmill in Alaska closing down within six months.

Oregon Senator Wayne Morse, chairman of the Senate Subcommittee on Small Business, has scheduled hearings on the Treasury Department proposal beginning January 16 in Washington.

The Timber industry and the state both will send representatives to the hearing to testify against the proposal.

I quote from Governor Hickel's Portland address of last Monday:

The further development of Alaska's timber industry will be wasted effort if the Treasury Department's recent recommendation to improve the balance of payments between our country and Japan at Alaska's expense is implemented.

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. Years of hard work have gone into the development of this vital segment of our economy.

And we cannot stand idly by 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 promoted a timber market in Japan—and induced huge plant investments by American and Japanese capital in Alaska. We manufacture to Japanese specifications and export substantial quantities of cants—made in Alaskan mills by Alaskan workers.

In the past seven years our lumber exports to Japan have increased tenfold.

We have found it good business to require primary manufacture in Alaska—I am sure your timber people would, too.

In fact, we suggest that your timber industry follow our program and further develop the export of lumber to Japan.

This will assist our government's effort to maintain a more favorable balance of payments policy.

At the same time you will revitalize your sawmill production and stimulate employment in your state.

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—

The Portland Chamber of Commerce knows the value of international trade, especially with Japan. You helped to build that trade, as well as the strong ties that we now have between Oregon and Alaska.

We call on you now to assist us in fighting any federal plan to permit the export of unprocessed logs from Alaska.

We also urge you to work for the prohibition of round log exports from your state. I guarantee you will find it economically rewarding.

The State of Alaska wishes to go on record as supporting the stand taken by the 16 Alaska representatives in attendance and those testifying at this hearing. Alaska will violently oppose any effort to alter or change the long-standing and historic policy of the U.S. Forest Service prohibiting export of round log spruce and hemlock from either National Forest or Bureau of Land Management lands in Alaska.

That is the end of my statement, and in closing I want to thank you on behalf of the Governor and the State for this opportunity to be heard, and the courtesy accorded the Alaska delegation.

Senator MORSE. Mr. Murkowski, in behalf of the committee, I thank you for your statement and I want you to express to the Governor our appreciation for the statements that he has made which you have read into the record.

I want the attention of my colleagues for just a moment. I shall see to it that each one of you has ample opportunity to ask whatever questions you want of Mr. Murkowski. I would only point out that the material that is contained in his statement is cumulative and that it backs up very ably the testimony already given by these Alaskan witnesses.

We have two more Alaskan witnesses to hear from. I feel that we must finish with these Alaskan witnesses before we recess this noon. In fact, I would like to finish with them and get on with hearing at least one more witness. Nevertheless, I don't want my colleagues to infer from what I say that you should in any way restrict your questions. It is important that you help make the record and it is important to develop the points raised by Mr. Murkowski. I want to proceed to that now.

I start with Congressman Pollock.

Representative POLLOCK. Thank you, Mr. Chairman. I have no questions. I want to compliment Commissioner Murkowski on an excellent statement as I have all the statements of the group from Alaska. I am sure if there are questions they would be asked by the gentleman from Oregon.

Senator MORSE. Thank you very much.

Representative DELLENBACK. Mr. Chairman.

Senator MORSE. Go right ahead, Congressman Dellenback.

Representative DELLENBACK. May I ask just one brief question.

In connection with the board footage of cut in 1967, your testimony indicates that the annual cut was about 560 million board feet.

Mr. MURKOWSKI. That is correct.

Representative DELLENBACK. How much of that went to Alaska?

Mr. MURKOWSKI. Was utilized in Alaska?

Representative DELLENBACK. Yes.

Mr. MURKOWSKI. I would have to defer the question. I would guess not more than 10 percent. Perhaps Mr. Brooks or Mr. Daly could answer that more accurately than I, as far as what portion of that was consumed in Alaska, but I am just guessing approximately 10 percent.

Representative DELLENBACK. About 10 percent in Alaska, and was the full balance actually consumed in Japan for export purposes?

Mr. MURKOWSKI. Not necessarily. When you say consumed in Alaska, I am assuming that you mean by the population of Alaska. Now, there

is also a tremendous portion of that that is consumed in Alaska by the pulpmills, made into pulp. I do not have available a breakdown of that portion of timber that was consumed by the pulpmills in Alaska against that portion of the timber that went out of Alaska in the form of cants. What I am saying is approximately 10 percent of that figure was utilized in Alaska for lumber for purposes within our State.

Representative DELLENBACK. I know from the Treasury Department's proposal that they had indicated a continuation of the shipment of cants to Japan. They indicated this was approximately 400 million feet. I know nothing about the accuracy of their figure. Do you know, can anyone of the witnesses tell us how much of the 560 million board feet ultimately ended up in Japan?

Mr. MURKOWSKI. Mr. Brooks, perhaps you could.

Mr. BROOKS. I can't tell you that exactly, but I can say that approximately over 200 million—let's see, 85 percent of the pulp produced in our mill goes to the United States for manufacture, and it would be 85 percent of about 210 million that would go, and the balance then would go to Japan less the amount that is used in Alaska.

Representative DELLENBACK. So about 10 percent is used in Alaska, about 200 million into pulp production, of which 85 percent went to the continental United States, the balance went to Japan. Is this approximately an accurate figure? We can work out the mathematics if the formula is correct.

Mr. BROOKS. I would think it is an approximate figure. Does anybody else have a better figure?

Representative DELLENBACK. Thank you very much.

Representative POLLOCK. If the gentleman would yield, I think we should distinguish now. You were talking about the plant in Ketchikan?

Mr. BROOKS. Yes.

Representative POLLOCK. The pulp plant as distinguished from the pulp plant in Sitka.

Representative DELLENBACK. I assume you were generalizing on this because the total figure given in page 2 of the testimony was that the annual cut in 1967 was approximately 560 million board feet. All I am trying to find out is how much of that ultimately ended up in Japan and this is the formula roughly that you have given.

Mr. BROOKS. Yes.

Representative DELLENBACK. Thank you, Mr. Chairman. I have no further questions.

Senator MORSE. Thank you very much. Those are very helpful questions.

Senator Hatfield.

Senator HATFIELD. Thank you, Mr. Chairman.

Mr. Murkowski, do you have a deputy or assistant in your department?

Mr. MURKOWSKI. That is correct.

Senator HATFIELD. What is his name?

Mr. MURKOWSKI. Mr. Everett Bunes. He is the deputy commissioner in the department of economic development.

Senator HATFIELD. Do you have other ranking assistants, too, who are here with you today?

Mr. MURKOWSKI. That is correct. I have Mr. Larry Dinneen, who is the director of our industrial development division. We are very, very pleased to have him.

Senator HATFIELD. I just wanted to get in the record the furtherance of the relationship that we have between Oregon and Washington is that one of the key members of your staff comes from Oregon to Alaska.

Mr. MURKOWSKI. That is true. We are very pleased to have him.

Senator MORSE. May I assure you, Senator Hatfield, that I am not in favor of exporting that raw material out of Oregon.

Representative POLLOCK. Mr. Chairman, he was probably well processed before he left.

Senator HATFIELD. I want you to know that we didn't lose him under my administration, Senator. May I refer to the January 8 news release that you read into the record of Governor Hickel on the last page, page 6-C. Governor Hickel said:

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

Reading that, and then a news clipping that I have dated January 16 from the Portland Oregonian which reports the speech of the distinguished Governor from Alaska, the lead paragraph says:

Governor Walter J. Hickel of Alaska said Monday Oregon and Washington could reopen many boarded up lumber mills and expand others by exporting to Japan square-cut logs instead of round logs taken off Federal lands.

The question I have is do I infer from this that there is some authority within the States of Washington and Oregon to establish a primary manufacturing policy as it relates to logs taken off Federal lands?

Mr. MURKOWSKI. As far as an actual authority, I am not aware of any. I would say this, that there has been considerable interest generated as a result of the development of the cant mills in Alaska, and I know of one concern, information I received, a machinery outfit in, I believe, the Washington area, Seattle, Wash., interested in looking at our plants to make the determination just what equipment we have and the high volume basis on which we are able to turn those cants out.

Senator HATFIELD. That is the technological aspect.

Mr. MURKOWSKI. That is correct. This is a generation of interest.

Senator HATFIELD. How long has this primary manufacturing policy been in effect in the State of Alaska?

Mr. MURKOWSKI. It is historical. It goes back to the territorial days. It has always been. I know of no exception.

Senator HATFIELD. And it was established by what means, what political means?

Mr. MURKOWSKI. It is a policy that we have followed. It is not a law. I don't believe it is a Forest Service law.

Senator HATFIELD. Who set the policy?

Mr. MURKOWSKI. I think it has just been generally agreed upon policy. I know of no one who has actually established it. It has just been that rather than take the resources out of Alaska and rape the country, if we can provide primary manufacture, we will be able to establish an economic base from which to build. I know of no actual

date or person that established this philosophy as it exists in Alaska today.

Senator HATFIELD. Is it on both public and private lands?

Mr. MURKOWSKI. It is a State policy to encourage primary manufacture. Now, the State naturally has no control over Federal lands, but as far as the Forest Service is concerned, we understand that it has been a Forest Service policy.

Senator HATFIELD. Then how did it get onto the public lands? How did this policy get onto the public lands if the State doesn't have the authority to establish it on federally owned public lands? How did this policy then get established as it relates to Federal public lands?

Mr. MURKOWSKI. I believe that there was an organic act, I am advised the Secretary of Agriculture Jardine, by an order of 1920 and then there was an organic act of the Federal Forest Service Act in the late 1890's.

Senator HATFIELD. So actually for clarification, because as you appreciate, these are very complex matters.

Mr. MURKOWSKI. Right.

Senator HATFIELD. Relating to governing policies on public lands, private lands and that goes with it, I just want to make very clear for the record that in case someone should misinterpret the Governor's statements, that actually the State of Oregon and the State of Washington do not have the authority to establish primary manufacturing policies on Federal land.

Mr. MURKOWSKI. I understand, sir.

Senator HATFIELD. Does it?

Mr. MURKOWSKI. No, nor do we.

Senator HATFIELD. So consequently it is not a question of whether Washington and Oregon would adopt this policy. We have in Oregon, for instance, prohibited by State action export of logs from State-owned lands, but we have no authority to take action of this type or any other kind of modifying action on federally owned property, do we?

Mr. MURKOWSKI. That is correct.

Senator MORSE. Will the Senator yield?

Senator HATFIELD. Yes.

Senator MORSE. I think it is very helpful you have clarified the record, because the Governor of Alaska certainly isn't intending, I am sure Mr. Murkowski would say, to leave the impression that our State had the authority to require primary processing of Federal logs. The State of Alaska doesn't have that authority either. If in Alaska the Forest Service and Bureau of Land Management lifted their restrictions on the exportation of round logs, there wouldn't be anything that the State of Alaska could do to stop it.

Does the Senator agree with me?

Senator HATFIELD. I agree.

Senator MORSE. Do you think Alaska could?

Mr. MURKOWSKI. Absolutely not, Senator.

Senator HATFIELD. And I want to make it clear for the record, I think many times that these summary reports of comprehensive speeches such as Governor Hickel gave does not give due credit to the fine points, and that is why I do feel that in clearing this up, that it will be helpful not only for the record here but for those in Oregon,

because I would also quote from the Oregon Journal dated Tuesday, January 16, in which there is this quote following Governor Hickel's speech, from the Governor of Oregon, Governor Tom McCall who predicted that:

The Alaska Governor's proposed solution to the log export problem "will prove astonishing in its efficiency."

Now, I think these little summary comments and reports tend to give the wrong impression, because there is no authority in the State of Oregon. There is no authority in the State of Washington. There is no authority in the State of Alaska, as Senator Morse pointed out, to establish any kind of modification of policy on federally owned land. That is the Federal Government, is that not true?

Mr. MURKOWSKI. That is correct.

Senator HATFIELD. And that is one of the reasons we are having the meeting here is to discuss all of these other possibilities.

Now, on page 6-G of the Governor's excerpts that you have quoted from, of the Portland address, that is the first page.

Mr. MURKOWSKI. Right.

Senator HATFIELD. In the second paragraph it says, in quoting of the Governor:

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.

Now, may I assume that we can divide that sentence so that the Governor of Alaska could not be interpreted as opposing any restrictions of log exports from Oregon and Washington?

Mr. MURKOWSKI. That is basic.

Senator HATFIELD. If it is not related to a change in the Alaskan policy. In other words, he would not oppose some change in the policies relating to export of logs just from Oregon and Washington, completely unrelated to any change in policy in Alaska, would he?

Mr. MURKOWSKI. That is right. As long as they were not looking for relief from Alaska.

Senator HATFIELD. Then in his comments relating to the proposition of the timber market in Japan, which he made both here and in these news reports, may I ask you this.

Would you feel that your primary manufacturing policies aided a great deal in your ability to promote Japanese markets?

Mr. MURKOWSKI. I would say this, Senator. The particular market which Alaska enjoys is a market that was developed from Alaska products by the particular species that we have cut, the spruce and now we are moving into hemlock. This market did not exist because it was generally an unaccepted item in Japan at the time that these mills first went into the market. So the market is actually an Alaska market that has been developed and nurtured by Alaska, and it has gradually become more and more accepted in Japan to the point now where it enjoys a very favorable market.

Senator HATFIELD. But you did have, don't you believe, or let me put it this way: If Oregon and Washington had a primary manufacturing policy, do you think we would find it perhaps easier to promote more Japanese markets for this primary manufactured material or for the lumber market generally, rather?

Mr. MURKOWSKI. I would think that there would certainly be a market available to Washington and Oregon in the primary manufacturing line. That would be my feeling.

Senator HATFIELD. So there would be an advantage that you would have perhaps in the past in establishing and developing this Japanese market that we don't have because we don't have the primary manufacturing.

Mr. MURKOWSKI. That is correct.

Senator HATFIELD. Then on page 6-H, of the Governor's excerpts, again just for clarification of the record, the quote from the top line:

We have found it good business to require primary manufacture in Alaska.

Again the Governor, I am certain, is speaking with the editorial "we," meaning we as part of the United States rather than we as purely Alaskan action.

Mr. MURKOWSKI. That is correct.

Senator HATFIELD. And then in the second sentence there he says:

In fact we suggest that your timber industry follow our program and further develop the export of lumber to Japan.

I assume here again that the Governor should be interpreted as urging the Federal Government to change the export policies on federally owned lands, that only the Federal Government has power to do, which he feels would help our own lumber industry in Oregon as it relates to Japanese markets and further trade with Japan.

Mr. MURKOWSKI. As long as there is no effect on Alaska, that is correct.

Senator HATFIELD. I appreciate your comments.

Representative POLLOCK. Would the good Senator yield?

Senator HATFIELD. Yes.

Representative POLLOCK. Senator, I think a very significant statement was made by one of the witnesses earlier that actually in the sale of these cants to Japan, they made more money than they would if they processed them further. Perhaps in Oregon and Washington, they would also make more money by the primary process method.

Senator HATFIELD. I appreciate the Congressman's interpretation of this and comment. And again let me emphasize, Mr. Chairman, the line of my questioning was not to challenge the statements of the Governor of Alaska at all, but rather to try to clarify and make certain that misinterpretations do not emanate from some of these summary statements of what I know to have been a very comprehensive speech before the chamber of commerce, one which I am sorry I was not there to hear in person, but I must protect my voting record here. That is why I could not be there.

Senator MORSE. I want to thank the Senator. I think he has performed a service for Mr. Murkowski, the Governor of Alaska and for those of us representing the States of Oregon and Washington, by pointing out that after all the policy prohibiting the exportation of round logs from Federal lands is initiated by the Federal Government.

I thought, Mr. Kramer, you wanted to add something to the comment or to the statement that I made in regard to this issue, and I certainly want to give you an opportunity to do so.

Mr. KRAMER. No.

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

Do you have anything to add, Senator?

Senator GRUENING. I just want to raise this question before our panel returns. The purpose of this hearing as far as the Alaskans are concerned, is to prevent what appeared to be threatened in the staff memorandum of the Treasury Department, and to maintain the existing situation.

I wondered if there was anything in the testimony that I did not hear which indicated that maybe a further improvement on the existing situation had been discussed, whether the policies which the Forest Service pursues couldn't be improved to the advantage of the various segments of the industry. Has that question come up in the discussion?

Mr. MURKOWSKI. Senator, I think Mr. Daly informed the group that a large number of these gentlemen here will be leaving for Japan this afternoon, are scheduled to look into the possibility of the development of further manufacturing of the product over there, the basic market that has been developed over there.

Senator GRUENING. Well, I think that we should always take the position that when things are good, they are fine, but they might be better, and I think that so far it has been very clear that the present policies of the Forest Service are, broadly speaking, satisfactory to the industry. The question is whether there are further modifications which occur to the members which would improve the situation. I think that is one of the things we should certainly consider.

Senator MORSE. Before I close your appearance before the committee, I want to make this comment on the observations Senator Hatfield made at the close of your questioning, as to whether or not the Oregon lumber mills would prefer the primary processing to finished lumber processing. From the standpoint of our mills, the testimony is clear and the representations of the Oregon lumber mill operator is that they would welcome the opportunity to receive orders from Japan for finished lumber. They will cut to any dimension the Japanese seek, if they receive the orders that justify whatever modifications in plant operations would be necessary to cut to those dimensions—2 by 4's, 4 by 4's, flooring, rounds, or plywood in whatever dimensions they want. I think it is clear that our mill operators would welcome an opportunity to produce finished lumber in all dimensions, based upon the view that it would be more profitable than cants.

That doesn't mean they wouldn't welcome the opportunity to produce cants, but from the standpoint of our State economy in the supplying of jobs in our State, the production of completely finished lumber would be more profitable and more desirable from the standpoint of the economy of our State. We have made representations to the State department that in their negotiations with Japan on February 20, as far as our industry is concerned, we would welcome an agreement whereby Japan would agree to buy a larger quantity of completely finished lumber of whatever dimensions the Japanese buyers may need.

That does not mean that we wouldn't sell cants if that would be the limit of their order. But when you look at the economy of our State, it is the full production of finished lumber that gives us the greatest amount of jobs, and the greatest strength to the economy.

As I said earlier in examination of Mr. Kramer, I assume that when you get the population and you get the industrial growth, you too would welcome the operation of lumber mills for the export trade that would produce finished lumber in all dimensions as well as cants. I am not qualified to pass judgment on which would be best for the economy of Alaska, but for the economy of Oregon I have no hesitancy in saying that we would like to run our mills at full capacity in the production of finished lumber.

Representative DELLENBACK. May I add not only just hearty commendation on what you have just said, but just a word more, in view of what my highly esteemed colleague, Congressman Pollock of Alaska said a few minutes ago when he was raising the question of the possibility that there could be more profitability to a mill in producing cants than in producing finished lumber.

We say this is one of the critical elements that has existed in Oregon right at this time. It is not just a case of maximum profitability that is the point, because that is what some of the private owners of timber are finding right now, that they can take the round log, and because of this extreme price that the Japanese producers are willing to pay for the round log, they are actually finding themselves where they can sell that log for a greater profit than they can take that log and put it through a full processing or a partial processing and then sell the finished product.

One of the matters that is of such critical importance to the State of Oregon at the present time is what that is doing to our economy, at a time when national unemployment is rising, at a time when the President in his state of the Union message, and elsewhere, talks in terms of the Government having to be the employer of final recourse and possibly putting on Government payrolls a great number of possible unemployed. We feel it is imperative that where we have an industry that in functioning effectively and supplying through private enterprise as many jobs as this forest-oriented industry is supplying in the State of Oregon and the State of Washington, imperative that we take these steps to preserve those jobs at this time, and this I read as part of what you said, Senator Morse, and what was developed in your statements, and I just wanted to back that up just as enthusiastically and as firmly as I can.

Senator MORSE. I completely agree.

Congressman Pollock.

Representative POLLOCK. I would like to respond and say that we certainly are in no disagreement whatever with any of you gentlemen from Oregon. To us the question is not whether you process a little bit or process to completion. It is whether you process at all. This is the decisive thing.

If we are talking about a minimum standard, then we feel that we are complying with that minimum standard now. If you ship round logs from Oregon, then I am sure you are not employing your people. And if there were a minimum requirement of some primary processing, whatever else was done, then you certainly would put more people to work.

Senator MORSE. May I again say to the Alaskan witnesses, we appreciate the very valuable contribution you have made to this record. I shall excuse you from the witness chairs at this time.

I am going to insert into the record at this point several letters and telegrams sent to me by Alaskans, and also copies sent to me by Alaskans of letters they sent to others. Some of these materials came to my office; others were given to me by Senator Gruening and are, in effect, an addition to the materials that he inserted in the record following his statement yesterday.

(The communications referred to follow:)

[Telegrams]

JUNEAU, ALASKA, February 5, 1968.

Senator MORSE,
Senate Office Building, Washington, D.C.:

The All Alaska Longshore Council has gone on record as being against the export of raw logs out of the State of Alaska.

JOE GUY,
ILWU All Alaska Longshore Council.

KETCHIKAN, ALASKA, January 11, 1968.

Senator WAYNE MORSE,
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 effect the economy of the Ketchikan area. We request your support in opposing this proposal.

ORAL E. FREEMAN, *Mayor.*

WRANGELL CHAMBER OF COMMERCE,
Wrangell, Alaska, January 10, 1968.

Hon. WAYNE MORSE,
Chairman, Senate Small Business Subcommittee, U.S. Senate,
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.

EDWARD J. BRADLEY,
President.

WRANGELL CHAMBER OF COMMERCE,
Wrangell, Alaska, January 11, 1968.

Hon. WALTER J. HICKEL,
Governor of Alaska,
Pouch "A" State Capitol Building,
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 late 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.

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 percent of all the number 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 same 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.*

[Telegrams]

JUNEAU, ALASKA, *January 15, 1968.*

Senator WAYNE MORSE,
Senate Office Building, Washington, D.C.:

I wish to express my extreme opposition to the proposal to allow sale of raw timber from national forest lands. Such an action would seriously debilitate the economy of southeastern Alaska and adversely affect the entire State. I strongly urge you to oppose this move.

KATHLEEN JELESKI.

KETCHIKAN, ALASKA, *January 14, 1968.*

Senator WAYNE MORSE,
Chairman, Subcommittee, Retailing, Distribution, and Marketing, Senate Office Building, Washington, D.C.:

Urge you oppose round log export from Alaska.
Letter follows.

SECRETARY, LOCAL 62.
INTERNATIONAL LONGSHOREMANS & WAREHOUSEMAN'S UNION.

PETERSBURG, ALASKA,
CHAMBER OF COMMERCE,
January 12, 1968.

Hon. WAYNE MORSE,
*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 Pollack, House of Representatives, Washington, D.C.
Hon. Ernest Gruening, House of Representatives, Washington, D.C.
Hon. Bob Bartlett, 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.

[Telegrams]

JUNEAU ALASKA, Jan. 15, 1968.

Re. Log export hearing.

Senator WAYNE MORSE,
U.S. Senator from Oregon,
Room 417, Old Senate Office Building,
Washington, D.C.:

The Assembly of the Greater Juneau Borough at a special meeting of January 12, 1968, unanimously passed the following resolution:

A resolution urging continuation of the present Forest Service policy prohibiting exportation of round logs from Alaska.

Whereas for decades it has been the policy of the U.S. Forest Service in Alaska to prohibit the export of round logs; that is, logs which have not undergone at least primary manufacture in Alaska, and

Whereas this policy has been eminently successful in producing year-round employment and payrolls in Alaska and has, in fact, been substantially responsible for the creation of six Alaska sawmills and two major pulpmills, one of them built and purchased by foreign interests, thus aiding the U.S. Government in alleviating an unfavorable balance-of-payments situation, and

Whereas a reversal of this successful policy could only result in: (1) the "exportation of jobs" along with the exportation of round logs; (2) the abolition for all time of the opportunity for a third pulpmill in the Tongass National Forest; (3) the probable closure of most, perhaps all, of the present pulp and sawmills in Alaska, and

Whereas the policy of round log exportation as practiced in Washington and Oregon has demonstrated that the results of such policy is "exportation of jobs" as well as exportation of logs: Now, therefore, be it

Resolved (1) That we urge the U.S. Forest Service to sustain its wise and successful policy of requiring primary manufacture before logs can be exported abroad (2) that we urge the U.S. Forest Service to consider expanding, not curtailing, this job and dollar producing policy, by extending the policy to cover national forest lands in Washington and Oregon where round logs are presently being exported in raw form to foreign nations and only minimal American payrolls result.

That we wholeheartedly concur with the stated position of the Governor of Alaska in this matter and extend to him and the Alaska congressional delegation our support and endorsement in his deliberations with the Federal Government.

Adopted January 12,

MYRTON R. CHWRNEY,
Chairman.

Wrangell, Alaska, January 15, 1968.

Hon. WAYNE MORSE,
Chairman, Senate Small Business Subcommittee 209, 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.

WEST COAST DEVELOPMENT ASSOCIATION,
Klawock, Alaska, January 9, 1968.

HON. WAYNE MORSE,
*Senator from Oregon,
 Senate Office Building, Washington, D.C.:*

DEAR SENATOR MORSE: In view of your impending meetings with a Senate committee in regard to the export of round logs to Japan, we wish to express our view on this matter. 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 that our organization has presented. We will continue to seek and encourage primary and complete manufacture to locate here, thus providing more jobs per thousand board feet of timber than would be derived from the export of round logs. Our organization is presently involved in a struggle to get new industry to locate here in our West Coast of Prince of Wales Island area, thus enabling the citizens of three very financially depressed communities, Craig Klawock, and Hydaburg, to enjoy the benefit of the tremendous timber resources in our area and have year around employment in a presently non-existing timber industry in our area. We believe that round log export is not the answer to this problem.

Sincerely,

FRANK PERATROVICH, *Chairman.*

[Telegrams]

SEWARD CHAMBER OF COMMERCE,
Seward, Alaska, January 11, 1968.

Request you take a firm stand to maintain the present policy of prime manufacturing all Federal owned timber to be exported from Alaska.

CLARENCE KRAMER,
Alaska State Chamber of Commerce.

WRANGELL, ALASKA, *January 13, 1968.*

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

Copy of letter to Governor Hickel, we feel you should be aware of our stand on this issue.

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 islands two mills—Wrangell Lumber Co. 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 percent 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 underway.

Wrangell Lumber employs 100 workers, 40 more than a year ago. It went into a second shift during 1967.

The Wrangell plant won its designation of "E" mill in June of 1962 when the late 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. Alaska Wood Products 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 business 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 percent 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 percent 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 same 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.

Your very truly,

WRANGELL CHAMBER OF COMMERCE.

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.

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.*

KETCHIKAN, ALASKA, *January 1, 1968.*

Hon. HOWARD POLLOCK,
House of Representatives, Longworth House 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 effect the economy of the Ketchikan area. We request your support in opposing this proposal.

ORAL E. FREEMAN, *Mayor.*

[From the Western Timber Industry, March 1965]

BIG TIMBERLAND OWNERS CONTRADICT BATTELLE BELIEF THEY WOULD EXPORT OWN LOGS; REPLACE FROM PUBLIC

A principal point made by the Battelle Report in recommending against restrictions on the export of logs from public lands was that if such curbs were applied, private forest owners would export their own stumpage and would replace it in their mills with purchase of public timber. Thus, the report concluded, the sawmills dependent upon public timber still would lose their raw material.

Western Timber Industry has surveyed several of the large landowners in the area, asking whether they would engage in such activity if public stumpage were restricted.

WTI feels that small landowners such as belong to the Washington Farm Forestry Assn., having no mills, would not be in a position to bid against the sawmills.

Published below are denials from several major timberland owners that they would, as public policy, export their own logs and replace with public stumpage.

WTI feels that, if the small private landowners can't do so and the large ones won't, restrictions would then, in fact decrease the total volume of export and make significantly more logs available to domestic mills.

Crown Zellerbach Corp. and Longview Fibre Corp. were already on record against this kind of activity. Below, Weyerhaeuser Co., St. Regis Paper Co., Boise Cascade Corp., Simpson Timber Co., and Rayonier, Inc., also indicate this would be against their public policy. Evans Products Co. declines to make a public statement of its company policy. Georgia-Pacific Corp. and International Paper Co. did not reply to the inquiry.

WEYERHAEUSER Co.,
New York, N.Y., February 23, 1965.

MR. VERNON S. WHITE,
Managing Editor,
Western Timber Industry,
Portland, Oreg.

DEAR VERN: If export restrictions are placed on public timber, Weyerhaeuser Company has no plans to purchase public timber to replace logs it might export from its own lands.

Weyerhaeuser's public timber purchases have always been a minor part of its total wood usage and have been made to meet specific needs of our mills; they have not been made to replace exports from our own lands.

In 1964 approximately two-thirds of our log sales went to domestic mills.

Best regards,

B. L. ORELL,
Vice President.

SIMPSON TIMBER Co.,
Seattle, Wash., February 25, 1965.

DEAR VERN: Your letter of February 18 came along while I was east. I hope this response is in time with your needs.

It is not now nor would it be under any form of restrictive legislation the policy of Simpson Timber Company to export logs from private timber sources and replace this volume through the acquisition of publicly owned timber, either state or federal.

Based on our knowledge of the practices of other private timber owners, it is our firm belief that the policy of Simpson Timber Company and the expressed policy of Weyerhaeuser would be reflected by most of the timber owners. There may be a few minor exceptions, but certainly the major operators would not engage in the practices of buying timber sales to replace their private log supply that had been depleted through export.

Regards,

DAVE JAMES,
Director of Public Affairs.

ST. REGIS PAPER Co.,
Tacoma, Wash., February 19, 1965.

DEAR MR. WHITE: I am certainly pleased that you solicited our opinion on one specific feature of log exports from the State of Washington. The contention by some that log exports are being encouraged by the larger companies is, in my opinion, in error.

Quite the contrary. St. Regis has never publicly encouraged or fostered the export of logs, feeling, rather, that the total effect on the lumber business in the State of Washington, when lumber mills of all varying sizes are considered, is adverse, since it raises the average price of timber sales without the commensurate increase in the return of lumber.

With specific reference to St. Regis, we most certainly do not and will not export our own logs, replacing our own mill requirements with public sales.

While it is true that a number of companies have sold logs in export, our own philosophy, and the philosophy of many others, is to do this only with logs of a quality our own mills cannot use, or logs which are geographically separated from our own plants to a point where it is not feasible, economically, to transport them long distances.

This, I hope, is the information you desire.

Very truly yours,

W. R. HASELTON,
Vice President.

BOISE CASCADE CORP.,
Yakima, Wash., March 3, 1965.

DEAR MR. WHITE: Your letter of February 18 to Mr. Hansberger relative log export matters has been referred here for reply. The major portion of our present timberland holdings in the Northwest are located east of the Cascades and we consequently have not been very much involved in the log export problem. We therefore believe it is not appropriate for us to take a specific position in this controversy at the present time.

Since we currently purchase a substantial amount of our timber requirements for our operating units from public agencies, we certainly would not consider it wise to attempt to enter the export log market to any substantial degree, thereby increasing our dependence on public timber purchases.

Yours very truly,

S. B. MOSER,
Vice President and General Manager,
Wood Products Division.

RAYONIER, INC., Hoquiam, Wash., February 25, 1965.

Rayonier is not now a purchaser of public stumpage. We have consequently had no need or occasion to consider your question in terms of Company policy, nor do I expect that we will have in the immediate foreseeable future.

As a matter of principle I would certainly not view such practice favorably.

L. J. FORREST (F).

EVANS PRODUCTS Co., Portland, Oreg., March 1, 1965.

DEAR MR. WHITE: Thank you for your letter of February 18, 1965. We do not wish to make a statement for publication of our company's policy on the matter involved.

Thank you for giving us the opportunity.

Yours very truly,

C. CALVERT KNUDSEN.

From: A. W. Greeley, U.S. Forest Service, Washington, D.C.

To: A Seymour, Manager, Greater Ketchikan Chamber of Commerce, Ketchikan, Alaska.

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.



GREATER KETCHIKAN
Chamber of Commerce

P. O. BOX 2027
KETCHIKAN, ALASKA 99821
Cable 1-5394

68 - 1

RESOLUTION

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 construction 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.

President of Greater Ketchikan
Chamber of Commerce

ATTEST:

Manager of Greater Ketchikan
Chamber of Commerce

January 9, 1968
Date

INTERNATIONAL LONGSHOREMEN'S & WAREHOUSEMEN'S LOCAL 62 728 Water Street Ketchikan Alaska 99901 UNION

PRESIDENT George Inman

SECRETARY Sayers McAlpin

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
Sayers McAlpin

RECEIVED JAN 16 1968

January 9, 1968
Klawock, Alaska

The Honorable Ernest Gruening
United States Senate
Room 4106
New Senate Office Building
Washington, D. C.

Info

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,

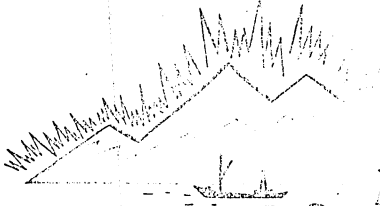
West Coast Development Association

By

Frank Peratrovich
Frank Peratrovich, Chairman

PP:cmd

Chamber of Commerce



Petersburg, Alaska

January 12, 1968

The Honorable Howard Pollack
House of Representatives
Washington, D. C. 20036

Dear Sir:

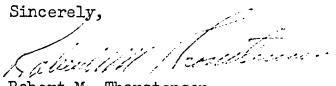
Your attention is called to the Federal proposal for unrestricted round log export from the State of Alaska.

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

RMT:ks

Greater Juneau Chamber of Commerce

"Serving Alaska's Capital"

127 South Franklin Street

Juneau, Alaska 99801

FOLLOWING WIRES SENT JANUARY 11, 1968

Copies to: Senator Bartlett
Gruening
Morse
Rep. Pollock
Governor Hickel

THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
DEPARTMENT OF THE TREASURY
FIFTEENTH STREET AND PENNSYLVANIA AVENUE
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.

GREATER JUNEAU CHAMBER OF COMMERCE

THE HONORABLE ORVILLE L. FREEMAN
SECRETARY OF AGRICULTURE
DEPARTMENT OF AGRICULTURE
THE MALL, BETWEEN TWELFTH AND FOURTEENTH STREETS S W
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.

GREATER JUNEAU CHAMBER OF COMMERCE

Introduced by: Assemblyman Miller

GREATER JUNEAU BOROUGH

Resolution No. 99

A RESOLUTION URGING CONTINUATION OF THE
PRESENT FOREST SERVICE POLICY PROHIBITING
EXPORTATION OF ROUND LOGS FROM ALASKA.

WHEREAS, for decades it has been the policy of the U.S. Forest Service in Alaska to prohibit the export of round logs, that is, logs which have not undergone at least primary manufacture in Alaska, and

WHEREAS, this policy has been eminently successful in producing year-round employment and payrolls in Alaska and has, in fact, been substantially responsible for the creation of six Alaska sawmills and two major pulp mills, one of them built and purchased by foreign interests, thus aiding the U.S. Government in alleviating an unfavorable balance of payments situation, and

WHEREAS, a reversal of this successful policy could only result in: (1) the "exportation of jobs" along with the exportation of round logs; (2) the abolition for all time of the opportunity for a third pulp mill in the North Tongass National Forest; (3) the probable closure of most, perhaps all, of the present pulp and saw mills in Alaska, and

WHEREAS, the policy of round log exportation as practiced in Washington and Oregon has demonstrated that the results of such policy is "exportation of jobs" as well as exportation of logs.

NOW, THEREFORE, BE IT RESOLVED:

1. That we urge the United States Forest Service to sustain its wise and successful policy of requiring primary manufacture before logs can be exported abroad.
2. That we urge the United States Forest Service to consider expanding, not curtailing, this job and dollar producing policy, by extending the policy to cover national forest lands in Washington and Oregon where round logs are presently being exported in raw form to foreign nations and only minimal American payrolls result.
3. That we wholeheartedly concur with the stated position of the Governor of Alaska in this matter and extend to him and the

Alaska congressional delegation our support and endorsement in his deliberations with the federal government.

Adopted _____, 1968.

President

Attest:

Clerk

Chairman

RECEIVED JAN 18 1968

Moore Clinic

BOX 377 SITKA, ALASKA 99835

GEORGE H. LONGENBAUGH, M.D.

January 11, 1968

James

The Honorable 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,

George H. Longenbaugh
(Dr. and Mrs. G.H. Longenbaugh)

RESOLUTION NO. 381

A RESOLUTION of the City of Sitka, Alaska, vehemently objecting to the export of logs from S.E. Alaska prior to primary manufacture.

WHEREAS the single most important natural asset of Southeastern Alaska is the dense stands of spruce and hemlock forest, and

WHEREAS historically the policy of the U.S. Forest Service has been to conserve these forests wisely until utilization could be made of them in Alaska, and

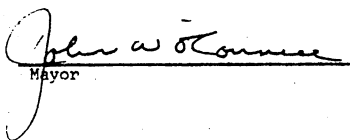
WHEREAS the economy of Southeastern Alaska is geared to the requirement that before wood products can be exported, that primary manufacture must take place in Southeastern Alaska, and

WHEREAS great harm would come to existing industries, increasing their costs of raw materials and the availability thereof should the export of logs in the round be allowed,

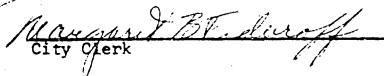
NOW THEREFORE, be it resolved by the Council of the City of Sitka, Alaska, as follows:

1. That the City of Sitka is vehemently opposed to the export of any logs or other timber products from Southeastern Alaska without primary manufacture.
2. That it endorses the past policy of the U.S. Forest Service and urges the State of Alaska to continue a like policy.
3. That should such policy be changed that permanent, substantial harm would result to the economy of Sitka in particular and the State of Alaska in general.
4. That copies of this resolution be sent to all applicable State and Federal officials.

PASSED AND APPROVED by the Council of the City of Sitka, Alaska, this 11th day of December, 1962.


Mayor

ATTEST:


City Clerk



DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

RECEIVED JAN 15 1953

JAN 15 1953

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 have 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.

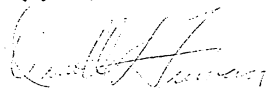
There are some recommendations on proposals we have previously considered and have decided to not adopt. One of these, for instance, is the suggestion that we should plan timber harvests on a 65-year rotation rather than the current range of 90- to 120-year rotations now in effect. Another is the suggestion 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,



(Discussion off the record.)

(Brief recess.)

Senator MORSE. Our first witness following the recess will be Mr. Pete Terzick, international vice president, International Brotherhood of Carpenters, AFL-CIO, and the Western Council, Lumber & Sawmill Workers, represented by Julius Viancour.

I want to say the Chair is very sad to learn that the father of Mr. Ted Prussia, who was to be a witness today, passed away. It is necessary, of course, for Mr. Prussia to go back to Portland. On behalf of the committee I want to express to Mr. Prussia our deepest sympathy. And I have instructed counsel for the committee to send a message of sympathy in behalf of the committee to Mr. Prussia. Mr. Viancour will testify in place of Mr. Prussia. We also have with us Mr. Bailey, the International Brotherhood of Carpenters. He has been very, very helpful to this committee in all of our informal negotiations for many weeks past as has Mr. Terzick.

I want you gentlemen to know the committee appreciates very much your appearing as witnesses this morning. You may appear in your own way. We will not be able to hear you through. We are going to hear you for 15 minutes, and then call you back to the witness stand at 2 o'clock.

STATEMENT OF PETER E. TERZICK, GENERAL TREASURER, UNITED BROTHERHOOD OF CARPENTERS, AFL-CIO, WASHINGTON, D.C.; ACCOMPANIED BY JULIUS VIANCOUR, REPRESENTATIVE, UNITED BROTHERHOOD OF CARPENTERS & JOINERS OF AMERICA, AFL-CIO, PORTLAND, OREG.; AND JAMES F. BAILEY, LEGISLATIVE REPRESENTATIVE, UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA

Mr. TERZICK. Thank you, Senator.

My name is Peter E. Terzick. I am general treasurer of the United Brotherhood of Carpenters & Joiners of America, representing some 780,000 members in the construction, logging, and wood products industry. I am also editor of The Carpenter, the official publication of our organization.

Primarily, I am speaking on behalf of our Western Council of Lumber & Sawmill Workers, composed of lumber and sawmill workers in 11 Western States. I wish to emphasize that our entire brotherhood is in support of our lumber and sawmill workers on this issue.

The matter of log exports has been a major concern of the Western Council for a great many years, since the livelihood of its members is directly tied to the economic health of the west coast lumber industry. The major proportion of our membership is in the heavily timbered States of Oregon, Washington, and northern California.

It is from these areas that the bulk of the logs exported to Japan are produced. I believe that employment figures will bear out the validity of our concern.

In 1956, official figures for the State of Oregon showed that 73,062 people were engaged in the production of lumber and wood products in Oregon. The estimate for 1967 places employment in the lumber industry at 68,000, a decline of 3,062. In the State of Washington, the

corresponding figures are 46,559 for 1966 and an estimate of 44,000 for 1967—a decline of 2,559.

These figures are substantiated by our own membership records. We suffered a decline of approximately 4,200 jobs during the past 2 years.

Testimony already has been presented regarding the number of mills which have gone out of business during the past 2 years. Therefore, the figures do not need repeating. The mills which have closed are gone and little can be done about reviving them. Our real concern is that 20 to 40 additional mills are undoubtedly doomed to close in the next year unless a more constant and adequate supply of logs is assured.

I scarcely need to point out that every mill closure works a tremendous hardship on the workers involved. Many of the mills which have already closed and those which probably will close if relief is not forthcoming are located in smaller towns. When the people are forced out of work in these rural communities they have little choice but to move to the populous centers and thereby add to the employment problems in the cities.

While a great deal of attention has been given to plant closures brought about by log shortages and/or excessive log prices, I want to touch briefly on the hardships which are accruing to all our members in Oregon and Washington because they feel a sense of insecurity and fear.

It is a difficult situation for a man to constantly fear that his job will be eliminated by a plant closure. He cannot commit himself to purchase a home. He cannot plan for the future of his children, and worry constantly knaws at his family.

Furthermore, the ability of our members to improve their economic lot through collective bargaining is severely hampered when mills are squeezed by constantly increasing log prices which reflect themselves in decreased profits.

At the outset, let me say that we do not object to reasonable exports to Japan or to any other nation. But, we do believe that the forest industries of our Western States need to be given consideration to the extent of assuring an adequate supply of logs.

I believe it is the obligation of the Department of Agriculture and the Department of Interior to adhere to such a policy. The Organic Act on National Forests, adopted June 4, 1897, provides:

No public forest reservation shall be established, except to improve and protect the forest, within the reservation, or for the purpose of sharing favorable conditions of water flows, and to furnish a continuous supply of timber for the use and necessities of citizens of the United States.

The act of April 12, 1926, reiterates this policy based on giving our domestic industry first call on logs produced from Federal lands.

Therefore, it is our conviction that the Forest Service and Bureau of Land Management have not only a responsibility but an obligation to insure an adequate supply of logs for the benefit and behoof of the domestic lumber industry.

Our concern for the potential loss of jobs resulting from log exports dates back to the early fifties. In 1953, we first exhibited our concern over the export of logs to Japan. We expressed our alarm to many Congressmen over the depletion of our forests being hastened by exportation of logs and we stated then, as we do now, that this would only help to nullify all the efforts that have been put forth and the

money spent to develop proper practices and utilization of our forest products for the future and would hasten depletion of our forests and create unemployment.

The export of logs at that time were minimal, but our concern and our fears for the future are substantiated by the astronomical figures of log exports from the Oregon and Washington customs districts, totaling 1,230,242,000 board feet, Scribner scale in 1966. The estimates for 1967 appear to be about 1.7 billion board feet.

In 1957, at the request of the International Cooperation Administration, representatives of our organization met in Portland, Oreg., with a team of Japanese industry representatives, members of the "Japanese Logging Roads, Sawmilling & Woodworking Study Team."

We learned from these industry representatives that Japan planned to seek an increasing supply of logs from our Northwest area to be processed in their own country.

As recently as 1966, a member of a Japanese Trade Mission, in conference in Portland, Oreg., was quoted as saying that Japanese importation of logs, especially American logs, will continue on an upward trend in the years ahead. The increasing flow of logs to Japan in the intervening years shows quite conclusively that they have successfully carried out their intentions.

We cite this brief background as a basis for our constant concern for the economy of the Northwest timber industry and the continuing loss of jobs.

Since 1953, we have raised our voices in protest. We have passed resolutions proposing limitations on log exports. We have had much correspondence with Members of Congress. We have been through many hearings on this subject, conferences with the Secretary and Under Secretary of Agriculture. Petitions have been submitted to the Secretary of Agriculture for the establishment of marketing areas through which some restrictions could be placed on these ever-growing exports. Conferences have also been held with other agencies, such as the Department of Commerce, the State Department. To date, none of these have produced any solution.

We sincerely hope that your deliberations will produce conclusions and recommendations that will serve as an acceptable basis for preserving our jobs in the Northwest lumber industry.

The export of logs does not tell the entire story. Competition for timber is at its greatest peak in history. Competition from Japanese log buyers constantly forces the price of stumpage up. The prices paid for logs by Japanese buyers have made it prohibitive for many mills to compete in the domestic market. This naturally added to the burden of many marginal mills.

When, as it happened in Oregon just recently, a company with large timber holdings sells some 12,000 acres of timber to Japanese interests and gives as their reason for selling that it is no longer profitable to manufacture plywood, it certainly is evident that log exports are adversely affecting the health of the Northwest lumber industry and future of the towns which depend on the industry for continuing existence.

In the early fifties, a comprehensive study of timber resources was made by the "Timber Resources Review," developed under the auspices of the U.S. Forest Service. This study and a number of others have all

shown quite conclusively that our timber supply is reaching the break-even point. Even if none is exported, by 1985, the situation can become critical, despite the heroic efforts of both Government and industry to push reforestation. The year 2000 will find our domestic demands exceeding available supplies.

It is our feeling that some accommodation can be reached with Japan relative to reasonable exports over the next several decades. However, such an accommodation will take a great deal of study. The point we wish to make is that an immediate stopgap relief is absolutely essential, pending a long-range solution to exports.

It is our belief that a 90-day moratorium on all public land timber sales is vital at this time to save many mills and the jobs they provide for our members. If we fail to institute remedial measures promptly, we will only be locking the barn door after the horse has departed for parts unknown.

In studying the President's state of the Union message, I found that he committed the Nation to a massive program of reconstruction which has tremendous implications for the lumber industry.

He asked for a 10-year campaign to build 6 million new housing units for low- and middle-income families.

Lumber is an indispensable ingredient in low-cost housing. The demands this will place on the lumber industry are tremendous.

In addition, he asked for a great deal more money to implement his model cities program. Again, this will pose additional challenges to the domestic lumber industry at a time when log exports are forcing curtailment.

Unfortunately, there is a wide diversity of interest in the log export situation.

The State Department is primarily interested in maintaining harmonious relations with other nations. Its concern for the health of domestic industries is distinctly secondary to its chief responsibility.

The Treasury Department is concerned mainly with improving the unhappy situation existing in the field of balance of payments.

Port authorities in some of the major Northwest cities are concerned lest the decrease in log exports adversely affect the tonnage they process each year.

However, none of the concerns voiced by these agencies bear much merit. The United States is the largest market Japan has for its exports. The Japanese will do nothing to jeopardize the vast potential for exports to the United States. The concerns of the Treasury Department are without real foundation. If the Japanese cannot buy unlimited supplies of logs in the United States, they will buy lumber instead.

Since lumber products bring nearly twice the price of raw logs, the balance-of-payments situation should be improved rather than harmed by realistic limitation on log export.

Port authorities likewise would benefit materially from the export of lumber rather than logs since at least 5 hours of additional loading time is involved in loading lumber vis-a-vis logs. Consequently, we believe that any fears voiced by these agencies are unfounded and are actually shortsighted.

As I stated in the beginning, we are not demanding a complete embargo on the export of logs to Japan. Rather, it is our feeling that

a long-range accommodation can be worked out to allow a reasonable export of surplus logs to Japan at levels which will not decimate the domestic industry.

As a result of all these considerations, it is our feeling that:

1. A 90-day moratorium on the sale of logs from public lands to Japan should be instituted immediately. This would enable domestic mills to bid more favorably on available logs from public lands. It would permit them to borrow money from lending institutions to start building roads and preparing for logging operations. Most important of all, it would allow them to make future plans secure in the knowledge that an adequate supply of logs will be available.

2. Following this moratorium, the export of logs from public lands should be limited to 1966 levels pending a comprehensive study of the entire problem and the establishment of a realistic, long-range policy.

3. A policy should be developed requiring agencies to determine that logs are in surplus supply in any area before Japan would be permitted to bid on public lands sales in that area.

4. Safeguards need to be written into the long-range program to insure that private timber holders do not export their own logs to Japan and make up the difference by buying timber from public lands.

This is a relatively simple program—in our estimation—and requires neither legislation nor departure from existing agency authority.

Appended hereto are some reports which dramatically pinpoint the extent to which log exports to Japan have harmed the Northwest lumber industry. I cite these to underscore the urgency of the situation and the need for immediate stopgap action to save many additional mills which are hanging in the balance.

If remedial action is not forthcoming promptly, these will go out of business. On the other hand, if relief is forthcoming, they will continue to operate. The lumber industry is cyclical and subject to wide fluctuations in both demand and price. Mills can survive many such adversities, but the one thing they cannot cope with is an inadequate supply of logs at prices affording them an opportunity to compete.

The Pacific Northwest is dotted with ghost towns which developed in the early years of this century when the industry pursued far less enlightened policies. Unless the Japanese log export situation is given some prompt attention the return of the ghost town is inevitable. Therefore, we plead with this committee to recommend realistic measures for coping with the immediate problem and paving the way for a long-range solution equitable to everybody.

Thank you very much for your attention and your invitation to appear here.

Senator MORSE. You have given exceedingly helpful testimony, Mr. Terzick. The exhibits attached to your testimony will be printed in the record immediately following your testimony.

(The exhibits referred to follow:)

EXHIBIT A

Plant Closures and Curtailments for the States of
California, Oregon and Washington

Affecting Members of the United Brotherhood of Carpenters
 and Joiners of America

CALIFORNIAPlant CurtailmentsJobs Lost

Double-R Lumber Co.	Yreka	40
Paul Bunyan Lumber Co.	Susanville	100
	Total	140

OREGONPlant Closures

Martin Brothers	Oakland	412
Mid-Ply	Sweet Home	75
Willamette Plywood	Aumsville	180
Simpson Timber Co.	Lyons	300
Simpson Timber Co.	Idanha	60
Capitol Lumber Co.	Salem	50
Natron Plywood	Springfield	160
Pope & Talbot	Oakridge	60
Edwards Sawmill	Albany	80
Menasha Plywood	North Bend	287
U.S. Plywood	Reedsport	250
Coos Head Timber Co.	Coos Bay	50
Portland Lumber Mills	Portland	100

Plants Curtailed

Rainier Manufacturing Co.	Rainier	70
(May close entirely with a loss of 150 jobs)		
Crown Zellerbach Corp.	St. Helens	80
Clatskanie Lumber Co.	Clatskanie	30
	Total	2,244

Short Work Weeks

Clatskanie Lumber Co.	Clatskanie
(30 men 1 shift only 3 days a week)	
Pope & Talbot Inc.	St. Helens
(Entire plant closed two weeks approximately 150 jobs involved)	
Stimson Lumber Co.	Forest Grove
(Built a new plywood plant, but never started operation because the cost of logs got too high)	

WASHINGTONPlant Closures

Three Rivers Plywood
H.&M. Transportation
Robinson Plywood & Timber
Northwestern Lumber
U.S. Plywood (Lumber)
Elliot Bay (Lumber)
St. Regis Plywood
St. Regis Plywood (Reeler)
Lowell Plywood
Tidewater Plywood
Simpson Timber
U.S. Plywood
Georgia Pacific
Hammerschmidt
Carlsborg Lumber
Boise-Cascade Corp.
Miller Lumber Co.

	<u>Jobs Lost</u>
Darrington	200
Arlington	20
Bellingham	45
Everett	60
Seattle	110
Seattle	150
Olympia	300
Tacoma	150
Everett	100
Everett	75
Olympia	150
Aberdeen	150
Olympia	300
Tacoma	35
Sequim	50
Spokane	200
Cle Elum	50

Plant Curtailments

Summit Timber
Washington Timber
F.C. Miller
Anderson Middleton
Lyle Nelson
Cowlitz Veneer
U.S. Plywood Lumber

Darrington	100
Everett	20
Montaseno	35
Aberdeen	40
Morton	20
Randle	15
Morton	20

Total 2,395

Grand Total 4,779

EXHIBIT B

Companies in Oregon & Washington
Not Qualified to Bid on Set-Aside Sales

WESTERN OREGON

<u>Company</u>	<u>City</u>	<u>Union</u>	<u>No. of Employees</u>
Bohemia Lumber Co.	Culp Creek	IWA	339
	Lake Side	Non-Union	
	Cottage Grove	LSW	90
Boise Cascade Corp.	Albany	LSW	90
	Valsetz	LSW	200
	St. Helens	Pulp	500
	Salem	Pulp	500
	Salem	Print-Spec.	60
	Medford	Non-Union	
	Independence	LSW	247
Georgia-Pacific	Toledo	LSW	316
	Toledo	Pulp	500
	Coquille	LSW	538
	Coos Bay	IWA	590
	Springfield	LSW	593
	Portland	Pulp	180
	Grants Pass	Non-Union	
Edward Hines Lumber	Westfir	LSW	173
	Westfir	IWA	200
American Can Co.	Junction City	LSW	223
	Horton	LSW	40
	Brownsville	Non-Union	
International Paper Co.	Gardiner	LSW	282
	Gardiner	Pulp	180
	Gardiner	IWA	239
	Veneta	LSW	644
Medford Corp.	Medford	LSW	253
	Medford	Non-Union	
Memash Corp.	North Bend	LSW	147
	North Bend	Pulp	90
Lopez & Talbot Inc.	Oakridge	LSW	239
	St. Helens	LSW	92
Crown Zellerbach	West Linn	Pulp	1000
	Lebanon	Pulp	80
	St. Helens	LSW	500
	Portland	Print.Spec.	500

WESTERN OREGON continued

<u>Company</u>	<u>City</u>	<u>Union</u>	<u>No. of Employees</u>
Publishers Paper Co.	Oregon City	Pulp	500
	Mulino	IWA	75
	Portland	LSW	475
	Tillamook	IWA	106
	Newberg	Pulp	125
Simpson Timber Co.	Portland	LSW	392
	Portland	LSW	30
	Albany	LSW	242
Stimson Lumber Co.	Forest Grove	LSW	146
	Forest Grove	Pulp	80
U.S. Plywood Corp.	Gold Beach	Non-Union	
	Lebanon	LSW	818
	Mapleton	IWA	340
	Reedsport	IWA	50
	Roseburg	IWA	397
	Willamina	IWA	210
	Idanha	LSW	50
Vancouver Plywood Co.	Albany	Non-Union	
	Grants Pass	Non-Union	
Willamette Industries Incorporated	Dallas	LSW	412
	Foster	IWA	200
	Lebanon	IWA	230
	Sweet Home	LSW	251
	Griggs Station	LSW	190
	Albany	Pulp	180
Weyerhaeuser Company	North Bend	IWA	1495
	Molalla	IWA	103
	Springfield	IWA	2089
	Springfield	Pulp	550
	Cottage Grove	IWA	1072
Brand-S	Corvallis	Non-Union	
	Portland	LSW	90
	Portland	IWA	75
	Creswell	IWA	25
Coos Head Timber Co.	Coos Bay	IWA	312
Glendale Plywood	Glendale	Non-Union	
Leading Plywood	Corvallis	Non-Union	

WESTERN OREGON continued

<u>Company</u>	<u>City</u>	<u>Union</u>	<u>No. of Employees</u>
Merlin Forests and Bates Plywood	Merlin	LSW	281
Southern Oregon Ply.	Grants Pass	LSW	180
National Plywood	Roseburg	Non-Union	
Roseburg Lumber Co.	Dillard	LSW	1200
Douglas Fir Plywood	Coquille	LSW	467
	Roseburg	LSW	375
Winchester Plywood	Roseburg	IWA	320

EASTERN OREGON

<u>Company</u>	<u>City</u>	<u>Union</u>	<u>No. of Employees</u>
Boise Cascade	Elgin	LSW	296
	Joseph	LSW	79
	La Grande	LSW	282
Brooks Scanlon	Bend	IWA	320
Brooks Willamette	Redmond	Non-Union	
	Bend	Non-Union	
	Chemult	Non-Union	
Edward Hines Lumber Company	Hines	LSW	149
	John Day	LSW	50
	Bates	LSW	123
Weyerhaeuser Co.	Klamath Falls	IWA	1072
	Bly	IWA	
Georgia-Pacific Corp.	Pilot Rock	LSW	194
Ochoco Lumber	Prineville	IWA	140
Kinzua	Kinzua	LSW	209
Heppner	IWA	IWA	60
Ellingsen	Unity	Non-Union	
	Halfway	Non-Union	
	Baker	Non-Union	

WESTERN WASHINGTON

<u>Company</u>	<u>City</u>	<u>Union</u>	<u>No. of Employees</u>
Southern Oregon Plywood	Grants Pass	LSW	180
National Plywood	Roseburg	Non-Union	
Roseburg Lumber Co.	Dillard	LSW	1200
Douglas Fir Plywood	Coquille	LSW	467
	Roseburg	LSW	375
Winchester Plywood	Roseburg	IWA	320

EASTERN OREGON

<u>Company</u>	<u>City</u>	<u>Union</u>	<u>No. of Employees</u>
Boise Cascade	Elgin	LSW	296
	Joseph	LSW	79
Brooks Scanlon	LaGrande	LSW	282
	Bend	IWA	320
Brooks Willamette	Redmond	Non-Union	
	Bend	Non-Union	
	Chemult	Non-Union	
Edward Hines Lumber Company	Hines	LSW	149
	John Day	LSW	50
	Bates	LSW	123
Weyerhaeuser Co.	(Klamath Falls Bly)	IWA) IWA)	1072
Georgia Pacific Corp.	Pilot Rock	LSW	194
Ochoco Lumber	Prineville	IWA	140
Kinzua	Kinzua	LSW	209
	Heppner	IWA	60
Ellingsen	Unity	Non-Union	
	Halfway-	Non-Union	
	Baker	Non-Union	

WESTERN WASHINGTON

<u>Company</u>	<u>City</u>	<u>Union</u>	<u>No. of Employees</u>
Boise Cascade Corp.	Vancouver	Pulp	550

WESTERN WASHINGTON continued

<u>Company</u>	<u>City</u>	<u>Union</u>	<u>No. of Employees</u>
Crown Zellerbach Corp.	Camas	Pulp	2500
	Port Angeles	Pulp	525
	Port Townsend	Pulp	450
Georgia-Pacific Corp.	Bellingham	Pulp	700
International Paper Co.	Longview	LSW	20
	Longview	IWA	292
	Amboy	Pulp	40
	Chelatchie Prairie	IWA	434
Pope & Talbot Inc.	Kalama	IWA	112
	Port Gamble	LSW	106
Rayonier, Inc.	Hoquiam	IWA	243
	Port Angeles	Pulp	525
	Clallam		265
	Seki		24
St. Regis Paper Co.	Tacoma	LSW	350
	Tacoma	IWA	700
Scott Paper Co.	Everett	Pulp	1600
	Everett	IWA	340
	Anacortes	Pulp	80
Simpson Timber Co.	Sheldon	IWA	1807
	McCleary	LSW	397
	Everett	Pulp	600
	Everett	IWA	45
	Olympia	IWA	30
U.S. Plywood Corp.	Kosmos	LSW	193
	Seattle	IWA	546
	Hoquiam	IWA	204
West Tacoma Newsprint	Steilacoom	Pulp	180
Weyerhaeuser Co.	Cosmopolis	Pulp	200
	Everett	IWA	965
	Everett	Pulp	400
	Enumclaw	IWA	511
	Longview	IWA	2619
	Longview	LSW	500
	Longview	Pulp	750
	Snoqualmie Falls	LSW	707
	Aberdeen	LSW	130
	Raymond	IWA	840
	Cathlamet	IWA	275
	Chehalis	IWA	230

WESTERN WASHINGTON continued

<u>Company</u>	<u>City</u>	<u>Union</u>	<u>No. of Employees</u>
Riles-Coleman	Omak	LSW	418
	Colville	LSW	40
Boise-Cascade Corp.	Walla Walla	Pulp	180
	Ellensburg	LSW	55
	Lincoln	LSW	139
	Yakima	LSW	679
	Kettle Falls	LSW	82
	Inchelium	LSW	59
St. Regis Paper Co.	Klickitat	LSW	266
Hotlatch Forests Inc.	Deer Park	IWA	181

L S W: Lumber and Sawmill Workers. U. B. of C. & J. of A.

EXHIBIT C

APA LISTS 4100 JOBS, 1.5 BILLION FT. OF PLY CAPACITY CLOSED IN '66 & '67

TACOMA.—More than 1½ billion square feet of annual production and 4130 direct jobs have been destroyed among Western members of the American Plywood Assn. alone within the past two years.

James R. Turnbull, executive vice president, placed blame squarely on two coinciding federal policies (1) log exports, and (2) high interest.

APA listed 25 permanent closures, including 4030 jobs and 1.438 million board feet of annual average production in material prepared for the Nov. 27 industry-labor-government talks preparatory to the State department's meeting with the Japanese.

Announcement of Georgia Pacific's closure at Olympia (100 more jobs, 66 million feet of annual production) came two days later, boosting the direct job loss to 4130 and production loss to 1.504 billion feet.

The APA figures did not include mills using Pittsburgh Testing Lab or TECO's quality inspection services. Thus the list does not include Willamette Plywood, Aumsville, Ore.; Josephine Plywood, Grants Pass, Ore. (with its green end at Happy Camp, Calif.; Simpson Timber Co.'s green end at Idanha, Ore., the Brand S veneer plant at Creswell, Ore., etc.)

It is not reasonable to blame these closures on the rapidly expanding production of softwood plywood in the South as hardly any of the Western plants listed as closed were producers of CD exterior sheathing—the most common product of the Southern mills.

Rather, the APA mills listed were in sanded and specialty grades except for smaller volumes of lower grade material which had to go into sheathing.

The above list does not include plants temporarily closed with hope of reopening. It does not include the "walking wounded"—those with shifts eliminated or production otherwise curtailed.

No new plants came on line in the West either in '66 or '67.

APA estimated plywood production in the West for '67 (based on seven months of actual figures and five months estimated) will total 11.2 billion feet compared with more than 11.9 billion feet of actual production in '66.

APA LISTED CLOSURES OF ITS MEMBER MILLS (ALL PERMANENT) IN 1966 AND 1967

Mill	Date	Workers displaced	Annual average production (millions of feet, ¾-inch basis)
1. U.S. Plywood, Mutual, Calif.	March 1966	300	86
2. Mid Plywood, Sweet Home, Oreg.	June 1966	100	32
3. Myrtle Creek Plywood, Myrtle Creek, Oreg.	do	150	65
4. Port Plywood, Astoria, Oreg.	July 1966	100	32
5. D.L. Veneer & Plywood, McMinnville, Oreg.	do	5	1
6. Lindroth Timber Products, Clervaldale, Calif.	do	100	30
7. Natron Plywood, Natron, Oreg.	September 1966	150	86
8. Commercial Plywood, Inc., Creswell, Oreg.	October 1966	100	36
9. Carolina Calif. Custom No. 2, Grants Pass, Oreg.	do	150	80
10. Eugene Plywood, Eugene, Oreg.	do	200	62
11. Lowell Plywood, Everett, Wash.	do	100	24
12. McKenzie River Plywood, Springfield, Oreg.	do	100	50
13. Tidewater Plywood Corp., Everett, Wash.	do	75	20
14. Martin Bros. Construction & Timber Products, Oakland, Oreg.	November 1966	250	80
15. Simpson Timber Co., Olympia, Wash.	February 1967	150	44
16. Forrest Industries, Inc., Dillard, Oreg.	June 1967	150	53
17. Tri-State Plywood, Santa Clara, Calif.	do	100	53
18. St. Regis Paper Co., Olympia, Wash.	August 1967	300	100
19. Simpson Timber Co., Lyons, Oreg.	do	300	87
20. Jefferson Plywood Co., Madras, Oreg.	September 1967	150	72
21. Menasha Corp., North Bend, Oreg.	do	250	33
22. U.S. Plywood, Aberdeen, Wash.	do	150	34
23. Timber Products Corp., Medford, Oreg.	do	250	100
24. U.S. Plywood, Polson, Mont.	November 1967	150	64
25. U.S. Plywood, Eugene, Oreg.	do	200	64
26. Georgia-Pacific Corp., Olympia, Wash.	December 1967	100	66
Total		4,130	1,504

UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA,
Washington, D.C., January 17, 1968.

HON. WAYNE MORSE,
U.S. Senate, Old Senate Office Building,
Washington, D.C.

DEAR SENATOR: This is in reference to our letter of December 29, 1967, concerning the closing and curtailment of sawmill and plywood plants on the West Coast.

Enclosed is a list of additional plant closures and curtailments which we have just received from our lumber and sawmill councils on the West Coast.

I wish to point out again that this information relates only to those plants where the United Brotherhood of Carpenters is the recognized bargaining agent.

Sincerely yours,

JAMES F. BAILEY,

Legislative Representative for the General Treasurer.

Plant closures and curtailments in the State of Oregon

	<i>Men</i>
Rainier Manufacturing Co., Rainier, Ore-----	70
(Sawmill, may close down entirely with loss of 150 jobs)—Curtailment	
Crown Zellerbach Corp., St. Helens, Ore-----	80
(Plywood)—Curtailment	
Clatskanie Lumber Co., Clatskanie, Ore-----	30
(30 men on day shift working 3 days a week)—Curtailment	
Stimson Lumber Co., Forest Grove, Ore.	
(Built a new plywood plant, but never started operation because the cost of logs got too high)	
Portland Lumber Mills, Portland, Ore-----	100
(Closed down entire plant Jan. 1, 1968)	
Pope & Talbot, Inc. St. Helens, Ore.	
(Closed down for 2 weeks due to shortage of logs)	

WASHINGTON

Miller Lumber Co., Cle Elum-----	50
(Closed down entirely)	

CALIFORNIA

Double-R Lumber Co., Yreka, Calif-----	40
(Approximate capacity 90 men per shift)—Curtailed	
Paul Bunyan Lumber Co., Susanville, Calif-----	100
(Approximate capacity 180 men per shift)—Curtailed	

Senator MORSE. Mr. Viancour, we will hear you this afternoon. The committee will finish taking the testimony of both of you before we have any questioning. At the press table there has been placed copies of the correspondence that I had with the Department of Commerce, which was discussed yesterday and put into the record. Also available is the list of the Government witnesses for next Tuesday, which has been mimeographed and placed at the press table.

We will now recess until 2 o'clock.

(Whereupon, at 12:35 p.m. the hearing recessed to reconvene at 2 p.m. on the same day.)

AFTERNOON SESSION

Senator MORSE. The hearing will come to order.

The Chairman wants to say that he exceedingly pleased that Senator Scott of Pennsylvania, a member of the Senate Small Business Committee, is joining us this afternoon. I want to say to the witnesses from the Pacific Northwest that Senator Scott has been very understanding and very helpful to us in our problems out in the Pacific Northwest, over the years, in connection with our conservation problems, our public works problems, and our natural resources problems generally.

That really should not come as a surprise to any of us. The Senator from Pennsylvania is a legislator who has been brought up in the tradition of Gifford Pinchot, the greatest of all of our conservationists, and the source of many of the principles of national resource protection that this hearing is all about. And so I want you to know; Senator Scott, I welcome you to our hearing.

Senator SCOTT. Thank you very much, Mr. Chairman.

I will have my legislative assistant give me an analysis of all of the testimony so that I will be informed on the whole process. I am interested and regretful that I can't be here more often, because we are having hearings involving the pharmaceutical industry in another room, but I am very proud of the fact that about 20 years ago when I went into the Northwest, some of my friends passed a resolution making me an honorary westerner.

I have no questions.

Senator MORSE. At the close of the hearing this morning I said that I would call Mr. Viancour to the witness stand for whatever statement he wished to make. We are very indebted to this witness for his leadership in my State, as a representative of the Brotherhood of Carpenters & Joiners.

Mr. Viancour tells me that he does not have a prepared statement, but he wishes to be associated with the statement of Mr. Terzick. Nevertheless, I want to give him the opportunity to say anything that he wishes to say. Following him, Mr. Bailey will be next in turn, if you have any contribution you want to make. Then I thought we would examine you all together.

STATEMENT OF PETER E. TERZICK ET AL.—Resumed

Mr. VIANCOUR. Thank you, Mr. Chairman.

I want to first say that the statement that has been presented by Mr. Terzick is what we feel to be a comprehensive statement which I have worked on with Mr. Terzick in preparing in behalf of our lumber and sawmill worker group of the Pacific Northwest, which is a part of the United Brotherhood of Carpenters & Joiners, and I want to also commend you, Senator, and the members of the committee for calling this hearing, because I think it is extremely important at this time.

I perhaps as an individual representing my organization have been involved longer in this question of log exports to Japan than anyone else.

Mr. Terzick referred in his brief that representatives of our organization met with a team of the lumber industry of Japan, whose names I could supply, incidentally, if you care to have them, Senator, in 1953, and while they were exploring many aspects, and we had been asked by the International Cooperation Administration to hold a conference with them in Portland, Oreg., we graciously acceded, and I took advantage of the opportunity, at that time, to explore with them their future plans, and this is when I learned, first of all, that the lumber industry of Japan had every intention of expanding their processing facilities in Japan, their lumber processing facilities, and that they had intended to, for the future, look to the United States and particularly our northwestern area for a log supply.

I explored with them at that time as to other avenues of supply for them, particularly Siberia. They advised me on that question, they

had exported that themselves and that they had, in fact, imported logs from Siberia. They showed me photographs of some of the logs coming from Siberia in what we in the Northwest describe as the Davis raft.

However, they informed us also that they much preferred to deal first of all with the United States, and secondly, that our quality of logs was far superior to those logs that they could get from Siberia, and so that they would pursue importation of logs from the United States to the extent that they could.

We have also pointed out in this brief that they have very successfully implemented those intentions, and they have continued to increase their importation of logs from our Pacific Northwest. So we have become concerned, and for a number of years we of the lumber and sawmill workers in the Pacific Northwest stood all alone in voicing our concern over this continuation of export, and from time to time the climate has accelerated, let us say, and more people have become interested in it or exhibited an interest in it, but as we have also pointed out in the brief, we went every route we have known to go. We have conferred with practically every Federal agency concerned in this on local levels, regional levels, the national levels. We have even gone the so-called GATT route, and we have got no relief.

This appears to be the climax, and this is why we are most hopeful that from these hearings here, which have been most comprehensive and have brought together opinions and statements from any people of industry and other sources that has never been had before, that we think when this transcript is finally made, that there will be the most comprehensive hearing that has ever been held on this subject of log export from the Pacific Northwest.

We are also hopeful that this committee will be able to make some conclusions and some recommendations as we have pointed out that will bring about some solving of this problem.

We cannot pactly blame the Japanese entirely for doing what they have done in the way of seeking our log supply.

Frankly, I think the Japanese have played a good thing too far. But I think our industry and our Government are mainly responsible for letting them go to that point. I think our Government has been somewhat indifferent to the subject, and have not been fully cognizant of the impact that this will have on the economy of our Northwest.

I think within our own industry, that in the past years that this has been going on, that it has become kind of a "me, too" thing. While this one started exporting logs, the other one said, "Well, if you are going to, I am going to, too," and the thing has spiraled to an unbelievable point that nobody ever anticipated that it would ever reach the proportions that it has reached today.

Certainly I think that we are a few years late for the best point at which to call a halt to this, but somewhere along the line we must call a halt. And since we can't turn back the clock, I think we have to stop now at a reasonable point, and we have suggested that a moratorium now be placed on it for a limited period of time while we seek a more thorough study, in the hopes that we can arrive amicably, hopefully with the Japanese at a reasonable point of export of our natural resources.

We are very concerned with this as far as my people are concerned out West, because we have suffered a loss of a lot of jobs through the

closure of a lot of mills. We know that there are more mills in the offing for closures.

No, there is no public announcement that we may have to close or we are going to close. These operators are not going to do that. Many of these operators that we speak of are in financial difficulty and they are certainly not going to announce to the world that they are in financial difficulties and have the banks call in their loans and they are out of business. But if we can protect them by curtailing these exports, they will have some security where they will continue in operation, and our people close to the picture as they are in their own respective operations well know the situation of their individual companies, and they, too, feel insecure at the present time, and they will feel more secure, and thereby evolves the dollar volume, and the revolving of the dollar in the total economy of the States of Oregon and Washington, and it makes for a much sounder economy and the preservation of our industry.

I think last of all I want to make a statement that I have made on many occasions before industry associations, before forestry groups, I have written it into a number of briefs that we have submitted in various places, that no nation can afford to export a natural resource that they do not have in excess supply.

Now, of course, the question immediately arises, do we or do we not have timber in excess supply in the Pacific Northwest that we are talking about? I submit to you gentlemen that there are many studies available to you that have been made over the years since about 1953 or 1954 when the so-called timber resources review report, made under the auspices of the U.S. Forest Service, was coordinated with many other interests, was published, it became the Bible of the industry. And it was generally understood that that would be a continuing thing, that the reports would be brought up to date periodically over the years, and I am sure that each and every study, even to the latest one today, will show that in general terms we in the Pacific Northwest in the lumber industry are all right in balance of timber growth and timber cut, until about the year of 1985, which is not very long away, gentlemen, in the terms of growing timber. You don't grow it very fast. After that we could be in trouble.

There are also a number of conclusions, conclusions that have been reached in a number of studies in the very recent years that by the year 2000 we may not even be able to supply even our domestic demand, and this is why I say that no nation can afford to export a natural resource that they do not have in excess supply.

I submit to you gentlemen that we do not have that excess supply of timber, and therefore we should act now to preserve it and to conserve it for the future for our own domestic economy and to provide the jobs first of all for the people engaged in a very important industry in these United States.

Thank you, Mr. Chairman.

Senator MORSE. Thank you very much, Mr. Viancour.

I want the record to show that Mr. Terzick and Mr. Bailey, representing the United Brotherhood of Carpenters and Joiners of America, came to me many weeks ago and asked if I would arrange to have a meeting with your Oregon delegation in regard to the Japanese log export problem. I arranged for such meeting. They talked with the

delegation and presented the problem. That led to discussions with the Washington delegation, and then that led to our meetings with representatives of the agencies downtown, and finally it led to the December negotiations with the Japanese.

I simply wanted this record to show the appreciation of the chairman, and through him the appreciation of the Oregon and Washington delegations, for the interest that you have taken in this matter. Your helping to bellwether it, so to speak, has brought this matter through to the point where we are today.

Mr. Bailey, I would be very glad to have you make any statement you care to before I call upon my colleagues to ask questions of each one of you.

Mr. BAILEY. Thank you, sir. But I think that Mr. Terzick could answer all the questions. I feel that he has done an adequate job, a commendable job, and anything that I would say would be superfluous. Thank you, Senator.

Senator MORSE. Senator Scott, do you have any questions?

Senator SCOTT. I have no questions.

Senator MORSE. Senator Hatfield.

Senator HATFIELD. Mr. Bailey, the request for the 90-day moratorium would infer that if such moratorium were employed, that there would be a market for all of the logs to be purchased by American mills that are now going to export trade, is that correct?

Mr. BAILEY. I think so, Senator.

Senator HATFIELD. Would it be appropriate to ask you what your feeling would be concerning the existing market here in this country for finished products, finished wood products? Would the market be able to assimilate or to absorb this additional quantity of wood products that would come from these additional logs that the domestic mills would buy that are now going into the Japanese market?

Mr. BAILEY. I could not say definitely at present, Senator, but I do know as a certainty that if the proposed housing program and the model cities program does start operating, that these two programs will require almost the total output of lumber from the mills that are in present operation.

Senator HATFIELD. How would you identify or define the present home construction industry here in this country? Is it on the up level, is it leveled off, is it on the decline? How would you identify it?

Mr. BAILEY. I think, Senator, that at present it is on the upturn.

Senator HATFIELD. On the upturn?

Mr. BAILEY. Of course I don't think anyone right at present can say that it will continue that way because there are too many variables involved.

Senator HATFIELD. This is true. I only asked for your general estimate of the market or the situation of the homebuilding industry at this moment. But it then is your opinion that the market as it now exists, and with these other situations pending, the Model Cities Act which you mentioned and so forth, that all of the logs now going into Japanese trade could be absorbed through finished products that are characteristic of our mill operations in Oregon and Washington, the market could now absorb that additional lumber product?

Mr. BAILEY. No, I don't think I said that, Senator. I said that it could absorb most of it, and that with the start of these other programs,

within a couple of years I am certain that the domestic market could absorb this. Naturally right at present housing starts are just beginning to start up. They are on the upgrade now, but they were, you might say, in the depths. As a result of that, there was not quite the demand for lumber that we would like to see in the States. So it would be a gradual thing.

However, lumber is not a too perishable commodity, and it could be held in reserve for the expected needs of both the housing and the model cities program, and also commercial construction which we hope will resume its upward trend after the tight money market is relaxed.

Senator HATFIELD. Let me pursue that point for just a moment with you, then. As you have heard the testimony, and you are familiar with the character of our industry up there in that we have large operations and we have medium-sized operations and we have small operations, do you feel that the medium- and small-sized operator, who is most significantly affected by the Japanese log exports, could afford to carry an inventory of finished lumber products over an extended period of time, until these forces came into the picture and would provide the additional needs in order for him to dispose of such inventory?

Mr. BAILEY. Senator, I think General Treasurer Terzick or Mr. Viancour could answer that question better than I could.

Senator HATFIELD. I will defer to them.

Mr. BAILEY. I am not trying to evade the question. It is just that I want you to get as good an answer as you can.

Senator HATFIELD. As our chairman has indicated many times, we want you to comment as you will and as you feel qualified to do, and if the questions that I propound are outside of your realm of expertise, then I certainly want you to defer.

The other day we had the testimony given to this committee by Mr. Van Brunt and others representing the International Longshoremen's & Warehousemen's Union, and the port commissions, who are naturally, as you know from your own testimony, deeply concerned on this subject and I certainly can understand and support their contentions that they want to see high employment maintained and even increasing employment if possible in their respective groups.

They indicated to us that even if we did not have Japanese log exports today, that the present lumber market in this country would not be able to absorb this additional manufactured wood product. Or putting it another way, they said that the real answer to our lumber problem in the long range was to develop a greater market for finished products both here and abroad.

Now, if we found some way to put a temporary restriction, we certainly wouldn't want to retard the natural development and growth of the maritime industries, and especially we wouldn't want to do this if doing so did not actually stimulate and help the lumber industry as a whole. That they really didn't have the market to put more lumber products into and get their return, that this would not be helpful even to them. That is why I asked the question. I want to make sure in my own mind that if restrictions are placed at one point, that might tend to slow down or at least not permit the continued acceleration of growth in that area, that we don't want to be harmful to anyone,

but we certainly wouldn't want to do that, if it didn't mean solving the problem over here where we are really attacking it.

Mr. TERZICK. May I answer that question, Senator?

I think there are a number of factors involved here. In the first place if you had a moratorium on sales for 90 days, that wouldn't mean that there would be any increased production of logs, let alone lumber for a long, long time. Usually there is a period of at least 6 months to a year between the time that a sale is consummated and the time that the logs come out of the woods, and that therefore there is no immediate problem in this regard.

Secondly, as it has been pointed out by previous witnesses here, particularly those from Alaska, that part of the problem is that as long as we export round logs to Japan, they are going to buy round logs in Japan, and if we place some realistic limitations, and I emphasize the word "realistic," that the Japanese will buy finished products from us just as they do from British Columbia, which has a limitation on the export of logs.

But I think the overriding consideration at this time is how are we going to save a large number of mills which are hanging in the balance at this time.

As my colleague Mr. Viancour pointed out, there are many serious situations which the public doesn't know about, because a man with a mill is facing a very serious situation. He has difficulty getting logs at a price that allows him to compete, and he owes money to possibly a lending institution, and he has other creditors, and he can't come out and say, "Well, if I don't get some relief I am going out of business." He is fighting to save his business.

Our people know some of these things. They work in the plants, mostly in the smaller plants. They know the owner or the manager by his first name, and you have a situation where there are a great many plants hanging in the balance, and if they don't get some immediate relief, they are going to go the way of many others which are listed and appended to the brief I presented. So that I think that the primary consideration ought to be to get some immediate relief to stop these mills from going out of business, and that that ought to get real consideration.

Senator HATFIELD. Would you care to comment as to your impression on the building market today, the home construction industry and its ability to absorb additional wood products that might come to the market through a restriction of Japanese log exports?

Mr. TERZICK. Well, again I emphasize the point that I made originally, that a moratorium on sales isn't going to mean any increased lumber probably for a year. I think that is a safe statement. That it would take probably a year before the effects of the moratorium on the logs and the making of these logs available to domestic mills would really hit the industry.

You know how economies are. You can get a wide diversity of opinions about what is going to happen to housing, and you can get real optimistic ones and you can get real pessimistic ones. But I think that there is an upturn. There has been an upturn during the last 3 months, and I think that that upturn is going to continue.

People are appalled by the interest rates that are being charged by the lending institutions, and they have held back, thinking that

perhaps there was going to be a reversal of that trend. But I think everybody is pretty well convinced by now that there is not going to be a reversal of that trend, and if these is going to be any gamble, the gamble is going to be that rates are going to go up rather than go down. So that I believe that there is going to be a healthy although gradual increase in housing starts and as Mr. Bailey pointed out, if the model cities program and the housing program advanced by the President are going to get the consideration that they hope they get, that there is will be a very substantial increase in demand for lumber.

Senator HATFIELD. Then the 90-day moratorium would actually be this short-term action which would permit these other programs to at least get underway, so that by that yearend which would take really for some of this to really get into the market and change the character of the market, that by that time, with these other programs underway, then the market could absorb and would have the demand for this additional production, and at that time there would be sufficient stability to the lumber industry to even then, when the moratorium is lifted, to permit Japanese log sales again, would it?

Mr. TERZICK. That is my feeling. I tried to point out that we have the immediate problem which concerns us most, and that is for some stopgap relief pending a long-range study which would work out some sort of an accommodation we could all live with. And I emphasize again that we are not asking for a total embargo on exports to the Japanese. As the chairman of the committee very ably pointed out, we have an obligation to other countries to help them build their economies in the interests of world peace and our own security, but the thing that concerns us is that there are a large number of mills whose future is hanging in the balance right now, and that is why I am so concerned that we have some stopgap relief now, so that we can give some hope to these mills, which are hanging in the balance.

As I said previously, the public isn't aware of this, because the man who is fighting for his life isn't going to admit that he has financial difficulties, that he has difficulties with raw products and all, because the creditors would close in immediately.

I also stated that the log sales I think on the average would run almost a year ahead of the actual logs getting to the mill, so that a moratorium would give these mills hope. If they could make commitments for logs, it would take a while to build access roads, it would take a while to finance the logging of them, and it is a long process. My concern is the immediate problem.

Senator HATFIELD. One last question. Tell me again what would be your feeling on this 90-day moratorium? What kind of impact would it have on the maritime industry? We were told that many of these ports have expanded, have reactivated based upon the log export business. Now, if this 90-day moratorium should apply, would this create havoc within these other groups that now are engaged in log export handling and shipping?

Mr. TERZICK. Well, I don't know how competent I am to answer that question. Of course it might immediately have some impact, although I think that is doubtful, because even the sales that are made to the Japanese, you don't buy the logs today and get them to the docks tomorrow. It is a rather long process. Usually it involves access

roads, it involves many factors that lead to the lapse of anywhere from 6 months to a year before those logs become part of the trade even.

I really think that any objections from the port authorities are unwarranted, or even from the longshoremen in manning those ports, because certainly it takes at least 5 hours per thousand feet more to load a thousand feet of lumber than it does logs, and I am firmly convinced, and, I think the British Columbia situation and even the Alaska situation bears out my contention that if the Japanese can't buy round logs, that they are going to buy cants or they are going to buy finished products.

If there is going to be any deleterious effect insofar as longshoremen in the ports are concerned over the short haul, over the long haul, they are going to benefit materially, and in passing I want to say that I think the longshoremen are going to be dealt out of the log situation entirely. Presently the Japanese are developing ways and means of strapping logs together and floating them out to the ship, and instead of loading at a port winching them aboard out in deep water, which would eliminate the longshoremen altogether.

Senator HATFIELD. The point I want to make is that you are not coming here today advocating a plan to help save one segment of our economy at the expense of another segment. You want to see continued employment in all areas of our economy, and that you do not feel that the 90-day moratorium, because of the timelag in the purchase and the acquisition of logs and their placing on the dock for loading would not really have then a great impact upon the maritime industry, if I understand you correctly?

Mr. TERZICK. And I would like to say also that what we advocated was a moratorium on the export of logs from public lands.

Senator HATFIELD. Thank you.

Mr. TERZICK. May I make just one more observation. I don't believe anybody has mentioned it yet. There is another facet to this thing that isn't serious now, but I believe within 2 or 3 years it is going to be a real matter of concern, and that is the fact that when you export the logs, you export a lot of chips, which are vital to the pulp industry, and there is tremendous trade now with the Japanese on chips.

No one seems to be concerned too much about it yet, and perhaps I am a little bit pessimistic on it, but I really believe that within 2 or 3 years you are going to find that the chip situation is getting to be a real problem, because the parts of the log which would naturally go to the chips are being exported to Japan when you export round logs.

Senator HATFIELD. I think you are quite right on that, and you may be interested to know that our chairman has set up a set of questions in which he is seeking for the record data and information on many facets of this problem, and included amongst those questions is this very one that you mentioned about the impact of all this matter on wood chip sales and the wood chip future. We were told recently in fact by one of our other witnesses that there is a great potential in the woods now of material that could go into chips going into not thinning but future fertilizer at this time, because they are not being brought out. This is a subject that the committee has concerned itself with, and we will be interested in that further.

I appreciate, Mr. Chairman, the comments of the witness.

Senator MORSE. I appreciate your questions and the answers which you elicited from the witness.

Congressman Dellenback.

Representative DELLENBACK. Thank you, Mr. Chairman.

Mr. Terzick, I have found this testimony of very real help. We have had a good deal of testimony in the past from those who operate our mills and plants from a managerial standpoint. I think it is very important to get in as part of the record those who operate the plant from the standpoint of the membership which you represent.

I would like to be sure that I see the essential of your testimony so that it is spelled out clearly in the record. You have a great many things you have said that I found helpful. But to get at the heart of it, you indicate that your membership has declined, as you have indicated, about 4,200 members during the past 2 years.

Mr. TERZICK. In the lumber industry. That includes California, Oregon, Washington, Montana, Idaho.

Representative DELLENBACK. So that in connection with this type of employment we are finding a decline in membership. I am not pushing the decline in membership. I am interested in the loss of jobs in our area that is reflected by this particular factor. A number of these people who have lost jobs, and you have here a series of statistics—over 3,000 in the State of Oregon, over 2,500 in the State of Washington—are a number of these people moving out of the industry or moving away from the area in which they are living?

Mr. TERZICK. Generally they are required to move to the more populous areas, which I think adds to the employment problems in the cities. I feel particularly strongly about this, because many of these mills which are closing are located in small towns, and they are practically the only industry in that town, and when the mill closes, it creates real havoc not only for those people working in plants but for the merchants in that town and for all the people in the town who depend on the primary industry.

Representative DELLENBACK. So that you find that one of the impacts then of this loss of employment has been a speeding up of the surge of people into some of the big cities?

Mr. TERZICK. Very definitely. There is no doubt about that at all.

Representative DELLENBACK. I feel this is particularly interesting, and unfortunate at the time that we of the Congress are so deeply concerned about some of the problems of the big cities, that we are here looking at a factor which has aggravated that big influx of people into the metropolitan areas, and if we go ahead with the type of movement that has been demonstrated in the last several years, do you feel that this is going to continue in the years that lie immediately ahead, by more closings of one-industry towns, where they will have a more necessary flow of people from these now self-sufficient areas into the big cities?

Mr. TERZICK. I think a case in point is the small town in Washington called Darrington. I am from Washington some 25 or 26 years ago, but I doubt if there were 500 people in Darrington in 1940. There have been two mills there, and one of them was recently built, a relatively modern mill, which closed in Darrington. I don't know what the population is today, but it might be 1,500 or 2,000. But apparently the town is doomed. There are no other industries in that area and there is no hope of bringing any into the area.

Representative DELLENBACK. When this type thing happens it means that not only must the workers and their families leave but it means everybody in the community.

Mr. TERZICK. The merchants, the doctors, all the professional people, and the merchants are affected.

Representative DELLENBACK. You indicate also, I believe, in your testimony, that in addition to those who have been displaced in the last couple of years, that there is a substantial number of your people who feel such deep concern about this that it is affecting their own plans for the future, both as to what they spend and do now, but I suppose serving to drive some of them out of the industry that might otherwise not be, because of concern about tomorrow?

Mr. TERZICK. That is right. I think that one of the curses of our age is that so many people live in a climate of uncertainty, and particularly in smaller plants one way or another the workers have a pretty good idea of what is going on, and if there is a log shortage and work is curtailed and they are only putting in 3 days a week or 4 days a week, they can put two and two together, and they see the handwriting on the wall.

It is a terrible thing because it has such an impact on the economy. Even while they are working they are afraid to commit themselves for any sort of a purchase that would require time payments over a 6-month period or a year. They live in this aura of fear, and it is a terrible thing. I sympathize with them, and I think they are entitled to real consideration now.

You have all these problems, and I tried to point out that there is a great diversity of interests here. The people who own the stumpage want the top dollar. The State Department has its peculiar and particular interest. The Treasury Department has its particular interest and all, but when you boil it all down, I think that what needs to be done now is to give some assurance to the mills which are hanging in the balance that they will have a log supply for the next year or two.

Representative DELLENBACK. Also I read from your testimony, Mr. Terzick, the clear statement that you are not talking in any part of this testimony at the present time about placing an embargo on exports. You are talking about placing some reasonable limitation on exports, is that correct?

Mr. TERZICK. That is correct. My feeling is that we need some stop-gap remedial action now. We need a long-range study of the entire problem, and pending the completion of that study and some conclusions, that we need a rollback to some realistic figure on the amount of logs exported from Federal lands.

Representative DELLENBACK. You have been fully aware the chairman has made very clear how instrumental you have been in bringing about the negotiations with the Japanese. I join with him in giving you credit. He has given you a great deal of credit for this and I think this is an excellent contribution you have made. But you feel that those negotiations should go on, I assume?

Mr. TERZICK. Very definitely.

Representative DELLENBACK. You are not suggesting that immediate action by the administration or by Congress should supplant those negotiations?

Mr. TERZICK. No.

Representative DELLENBACK. No.

Mr. TERZICK. So that we are talking about additional actions that you feel should be taken, even irrespective of the negotiations. You are saying that they may bring longrun solutions or part of the solution, but that in addition to this, there should be immediate action by the administrative executive departments to help what needs to be done right now. Am I correct in that?

Mr. TERZICK. You are correct because it is my feeling that we would then be negotiating from strength rather than from weakness.

Representative DELLENBACK. Thank you very much, Mr. Chairman.

Senator MORSE. Thank you, Congressman Dellenback.

Mr. Terzick, Mr. Bailey and Mr. Viancour, you have heard the testimony in this case by a number of witnesses that the high prices that the Japanese bidders have paid for the purchase of logs out of Federal timberlands has made it impossible for some of our lumber mills to compete, and therefore they have had to close their mills.

You, Mr. Terzick, as the treasurer of this great union maintain, do you not, a close relationship with the locals of your union out in the lumber areas of the Pacific Northwest?

Mr. TERZICK. Very much so.

Senator MORSE. Mr. Bailey and Mr. Viancour do also, do they not?

Mr. VIANCOUR. Very much so, I can say firsthand, Senator, supplementing what Mr. Terzick just said when he said very much so in answer to your question that I know from personal knowledge as a representative of our lumber workers in the Western States for some 30 years that we have a very close relationship with our general officers of the United Brotherhood of Carpenters and particularly Mr. Terzick.

Senator MORSE. Mr. Terzick, it is your opinion that those millowners that have closed their mills are correct when they have stated that one of the major causes for their closing the mill is the inability to compete with the Japanese in the purchase of logs? Is this in accordance with the facts, in your opinion?

Mr. TERZICK. I think that is the primary cause. I wouldn't be truthful if I didn't say there were other factors involved, increasing competition from the South, and several other factors. But the overriding factor is the fact that logs at prices which would enable them to compete are not available.

Senator MORSE. Those witnesses haven't said there was a single cause for their closing, but their testimony certainly allows us to draw the conclusion that if they had not had the high-priced log purchase competition from the Japanese, they would have been able to continue the operation of their mills. It seems that the bid-up log price level was the straw that broke the camel's back, so to speak. Do you think that is a fair statement of their position?

Mr. TERZICK. Very definitely. I am very emphatic on that point.

Senator MORSE. Congressman Dellenback referred to the statistics taken from your testimony here today concerning the loss of employment and the loss of membership in your union. That loss is due in no small part to the closing of those mills and the resulting loss of jobs?

Mr. TERZICK. That is correct.

Senator MORSE. Now I want to go very quickly to the proposals that you make for temporary relief. The 90-day moratorium that is discussed on page 9 of your statement. Are you simply proposing that the

Forest Service and the BLM lay down restriction for a 90-day period that would prohibit the sale of any logs from our Federal lands for export purposes for the duration of those 90 days.

Mr. TERZICK. That is correct.

Senator MORSE. That would not, in any way, stop the exportation of the logs that the Japanese already have in the pipeline—that they have bought and paid for, that are waiting delivery to them. Those contracts have been consummated, and those logs would continue to flow to Japan during that 90-day period.

Mr. TERZICK. That is right, sir. I believe we have to live up to our commitments. A contract is a contract and we should live up to it.

Senator MORSE. You are saying to the Federal Government we think what you ought to do now is lay down a restriction that will provide that no bidders in any Federal timber sale for 90 days shall bid on those logs, if their purpose is to export those logs?

Mr. TERZICK. That is correct.

Senator MORSE. Would it be at all difficult to enforce such a restriction?

Mr. TERZICK. I don't believe so, Senator. I believe that agencies have that authority. I think somewhere in my testimony I quoted a section of the Organic Act of 1897 which to my way of thinking, and I am not an attorney, empowers the agencies to do this.

Senator MORSE. I am not talking about the question of legal authority for the departments to lay down such a moratorium restriction. I am am proceeding on the assumption that they have the legal power to do it.

Mr. TERZICK. I think so.

Senator MORSE. I am only talking about the mechanics for enforcing their restrictions. Let's assume a hypothetical. There is a sale and the sale goes to purchaser *x*. But he isn't going to touch those logs for 6 or 9 months. When he does proceed to harvest them, however, you discover that he is going to ship them to Japan. For that 90-day period, whatever logs are purchased during that 90-day period, they are going to be so marked or identified or branded that they won't be able to be shipped to Japan during that 90-day period or 6-month period or a year period, is that what you include in this moratorium proposed?

Mr. TERZICK. That is correct, sir. I believe the logs ought to be branded so that there can't be any subterfuge by some American firm buying the logs, bidding on the logs and buying them and then in turn selling them to Japan at a profit.

Senator MORSE. The moratorium proposal amounts, in one respect, to serving notice on Japan that we have called a halt pending further negotiations in attempts to reach understanding in regard to what our future policy will be beyond this 90-day period. But you offer it because at least it has the advantage or the effect of giving notice now to Japan that unlimited purchases of logs by them in the United States has come to an end. Is that your purpose in part?

Mr. TERZICK. That is correct.

Senator MORSE. You are offering it, among your reasons for offering it to make this clear before our representatives go into negotiations with Japan on February 20. Do you think that the parties to the negotiation ought to be put in a position where they understand this growing insistence in our own country that there has got to be a halt

called to the unlimited exportation of logs? Is that part of your purpose?

Mr. TERZICK. That is correct, and I call your attention to the fact that we did not ask for a complete embargo. We asked first for this short moratorium to save mills which are now hanging in the balance, to allow time for a more comprehensive study to be made so that a long-range accommodation can be made, and I think that with the moratorium we will be leading from strength in our negotiations with the Japanese rather than from weakness.

Senator MORSE. Counsel Watts has a question that he wants to ask at this point to clarify his thinking in regard to your proposal.

Mr. WATTS. Yes, Mr. Terzick. I wondered whether, to be meaningful, would we not have to also provide that during the 90-day period of the moratorium you propose, the Forest Service and BLM would set up meaningful and substantial sales within the working circles of each of the mills you want to help?

Mr. TERZICK. Well, it is my understanding that these sales are projected for a considerable period ahead. I am not qualified to answer. If that isn't a true statement of the facts, I would say that the Forest Service and the Bureau of Land Management ought to be required to carry on normal sales during the 90-day moratorium.

Mr. WATTS. But if these sales are scheduled, as I think they may be, rather far in advance, it would be necessary either to schedule some additional sales or to so time the 90-day moratorium that it coincided with some already scheduled sales. What you have to do, I gather, is to get some timber into the pipeline which is earmarked, planned for the domestic mills. You want a 90-day period when the whole supply is available for domestic consumption?

Mr. TERZICK. That is the objective, sir.

Mr. WATTS. So it seems to me you need a two-pronged program here. One, that there be no exports or sales made in this period, but second that there will be some sales in this period and they would have to be spread through a number of different national forests, I should think.

Mr. TERZICK. Well, as I said, my understanding is that these sales are projected for a considerable period ahead, and certainly the agencies handling the public timberlands ought to proceed with those sales with the moratorium on exports to Japan.

Mr. WATTS. Thank you, Mr. Chairman.

Senator MORSE. The second point that you have in your proposal for a temporary adjustment of the problem is that following this moratorium you say:

The export of logs from public lands should be limited to the 1966 levels pending a comprehensive study of the entire problem and the establishment of a realistic long-range policy.

Do you mean to include in this proposal that our negotiators should then attempt to negotiate with the Japanese for an understanding that the ceiling for round logs will be the ceiling of 1966, which is 350 million board feet, but included in that negotiation would also be an attempt to negotiate with them for the purchase of cants or the purchase of x million board feet of finished lumber? Are those thoughts comprehended in your second proposal?

Mr. TERZICK. That is it and I am sorry I didn't spell it out more completely.

Senator MORSE. And third you say:

A policy should be developed requiring agencies to determine that logs are in surplus supply in an area before Japan would be permitted to bid on public land sales in that area.

Let's take a hypothetical—the Siuslaw National Forest in my State. I pick it because we have communications from a considerable number of mills in that forest area, and in communities served by that forest, that they are in trouble and they need logs and cannot get them because of the competition of the Japanese. Does this point mean that unless the Forest Service can certify that there is a surplus of logs in that forest, as far as the projected sales are concerned, to serve the needs of the local mills, that no bidder that seeks to export would be allowed to bid on those sales?

Mr. TERZICK. That is my opinion, Senator.

Senator MORSE. And fourth you propose “safeguards to be written into the long-range program to insure that private timber holders do not export their own logs to Japan and make up the difference by buying timber from public lands.”

As you know, both in our conferences before these hearings started, and in the testimony during these hearings, this is considered, may I say to be one of the delicate issues or controversial issues about which there seems to be some divided opinion. But, as far as the industry is concerned, they have said to us, “We are united on the proposition that the restrictions as of now should be limited to public lands. The authority is there to restrict them. And our proposal is for Federal lands, public lands only.”

But we have heard from the representatives of the industry, including representatives of some of the largest companies, such as Weyerhaeuser. In oral statements to us in our conferences preceding the hearings, and then in communication from some of the other companies, such as Crown Zellerback and Georgia Pacific, they have indicated that if the restrictions on the Federal lands are imposed in accordance with the recommendation, that they would not follow a policy of selling their logs in export business with the plan in mind to then go into public sales against bidders who seek the logs for the operation of their own mill, using the Federal lands as sort of a log bank for them to deposit a supply of logs out of a Federal sale, following a policy of exporting logs.

They claim, and as far as the chairman understands, it is accepted by all the representatives of industry, that a voluntary program can be worked out. It is contested as you know in some of the testimony in this case.

I judge from what you say in your point 4 that you think it is necessary to have it definite and certain that if companies proceed to deplete their private holdings of logs by exporting, some restriction ought to be placed upon them. You feel that some authority ought to be exercised in relation to them, to check them from using the Federal lands as a source for replenishing their own private log bank holdings.

Have I made myself clear? Is that your position?

Mr. TERZICK. That is, Senator, while I cast no aspersions on the industry or anybody connected with the industry, I think that the realistic approach is to set up some mechanism to insure those who sell

logs from their private lands do not have the right to bid on timber from public lands.

Senator MORSE. I am not passing judgment on that proposition now. I think the record ought to show that the chairman expresses the view in discussing your fourth point that it could very well present an interesting problem of a can of legal worms to try to have to separate. This is a very complicated question, and of course if it can be worked out on an agreement within the industry on a voluntary basis, that would be certainly preferable.

But wouldn't it be helpful, even in connection with the problems that are raised by your fourth point, if we dealt in a little greater detail with the suggestion that is inherent in your point 3. That is that there is a responsibility to be placed upon the Federal agencies to make a finding of fact as to whether or not there is a surplus of logs. If there is a surplus of logs, then there is no question about the authority to authorize the export of logs that are in excess to domestic need.

Do you agree with me? I am attempting to make this clarification for the benefit of other witnesses who are in the room, including some who have already testified, in connection with questions that I have already submitted to them for their written answers, if they feel inclined to answer, and for the supplementing of this record with further memoranda. I am making this suggestion because I would like to have their help on this point.

I am sure it is going to be a matter of considerable discussion within this committee in our executive session, when we come to prepare a report that will set forth our recommendations to the administration as to what should be done about this problem.

I would plead with you that you give the committee some help in defining more clearly this phrase "logs in surplus." How are you going to determine surplus, who is going to make the determination, and what are the criteria for determining it?

It goes back to what you have heard me say so many times. Unless timber is in surplus, then as a matter of our existing legislation on the books, I take the position that the Federal Government violates the intent of Congress, if it exports logs that are not in surplus.

The purpose of our whole statutory structure of Federal timber policy is that timber shall be retained to satisfy the needs of the American people, not the Japanese people or the South Korean people or people anywhere else. These resources are to be retained for the use of the American people to satisfy their domestic needs for lumber and all of its byproducts.

I want to thank you very much for your testimony, gentlemen. And again, don't hesitate to supply us some supplemental material on the points we have discussed.

Mr. TERZICK. In closing may I just make one remark, Senator Morse? I really find it difficult to find words to express our appreciation for this hearing and for your efforts, and for the committee's efforts on behalf of trying to find a solution. For some 15 years we have plowed a very lonely furrow in regard to the Japanese export log proposition, and now it finally is being brought to a head, and the proper attention is focused on it, and we are deeply appreciative to you and the committee for this hearing.

Thank you.

Senator MORSE. I want to respond to the last part of your comment. It extends to every member of the Oregon delegation, the members of the Washington delegation, the assistance that we have received from Senators from Idaho and Montana and the members of their delegations, the interest taken by some of the members of the California delegation such as Congressman Clausen, the help that, as you know, we have received from the Alaskan delegation. This is the group that deserves your recognition, and in their behalf I accept your thanks.

You are excused.

Our next witness will be Mr. Kenneth Ford, president and manager of the Roseburg Lumber Co., Roseburg, Oreg., accompanied by Mr. Dean C. Brice, industrial development engineer, Pacific Power & Light Co.

The witness can close his ears for a moment while I say to those in attendance that Mr. Ford comes before this committee as not only one of the great lumber giants of my State but one of its outstanding industrial statesmen as well. I am delighted to have him come and give his views in regard to the problems that confront this committee.

Mr. Brice has been very active in connection with the research work for the Pacific Power & Light Co., in connection with our lumber economy. Obviously the Pacific Power & Light Co. as well as all of our utilities, private and public, have a great economic concern, and rightly so, in the development and the maintenance of the prosperous level of the No. 1 source of income for my State. In fact, this industry is the most important source of income for the Pacific Northwest as a whole. Mr. Brice, I wish that you would inform your principals and particularly your chairman, Mr. Glenn Jackson, that I appreciate very much your being sent here to assist this committee with its work.

Now, Mr. Ford, you can start listening now. My instructions to you are that you can proceed in your own way with your statement.

STATEMENT OF KENNETH FORD, PRESIDENT, ROSEBURG LUMBER CO., ROSEBURG, OREG.; ACCOMPANIED BY DEAN C. BRICE, INDUSTRIAL DEVELOPMENT ENGINEER, PACIFIC POWER & LIGHT CO., PORTLAND, OREG.

Mr. FORD. Senator Morse, honorable members of the committee, my name is Kenneth Ford, and I am president of Roseburg Lumber Co., of Roseburg, Oreg.

I would certainly like to thank the chairman for his very complimentary remarks.

There is a very strange thing that I had never thought about until this morning. This is January 19. Forty years ago as a freshman, I picked up my books at Oregon State College, and left for the lumber industry where I have been until this day. I was 19 years old at that time.

We are an independent, privately held company meeting a payroll of approximately \$18 million a year in a region in western Oregon where the economy has been a timber-based economy for the past 50 to 75 years. Our operations are in six locations, giving employment to 3,400 people.

Roseburg Lumber Co. owns in fee a little more than 1 billion feet of timber, which among privately held companies is considered a large holding.

We are asked sometimes why we oppose the unregulated export of American logs and sometimes we face the challenge that we have a vested interest in asking that the Government restrict the export of this raw material.

I would like to make clear two points on this subject before getting into a discussion of the economic consequences of selling our timber to foreign manufacturers.

First, with our plywood and lumber production, with the entire complex of plant and equipment, it is safe to say we would be able to operate 4 years, maybe 5, if we cut only our own timber. We would then be cut out.

In discussing this recently with a major retail merchant in our area, I made this analogy to him: If you have a grocery store and if for some reason the people who shop at that store all move away or the road leading to that store is cut off, or better still, you suddenly cannot get goods to sell in your store, then your store is worth nothing, or very little at best.

It is safe to say that our entire mill complex, the entire industrial strength of Roseburg Lumber Co. and the payrolls and the economic contribution of this company would disappear if we cut our own timber. America has a record of what happens when an area is cut out. Remember Minnesota and Michigan where the timber policy of "cut and run" was practiced. You can have the finest sawmill in the world, the best plywood plant, but if you are not able to operate them, they are not worth a darn.

Our vested interest is in stopping the export of Federal logs. We have had to build this company and manage its timber reserves by working with the Federal Government agencies through the years. Companies like ours, and many of them have already gone out of business, have provided the marketing base for Government timber sales for the past 50 years or more. Because of the flow of Government timber, we have seen our way clear to invest in plant and facilities that would provide the manufacturing base for that timber.

Through the years we have bid fairly and competitively for that timber, providing the dollars the taxpayers are entitled to for their resource, and in turn purchasing the raw materials we require to stay in business.

With a proper balance of Federal timber cutting and tapping our own reserves, we have been able to keep our own limited stands on a sustained yield basis and work with the Government's timber sales which are also on a sustained yield basis. Up until the frightening turn of events which we are discussing today, this was a reasonable and well-balanced economic community of activities, feeding our Government direct revenue, as well as tax dollars; feeding our community prime payroll dollars, and feeding the American economy a useful and necessary range of manufactured goods. The resource was harvested and utilized intelligently.

Now, there has been a great deal of confusion surrounding these sales of Government timber, and there has been a great deal of confusion also in the discussions of the mills that have been shut down.

Let me say for your record now, that ever since the U.S. Forest Service and the Bureau of Land Management have been selling timber, this timber has been sold. Except for a few instances where someone made a mistake on the cruise or through some freak circumstance of the moment, this timber has been sold and converted. Now this is a matter of clear, unchallengeable record.

For a number of years we in this industry throughout western Oregon have been listening to the U.S. Forest Service's competent personnel making speeches in our area. On theme of these speeches has been that there is not a sufficient amount of wood to cut, and that a lot of the operations in this industry must go out of business. They have been making these speeches, in candor, even before the Japanese began buying our raw materials.

Remember, please, what I said. Through the years, every bit of available material has been cut in this Eugene-Roseburg, Medford, Coos Bay area.

There is only one reason a man with a mill shuts it down: there may be many variations on this reason—imports, marketing problems, capital problems—but the basic and underlying reason is that he cannot operate at a reasonable profit on his investment. The only reason, gentlemen, that I know of for a well-managed mill to not operate at a profit is traceable to the cost of raw materials in almost every instance.

I can say today, that even though there has been economic depression in the building products industry and its markets, the volume of wood sold through Government sales or made available through private sales, has been cut and manufactured and sold. But many of us have not always made a profit in that process.

In my opinion, and my experience is with the timber resource of the Northwest, I am here today to tell you that Roseburg Lumber Co. is not the only company, nor the only payroll, that requires Government timber. I am here to tell you that with the exception of a couple of publicly held companies, there is not a single operation that has sufficient timber reserves to operate on a scale of current growth without the backup resources offered for sale by the Government.

Certainly, there is no private operation that I know of that can afford to ignore a Government timber sale, on the premise that they have enough timber of their own to maintain their operations.

This then is the interest all of us have in log exports. It is one thing to sell off your timber, gathered and held through the years in the creation of a balanced manufacturing complex. We certainly, as individuals, would have enough to eat from that sale. But what of the responsibility we have to those other people in our communities and the responsibilities we have to the generation that is coming behind us and seeking to develop a new industry out of the chemicals and fibers of our wood resource?

When so much has been done for us in preparing this resource to bring it to where it is today, can we in any conscience at all, sell it out?

Allow these exports to continue at the projected rate they have been going and our industry is gone.

Like the flow of river water, the resource builds its own economic channels. Once the mill in Roseburg or Winchester or Dillard or Coos Bay is shut down, the timber flows away somewhere else—in this case, to Japan. Your community dries up and your equipment is sold off and

moved out. And how do you regenerate that community and that plant, once the timber is flowing in another direction? You don't. Once you lose it, kiss it goodbye, because it's gone.

You have heard today that one of the causes of trouble in our domestic industry is that the American market has been soft and the logs are being sold abroad because we don't have enough markets at home to support our industry. That's interesting, if true.

Let's examine it a moment. First, Canadian producers shipped into the United States last year something like 4.4 billion feet of lumber products, 3 billion feet of that by rail, so let's not discuss the Jones Act in relation to this, though the Jones Act does need discussion.

Now, how were they able to ship more than 4 billion feet in our market, which some claim was too soft to support the domestic manufacture of our logs? They were able to outsell the American operators because they can sell cheaper. The Canadian Government wants its forests products industry to prosper and provides a stable base to enable it to do so.

Forest products are among our most basic raw materials for the American economy. In the case of another basic raw material—steel—when that industry tries to raise its prices 5 percent or so, the roof blows off the White House and the President's Council of Economic Advisers have some very harsh things to say about steel. Where was the Council of Economic Advisers when our stumpage prices were jumping 46 percent in Oregon and Washington?

It is naive for us to say or think the Canadians can sell cheaper in our country because of any reason but one—they have cheaper stumpage, a cheaper raw material than we in the United States do, and they have the lower cost because the Japanese are not in their woods competitively bidding up the price of Canadian timber. The Japanese are "not there" because a Canadian law forbids the export of all but "surplus" logs from Canada.

With only their own mills competing on their timber and this on a cutting circle basis, the Canadian manufacturers can cut and ship and sell that timber at prices we in the United States cannot meet, so long as we must bid against the Japanese export market, a wood products market, and, I want to add, in which we have no competitive marketing basis because the Japanese don't want to buy our finished products and won't buy them as long as they can get our logs.

We hear from time to time that the reasons the Canadians are able to sell in the Japanese market is that they are able to "cut to Japanese standards" and somehow American mills either don't know how or would rather go out of business than meet these standards.

It somehow seems ridiculous, and an insult to the intelligence of the listener, for the Japanese to say, as they have said in talks on the west coast, that the Canadians cut to their standards, the Americans don't.

Crown Zellerbach cuts in Canada, Weyerhaeuser cuts in Canada, and so does United States Plywood and Georgia-Pacific. Does it seem reasonable to assume that their Canadian mills can out-perform their American mills? No. Does it seem reasonable that they have competent and capable mill operators in Canada and keep the "nincompoops" at home to run our domestic mills? No.

The reasons the Canadians sell the Japanese lumber—more than 10 times as much of lumber as Oregon and Washington and California

combined—is much more basic than that. British Columbia does not sell logs. In buying finished lumber in Canada from Canadian mills, the Japanese are not setting up the competitive mill base to bid against their own efforts to buy raw timber. To buy this lumber from our mills would mean they would be helping to create and keep alive a healthy American economy and mill structure which in turn, could meet the prices the Japanese are paying for our logs.

I have never seen a Canadian mill, and I have seen quite a few, which has any magic crew, or magic saw, or magic timber that allows it to produce a product to better or different standards than Roseburg Lumber Co., or Jones Lumber Co., or Bohemia Lumber Co., or any of the dozens of other good American mills can produce.

We all “pull our pants on, one leg at a time,” in this business; there are no supermen.

My recommendations today are brief because of the pressure of your time, but they are made with the sober reflections in mind that we have prime responsibilities to our own country and we cannot ignore our responsibilities to our friends and allies, the Japanese. You cannot set up an operation as they have and have the raw material shut off from full speed ahead to dead stop without causing much economic distress and pain in that country. Still, we must shut it off.

You have Government projections available to you and certainly we have industry trade association projections which show that in the next 5 years to 10 years, even without the Japanese bidding for our timber, there will not be enough wood to meet the domestic demand. There will not be enough for the housing needed to solve the problems of our ghettos; there will not be enough to provide replacement housing needed to rebuild and renew our cities; there will not be enough for the shipping and container demand; there will not be anywhere near enough raw wood resources in all of this country to meet our basic wood demand.

We then become something akin to the oil industry, a dwindling supplier of our own raw material and we then go abroad and begin to seek the wood we need from other countries, and at that point, I suggest we will get the lesson we need, and should fear.

The industrially developed countries, and increasingly, the undeveloped countries won't sell their forest resource in unprocessed form: we will have to take what we can get—in whatever form we can get it.

So what should we do? We should give notice now, today, to the Japanese of a 5-year plan to eliminate the acquisition of raw logs from Federal lands.

I think our industry can survive in the United States through these years if the Japanese are held through the first 2 years to no more than they purchased in 1966. Certainly, not a stick more. Then, perhaps through forest management, we can provide a larger cut to help offset that drain. I would hope so.

After the 2-year period, it would seem they should be developing sources of raw material in other areas of the world where the demand is not so great for domestic consumption. By that time, it is reasonable through the 3 years to follow, in this tapering-off period, we could reduce our log exports by 30 percent a year until at the end of the fifth year we would have stopped with a minimum of pain and pressure on all sides.

That is 2 more years of exports comparable to 1966 to be followed by 3 years of exports being tapered roughly at 33 percent a year until the flow is stopped entirely from Federal lands.

Gentlemen, the economists tell me there are still 145,000 to 150,000 timber industry jobs in Oregon, Washington, and California. That is quite a payroll.

The money that produces in taxes for this country, the secondary or service industry payrolls that generates, the people it provides our country are the basic backbone of this Nation. Don't allow us to sell it out.

If we came to you today asking for hearings on whether or not we should sell the Boeing Aircraft Co. works to the Japanese, you would hear such a roar from the Nation, that any such plan would be stopped dead in its tracks.

Yet, what is Boeing? It is 30 percent less jobs, at its peak, than our wood products industry has at its low point. It is an exotic, exciting industry with a great future. So is our timber industry, with exciting chemical and fiber development, and with a future not even dreamed of yet. It is everything to the Northwest and it is a great deal to the country as a whole.

When the time comes that this Nation must go abroad for its raw materials; when the time comes that we must seek our softwoods, not the hardwoods alone, from South America or the South Pacific, and the Nation looks to see what has happened to our own wood supply, the greatest developed forest complex in the world, I don't want to have in my record anywhere anything but firm opposition to these policies practiced today which are selling those resources out.

I want to thank you, and I would like to ad lib two or three comments which I think might be helpful.

Senator MORSE. Go right ahead.

Mr. FORD. I have been in Japan from one to three times per year for the last 6 years. I have been to their sawmills, their plywood plants, I have been to their steel mills, their electronic plants, and many other plants too numerous to mention.

The Japanese are very smart, astute traders. They are a trading nation. These trading companies appear to work together among themselves and their policies set by themselves and by the government set up the equivalent of some of the strongest cartels.

My proposal will maintain our own present payrolls and economic communities. It is my very firm conviction that the Japanese will import our finished lumber, if and when they really need it. Our mills, American mills, can cut lumber to exacting Japanese specifications and standards delivered to Japan for less or not to exceed the present price the Japanese people are paying for logs imported into Japan, manufactured and distributed to the users.

I would like to add further that our President several times has served notice on industry that if we do not develop jobs, the Government will have to. We have jobs, and I think these jobs should be made secure. Thank you.

Senator MORSE. Mr. Ford, anyone reading the transcript of these hearings will know how accurate was my description of you as an industrial statesman. I mean no flattery when I tell you that this is a very well reasoned, powerful document in support of the position

that you have taken in these hearings. When I refer to you as a lumber statesman, I mean by statesmanship standing for commonsense. What we need here in Washington is just such commonsense talk, and that is what your statement develops.

What you have said in effect is that our whole timber policy in this country has been set up on a partnership basis, the two partners being the Government through its Bureau of Land Management and its Forest Service, and the private industry out in our States, and a partnership carries mutuality of responsibilities and obligations.

It is perfectly clear that the Federal Government has been walking out on its partnership obligations. It has been walking out on them because it has not been imposing the restrictions that it has the authority under the law to impose to protect the interests and the rights of the private industry partner.

The timber companies which have the responsibility of following the sustained yield program in their private holdings, as the Roseburg Lumber Co. and other companies that our area have been doing, which means that the Federal Government has to be of assistance to those private companies in this partnership relationship to see to it that there is a steady supply of timber made available to them. In this way the Government and the private industry can together fulfill their trusteeship obligations to this and future generations of Americans. That is what you are telling us. In my judgment that is what it adds up to.

The Federal Government has come out through its spokesmen, as you testified, and said, and I have heard them as you have heard them say many times: "We do have a shortage of supply," and "After all, you have got more capacity than logs available." This, of course, raises serious problems as to whether or not we should not try to work out some arrangement whereby we will not build too much capacity. But, when the Government says that, and that has been the economic fact that you people in the private segment of the industry as partners to the Federal Government have had to face for years, and then at the same time refuses to follow a Federal timber policy on public lands that prevents the exportation of logs which deny to the private industry the supply that it needs, I call that walking out on a partnership obligation. I think that is one of the essences of what this hearing is all about.

I shall wait with great interest the reply of the agencies of this Government that have jurisdiction over timber, to your commonsense. It seems to me that they cannot avoid your logic. You have laid out the problem here, in my judgment, which the Federal Government simply must work out.

You are not an overnighter. The whole history of your company in this record shows that you are not an overnighter. You are proposing that the Federal Government has got to start seeing to it that we stop the losses that the industry is suffering and provide a basis of stability in the forestry industry of the Northwest as a part of its partnership obligation.

You are acquainted with me well enough to know that I am a stickler for these obligations. I have had some entanglements with the private segments of the industry at times, with regard to their private practices, that I have sometimes felt were not carrying out their partnership obligations to the Government and through their Government to

the American people. This is a mutual program; both sides must live up to it. The program that you have outlined for the Federal Government I think has to be answered.

I make one further comment, and that deals with this whole matter of balance of payments that we are hearing so much about. We are going to hear opposition from the administration to any restriction now upon the exportation of logs, because of a balance-of-payments problem. You just destroyed this argument in your paper. You just destroyed it in your paper when you pointed out the competition with Canada and how they outsell us, and they outsell us because of the fact that they can operate on a cheaper basis because they have security of their raw materials. That is the only reason that they can outcompete us.

Let me say whatever we do to help this industry, so that it can compete with Canadian lumber that has taken over most of the U.S. east coast trade, will do more to help the balance-of-payments problem in this country by producing the goods here for sale by us rather than our purchasing it from abroad, which takes American gold out of our country, than any policy this Government is following in regard to seeking to placate the Japanese by exporting logs that are needed in our own country. The American people are entitled to have nonsurplus logs retained in our own country fully as much as the Canadians are.

Now, this is my digest and summary of what I think your testimony means. I happen to think it is one of the most incisive of any statement we have had in this record yet, and I highly commend you for it.

If the executive branch can bring in some evidence that shows that we need a different timetable than you have outlined the committee will certainly consider it. But, I think that it cannot escape the major premise which you have set out in your paper, namely that the Federal Government cannot justify violating further their partnership obligations to the private segment of this industry, because they are trustees along with you, and every other one of you people in the private segment of the industry.

You have the same mutuality of duty and obligation that they have to develop and preserve these forests on a perpetual yield basis, not only for our generation to meet the immediate problems that you talk about, the housing problem, the ghetto problem, the model city problem, but also to meet the needs of my grandchildren and yours and generations to follow them.

That is why you will find me recommending here and on the floor of the Senate and in the White House and Treasury Department and Commerce Department and State Department and Agriculture and Interior in the weeks ahead that they have got to come to grips with this problem. They must effectively sustain the right the American people have to their timber.

Senator Hatfield.

Senator HATFIELD. Mr. Chairman, Mr. Ford, I, too appreciate the comments that you have made today and the contribution that you have made to our hearings. I would like to go back to a few of your thoughts, and if you will I would appreciate some further information as it relates, especially, to some of your proposals. I ask these questions, and for this information, merely to clarify in my own mind and perhaps to make even a stronger case yet for the purpose which we have gathered, and that is to solve this lumber problem.

First of all I gather one of your main theses to be that we have to recognize the cost of the raw material. This you seem to reiterate throughout your testimony. And that the cost of the raw material place the Canadians with certain advantage in the American market. The cost of the raw material is the reason for many of our mills in Oregon and Washington having to close. The cost of the raw material is set not by our own Government appraisals but by the involvement of the Japanese to meet their own needs in their economy of Japan. All of these are a part of the cost factor.

What I would like to ask you now is what is the stumpage that you are presently paying? What is the cost that you are now required to expend to meet the goal of obtaining the raw material for your mills? Can you give us some estimates on certain bids that you have made recently, or what is considered to be an average in the forests, on Federal lands where you are engaged in your operations?

Mr. FORD. As an average I would say we are paying approximately \$40 today.

Senator HATFIELD. Approximately \$40?

Mr. FORD. Yes.

Senator HATFIELD. Could you give me an estimate as to what you think this price might be if the Japanese were not involved in the bidding price?

Mr. FORD. To clarify my statement, \$40 stumpage into our mill gives us around a \$70 to \$75 average log price. I would think probably this price could go up from \$10 to \$15 using present prices that export logs are being sold for as a basis.

Senator HATFIELD. Do I understand then that the differential would be between \$10 and \$15?

Mr. FORD. That is correct.

Senator HATFIELD. If the Japanese were not in the market. What I am trying to get at is—

Mr. FORD. No, no.

Senator HATFIELD. Let me rephrase my question. What I am trying to get at is what would be the estimated price of the log if the Japanese were precluded at this time from bidding on these logs? We have been told by witness after witness that the Japanese had injected a factor here of increasing the cost of the logs to the lumber operators, and that many of them are having to drop out because they cannot pay the price for these logs that the Japanese are paying and therefore they are being prevented from obtaining the raw material.

Mr. FORD. May I explain that in southwestern Oregon in past years cedar was about the only log that has been exported. The exportation of logs just started to raise last year in our particular area. We are just now beginning to feel the impact. The impact has not hit us yet.

In other words, our condition today is pretty much as we have been for a number of years. But today the Japanese log buyers are beginning to work through our area, and we expect this summer to see a considerable volume purchased and moved out of our part of the country, where in the past it has not been a factor there. It is just now starting.

Senator HATFIELD. In other words, up to this approximate time, the Japanese bidding and the Japanese log export has not really been affecting your area?

Mr. FORD. No.

Senator HATFIELD. You are familiar with what the claims are as to what the impact of Japanese bidding has been on other areas, though, are you not?

Mr. FORD. I have heard it.

Senator HATFIELD. Do you anticipate that that same pattern will then follow in your area that has been the experience in other areas?

Mr. FORD. Definitely.

Senator HATFIELD. Do you know about what the differential of log price is in the other areas because of the Japanese bidding?

Mr. FORD. It runs from \$10 to \$15 above what the normal domestic mill can pay and convert it into a domestic product and break even or make a very slight amount of money.

Senator HATFIELD. In other words, then if you had to look forward to a \$10 or \$15 increase in your area, based upon this pattern that has happened in other areas, tell us then, what direct effect that would have on your operation economically speaking?

Mr. FORD. We would be affected percentage-wise, I would think, with the rest of the operators. Today we operate on 90 percent Government timber, 10 percent our own timber. If we were unable to buy the volume of 90 percent at a price on which we could operate profitably, or to keep the mill going, then we would have to start supplementing from our own lands. In a relatively short period of time, with our production, it would create a cutout, and at the end of which time economically, it would dictate that we would have to go out of business.

Senator HATFIELD. The 10 percent could hold you in business for only a limited period of time?

Mr. FORD. Our 10 percent now keeps our private forests on a sustained yield working level with the Government-sustained yield.

Senator HATFIELD. And then if the Japanese continued to buy in your area and had that \$10 to \$15 impact upon the cost of the log, then you could only look forward to a time when you would have to shut down your operation, is that correct?

Mr. FORD. That is right.

Senator HATFIELD. Mr. Ford, there have been those who have indicated that perhaps there are certain species or grades of our resource here that should not have restrictions placed upon them, even if we placed general restrictions upon Japanese log exports. There are those who indicate that there are certain species or grades that should not be included in that restriction. Now, what is your response or reaction to this?

Mr. FORD. I only know of one species and that is Port Oxford cedar. To date there has never been an economic market available for it in our country. The balance of the species and grades we ourselves manufacture and put into the domestic market profitably, and I really can see no reason why any good normal well-managed plant today cannot do the same.

Senator HATFIELD. So that if I understand you correctly, with perhaps the exception of this cedar, there is no species or grade or size, which should be excluded from general restrictions that you have indicated here on pages 11 and 12 in a 5-year phasing out of all Japanese exports?

Mr. FORD. I know of none.

Senator HATFIELD. Why has there been this timelag in your area as it relates to Japanese interests and to Japanese purchases?

Mr. FORD. Primarily, I would think, because of the location of the particular type of wood which they want. The Japanese have always preferred what we in the timber business call the white woods—the hemlock, white firs, and spruce. These species have been more predominant up in Washington and along the Columbia.

Then No. 2, the cost of handling and loading logs up in those areas is roughly, I think, about 15 percent of what it costs to load logs out in the Coos Bay area. In other words, the place we export from in our area is Coos Bay. And in Coos Bay they still load the ships off of the water. You get up in Washington and the rest of the places they load off of docks. They use large cranes. They load a ship around the clock 24 hours a day. The areas where they work off of the water, like Coos Bay, safety standards require they only work through the daytime. If the water gets a little rough, a man cannot stand on the logs.

Senator HATFIELD. Mr. Ford, what is the kind of material that is coming into the American market today from the Canadian source as it relates to the original resource? Is it these white woods or what is it basically that is sold in the American market?

Mr. FORD. It is my understanding that for all practical purposes it is white woods—the spruce and the hemlocks and the white firs.

Senator HATFIELD. Then as I follow your reasoning, if the American mill operator did not have this \$10 to \$15 higher cost for his logs because of Japanese bidding, he would be able to fill much of the American market that is now being filled by the Canadian, because he would be able to have a lower price than the Canadians now enjoy, is this my understanding?

Mr. FORD. That is correct, and as an example, about 20 percent of our production of logs is in white wood. We are merchandising it.

Senator HATFIELD. And you are selling into the American market?

Mr. FORD. We are merchandising it on the American domestic market.

Senator HATFIELD. And this is because you have not experienced what other areas of our Northwest have already experienced—that is, namely, the Japanese involvement—so you are able to meet the Canadian competition today in the American domestic markets, is this my understanding?

Mr. FORD. I can only say we have sold every foot of lumber we have ever made.

Senator HATFIELD. And you feel that this could be true of the areas other than your own, if they did not have this present erratic factor of Japanese log exports?

Mr. FORD. I do.

Senator HATFIELD. I also understood you in your extemporaneous remarks following your written testimony, a very interesting comment, and Mr. Chairman, I may be wrong but I think this is a point that has not been spoken about by any other witness, and I want to know that I understood you correctly. I understood our witness to say that he believed that the American manufacturer could put the manufactured wood product into the Japanese market, the Japanese domestic market, in a competitive relationship, and I wanted to probe further into that, because so much of the impression we have today is

that the Japanese wage scales are such that they create a special market situation there, not in terms of cartels or Government controls, but just in free economic forces of supply and demand that we could never meet. Now, would you correct me if I am wrong in my impression of what you said?

Mr. FORD. That is correct. As I have indicated, I have been in Japan, I have been in many of their mills, and I have tried to delve into their economies, and from everything that I can put together, we here can take a good, well-equipped mill and produce their finished products, not cants, their finished products, put it aboard ship and put it in Japan equal to at least the prices which they are charging.

Senator HATFIELD. I do not know; I would certainly like to have an opportunity to somehow get this into a special paragraph in the record. I think it is a very unique commentary, because it does more than just discuss this whole matter of lumber problems, but to me it focuses upon something that perhaps is a myth in this country, and that is that wages is the factor that makes it impossible for Americans to put into other markets in the world products, and this has oftentimes been used to beat down wages in our country or to hold them down more than other things and I think it is a very interesting comment.

Mr. FORD. The economics here are very simple. I cannot give you exact figures. I will be glad to get them for you and will provide the committee with these figures if you so desire.

Senator MORSE. You may supplement the record with a memorandum, Mr. Ford, amplifying your statement.

Mr. FORD. The Japanese in round figures pay \$90 a thousand for logs that are either dumped in the water or on loading grounds here in the United States. By the time these logs are warehoused, loaded aboard ships hauled to Japan, unloaded, towed and hauled to the various mills, with all of the commissions and handling charges and other costs on them, I have heard that this has cost as much as \$75 a thousand more.

We can transport lumber into Japan—I do not know the figures, I would have to find them out—but my guess is at somewhere around \$20. This we can find out if the committee wants the figures. So the answer is simple. There is this wide gap in log costs that the Japanese are paying. True they get cheaper labor, and we pay more for our labor, but we can run exactly the same equipment, we can run the thin saws, we can get the utilization and we can get everything that they get, if we are going to get another \$20 to \$30 a thousand for our efforts.

Senator HATFIELD. Then I understand, of course, that your concept and your belief in the facts, that you have completely refute those who say that the problem is not Japanese log exports but a soft domestic market, and that can only be corrected by greater efficiency and greater sales promotion and other such comments as have been made?

Mr. FORD. I think I would like to go back to one of my original statements. The Japanese are very astute traders and people. You can see it in Japan. Based on my travel there, they do not know what unemployment is. They go to great lengths to try to keep their people busy, and as long as they can find somebody like us who will ship them logs, this will be one of their vehicles to control their economy and keep the people busy.

Senator HATFIELD. Would it be fair, Mr. Ford, to draw as an interpretation of your comments that you consider that the phrase "surplus logs" has been, is, and will probably be a fiction?

Mr. FORD. I think it is truly and factually nothing but fiction.

Senator HATFIELD. So that those who propose programs or plans to solve this on the basis of priority being given to domestic buyers in bidding practices and then surplus logs being put on the open world market, or planned where they will let the domestic buyer come in first and after a period of time if he does not buy up the logs then we will put those logs on the world market, that all of this is so much fiction. That you believe all of these logs will be purchased by the American domestic manufacturer and will be manufactured and sold within the domestic market and the foreign market?

Mr. FORD. That is my very firm conviction.

Senator HATFIELD. So that then that I understand on page 11 when you are proposing a 5-year program, this is to eventually move on a gradual basis to a complete and total elimination of all export logs, because they will all be purchased within the domestic market?

Mr. FORD. This is from Government lands.

Senator HATFIELD. Federal lands, yes. Then I understand here too that you say in paragraph 3 on page 11:

I think our industry can survive in the United States through years if the Japanese are held through the first two years to no more than they purchased in 1966. Certainly not a stick more. Then, perhaps through forest management, we can provide a larger cut to help offset that drain.

In other words, I gather from this that you believe that it is possible to increase our annual allowable cut?

Mr. FORD. Our annual allowable cut as time goes on I am sure would be increased, because we in the Northwest are just really beginning to get into true forest management. In other words, maybe we are like the corn grower back there in Iowa or some other place. I am no farmer, but they are not getting the same crop off that ground today that they got 20 years ago. I think this same thing is going to happen in our industry.

Senator HATFIELD. You expect it to be increased. Well, one last question. Mr. Ford, in your forecasts or predictions and evaluations, I want the record also to show that we have a witness here today who can speak with authority and who can speak with great impact because of the long experience and his stature in the industry.

Do I then understand that from your predictions and forecasts and evaluations that you believe that all of this can happen; that is, we can recapture the domestic market with the Canadian competition, and sell all that we can manufacture to the American market, without the contingencies of, say, some large and new Federal program such as the President recommended in his state of the Union message? That just by the conditions of the American market today, its needs and its general trends, that you believe that all the logs would be purchased by domestic buyers, that could be manufactured and they could be sold in the domestic and world market, and we would not have surplus logs. Do I understand correctly?

Mr. FORD. That is right, and I would like to talk to that briefly, if I might. You hear many reasons as to why mills shut down. It

has been my experience that the greatest sole reason in the last generation has been the lack of wood. Most of the mills that are shut down have been cutting private timber, and I think if you would go out and make a thorough examination and get the true facts today, you will find that the majority of the mills that are shutting down have cut out their own private timber, and there is not enough available Federal timber to supplant this.

Now, I want to add an illustration if you will pardon me for one more minute. I have under my control two plants. We picked them up from other operators. They are on liquidation. They are cutting out the private timber that we acquired with those plants and the Government sales which they have. In from 2 to 3 years from today those plants are going to be forced to shut down. There is nothing that I can do, you, nor anybody else. There is not enough available wood. This is just going to be one of the facts of life. As in my statement, our Government agencies, our leaders have been telling us and warning us of this for a number of years, so that people that are overcutting and have been overcutting their own private timber, if given an opportunity, will back out of their own private timber and use the Government's and let their own grounds regenerate so they can get back.

Senator HATFIELD. As one who has been committed to the free enterprise system and has been so successful within that system, when I read within your testimony that you feel that within this 5-year period the Japanese could well develop other sources, would the Soviet Union, Russia, be a possible other source? Would you feel this would be good or bad as it relates to the foreign policy and the foreign relations of this country?

Mr. FORD. I am not a student of foreign policy and this I would not attempt to answer. I do feel and know from my travels around through the South Pacific that it would be difficult, sure, but they can get all of the wood they need today in the form of logs. I do think that sooner or later that the Japanese will have to go to buying a finished product.

Senator HATFIELD. So it is just not a question then of buying logs in Russia or not. It is just a matter perhaps of meeting their needs in the finished product field that Japan would find itself in the future?

Mr. FORD. That is my opinion.

Senator HATFIELD. Mr. Chairman, I close with just one comment if I may. I think we have here a very interesting witness, because he speaks in language that represents neither dreary pessimism nor Pollyanna optimism. I am impressed by a very realistic approach here to problems. He may not evoke common agreement among all his listeners, but I do feel that the realism with which Mr. Ford approaches this subject is very refreshing and very helpful, and I think again that his background and his achievement puts him into a very important category of men to be listened to and I guess to be reckoned with. I want to thank you again, Mr. Ford, as our chairman has done so very eloquently before. I, too, appreciate your contribution, and I know it will be very helpful to me and everyone who will avail himself of your testimony in this record.

Senator MORSE. Senator Hatfield, I want to commend you for your exceptionally able examination of Mr. Ford. You have greatly

strengthened the record. You have brought out from him additional information that I think has greatly enhanced the record and I want to thank you.

Congressman Dellenback?

Representative DELLENBACK. Thank you, Mr. Chairman. I would like to pick up, Mr. Ford, the part where Senator Hatfield left off, that is in emphasizing at this point in the record your own credentials as to dealing with the Japanese. Now, if I remember your testimony correctly, you have been over there from one to three times a year for the last 6 years, so that you have been over there an extensive number of times, is that correct?

Mr. FORD. That is correct.

Representative DELLENBACK. And during these times have you been just on pleasure trips or have you been involved in business negotiations with the Japanese?

Mr. FORD. I never went on what you would call a pleasure trip. It has always been business. I will be honest. I always play on the side.

Representative DELLENBACK. But you have then, during the course of your time there, seen a great deal of Japanese industry in this timber area. You have had a chance to look at a great many mills. You have had a chance to talk with a great many Japanese businessmen; is this correct?

Mr. FORD. That has been my interest in going over there.

Representative DELLENBACK. All right, sir. It is against this background of probably having if you will, Mr. Chairman, one of the best experienced backgrounds of dealing with the Japanese in this industry of any American businessman that I ask you some of these further followup questions.

Do you feel that Japan needs wood products?

Mr. FORD. Definitely.

Representative DELLENBACK. You have said, in response to Senator Hatfield's questioning, that they would perhaps go elsewhere and find some of these wood products, but that their need for the finished product is such that if they are not able to produce it themselves in their own country, they will have to go abroad, and that means in fact coming back to the United States for the finished product; is that correct?

Mr. FORD. I am sure it is.

Representative DELLENBACK. So that any talk about our losing Japan as a market for the product of our forests is unrealistic, whether we talk short run or long run. Certainly if we talk long run, you feel we will not lose Japan as a customer for the product of our forests?

Mr. FORD. Long term I do not. Short term; yes. We are going to lose something but not long term I do not think.

Representative DELLENBACK. But not long term, and that is the important point. Now, I would like to ask a few questions along this line of selling our finished product in Japan either now or in the future. Do we sell much in Japan of the finished product at the present time?

Mr. FORD. Very little.

Representative DELLENBACK. Why not?

Mr. FORD. They can buy our wood, our logs, which they can take over there and provide their plants, keep their people busy. They have their way of thinking and planning, and as long as they can do that they will. As I said a while ago, if you go to Japan, I know some of you have, you see no unemployment in Japan. Everybody is working, and they will go to great ends to see that they are kept busy. If a plant shuts down over there, they do not lay their people off. They find something for them to do.

Representative DELLENBACK. Is there also another practical difficulty in connection with selling our product at the present time in the Japanese market? Is their market in truth a free and open market to us or is it a sheltered market?

Mr. FORD. Very sheltered.

Representative DELLENBACK. Would you expound on that just a little bit for the record, because again, I do not think there has been much testimony on this point.

Mr. FORD. From my meager knowledge, most of the importing in Japan probably goes through a half a dozen large trading companies. They, within themselves, have their own manufacturing concerns, and they in turn work very closely, as I understand it, with the Japanese Government, and through the small numbers that handle the high percentage, they are able to affect the control and conditions which they feel is necessary for the betterment of their country.

Representative DELLENBACK. So that, and I think, Mr. Chairman, that this should be brought out in the record, because as we go forward with this broad scale inquiry this is an important aspect of the discussion of whether or not we are not flying in the face of free trade. I read you, Mr. Ford, as telling us that in fact in this area we do not have free trade with Japan at any time; that our producers at the present time are not really able to market within Japan on a free and open basis; is this correct?

Mr. FORD. That is correct, and to further illustrate this, if I may, I have entered into an agreement to export chips to Japan. I cannot go to Japan and go to the various pulp companies and enter into an agreement with them individually. It is all done through a trading company. And then after agreement is put together, the Government has a Minister of Finance that must approve all of these contracts.

If he does not approve it, you have no contract.

Representative DELLENBACK. So that at the present time you are not in a position to compete in reaching the ultimate consumer in Japan with producers of comparable products—chips and the like—with producers inside Japan?

Mr. FORD. We have not been able to.

Representative DELLENBACK. In other words, that is a sheltered market so far as you are concerned. You must deal with the middle man and then he has to go on and deal with the ultimate consumer.

Mr. FORD. From all the experience I have had, it is a sheltered market.

Representative DELLENBACK. I think this is a matter of real importance, Mr. Chairman, as we deal with this, because there is talk about it being an improper action from the standpoint of dealing with a close ally, if we were to take any restrictive action so far as the raw material is concerned that is produced in our country. Yet we find that so far as the reciprocal of this is concerned, that it is just not so.

That the reciprocal just is not in evidence on the other side. Our people are here forced to compete in a free open market situation so far as obtaining the raw material is concerned, and yet our people are not able, when they seek to merchandize the finished product, to compete over there on the same free and open basis. I think this puts us on an entirely different ground of talking about this problem than those who would place us on the ground of talking just free trade.

Senator MORSE. Will the Congressman yield? I am so glad the Congressman has brought this out. We had an earlier discussion during the hearings, and also informed conferences with the State Department. But the point that needs to be remembered is that Japan places restrictions on American trade, and yet we have those that think that we should not place any restrictions necessary to protect our lumber industry vis-a-vis Japan. As the witness has pointed out, you cannot go over there and compete on the open Japanese market. You have to go through a trading system of Japan that has been described to us. Some refer to it as a form of a cartel.

The fact is, it is not a free enterprise system as far as competition from foreign producers is concerned. It is a form of a monopoly. That is why I have made the argument over and over again to those that object to our placing any restrictions on the exportation of logs; we owe it to our own producers to see to it that a reciprocity is worked out. And as the Congressman says, there is no reciprocity as far as Japan is concerned.

Representative DELLENBACK. May I ask just a couple of more questions, Mr. Ford, to finish with this matter of competition with Japan. Senator Hatfield brought this out I feel very well with his questions, but let me be sure that it fits right in at this stage of the testimony.

You feel that in large part because of the great competitive advantage we would have with the lower cost of transporting the finished product as opposed to transporting the raw material which they are doing at the present time, that if we did have some control over a reasonable cost for the raw material here in our mills, and reasonable access to the Japanese markets, that we could compete with Japan over in the Japanese market selling our finished product, the same quality as theirs, and on a price that is comparable with their price?

Mr. FORD. I do.

Representative DELLENBACK. Do you feel, and you have not covered this in your testimony, I assume when you talk about cutting down and eventually cutting off exports of round logs to Japan, you have been talking about exports from federally owned lands. Do you feel we ought to place restrictions on privately owned timber?

Mr. FORD. No.

Representative DELLENBACK. You feel that the action that the Government should take at this time should be confined to an action with sales on federally owned lands?

Mr. FORD. I do.

Representative DELLENBACK. Do you feel we will eventually have to move into placing restrictions of one sort or another, either embargoes or permits or tax advantages, tax impositions, tax impacts, on the sales from privately owned lands?

Mr. FORD. I do not for this reason. A large percentage of the private timber is coming from our larger timber holders who picked up forest

lands that were cut around the turn of the century. They have got excess acres, they have got excess inventories of timber. It is just nothing but good forestry that they move certain logs out.

To my knowledge I have not seen a large publicly held company, to the converse of a lot of statements that have gone on here that has been decreasing production. They have been increasing the capacity of their plants continuously down through the years. They have not been decreasing production even though they have been exporting logs. And I do not think that a lot of these big privately held companies, with their plants, the economy, and the communities they support will shut down. I think if they started to shut down their plants, it would not be safe for them. I think it would be only a very short period of time until there would be some regulation over that. I feel that as they need their own wood, they will put it into their own plants as they expand them.

Representative DELLENBACK. So you think that the system would, in effect, be the governor so far as the privately held lands are concerned, and that this Congress in its actions, this Federal Government in its actions at the present time need confine itself only to sales from federally owned lands?

Mr. FORD. That is my viewpoint today.

Representative DELLENBACK. Now a couple more very brief questions in connection with these approaching negotiations. What do you think the Japanese would do in connection with these negotiations scheduled for February 20 if the executive branch of the Government were to take immediate action to place a moratorium, as has been suggested, or some restriction on sales from federally owned lands right now? Would this blow up the negotiations? Would they still come to the negotiations? Would this strengthen our hand?

Mr. FORD. In regard to the negotiations, I must honestly say I do not understand that viewpoint. The Japanese people I understand, in a small way, I think. I have a tremendous amount of respect for them. They are a very astute, smart business people, and as long as they can lead us around, they will take everything they can get. But they are no different than our American business counterpart of a businessman.

They are smart enough to know our problems, and if it is handled properly, they will accept it. Being astute politicians and everything else, they will sure give you a bad time. They will try to make your face red and everything else and they will try to make you think that you owe them the world. That is their business. That is why they are astute traders. And probably it is the reason they are going to continue maybe as some of the most astute trading people that we have got in the world today.

Representative DELLENBACK. But you think we ought not to be misled by these surface reactions, we should look through these surface reactions and this is part of the negotiations on their part?

Mr. FORD. Yes, part of the negotiations, and I think when you get done, if handled properly, you will have their undying respect.

Representative DELLENBACK. I have no further questions. May I just make two brief comments, Mr. Chairman, at this stage.

One, so far as dealing with the Federal Government is concerned—I am just speaking, of course, only for myself in this regard—I have

found that men in the Forest Service and men in the Bureau of Land Management with whom I have dealt in connection with this problem have been most understanding, have been most sympathetic, and I think—I am talking here about the professionals who deal with these problems from day to day—I think they are deeply concerned and are striving to take some action that is meaningful in this regard.

To me the block on effective action in this regard right now does not begin with the professionals in these two lines but it begins higher up in the administration. I think that there is going to have to be a top level decision if I understand it, and I think we ought to be following the lead of our chairman as he has been striving, as I know he has been striving, to make this problem and all its aspects clear to the White House, because that is where the ultimate decision is going to have to be made as to what is or is not done.

May I say one last thing. I do not want to join in any eulogies, Mr. Ford, but I know that as I have gotten to know you, I have become very appreciative of you as someone who is not only concerned about making a profit out of your operation, which you have done and which you have done well, but you have been concerned about your people. I know that in some of your own conversations about this problem I have been struck time after time, you have not been talking about how to make the most money out of your operations. You have been talking about your 2,800 employees, your 3,200 employees, or your 1,200 employees, in this operation or that, and I know that your concern is deep for them.

Part of the reason you put the long hours in that you do in trying to make these operations keep going is because you are concerned about all those families, and this is one of the things that has impressed me very favorably about you.

We thank you.

Senator MORSE. Congressman Dellenback, I want to thank you very much for your examination also. It is very, very constructive and helpful in building up this record. The final decision on this matter still has to come from the White House. But, because the White House has to rely on its advisers, we are going to have to see to it that the State Department and the Treasury understand this problem. That is where the recommendations will be coming from.

Representative DELLENBACK. You are aware, Mr. Chairman, that I confine my remarks at the moment to the Forest Service and the Bureau of Land Management. I was praising those without seeking to go beyond those.

Senator MORSE. I share your comment about the Forest Service and the BLM. I am satisfied that there is no question about the fact that the restrictions would have already been put into effect before this hearing even convened, if it had been left up to the Forest Service and the BLM. It is because those above them when it comes to making policy decisions in the field of foreign relations made it perfectly clear that no restrictions were going to be placed, if ever, until after the February 20 hearing with Japan.

I agree completely with Mr. Ford. If you are going to negotiate with the Japanese, you ought to point out to them that this is the floor on which we stand for our negotiations and we are not going down in any cellar. We stand on this floor. This is minimum. You negotiate from

this point on up. That is what the Treasury Department and the State Department have got to have made crystal clear to them as far as the position up here on the Hill is concerned. If they want to build a bridge with us, that is fine. But if they do not, then of course we are going to have to do whatever is necessary to protect the economic interests of the sovereign States and people that we represent in Congress.

Mr. Brice, do you have a statement you want to make?

Mr. BRICE. I have a report.

Senator MORSE. I am going to talk about that report but I first want to know if there is anything you want to say over and above this report?

Mr. BRICE. No, sir.

Senator MORSE. Then there will be inserted in the record at the close of this part of our hearing a document which Mr. Brice submitted entitled "Log Exports, An Action Program by the Forest Products Industries."

(The document referred to follows:)

LOG EXPORTS

An Action Program

by

THE FOREST PRODUCTS INDUSTRIES

(811)

INTRODUCTION

Much has been said and written about the rapid growth of log exports from the Pacific Northwest and the resulting effects on the forest products industries, the communities they support and the markets they serve. Although there is considerable agreement on the short term effects, the long term effect on the total economy is not yet fully understood or appreciated by all. Concern over the far-reaching impact of exporting their timber resource will cause the forest industries to recognize the need for and means of a satisfactory solution. Attention needs to be called to a proposal that has been offered. It not only provides for desirable controls, but is also acceptable to the majority, easy to implement and feasible to administer.

The following focuses attention on the nature of the problem, its impact on the economy and the relief required. An appeal is made for a unified industry actively working for acceptance of a workable plan.

TRENDS IN KEY FACTORS

There is not much doubt as to the direction and magnitude of expansion of Japan's demand on the log supply of the Pacific Northwest. The rapid increase began after 1962 when the year's total was only 287 million board feet. In five years the volume has risen to an estimated 1.6 billion board feet. This represents an annual increase of more than 40 percent compounded yearly. If this record is not convincing, one can refer to a forecast made by the managing director of Hannan Koun Co., Ltd. Mr. N. Fujii is quoted as saying: "Next year and the next year after that, and beyond, log imports will increase 30 percent on a compounded basis that will double in just over two years." Another report is that the Japanese goal for log imports from the U.S. is 4.5 billion board feet by 1972.

Not only are exports to Japan expanding in volume, they are also expanding in reach. In recent months Japanese buyers have been negotiating for logs as far east as Idaho.

The growth of log exports to Japan and the extent of their reach has been accompanied by a rise in quality. Thoughts that Japan was interested only in low quality logs and primarily in hemlock and Port Orford cedar have changed. The deputy chief of the U. S. Forest Service reports that the average export log has fewer defects and tends to be somewhat larger than its domestic counterpart. Whereas in former years Douglas fir accounted for less than 10 percent of the export volume, in the third quarter of 1967, this species accounted for 20 percent of the total.

As long as domestic markets for lumber and plywood are in the doldrums, the volume of log exports experienced to date have not had much effect on domestic supply. This position is on the verge of considerable change. The U.S. upward population trend in the 25-44 age group, the age at which most

home purchases are made, is beginning. The effect on housing starts is already being seen in spite of mortgage loan problems. By 1970, the forest products industry must be able to supply housing starts at a rate of 2 million annually. The demand on our log supplies to serve this domestic market will be at a level never before experienced.

With no reason to expect any substantial change in the annual allowable cut, domestic and export demand for Pacific Northwest timber will be competing for a limited supply. Since the volume of exports from private timber is about at its maximum, additional volumes will have to come from public lands. This pressure will be felt most by manufacturers depend^t on public timber.

"Timber Trends in the United States," a U. S. Forest Service report published in 1965, made an analysis of the national supply and demand for softwood timber through 2000. These projections show that the total demand for logs will begin to exceed the supply from all sources about 1990. However, the data on demand did not anticipate the sizable increase in log exports nor the sustained growth in plywood markets. Taking these adjustments into account, the year in which the demand for logs will first exceed the available supply nationally must be moved back to a much earlier date. Recently, Mr. H. R. Josephson, director of the Division of Forest Economics and Marketing Research of the U. S. Forest Service, stated that within the next decade, it is likely that rising demands for timber products in the U.S. will require all of the available cut in both the Pacific Northwest and in other western areas.

Protected Japanese markets make it possible for their traders to pay whatever price is necessary to obtain U.S. logs. These prices in some instances are higher than domestic values of products that could be produced from these logs. In the third quarter of 1967, exporters to Japan paid \$88.09

for hemlock and the true firs and \$78.94 for Douglas fir. Stumpage prices have risen as a result. Although the stumpage prices of export species have risen faster than the other species none has escaped the effect of export demand. In prior years, when lumber and plywood markets reduced the demand for logs, stumpage prices fell. The new demand for export has nullified this response, and in the past two years of poor product markets, stumpage prices have continued to rise. As long as protected Japanese prices are allowed to effect stumpage prices paid by domestic mills, the cost of lumber and plywood in the U.S. will continue to increase. The result can only be the loss of markets to domestic mills.

The listings of lumber mills and plywood plants that have been permanently closed in the past two years give testimony to the plight of the industry. These closures were due to a combination of factors; poor product markets and the rising cost of logs made them unprofitable to operate or gave no justification for needed capital improvements. Although these losses in employment and to the communities they supported cannot be directly tied to log exports, there are some direct relations that can be measured. From standing timber each thousand board feet of logs requires 5.5 man-hours to export, 12.7 man-hours to produce lumber and 20.3 man-hours to produce plywood. Each million board feet of export logs takes with it 3.6 jobs in lumber manufacturing or 7.4 jobs in plywood production. In addition to the losses in manufacturing employment are the jobs lost in related supply and service industries and those in the sale and use of wood products domestically.

LOG EXPORT IMPACT ON NORTHWEST FOREST PRODUCTS INDUSTRY

In assessing the impact of log exports upon the forest products industry, it is necessary to realize that the question is not simply one of

exporting logs this year instead of producing lumber or plywood. The implications of log exports are too far reaching to take this short sighted view. The question is, Instead, whether the industry is willing to accept a complete reorganization and reorientation of its own structure and of the lumber and plywood markets in the United States.

There is no doubt that this restructuring will have permanent long run effects. Evidence of this is found in the development of the Japanese forest products industry. There are 18 new plywood mills under construction in Japan. A log pond area, near Osaka, has facilities for 210 new wood products plants. The Japanese log carrying fleet, which totaled 59 at the end of 1966, grew by 10 ships in 1967 with 13 more anticipated during 1968. The Japanese intentions are obvious. They are building a permanent industry which will require a permanent supply of timber. This is not a short run problem!

The continued exportation of Northwest logs to Japan will result in a logical progression of events which must inevitably lead to the restructuring of the American forest products industry. Some of these events have already occurred.

The initial event, of course, was the dramatic increase in stumpage prices. For large companies, particularly those with their own timber supplies, this was not a serious economic setback. In fact, many firms have actually profited from a higher return from capital gains than they would have received by converting their timber into finished goods.

For the small mill, wholly dependent upon government timber, however, the setback was serious. The number of mills which have closed has been considerable. We have now reached the point where this is no longer a question of survival of the fittest. It is true that many of the plants that have closed were not competitive even in domestic competition and that pressures from log exports only accelerated their closures. But we are now

witnessing the closing of plants that could have survived if they had been able to purchase logs under normal competitive conditions. Many of the larger firms, too, have closed plants simply to take advantage of the more profitable log export market.

The net effects of these closures are unemployment and idle capacity. What log exports are creating will not be as easy to dispel. Unemployment in one area or occupation shifts the labor force to other areas and other occupations. Idle capacity becomes obsolescent. These effects may not matter now, but what about the long run?

Eventually, domestic demand for lumber and plywood will increase to the level where there will not be sufficient timber available to supply both the U. S. market and the export market. Population growth alone is enough to guarantee that this will happen. It is entirely possible that if export demand is satisfied, then additional lumber and plywood will have to be imported from Canada to supply domestic needs.

It is doubtful that this condition would continue for very long. The advantage to our balance of payments of log exports would be nullified by lumber and plywood imports. In that case, we are certain to see export restrictions so the domestic market can be served from domestic resources.

Then where will the Northwest be? With obsolete plants and no labor force. We will have strengthened the positions of Southern mills and foreign competitors. We will have encouraged the use of wood substitutes. The only way Northwest firms could re-enter the domestic market would be by extensive new investment, acquiring and training a new labor force and trying to re-establish competitive positions. This will be made additionally difficult if partial exports are allowed and stumpage prices remain high.

The ultimate conclusion, then, is that continued log exports from the Northwest can put Northwest mills out of the lumber and plywood business--

not just now while exports are more profitable, but in the future when we would like to be producing again.

LINKAGE EFFECTS IN FOREST PRODUCTS INDUSTRIES

The impact upon the economy of a decline in the domestic manufacture of lumber and plywood can be measured in two distinct components:

(1) the interindustry effects resulting from the decrease in volume of timber processed and (2) the income effects resulting from a decrease in employment. Some of these are direct or short run, while other are indirect or long run. Their distribution throughout the economy of the region will depend upon the degree of interdependence of related firms in each local area affected.

Interindustry Effects

A decrease in the domestic processing of timber will affect firms on both the input and output sides of the mill process, as well as the mill itself. In the short run, the substitution of logs for export will largely compensate for effects which would otherwise occur in logging and log transportation. Therefore, input firms affected would be those which supply goods and services to the mill. Of the 27 industries identified in the Washington input-output study, 19 acted as suppliers to the "lumber and wood products" group and 14 supplied the plywood industry. Decreases in volume of lumber and plywood produced would result in decreased demand for the goods and services of those supply industries. (Similar relationships for Oregon can be assumed.)

On the output side, short run effects would be felt by the transportation industry, remanufacturing firms, brokers and the construction industry. This will be more evident when anticipated rises in market demand

for lumber and plywood materialize.

Long run effects of reduced production are more insidious. These will occur as the industry adjusts to the continued lower volume of output. Reduction of new investment or the servicing of existing capital equipment will be felt by that portion of the machinery industry which produces sawmill and plywood mill machinery. This is a large industry in the Pacific Northwest, so most of this impact would be local. Capacity in other service and supply industries would also have to be reduced unless alternative markets could be found.

Consideration must also be given to the loss of revenue to governmental bodies as a result of curtailed production and reduction in plant investment in these industries.

The result of these interindustry relations is a "multiplier" effect upon the entire economy. A regional income multiplier for lumber and plywood has been estimated at 1.5. This means that the production of \$100,000 worth of lumber or plywood actually generates about \$150,000 worth of income to the region. It is reasonable to assume that the loss of any given dollar volume of production would result in a decline in regional income of 1.5 times that amount.

Employment Effects

Effects upon a local or regional economy from a decline in employment in a basic industry are substantially the same regardless of the industry in which that decline occurs. There is a linkage between the payroll dollar of a worker and the incomes of those who sell him goods and services. This linkage will produce an income generating function the same as the multiplier previously mentioned.

Thus, a total economic impact can be estimated for any net change

in employment in a basic industry, whether it be an addition or a decrease. Differences can also be measured in total impact from alternative activities which generate different amounts of employment; e.g., exporting logs or processing them.

LOG EXPORT CONTROLS REQUIRED

As long as the export of logs is in species, grades and volumes not necessary to domestic production in supplying its markets, log exports are an economic plus for the nation. But to deny the U.S. forest products industry the opportunity to fill domestic demand at prices its markets can support is not in the best national interests. The public which owns this resource has the right to its use in their behalf. They expect that from it wood products will be manufactured to satisfy their needs at prices they are willing to pay. The consequences on local economies and on national markets are too great to permit competition from the sheltered Japanese trade to continue without controls.

It is clear that the plan for controls must make provision for two basic forms of relief. First, it must provide a means of determining which species, grades and volumes from the allowable cut on public lands are not required by domestic markets and make these available to the export trade. Second, it must separate competition in the domestic market from export price pressures.

AN ACCEPTABLE PLAN

Such a plan has been proposed that will not only accomplish these objectives, but also would be practical to administer and least likely to

conflict with other national policies. It is not politically or emotionally motivated nor is it arbitrary in its methods. The proposal was first made by Governor McCall of Oregon in his letters to Secretaries Freeman and Udall.

The following is quoted from these letters.

"This plan provides that, at the first of each quarter, sales would be held for domestic producers only with the understanding that certain types of timber (off species, small, and finished lumber) could be resold for export. Outside of that, these sales would be open only to buyers supplying domestic mills. One other limiting factor would be the proviso that bidders could not be owners of private timber purchasing to replace private timber sold for export.

"This approach would allow competition within cutting areas serving local mills and would be balanced on a basis of need. Timber that was not sold in these domestic sales would be re-opened to a second sale and all parties would be able to bid on an open basis.

"It would be necessary to phase in to this program and the Forest Service and BLM would have to have a one-shot addition of personnel who could advance cruising of sales areas. This would probably require a special appropriation and assistance from private and other public sources to provide qualified personnel.

"I recognize that the main difficulty with any limitation program that is implemented at the point of sale, rather than the point of export, is the inherent problem of insuring compliance. I believe, however, that this problem would be insignificant in comparison to the correction features of my proposal.

"If we use the "Domestic First Sale" approach it would:

1. Assure a stable supply of timber for domestic mills that can be purchased on a reasonable competitive basis. The delightful aspect of this feature is that it utilizes supply and demand, which is probably the fairest equalizer available in any system of economic conflict.
2. Assure that no timber is left standing in the woods to rot, as a result of arbitrary limits and insufficient domestic needs.
3. Provide for export of that amount of timber which is surplus to the area and which is economically satisfactory for export.
4. Apply to all national forests, and, therefore, distribute the impact of export bidding to forests removed from the port areas and help improve thinning and other policies beneficial to the development of these resources.

"A permanent volume limitation or quota could have the following negative effects:

1. It could leave timber standing in the woods which would not be needed for domestic use.
2. It would tend to lower stumpage prices. Price pressure, as such, would disappear, particularly on the lower grades of timber. Cartels from export markets would tend to control the prices on our timber through pre-agreements.
3. It would tend to encourage exporters to buy only prime timber.
4. There would be no incentive for thinning because the conventional cuts could fill whatever limitation was established on exports, and domestic prices cannot support this type of program.
5. It would tend to have a very heavy impact on areas close to ports, unless a complex reassignment of cutting priorities was established, because the exporters would want to buy timber close to their shipping outlets.

"It must be remembered that this is not only an import/export free trade question, but is a question of proper utilization of one of America's publicly-owned resources...a resource that has been nurtured and made available through tax dollars at the local, state and federal levels."

This plan also is favorable in that:

1. It applies to sales of timber from public lands only.
2. It is not tied to lumber and plywood exports.
3. It is free of arbitrary volume restrictions on log exports.
4. It does not require the negotiation of new trade agreements with Japan.
5. It does not require new legislation.
6. It can be implemented under existing laws by the Departments of Agriculture and Interior.

ACTIVE SUPPORT NEEDED FROM A UNIFIED INDUSTRY

The problems arising from log exporting to Japan can best be solved by the plan presented above. An industry unified in support of this plan can gain its adoption and implementation.

There is no refuting the short term economic facts. In log export

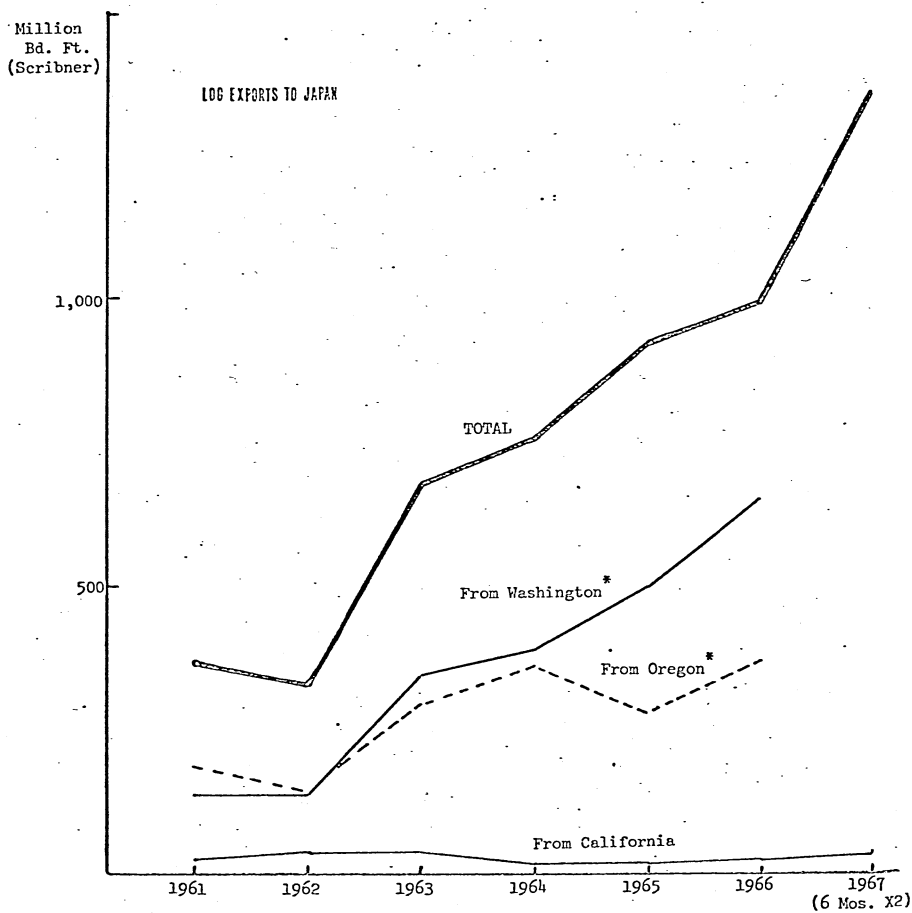
areas log volumes and prices make it no longer possible to profitably manufacture lumber and plywood. As long as the export market has equal access with U.S. industry to public timber while denying U.S. products access to Japanese markets, the domestic forest products industry has no alternative but to export.

The long term effects, however, are such that the industry must recognize the need for control and must take the leadership in assuring that the best means is applied at the earliest possible date.

Positive action must be taken now, before conditions become more critical, to press for the adoption of a solution to the log export problem. The alternative is to await the reaction of an aroused people whose families and communities are adversely affected by lost employment and a shrinking industrial base. The potential is for legislative action that might not be satisfactory to the industry or in the best long term national interest. An example is the January 9, 1968 announcement of the AFL-CIO Carpenters Union that they now believe that legislative or legal action is necessary.

The federal administration has taken no positive action on the log export question because the joint decision of the Departments of State, Treasury, Commerce, Agriculture and Interior and the Council of Economic Advisors has been that other national affairs would not permit imposing restriction on Japanese trade. This position must be modified to permit the Departments of Agriculture and Interior to use administrative action under existing authority. The various departments of the administration must be convinced that the "Domestic First Sale" approach is workable and not disruptive to other U.S. interests.

APPENDIX



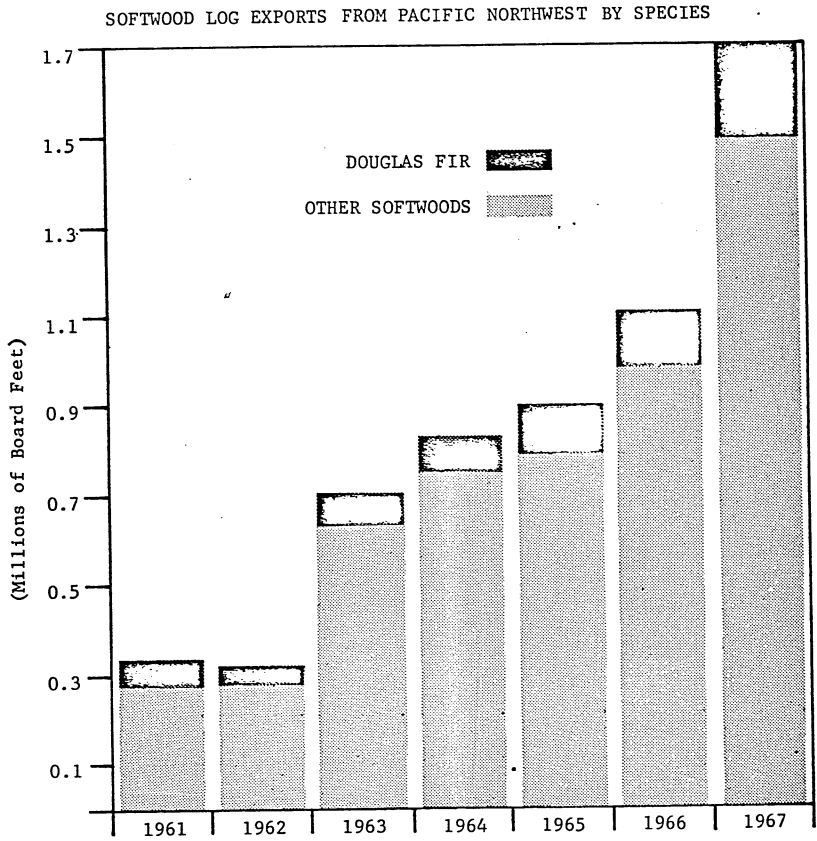
* Longview and Vancouver, Washington are included in Oregon figures.

Table 8.—Softwood log exports from Oregon and Washington, by origin, species, and destination, 1961-67
(In thousand board feet, Scribner log scale)

Year and quarter	From both States				From Oregon Customs District				From Washington Customs District		
	Total	Douglas-fir	Port-Orford-cedar	Other softwoods	Total	Douglas-fir	Port-Orford-cedar	Other softwoods	Total	Douglas-fir	Other softwoods
TO ALL COUNTRIES											
1961	335,675	65,519	50,616	219,510	187,700	44,066	50,616	93,018	147,975	21,483	126,492
1962	311,223	47,395	35,822	228,006	166,919	24,839	35,822	86,458	164,306	22,736	141,568
1963	709,178	71,099	52,531	585,548	297,444	28,853	52,531	216,060	411,734	42,246	369,488
1964	834,847	82,354	40,325	712,168	571,082	41,809	40,325	288,968	443,765	40,545	423,220
1965	900,967	109,997	29,478	761,492	582,864	44,709	29,478	208,677	618,103	45,288	552,815
1966:											
1st quarter	255,953	26,782	7,321	221,650	81,814	9,729	7,321	64,764	174,139	17,053	157,086
2d quarter	271,556	33,356	8,879	229,321	98,810	11,103	8,879	78,828	172,746	22,253	150,493
3d quarter	288,371	29,536	11,165	247,670	100,460	8,914	11,165	80,381	187,911	20,622	167,289
4th quarter	293,158	39,395	6,852	247,957	107,561	18,700	6,852	87,399	185,653	20,095	165,558
1966 total	1,109,074	128,059	34,217	946,798	388,625	48,036	34,217	306,372	720,449	80,023	640,426
1967:											
1st quarter	296,983	33,351	7,187	256,445	92,926	14,434	7,187	71,124	204,238	18,917	185,321
2d quarter	415,036	70,543	10,122	334,371	146,372	28,392	10,122	107,858	268,644	42,151	226,493
3d quarter	452,344	87,628	7,980	356,736	139,342	26,971	7,980	104,391	313,002	60,657	252,345
1967 total											
TO JAPAN											
1961	328,116	60,469	50,135	217,032	186,925	43,929	50,135	92,861	141,191	17,020	124,171
1962	286,655	42,630	35,458	208,567	166,307	24,399	35,458	86,450	140,348	18,231	122,117
1963	638,722	65,996	52,042	520,684	295,278	27,363	52,042	215,873	343,444	38,633	304,811
1964	739,692	64,891	40,212	634,589	355,737	41,196	40,212	274,329	383,955	23,695	360,260
1965	774,908	72,680	29,407	672,821	280,150	42,122	29,407	208,621	494,758	30,758	464,000
1966:											
1st quarter	217,320	23,773	7,307	186,240	81,344	9,373	7,307	64,764	135,976	14,500	121,476
2d quarter	254,406	32,432	8,827	213,147	94,502	10,858	8,827	74,817	159,904	21,574	138,330
3d quarter	263,227	28,318	11,155	223,754	89,125	8,820	11,155	69,150	174,102	19,498	154,604
4th quarter	288,285	38,200	6,852	243,237	107,640	18,712	6,852	87,376	180,849	19,988	160,861
1966 total	1,023,242	122,723	34,141	866,378	372,611	47,163	34,141	291,107	650,831	75,560	575,271
1967:											
1st quarter	282,089	32,217	7,158	242,714	92,655	14,391	7,158	71,103	189,437	18,326	171,111
2d quarter	384,595	69,278	10,105	305,212	139,895	28,188	10,105	101,602	244,700	41,090	203,610
3d quarter	432,122	86,445	7,980	337,697	132,578	26,672	7,980	97,926	299,544	59,773	239,771
1967 total											
TO CANADA											
1961	6,775	4,441	13	2,321	13	—	13	—	6,762	4,441	2,321
1962	23,229	3,981	—	19,248	—	—	—	—	23,229	3,981	19,248
1963	51,216	(1/)	—	(1/)	442	442	—	—	50,774	(1/)	(1/)
1964	67,020	14,754	—	52,266	—	—	—	—	67,020	14,754	52,266
1965	121,436	34,344	—	87,092	—	—	—	—	121,436	34,344	87,092
1966:											
1st quarter	34,768	2,533	—	32,235	—	—	—	—	34,768	2,533	32,235
2d quarter	10,442	530	—	9,912	—	—	—	—	10,442	530	9,912
3d quarter	8,698	935	—	7,763	—	—	—	—	8,698	935	7,763
4th quarter	4,727	80	—	4,647	—	—	—	—	4,727	80	4,647
1966 total	58,685	4,078	—	54,607	—	—	—	—	58,685	4,078	54,607
1967:											
1st quarter	9,796	151	—	9,645	—	—	—	—	9,796	151	9,645
2d quarter	19,591	745	—	18,846	—	—	—	—	19,591	745	18,846
3d quarter	8,739	719	—	8,020	—	—	—	—	8,739	719	8,020
1967 total											

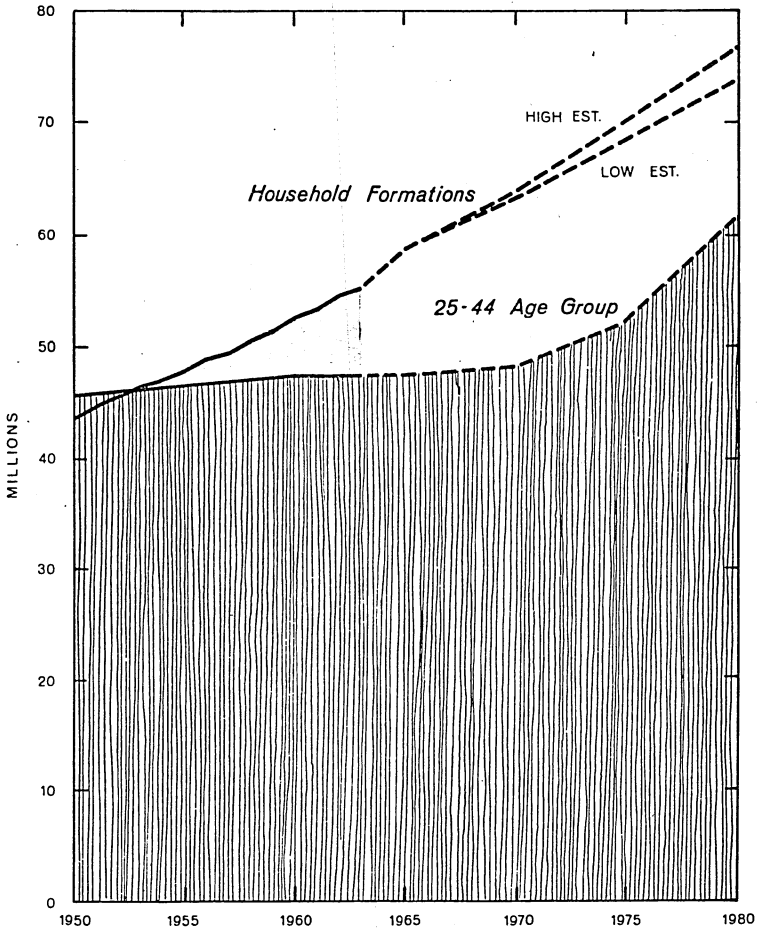
Source: U.S. Department of Commerce. Oregon Customs District includes all Oregon points and Longview and Vancouver, Wash.; Washington Customs District includes all coastal and inland points in the State of Washington, except Longview and Vancouver, Wash. Data for the most recent calendar quarters are preliminary and subject to revision.

1/ Species breakdown not available.



Source: Forest Service, U.S. Department of Agriculture

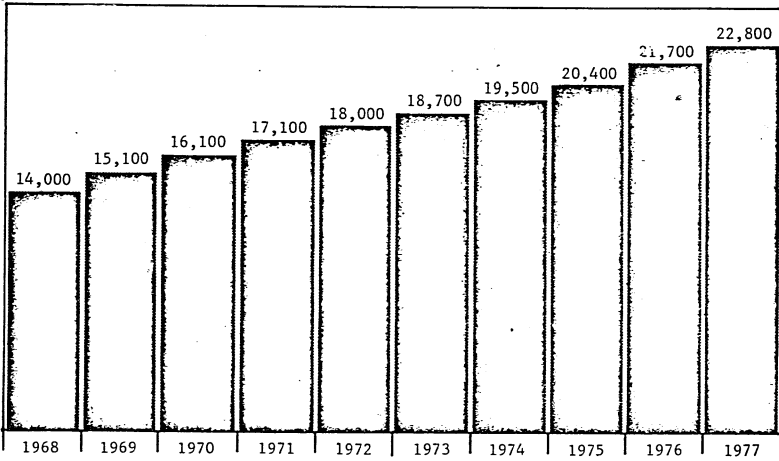
POPULATION TRENDS BY AGE GROUPS 1950 - 1980



Source: U.S. Bureau of the Census

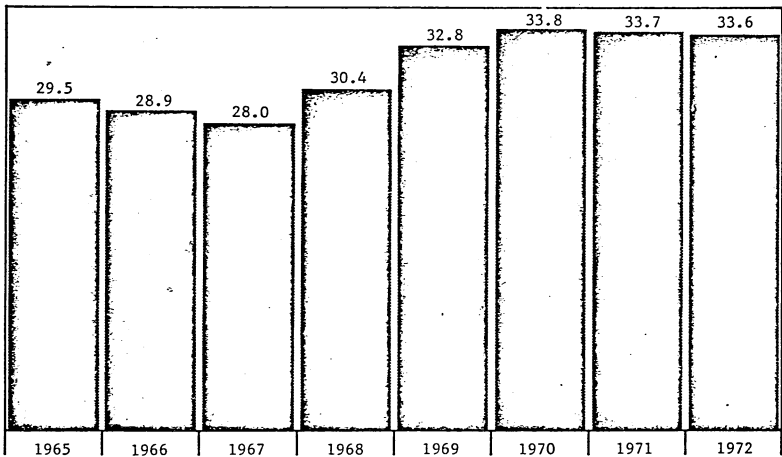
P. P. & L., 1967

TOTAL SOFTWOOD PLYWOOD DEMAND/1968-1977 Millions sq. ft (3/8" basis)



Source: American Plywood Association

SOFTWOOD LUMBER DEMAND FORECAST 1965-1972 in billion bd. ft.



Source: National Forest Products Association

Table 10.—Average value of softwood logs exported from Oregon and Washington, by origin, species, and destination, 1961-67
(In dollars per thousand board feet, Scribner scale)

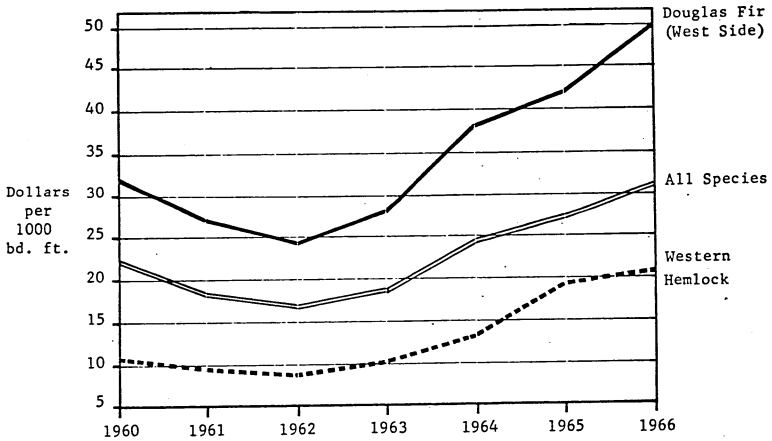
Year and quarter	From both States				From Oregon Customs District				From Washington Customs District		
	All species	Douglas-fir	Port-Orford-cedar	Other softwoods	All species	Douglas-fir	Port-Orford-cedar	Other softwoods	All species	Douglas-fir	Other softwoods
TO ALL COUNTRIES											
1961	75.88	77.04	124.39	64.34	83.05	77.35	124.39	63.26	66.78	76.62	65.14
1962	69.65	79.99	144.59	55.73	80.76	85.09	144.59	53.09	59.71	74.46	57.35
1963	66.33	69.10	116.72	59.06	69.37	78.46	116.72	56.47	61.18	62.70	61.00
1964	67.98	70.24	132.80	64.05	71.27	73.44	132.80	62.37	65.35	66.94	65.20
1965	78.17	73.61	175.14	75.07	91.36	80.54	175.14	81.84	77.29	68.87	72.51
1966:											
1st quarter	76.60	75.85	170.84	75.89	91.66	79.16	170.84	84.59	72.47	73.96	72.30
2d quarter	84.25	87.82	167.50	83.61	89.52	77.10	167.50	83.04	81.24	63.18	83.91
3d quarter	83.47	80.46	175.33	78.69	95.92	81.84	175.33	86.45	76.81	79.87	76.44
4th quarter	86.67	75.19	201.63	82.85	93.43	73.19	201.63	88.92	76.53	77.01	79.83
1966 average	82.84	74.62	176.31	80.58	92.70	76.91	176.31	85.84	77.52	73.25	78.06
1967:											
1st quarter	85.23	79.45	232.71	81.85	95.45	70.04	232.71	86.73	80.59	86.63	79.97
2d quarter	86.64	81.46	284.05	81.76	98.31	86.78	284.05	83.92	80.28	77.88	80.73
3d quarter	87.30	80.52	183.55	86.81	96.57	88.02	183.55	92.13	83.17	77.19	84.61
4th quarter											
1967 average											
TO JAPAN											
1961	75.41	75.76	123.88	64.12	82.78	77.22	123.88	63.22	65.65	71.99	64.79
1962	70.42	79.09	154.34	56.08	80.46	84.78	144.34	53.08	59.93	71.48	58.20
1963	63.57	68.88	116.07	57.62	69.12	78.80	116.07	56.41	58.85	61.86	58.47
1964	69.00	69.38	132.51	64.93	72.68	73.06	132.51	63.85	65.58	62.97	65.75
1965	76.00	76.00	174.93	78.09	91.13	78.76	174.93	81.81	76.16	72.21	76.42
1966:											
1st quarter	82.81	75.05	170.67	80.36	91.41	76.64	170.67	84.59	77.67	74.04	78.10
2d quarter	85.43	67.35	163.15	84.96	90.02	76.76	163.15	83.32	82.72	62.61	85.85
3d quarter	84.63	79.94	175.17	80.71	98.07	80.93	175.17	87.82	77.75	79.49	77.54
4th quarter	86.91	74.71	201.63	83.72	93.35	72.90	201.63	88.87	79.89	76.37	80.33
1966 average	84.52	74.04	176.41	82.39	93.21	76.02	176.41	86.24	79.55	72.80	80.44
1967:											
1st quarter	87.20	79.17	232.26	84.00	95.30	69.79	232.26	86.67	83.24	86.53	82.89
2d quarter	89.88	81.53	283.99	85.25	95.38	86.20	283.99	84.36	84.59	78.33	85.85
3d quarter	88.02	78.94	183.55	88.09	96.38	83.40	183.55	92.82	84.35	76.95	86.19
4th quarter											
1967 average											
TO CANADA											
1961	90.21	93.15	184.92	84.06	184.92	—	184.92	—	90.03	93.15	84.06
1962	58.00	87.70	—	51.86	—	—	—	—	58.00	87.70	51.86
1963	74.22	(1/)	—	(1/)	94.36	94.36	—	—	74.05	(1/)	(1/)
1964	64.59	74.86	—	61.74	—	—	—	—	64.59	74.86	61.74
1965	55.59	65.71	—	51.60	—	—	—	—	55.59	65.71	51.60
1966:											
1st quarter	51.83	72.63	—	50.19	—	—	—	—	51.83	72.63	50.19
2d quarter	56.34	75.83	—	55.30	—	—	—	—	56.34	75.83	55.30
3d quarter	54.29	83.41	—	50.78	—	—	—	—	54.29	83.41	50.78
4th quarter	62.35	60.00	—	62.73	—	—	—	—	62.35	60.00	62.73
1966 average	53.85	74.88	—	52.28	—	—	—	—	53.85	74.88	52.28
1967:											
1st quarter	28.30	77.56	—	27.53	—	—	—	—	28.30	77.56	27.53
2d quarter	25.87	47.30	—	25.02	—	—	—	—	25.87	47.30	25.02
3d quarter	41.49	95.07	—	36.68	—	—	—	—	41.49	95.07	36.68
4th quarter											
1967 average											

Source: U.S. Department of Commerce. The valuation definition used in the export statistics is the value at the seaport or border point of exportation. It is based on the selling price (or cost if not sold) and includes inland freight, insurance, and other charges to the port of exportation. Oregon Customs District includes all Oregon points and Longview and Vancouver, Wash. Washington Customs District includes all coastal and inland points in the State of Washington, except Longview and Vancouver, Wash. Data for the most recent calendar quarters are preliminary and subject to revision.

1/ Species breakdown not available.

AVERAGE STUMPAGE PRICESFOR SAWTIMBER SOLD FROM NATIONAL FORESTS, REGION 6

1960 - 1966



YEAR	WEST SIDE DOUGLAS FIR	WESTERN HEMLOCK	ALL SPECIES
1960	\$ 32.00	\$ 10.50	\$ 22.10
1961	27.60	9.70	18.50
1962	24.80	8.90	16.60
1963	28.00	10.40	18.50
1964	38.10	13.30	24.20
1965	42.60	19.10	27.50
1966	50.00	20.60	31.50

Source: Forest Service, U.S. Department of Agriculture

Table 20.--Average stumpage prices for sawtimber sold from National Forests,

by selected species, Region 6, 1958-67^{1/}

(In dollars per thousand board feet)

Year	Douglas-fir		Ponderosa pine	Sugar pine	Western white pine	Lodgepole pine	Engelmann spruce
	West side	East side					
1958	21.80	6.10	18.00	17.20	27.30	3.00	11.30
1959	36.80	11.50	22.00	22.50	20.80	9.20	23.70
1960	32.00	10.30	23.90	27.40	16.80	9.00	3.00
1961	27.60	9.10	15.60	15.00	11.80	3.90	10.00
1962	24.80	6.90	15.60	16.00	16.90	3.60	6.90
1963	28.00	5.80	14.20	18.80	18.10	3.70	10.20
1964	38.10	10.90	18.80	21.80	18.20	4.20	7.30
1965	42.60	10.20	18.40	14.40	22.00	8.40	6.20
1966:							
1st quarter	49.30	8.70	16.30	13.00	20.70	4.80	5.90
2d quarter	52.20	12.30	22.60	27.30	22.70	2.40	5.90
3d quarter	50.20	11.90	18.70	21.00	20.40	6.40	2.70
4th quarter	45.80	10.90	18.10	11.10	37.60	3.60	7.80
1966 average	50.00	11.80	21.10	23.20	24.60	3.40	6.40
1967:							
1st quarter	45.10	5.80	15.00	33.90	23.30	(2/)	--
2d quarter	40.90	10.00	18.10	18.00	24.40	3.00	10.30
3d quarter(p)	38.90	9.90	20.70	19.70	23.00	15.30	8.10
4th quarter							
1967 average							

Year	Sitka spruce	Western hemlock	Cedars	Larch	Noble fir and Shasta red fir	Other true firs	All species
1958	14.10	6.30	8.60	4.40	9.00	8.00	15.20
1959	22.20	11.00	12.70	10.80	14.50	11.10	25.00
1960	13.20	10.50	14.60	6.20	15.90	9.80	22.10
1961	12.80	9.70	11.80	5.10	18.10	6.10	18.50
1962	11.90	8.90	9.30	4.70	12.20	6.00	16.60
1963	9.10	10.40	15.30	7.00	13.00	6.00	18.50
1964	18.20	13.30	17.40	7.50	18.80	10.30	24.20
1965	22.80	19.10	15.90	8.90	20.90	10.20	27.50
1966:							
1st quarter	7.60	26.40	14.30	3.70	20.90	22.90	37.30
2d quarter	33.10	21.20	19.60	7.10	35.20	10.20	32.00
3d quarter	48.80	19.80	12.10	13.60	11.00	15.30	28.70
4th quarter	12.20	17.10	11.00	15.30	26.40	15.30	30.00
1966 average	32.00	20.60	16.20	9.20	28.80	12.40	31.50
1967:							
1st quarter	15.70	26.40	50.40	2.70	51.50	16.70	33.90
2d quarter	12.30	16.90	31.10	8.40	20.00	10.00	24.80
3d quarter(p)	37.50	23.20	13.60	9.10	10.30	17.50	29.20
4th quarter							
1967 average							

Source: Forest Service, U.S. Department of Agriculture.

^{1/} Includes bid price plus deposits for sale-area betterment.^{2/} Not available.

p = preliminary.

SAWMILLS REPORTED AS OUT OF BUSINESS SINCE 1965

Western Oregon

Best Hardwoods, Philomath	1965
Blek Lumber Co., Eugene (Idle 2 previous years)	1965
Fred Brickley, Sherwood	1967
Bryan Lumber Co., Estacada (Idle 3 previous years)	1966
Carl Tie Mill, Sutherlin	1966
Douglas Fir Lumber Co., Gold Beach	1965
R. A. Duncan Lumber Co., Drain	1966
Eugene Stud & Veneer, Inc., Eugene	1966
Eugene Veneer Co., Glide (Burned)	1965
Evans Products Co. (Euchre Creek Stud Mill), Gold Beach	1965
F.S.P. Lumber Co., Inc., Port Orford (Idle since 1964)	1965
G & G Lumber Co., Inc., Sweet Home	1965
Gervais Lumber Co., Inc., Woodburn	1965
Joseph Grimm Lumber Co., Willamina (Name changed to Riverside Lumber)	1965
Johnson Forest Products Co., Junction City	1966
Keystone Lumber Co., Riddle	1965
Kogap Manufacturing Co., Medford	1966
LaDuke Lumber Co., Florence	1965
Lincoln Lumber Sales, Inc., Newport	1965
Lucas Lumber, Inc., Drain	1965
Lulay Bros. Lumber Co., Scio	1965
M-P Lumber Co., Roseburg	1966
McKenzie River Lumber Co., Blue River	1965
Menasha Corp. (Plywood & Lumber Division), North Bend	1966
Mountain View Lumber Co., Portland	1966
Ocean View Lumber Co., Gold Beach	1965
Olsen Hardwoods, Inc., Eugene	1965
Orme Lumber Co., Eugene	1967
Les Preston Lumber Co., Riddle	1965
Red Fir Lumber Co., Philomath	1966
Reed Bros. Logging, McMinnville	1966
Rein Lumber Co., Independence	1965
John Rinck, Buxton	1965
Rogue Forest Products, Inc., Gold Beach	1967
Santiam Lumber Co., Lebanon	1966
Shadden Lumber Co., Carlton	1965
Stayton Lumber Specialties, Inc., Stayton	1967
Stuckart & Minden Lumber Co., Silverton	1965
Sunset Lumber Co., North Plains	1967
T & G Lumber Co., Lebanon	1965
A & B and K. F. Taylor, Idlewild Park	1966
Thatcher Forest Products, Junction City	1967
Thompson Bros. Lumber Co., Harbor	1966
Westslope Lumber Co., Inc., Florence	1965
Winslow & Esch Lumber Co., Florence	1965
Wolf Creek Lumber Co., Inc., Grants Pass	1965

Source: Western Wood Products Association, November 2, 1967.

SAWMILLS REPORTED AS OUT OF BUSINESS SINCE 1965

Western Washington

"B" Lumber Industries, Redmond	1966
Baker Creek Lumber Co., Brush Prairie	1965
Blagen Timber Co., Hoquiam	1965
Carlsborg Lumber Co., Carlsborg	1965
Donover Co. (formerly Weedman Lumber Co.), Woodland (Burned)	1966
Enumclaw Lumber Co. (formerly Garrett Lumber Co.), Enumclaw (Burned)	1966
Fitzer Bros. Lumber Co., Buckley	1965
Hendricks Lumber Co., Port Angeles	1966
Holeman & Benson Lumber Co., Bellingham	1966
L & M Transportation Co., Arlington	1965
Lopez Lumber Co., Mt. Vernon	1966
Neman Sawmill, Puyallup	1966
Northwestern Lumber & Manufacturing Co., Everett	1967
Lloyd Owne & Son Lumber Co., Inc., Chehalis	1966
P & M Lumber Co., Inc., Enumclaw (Idle previous year)	1965
A. N. Palmer Lumber Co., Matlock	1966
Phoenix Lumber Co., Inc., Seattle	1965
Portage Creek Mill Co., Arlington	1965
Shepard & Dasher, Longview	1965
Donald Snelson, Yacolt	1965
Stanwood Lumber Co., E. Stanwood	1965
U. S. Plywood Corp., Seattle	1966
Van Horn Lumber Co., Concrete	1965
Joe E. Waller, Winlock	1966
Woodland Tie Co., Woodland	1966

Source: Western Wood Products Association, November 2, 1967.

PERMANENT PLYWOOD MILL CLOSURES 1966-1967

	<u>Date of Closure</u>	<u>Number- Employed</u>	<u>Average Annual Production Millions of Feet 3/8's" Basis</u>
1. U.S. Plywood Mutual, California	3/66	300	86
2. Mid Plywood, Sweet Home, Oregon	6/66	100	32
3. Myrtle Creek Plywood, Myrtle Creek, Ore.	6/66	150	65
4. Port Plywood, Astoria, Oregon	7/66	100	32
5. D. L. Veneer & Plywood, McMinnville, Ore.	7/66	5	1
6. Lindroth Timber Products, Cloverdale, Calif.	7/66	100	30
7. U.S. Plywood, Reedsport, Oregon	8/66	300	90
8. Natron Plywood, Natron, Oregon	9/66	150	86
9. Commercial Plywood, Inc., Creswell, Oregon	10/66	100	36
10. Carolina Calif. Custom #2, Grants Pass, Ore.	10/66	150	80
11. Lowell Plywood, Everett, Washington	10/66	100	24
12. McKenzie River Plywood, Springfield, Oregon	10/66	100	50
13. Tidewater Plywood Corp., Everett, Wash.	10/66	75	20
14. Martin Bros. Cont. & Timber Prod., Oakland, Ore.	11/66	250	80
15. Simpson Timber Co., Olympia, Washington	2/67	150	44
16. Arcata Plywood Corp., Arcata, Calif.	2/67	100	50
17. Forrest Industries, Inc., Dillard, Oregon	6/67	150	53
18. Tri-State Plywood, Santa Clara, California	6/67	100	53
19. St. Regis Company, Olympia, Washington	8/67	300	100
20. Simpson Timber Company, Lyons, Oregon	8/67	300	87
21. Jefferson Plywood Co., Madras, Oregon	9/67	150	72
22. Menasha Corporation, North Bend, Oregon	9/67	250	83
23. U.S. Plywood, Aberdeen, Washington	9/67	150	34
24. Timber Products, Medford, Oregon	9/67	250	100
25. U.S. Plywood, Polson, Montana	11/67	150	64
26. U.S. Plywood, Eugene, Oregon	12/67	<u>200</u> 4,230	<u>64</u> 1,516

Source: American Plywood Association

SOFTWOOD PLYWOOD OPERATING STATISTICS

1966 and 1967

	Number of Plants		New Plants		Production (billions sq. ft. 3/8")	
	1966	1967	1966	1967	1966	1967**
California	20	16	0	0	1.137	.900
Oregon	97	85	0	0	7.865	7.580
Washington	32	32	0	1	2.020	1.850
Mountain	11	11	0	0	.892	.870
Southern	23	28	11	5	1.140	1.800
INDUSTRY TOTALS	183	172	11	6	13.054	13.000

Source: American Plywood Association Production Records

** 1967 production figures are 7 months actual, 5 months estimated

Mr. FORD. I would like to ask if I can be excused.

Senator MORSE. You are excused. I hope you reach your plane in time.

Mr. FORD. I want to thank you very much, and if there is any information that I can get for you, if the committee will let me know, I will supply that.

Senator MORSE. Before you leave you might want to take a copy of that list of questions which you will find down at the press table. We are submitting them to every witness, and if you wish to answer them we will be glad to have your statements in the record.

Thank you very much. Thank you, Mr. Brice.

The next witness will be Mr. Al Hartung, past president of the International Woodworkers of America, AFL-CIO. Will you come to the stand?

As he comes before the committee I only want this record to show that I have had him before me as a witness over the years many times. We have been associated many times in relationships that did not involve that of committee chairman and the witness. I have a great regard for his opinion on any subject, as I will on this one. I am always open to his reasoning. When he thinks I am wrong he does not hesitate to tell me so. There is reciprocity on that point also.

Let me assure those who listen to me, for I have the same responsibility as he has so courageously manifested over the years, in following the facts as each one of us sees the direction in which they lead. I want you to know, Mr. Hartung, that as past president of this great International Woodworkers of America Union, I am glad you are here to make your contribution to this record.

STATEMENT OF A. F. HARTUNG, PAST PRESIDENT, IWA, ON BEHALF OF THE INTERNATIONAL WOODWORKERS OF AMERICA, AFL-CIO, PORTLAND, OREG.

Mr. HARTUNG. Thank you, Mr. Chairman.

Mr. Chairman and distinguished members of the committee, Senator Hatfield, my name is A. F. Hartung, and I am here speaking on behalf of the International Woodworkers of America. I have a brief written statement, but I would like to reserve the right to make additional comments, because we received the notice quite shortly, and our research department was engaged in other work, and so the job is not complete.

Senator MORSE. You have the right to add to the statement in any way you want to.

Mr. HARTUNG. I hope that in listening to the testimony, and to the remarks of the members of the committee, you haven't made up your minds, because I think I will probably be in opposition to most of the testimony that you have heard today, and I hope my voice is just not an echo in the wilderness, because I am sincere in what I believe in this problem that is confronting us in the problem of logs.

Senator MORSE. May I say good-naturedly, Mr. Hartung, that I don't have the slightest doubt but that we have reached some tentative conclusions as to what the prima facie evidence shows. The test, of course, is whether one can change his mind, and also whether a witness can present evidence that justifies the changing of one's mind.

Mr. HARTUNG. I am going to try my best.

Senator MORSE. That is your burden of proof, and we will be glad to hear you on that basis.

Mr. HARTUNG. Mr. Chairman, I am going to try very hard to do just that.

There are times when a labor organization is tempted to formulate its position on an issue such as log exports primarily by the probable immediate impact upon employment for its dues-paying membership. By the same token, there are junctures in an industry's economic balance when one group of employers or another alines itself with a particular side of the proposition for no more altruistic reason than the fact that for the time being they stand to profit from such a policy.

Finally, the caretakers of the Federal Treasury from time to time find themselves leaning in a given direction due to the overall economic situation—not because it is good for an industry or its workers—but because it promises to have a favorable impact upon the immediate balance-of-payments situation and/or budgetary deficits.

To us, the exigencies of the moment from any of these standpoints do not suffice for the purpose of establishing long-term governmental policy. Historically we have adhered to a position that sanctified the general principle of free trade. At the same time, we have assured all-comers that we were the champions of the principles involved in solid conservation practices leading not only to the survival of timber as the prime base for the Pacific Northwest's economy but also to the safeguarding of the irreplaceable forestry resource for public multiple-use purposes including recreation, flood control, and the like.

But in fact we were probably guilty on more than one occasion of giving too little thought to the problem or taking the easy way out by endorsing the position that seemed for the moment to most closely approximate the immediate short-term interests of our membership.

We are, quite frankly, in a dilemma at this point involving pressure stemming, on the one hand, from Northwest millworkers who have recently lost their jobs due to plant closures. What with all the ballyhoo, it is understandably easy for these workers to conclude that this catastrophe in their lives—since many of them are too old to find other employment—was due exclusively to the export of logs to Japan.

On the other hand, we are besieged by various considerations that cause us to question the particular answers that come from the opponents of log exports. We know for a fact, for example, that the essential scruple motivating this particular group of employers, as well as those currently on the other side of the argument, are considerations reducing themselves to nothing more or less than what would be most profitable to their operations for the moment.

Our own bedrock position is, to be perfectly frank about it, not so easily arrived at. By the nature of things, we cannot help but be acutely aware of the tragedy and discomfort that hundreds of our members and their families have experienced during the past year alone due to plant closures in the Northwest. At the same time, we do recall that only a year and a half ago, when the housing industry was at its lowest ebb, the internal pressure from our membership came from the direction of IWA loggers who were faced with layoffs or short workweeks simply because domestic markets for their production did not exist.

While these are totally contradictory pressures, they are also clearly of a momentary nature. A year or two from now, it is quite conceivable that they could again reverse themselves. An international union, charged with the responsibility of developing a sound long-term policy position, cannot reverse itself from year to year based on what is expedient at any given point without losing its credentials with its own membership, not to speak of Congress and the public in general.

As a consequence, we may well find ourselves in the position of being the only organization testifying before this committee which frankly confesses that it is not convinced at this hour as to what is sound and fair to all parties involved—the industry's workers, with whom we are by definition most concerned; the employer community, which is clearly divided against itself by short-range self-interest considerations; and, finally, although not lastly, public-interest considerations ranging from the long-term health of the regional economy and revenues, to counties for educational purposes, to our mushrooming population's need for adequate recreational resources in the future.

It is not our intent to beleaguer you with statistics that we know you have already heard repeatedly from other witnesses on both sides of this matter. We know, just to cite one example, that revenues to Washington schools have soared from \$4 million to \$9 million a year since 1961, due to higher stumpage prices. Higher stumpage prices have also resulted in the Forest Service's ability to pursue intensified management practices which can't help but contribute to the long-term stability of the resource in the Northwest.

We know also that the picture is complicated by capital gains and depletion allowance advantages that can be realized for some of these employers by alternating utilization of timber purchased from public lands with that harvested from their own private holdings.

We seriously question that Japan, if cut off from a log supply in this country, would solve her problem by purchasing U.S. dressed lumber. There are a variety of alternatives available and we feel certain her choice would be dictated by that which is most economical from her standpoint. And what makes us so certain that Japan won't find ways in which to retaliate?

Now have we understood the argument that curtailment of log exports from public lands would make any real difference so long as exports remained unrestricted insofar as privately owned logs are concerned.

As a labor organization interested in maintaining its reputation for being concerned with the public interest and the health of the regional economy, we are conscious of many other questions to which no easy answers are readily available. Certainly it is true, for example, that log exports appear to entail higher stumpage prices. And higher stumpage prices will surely be one of the cries of impoverishment the employers will raise to our demands for contract improvements during our next negotiations.

Yet this of itself is only one factor in the problems besetting our Northwest membership as a whole. It is exceedingly unlikely, for example, that many of the hundreds and thousands of jobs that have disappeared during the past year or two would be restored by the elimination or serious cutback of log exports. Many other factors are at work in the situation.

Not the least of these is the tight mortgage money situation which has for quite some time now decimated the industry's prime market. It is quite relevant to note that apparent domestic consumption of lumber in this nation dropped off quite substantially in 1966 and 1967, and that our overall imports of softwood lumber during that period have declined, while our overall exports of softwood lumber actually increased.

In short, the domestic market that existed in 1965 simply has not existed since that time. And where the market does not exist, it is obvious that production and employment are going to suffer.

But employment in the Northwest, particularly, has suffered for still other reasons. Especially in the plywood sector, we find it much more believable that the primary damage is attributable to the enormous growth of such production facilities in the Deep South.

It is commonplace knowledge that wages, typically one-half those paid in the Northwest, are a principal factor in developing that source of unfair competition. If the U.S. Senate wishes to make an objective appraisal of the industry's problems in the Northwest, it obviously cannot conscientiously ignore this factor in view of the fact that southern pine plywood production on a $\frac{3}{8}$ -inch rough basis rose by 611 million square feet, while concurrently the combined production of Oregon, Washington, California, Montana, and Idaho declined by 666 million square feet during 1967.

Can anyone seriously contend that lower log exports would have prevented this southern displacement of Northwest production?

Again, wages alone do not tell the whole story. Certainly, it is true that the southern facilities, having been built since 1963, represent the latest word in modern technology. It is also true that southern shippers to various eastern and midwestern markets commonly enjoy freight rate advantages as high as \$20 and more per thousand square feet of plywood and per thousand board feet of lumber.

Beyond this, there is the subsidy frequently provided by southern municipalities to lumber and wood products manufacturers in the form of low-cost municipal bonds which have provided modern production facilities at a cost that would be unthought of in the Northwest. Finally, the growth cycle for producing merchantable timber in the South is approximately one-half that experienced in the Northwest.

In brief, we do recognize that log exports may well play a role in the recent difficulties of the Northwest industry but it is a role that is deliberately exaggerated by certain interests while other factors of at least the same stature are discreetly ignored.

Any consideration of the Northwest's problems by the U.S. Senate must give due consideration to these additional factors plus an examination of this own conscience for congressional failure to repeal section 13(a) (13) of the Fair Labor Standards Act, which enables the southern pulp, lumber and plywood industry to harvest its timber without complying with Federal minimum wage and maximum hours protections.

I might leave my script for just a moment, to say the only help I got in the U.S. Senate was Senator Morse trying to eliminate that, and finally got it down from 12 to 8, but that restriction still is on the books as another factor of cheap labor in the South, which I

produced the record to the committee on, that many of them worked for 35 and 40 cents an hour, and still the Senate of the United States and the House of Representatives did not choose to do anything about it.

We would like to close by stating that we do agree that the Federal Government has a deep responsibility for examining the impact of log exports and other policies which can in fact by their abuse endanger the long-range survival of the Northwest's forestry resource and industry. In discharging this responsibility, we agree with those who urge a hard look at the short-range ramifications of log exports. But we urge you to do this soberly while giving even greater weight to the long-range well-being of the regional forestry economy, its workers, and the various facets of the public interest.

That is the end of my written statement. I have been here all day. I listened to many of the comments made by the various lumber industries, and I am glad that they are really interested in the workers' jobs, but I want to say to this committee that any time they can buy a new machine and replace 10 or 15 men, they don't think anything of the worker. They put in the machine, because it makes more money for them.

I think that most of the industry people that have testified here before you are here for only one reason, to increase their profits, and I think that when the yearly profits of the industry are completed for 1967, we will be able to show to you that any of these lumber industries have made tremendous profits in 1967.

Mr. Chairman, I would like to refer you to, I am not going to read it, but I would like to refer you to a letter that is in the House of Representatives which was addressed to Julia Butler Hansen, Congresswoman from Washington State, on September 30, 1966, which also is a little more in detail, having had a little more time to prepare it, but there were some remarks here as to what Japan buys.

Senator MORSE. May I say, Mr. Hartung, when you get through discussing it, I would be glad to insert it in the record of this hearing.¹

Mr. HARTUNG. You can have this one if you would like. It was produced in November of 1966.

Senator MORSE. Let the record show that this or any other material the witness wishes to insert in the record, will follow his testimony.

Mr. HARTUNG. Prior to the export of logs to Japan, there has been a lot of talk about Alaska shipping cants. We shipped cants for many years in the ports of Portland and Washington.

I don't know just how we stopped them, but that was a great business at one time, shipping cants to Japan. Now, some people have testified that that is what we should do in Oregon.

I asked the people that worked up there, I said, what do they do with the slabs. They go into the burning. They put the slab off on the side. They don't do anything with it.

The trouble with most of these mills that are going broke today, gentlemen of the committee, they are either old fashioned, they are out of date, or they have put themselves in a place where there is no timber available. Most of the timber today is trucked, and trucking is very expensive.

¹ The material referred to was not received in time for insertion in the printed record.

You have to truck a log for 50 miles, which a lot of them do, you have to pay around \$12 or \$14 a thousand to get that there. So when you build and your timber runs out, then they shut down, not because of Japanese logs or anything else.

If you go back through the record, long before there was one log shipped to Japan, mills were going out of business by the dozens. The State of Washington was continually cutting and getting out because there was no other timber available.

Some of the big companies moved in and bought up a lot. The Government, under its plan of sustained yield, can only make so much available. And somebody bids on it, and the one that gets it, well, that is all there is in that area, and the others go out of business. We have had that for years.

I worked for the Oregon American Lumber Co. years ago. They went out of business. They shut down. They made a moving picture and burned the mill down not so long ago. Spot after spot, after spot, where Japan has had nothing to do with it. This is just a ridiculous argument of trying to bring down the price of logs.

Now, as far as peeler logs are concerned, I evidently left this paper in my room, as I was in a hurry getting down here this morning, as I did not know when you wanted me. I called your office and they said you went to work at 9 o'clock. I didn't think you would go to work until 10, so I guess I forgot some of them.

But you go back, and apply what industry was paying \$110, \$120, \$108 for peeler logs, 15 or 20 years ago. Do you know what they are selling for today? The latest figure I had is \$115.

Now, where is this tremendous increase? Unfortunately, the sawmill is going out of business because you can't pay a carpenter \$5 or \$6 an hour and expect him to nail up inch boards like we used to do. You use hard boards, you use particle boards, you use all kinds of manufactured materials, and about the only sawn timber that you see in a house today is the 2 by 4, and maybe a few springers, and the rest of it when they put on the siding, you see them slap on the hard or particle board, or whatever type of material they have to use, but it is a manufactured sheet 4 by 8, so that they can get some mileage out of their hour's work.

Now, you talk about log prices. How much lumber is there in the average house? I checked with some good carpenters before I left here. They say the average house of three rooms probably has got 10,000 maybe 11,000 feet of lumber, at the most, in it.

Now you could raise the price of lumber \$20 a thousand, and there are only 10,000 board feet—you would add \$200 to the price of that house, but it is the interest rates. On a \$20,000 home, on a 25-year mortgage, the difference between 5 percent and 6 percent would add \$12 a month to that payment.

These are the things that are wrong. The lumber market is off. The housing program is off, and they are trying to take advantage during this depression time of the depressed lumber and building program, of trying to be down and get the Congress to make it available. This isn't the first time they have tried it.

Mr. Chairman, I have been on the advisory board of the O. & C. Lands ever since it was formed. I think I am the oldest member on it. I believe I was even there before Governor Sprague of the State of Oregon.

The question of timber, today, that is standing in the woods, much of it has quit growing, it is deteriorating, and the Senate of the United States, Mr. Chairman, when you first came here years ago, I remember you sponsored a bill of some \$40 million to build access roads into our standing timber.

Had the Congress been smart enough at that time to take you up, you could have had \$250 million worth of roads in that timber today, and where we are now losing 3 and 4 billion feet of timber a year because of rot, because of no access road—we are talking now about a shortage of timber.

Now, these timber stands, unless they are cut off, some of them, there is no growth to them. In the South, where much of the timber industry has gone, it has not only gone to the South. U.S. Plywood just started a big plywood plant in Michigan.

Abitibi built a big plant up at Alliance, Mich. Plant after plant, the big corporations are moving in. Why? Because of the harvesting of timber that was planted there during the Roosevelt administration.

They are doing the same thing in the South. I went through 11 Southern States here over a year ago, and they are buying up all the broke cotton farmers that are down there. What are they doing with it? They are bulldozing off of it all of the scrub trees and putting them in wind rows, and they are planting in between. They can produce a tree there in 28 years.

I read some testimony given by one of the Weyerhaeuser foresters just recently, in which he says that under better programs of reforestation that they can produce a merchandisable tree now in fir in less than 40 years. This statement was made just recently. Now, in order to meet the needs of the future, we can't possibly do that, regardless of what we do, if we did not increase the growth of this timber under new technology or advancement, 20 years from now we wouldn't have any trees.

We don't sell the big cants any more for stringers. We make them. We utilize all the small pieces.

If you want a beam 100-feet long or 200-feet long, you go down to the timber structure, they take all the tjomgs that we used to burn, throw them in the burner, and they make a beautiful, whatever shape you want, and they deliver it to you, and you go and see these stores put up practically overnight, because of that kind of technology, and because the big companies are utilizing all of the wood which used to go into the burner, you are producing more merchantable building material with less footage, because what used to burn up years ago is today either going into chips, or goes into the pulp mill or is made into particle board.

Some of them make presto logs. Practically all of the better companies are utilizing the entire tree, and it is for these reasons that we feel that we are really getting panicky over something that I think would hurt us tremendously at this time.

I am not sure that Japan has got to buy from us, and I don't think anybody on this committee, and I don't think any of these people who have testified here, do. I read some testimony that was given by some ambassador from Japan, in which he stated that Russia was doing its very best to try and increase the sale of logs to Japan, and he said the reason they liked our logs better was because as long as they could get them, they were a little larger size, that most of the logs in

Japan were quite small, but they have twice as much standing timber as we have got.

So don't let anybody kid us that there is no other source of supply from which Japan can get its lumber. As far as I am concerned, I think that is where they will go.

I again want to point out—and I would say this—I would almost make a little wager with somebody that if you shut off the logs to Japan tomorrow and say, no more shipments, we are going to stop it right now, I will bet you there wouldn't be one-tenth of those mills starting up in the next 3 months. They would stay right where they are.

Now, one of the mills that is liquidating, I just happened to glance at something here, if I can find it. I have got more junk here than Carter has got pills.

But anyway, the mill that is liquidating down in Coos Bay, they were interviewed by the Oregonian—here it is—Menishaw Plywood Plant, North Bend, will go under liquidation auction January 23-24, according to the information from the auctioneer, purportedly:

The Menishaw Plant has been in operation for the past 19 years. The company still operates the land timber division, with an estimated 500 million timber feet in the area, and the paper board plant. Wyatt refused to blame the closing of the plant, but said general capital needs were the reason it went out of existence.

And that is true of every one of the private mills that are going out of business. They are old-fashioned; they can't compete. I don't know if you gentlemen from Oregon had the privilege of going through the new plant at Coos Bay or Weyerhaeuser. If you want to see automation at work, and very few people in operation, you go down there and take a look at it.

That is the kind of mills they are building in the South. That is why these same operators. Weyerhaeuser, St. Regis, Crown, everybody, is moving into the South, and they are buying thousands of acres, and that is where your problem is—low wages, long hours, half of them unorganized, and they can't get help from anybody.

The National Labor Relations Board does what it can to try and help us organize the people down there to get better wages and working conditions, but there is the place where they can build plants cheap. They can operate 12 months a year. There is very little snow. Weather conditions are not a problem. This is where the competition is coming to the west coast, and the labor unions are doing what they can to build them up.

But I hope that this committee doesn't get stampeded into the idea that you are going to get these jobs back if you shut off the logs to Japan tomorrow. You will put another 8,000 or 10,000 people on the bricks. You will put longshoremen on the bricks. You will put loggers on the bricks. You will put truck drivers on the bricks, and all the people in between that handle those things.

That is the end of my statement, Mr. Chairman.

Thank you.

Senator MORSE. I want to say, Mr. Hartung, before I call on Senator Hatfield to ask questions, you and Mr. Van Brunt, representing the longshoremen, Mr. Houlihan as the spokesman for the Japanese industry, wanting to continue the exportation of logs, representatives

of port authorities in Washington have been the principal advocate of the point of view that you have expressed here this afternoon.

They have expressed their views ably, as you have. We expect to hear the Administration witnesses, who are coming next Tuesday. We will probably have a few witnesses on Monday that may have opinions in some instances that are similar to yours. That is the way it should be.

I have been insistent that this witness agenda be built up so that no point of view would be excluded. That is my first job as chairman of this committee.

My second job is to see to it that the questions pro and con are asked. I have a responsibility as chairman to see to it that no question, no matter how controversial, or delicate, remains unasked in this hearing. That is what the committee has tried to do, and I shall continue to do it in connection with your testimony.

I think that the premises in this testimony of yours are going to have to be answered by the proponents for the restrictions on log exports. I have never taken the position that this is a white or black issue. We have always tried to point out that we are not seeking a solution that will cost jobs, as you pointed out in the last part of your testimony. Quite the contrary.

We don't propose to throw longshoremen out of work and break the stevedoring companies, and do damage to the economic life of the ports that are dependent upon maritime business. At the same time, we have no intention of standing by and not doing what we can do to keep your men at work, and the AFL carpenters and joiners at work, and the mill operators operating, and the stockholders receiving the protection that they are entitled to receive, in the process of trying to prevent wrongs from creeping into the administration of our forests.

So our task as members of the committee is not an easy one. The chairman of this committee has said from the very beginning of our discussions of this problem that we have got to find out what that balance point is that will produce a fair balance. Our job is to find the solution that will protect, to the maximum extent possible, the economic interests of the groups in the ports, and in the woods, and in the mills. We haven't come to any final conclusion as to what that balance is.

As you already intimated you were aware when you started your testimony, I would be less than honest if I did not say, as I have on the hearing record before, I think a *prima facie* case has been made that some restrictions must be imposed; not total restrictions, but those restrictions that will produce a balance. That formula is variable as far as I am concerned, depending upon what the evaluation of all the facts in the record, including the facts that you have put in the record, will justify the final decision to be.

I will come back to some questions shortly, but I think in fairness to you, the chairman owed it to you to make this statement of the basis on which the hearings have been conducted. I will now call upon my colleague to ask any questions that he may wish to ask.

Mr. HARTUNG. Mr. Chairman, I would like to just make one additional statement. I have generally printed once a week in the Oregon Journal about production, shipments, and orders—I see this—and for the last 2 or 3 months, production has always exceeded shipments, it has always exceeded the orders.

Now when these people sit here and say that they could go back into business with the cheaper logs, who are they going to sell them to? There is an oversupply right now. The market is not there, and that is why they are shutting down.

Senator MORSE. It would not be appropriate for me to engage in a controversy over these points. You have the right to make this point in the record. I have the duty, of course, on the basis of what the record already shows, to make comment from time to time.

There is another side to that argument, may I say. There isn't an oversupply, in my judgment, if the needs for the lumber were met. The need is greater today than a year ago. The difficulty is the economic policies of this administration, which are such that the need can't be met. This administration is following a policy of tight money and high interest rates. It is following a policy of impounding funds.

Look at what happened a year ago. The comment in your statement about the housing problem sometime past leads me to this observation: what did this delegation have to do? Carry on a battle with this administration to get funds impounded released. It took us a year to get them to start releasing them.

That has more to do, may I say, with this matter than the problems that you raise in regard to the fact that the Portland Journal—or the Oregonian—showed that there is an overproduction.

There would not be an "overproduction" if the administration would make it possible for us to start a housing program that would build the houses. There are hundreds of thousands of people in this country that need houses, and they can't build or buy homes at the money costs with which they are confronted.

There would not be an overproduction if the country would implement an economic program that would make it possible to get into those ghettos and provide the shelters that are necessary so that we can meet the ghetto problems.

Philosophically, I know enough about you to know that we don't disagree in this area. We may disagree on the point that you make. But you cannot justify the restrictive economic policy that we are following in this Administration creditwise, interest-rate-wise, impoundmentwise, freezingwise.

As I indicated this morning, today's paper shows that the Secretary of Agriculture has announced that he is going to cut \$21.5 million out of the Forest Service budget. I asked this morning for a bill of particulars. I want to have it next Tuesday.

They are going to cut out access roads. You and I have fought for access roads for 20 years. We won some battles on access roads. We never got enough. But we have been fighting that battle.

We fought for enough personnel in the Forest Service so you can get the cruising done quickly, and you can get the personnel work done, so that you can increase the number of sales.

We were told we can't get it because our appropriations are not enough.

Well, we have lost out on some of our appropriation fights.

But now they start talking now about a \$21.5-million cut this next year in the forestry budget, in order to meet this economy drive of this administration on the domestic program, with a total defense budget—of over \$75 billion, compared with a total domestic budget

of \$20 billion. Only \$22 billion of the \$75 billion defense budget is connected with Vietnam, because they get most of their money outside of the standard budget by supplemental.

So, we get down to the real economic issues that make is possible for you to say, and quite rightly; that at the present time, it looks as though we have got an oversupply.

We haven't got any oversupply at all if we meet the needs. These are some of the problems that we, as legislative representatives for you and our other constituents back home, must make a fight about. I do not think that at a time of crisis you can possibly cut back on a \$20 billion domestic budget, and the forestry area seems to provide a classic example of the consequences of such a policy.

If you want to take \$7.5 billion out of a \$20 billion budget, and what do you save? What do you reduce?—housing, health programs, pollution programs, education programs, all the things that you and I know are vital to maintain domestic tranquillity in this country.

And so, when the administration says you can have butter and guns, too, it is semantics. They are cutting on the butter and not on the guns. They are not willing to stop the spread of these Defense expenses around the world.

But you and I know each other so well that I can speak out of my heart to you as to my point of view. That doesn't mean that I am rejecting everything that you have said, but I am simply saying that to try to segmentize this matter and just limit it to the matter of the log issue, I think, doesn't face the economic realities that confront us. We have got a problem here that comprehends the entire lumber economy in the Pacific Northwest and the housing market in this country. We are going to have to face up to these problems if we are going to protect the prosperity of our people and do justice to the questions before the committee.

But, I want to get to questions and not make a speech. Senator Hatfield, do you have some questions or comments?

Senator HATFIELD. Mr. Chairman.

Mr. HARTUNG, if I read your testimony correctly, and listened to your added comments, am I correct in interpreting your statement to mean that you do not support any restrictions upon foreign exports of logs from the Pacific Northwest?

Mr. HARTUNG. That is correct, at this particular time—until such time as some of the things that the Senator spoke about are corrected. The market is not there, and all we would do now is lay off more people.

Senator HATFIELD. I understand that you, of course, have proposed here that there are such things that the Congress should act upon, like section 13(a), the Fair Labor Standards Act, and other matters, but none of these involve, of course, the question of exporting logs, restrictions, that this committee had heard much testimony on.

So then, again, let me ask you this question: if this committee had evidence placed before it when we finished the hearings, and had all points of view presented which would lead this committee to the conclusion that, with this vast range of evidence, that it was conclusive that there should be some restrictions placed upon Japanese log exports, would you still feel that this was a wrong action?

Mr. HARTUNG. Well, Senator, we are talking about the present time, and we know what the condition is. Nobody is kidding us, what these

people tell us here. We know what they have done in the past. We know them. We have dealt with them, and they are no mystery to us.

They come out here and plead about creating jobs for workers. They are not going to start those plants under those conditions that exist now.

Now, I certainly agree that we need a housing program. I know that we need it. But it is not there, and the way I look at it, from sitting here, Senator, I don't see any possibility in the next 8 or 10 months to increase the housing program that would keep the loggers that are working now putting logs into Japan or to exports. All they would be doing would be laying them off, and they would be looking for work.

Now, the logger is a short-term worker anyway. You know that. Senator. Eight or nine months a year. And some of them up around Roseburg are lucky to have 6 or 7 months, because the timber is up high and it snows. So, what we are saying to you is, that this is not required now. There is no emergency. The logs that are going to Japan are not needed by the mills. There is an oversupply of them.

I can take you down through the Willamette Valley and show you cold deck after cold deck. And most of these mills that are hollering for relief have got burners going, and the smoke is rolling out, and you see big slabs that the more modernized companies are utilizing, and we just can't stand back.

I am an American citizen. I am paying taxes. My kid fought in the Second World War, and I have got an interest in that forest, and I don't want to give it away to somebody who is burning half of it up, speaking as an individual.

Senator HATFIELD. So I understand your position is that you do not conceive of any evidence or circumstance which could lead to the conclusion that restrictions should be placed at this time on Japanese exports.

Mr. HARTUNG. That is right. I feel that exports are going up. We went over 1 billion feet in exports last year, which is the highest we have had for many years. I think the lumber industry—I read a report, and I have the report—the plywood industry, where they themselves say that they are not hurt by the export of logs to Japan.

Now, the plywood industry is getting a lot of business on crating and shipping over to Japan, and gradually they are picking up momentum, but those plywood plants that are closing down, they wouldn't open up unless you, probably, gave them the logs, because they just can't compete with the modern mills.

Senator HATFIELD. Mr. Hartung, let me ask you a few questions concerning your union. I am sure that everyone who reads this record of this committee hearing will not be as familiar with the structure of your labor union as members of this committee are, and so I would like for the record to have you indicate to us where your union members today are involved in working in the timber industry.

Mr. HARTUNG. We are an industrial union, Senator. We organize everybody in the plant except what is excluded by the National Labor Board, like the bosses and the foremen, and so on. Everybody belongs to the union in the plant. We have got a collective-bargaining contract that covers everybody.

Senator HATFIELD. About how many members do you have in the States of Oregon and Washington?

Mr. HARTUNG. I would say about 42,000.

Senator HATFIELD. And would you have any general estimate as to about how many mills, individual mills, are involved in these 42,000?

Mr. HARTUNG. No, we don't. We have pretty nearly all of the big Weyerhaeuser mills—are most of ours. I guess you might say most are the bigger plants, Crown Zellerbach and so forth. And we have the loggers there also. The loggers generally, Senator, are not always included in a bargaining unit. You sometimes have to get them separate.

Senator HATFIELD. It is true that the IWA makes up most of the membership of the large mill operations, the Weyerhaeusers as you indicated, St. Regis, International, Crown Zellerbach, and so forth. Would you say that this represented the major portion of your 42,000 members?

Mr. HARTUNG. I would say the biggest percentage in those kinds of plants, yes, sir.

Senator HATFIELD. Then the IWA has not been heavily involved with the small- and the medium-sized operations, as much as it is with the large operations; is this correct?

Mr. HARTUNG. We have a few.

Senator HATFIELD. You have a few, but most are in large?

Mr. HARTUNG. Actually, Senator, there are not too many of them left.

Senator HATFIELD. That is right.

Mr. HARTUNG. A lot of them are unorganized. The small plants are hard to organize. Some of them operate with relatives and stuff like that, and so we don't have many of the small ones.

Senator HATFIELD. That is my understanding. Because of my own involvement with your union and the industry generally, it led me to understand that your union is mostly a union that has organized the large mill operations, and not very much involved in the small- and medium-sized operations.

Mr. HARTUNG. Outside of the plywoods. We have quite a few independent plywoods.

Senator HATFIELD. I understand. Now, is it not true, Mr. Hartung, that there are many of these large companies like Weyerhaeuser, who have their own logs? They are not dependent upon Federal public land logs, are they, as much as, say, the small- and the medium-sized operators?

Mr. HARTUNG. Well, other than like Mr. Ford testified, they try to save as much of their timber as they can.

Senator HATFIELD. Balance.

Mr. HARTUNG. It depends upon the area, also. You take up in Washington, there is not too much of O. & C. land in Washington. There is a certain amount of Federal timber, and some places they have to depend more on their own. In other places, they try to offset it by getting as much—

Senator HATFIELD. But if they are actually in the Federal public timber field, if they are bidding in on that, as you point out, it is mostly as a reserve action, or as a balance program for their own holdings, that they could fall back upon under, say, adverse circumstances that might involve Federal public lands.

Mr. HARTUNG. They can keep operating. I don't know, the bidding on timber there is a little bit ridiculous. As I pointed out, I have been on the advisory board of the O. & C. lands for 14 years.

I know 10 or 15 years ago—no, not 10 or 15, but 8 or 10 years ago—that they were bidding \$65 and \$70 for stumpage out in the woods. That is long before we ever sent a log over to Japan or anybody even thought of sending them over.

The other day the O. & C. land put up a bid. They didn't list the company. They put it up for \$50,000 and some hundred dollars. The guy bid \$54,000. Now, it must have close. I don't know where it was. They didn't list the company and, of course, they do this a lot of times, in order to use it for income tax purposes.

When the end of the year comes around, they go out and bid up and then they say, "This is what our timber is worth, and this is what it cost us to put it through our mill." They have got a gimmick there.

Senator HATFIELD. So it is not really to keep the mill operation going—

Mr. HARTUNG. No.

Senator HATFIELD. (continuing). But for income tax purposes?

Mr. HARTUNG. To confuse Uncle Sam a little bit when it comes to paying taxes.

Senator HATFIELD. Then, is it not also true, Mr. Hartung, that some of these large mills or large companies which your union predominantly represents also sells logs to Japan?

Mr. HARTUNG. Yes, sir. Weyerhaeuser sells some, and Crown Zellerbach sells some. We have the Aberdeen Local that has 12 to 14 hundred people. The only outlet they have there is the pulp plant of Weyerhaeuser. The rest practically all goes, or they have to ship it a long way to get it to some mill.

The same is true down around Seaside, Oreg. That local down there, Crown Zellerbach, they ship a lot of their logs. As you go down to Regis Point, Coos Bay, and the Ford Lumber Co. is putting in or already has put in a big shiploading place—at least they are going to if they haven't completed it, and they are going to send the chips over to Japan also.

Senator HATFIELD. I think it is very obvious, the reason I am pursuing this line of questioning is that I think, as you appear here today, it is a very significant fact that you represent within the States of Oregon and Washington over 42,000 men as union members, and I think this is very significant, and I think it is also very important to understand that the major, the overwhelming percentage of these 42,000 men who you represent are employed by the large mill operations who have much timber of their own, who themselves sell logs to Japan, and so therefore may be in a little different viewpoint than some of the small- and medium-sized companies.

Now, going to the medium and small operators, I would like to ask you some further questions on the statement that you made, that you felt that it was not the Japanese log exports that they really have as their problem, but you list a number of other factors, such as the building market, the interest rates.

Then I think you indicated, too, the obsolescence of many of these mills. Mr. Hartung, would you for my benefit and for the record, indi-

cate to us a little bit of what constitutes obsolescence in small- and medium-sized mills that have been going by the board, so to speak?

Mr. HARTUNG. Well, most of what I call the small mills, they still have a burner. They burn up all the outside, what they slab off the logs. They have no way of utilizing it.

Now, down around Springfield, when they built that pulp plant along the highway there, some of the smaller companies did get together, and they put in chippers, and they started to utilize the slabs.

But this is a given area there where they had foresight enough and invested some of their money in order to utilize, and those mills are still running.

The ones that aren't running, as you go down in between Roseburg, and go on down, they still burn up all the slabs down there, and they depend entirely upon sawed lumber.

As I pointed out, a sawed board today is not a commodity that the builder wants to use other than the structural stuff, and maybe the framework of the building. Otherwise, they want plywood or particle board and stuff like that, and that is the reason they have trouble.

They have got only one way that they can put that commodity on the market. What they don't utilize, actually the big profit is made by some of these big mills in what you might call a depressed market, and the lumber prices today are still not what they were, are not anywhere near what they were during the Second World War. But still Weyerhaeuser last year came out with some \$46 million net profit.

They are going to come out with that same thing this year. Now, when you bring in a log it costs just as much to bring in the bark as it does anything else. But if you burn that up and don't utilize that, that is a loss. But when you utilize that, you might say that they get their raw material for nothing, and that is the same thing that is true of the slab. So that is where these people are making money, and that is where the little guy that can't do that, he is not in a competitive position with them.

Senator HATFIELD. Mr. Hartung, what about obsolescence, the role of obsolescence in some of the small and medium-sized plywood mills which have shut down, where you are not dealing with a sawed board as a product, but you are dealing with a product of plywood, which supposedly there is a market for. What constitutes obsolescence?

Mr. HARTUNG. Well, they put it together this way, by hand. They have a whole lot of people. One puts this down, and one puts that down, and they lay it down by hand. You go down to the automatic mills, and you feel the raw material in, and it comes out put together.

You have got two men on the chain, and that is the difference.

Senator HATFIELD. So automation really, then, becomes almost the answer.

Mr. HARTUNG. That is right.

Senator HATFIELD. For the small- and medium-sized operations.

Mr. HARTUNG. They just can't compete.

Senator HATFIELD. They can't compete, with manual labor.

Mr. HARTUNG. They have to pay the same wages, as do the one that is automated, and when you go into a plywood plant you will see them spreading the glue on by hand, and you will see somebody lay this down, and somebody lay that down. That is the old-fashioned plywood.

Senator HATFIELD. So, if these small- and medium-sized mills would automate, do you feel then they could probably survive in this market today?

Mr. HARTUNG. They could, but only to this extent, Senator. There are enough plywood mills in the United States that they could produce double the footage any time they want to. They have got 28 or 29 mills in the South, and they are building more right along, and there are about three or four being built on the west coast, and they are building some in the Midwest.

Of course, the plywood industry figures that by 8 or 10 years there will be a market for 20 billion square feet, which at the present time it is about 14 billion, and the increase this year, 1967, over 1966, is about 800 million feet.

As a general rule, it has been going up, 1 million, a billion and a half, every year, but it still went up this year. So they have got plenty of plywood mills today that they could flood the market with.

Many of them only operate one shift. All they have to do is put on two.

Senator HATFIELD. I just wanted to point out for the record, I think it is very significant that you, as a recognized leader in organized labor, and for many years, that you have the foresight, and I think the perception to recognize that the only way that some of the small- and medium-sized mills can survive, amongst other factors, of course, all are not going to survive because of one factor, but at least the factor does exist, if they automate. Automation does become the answer to much of this.

Mr. HARTUNG. That is right. We are in that period of time when you can't compete with a horse and buggy against a good automobile, and run a stagecoach any more. That is the way some of these mills about stack up with industry.

Senator MORSE. Thank you very much, Senator Hatfield.

Mr. Hartung, I only want to ask a few questions to carry out my responsibilities referred to earlier as chairman, to see to it that we make the record pro and con on all these issues.

You spoke about your membership of your union in Oregon and Washington. You have some plants organized in the South, too.

Mr. HARTUNG. Yes. We have, I guess, the largest union there. We have around 16,000 members in what we call the 16 Southern States. It is far from being organized, Senator, but we do have about 16,000 members there.

Senator MORSE. I would like to return to the problems we have in regard to meeting some of the practices in the South that put us at a competitive disadvantage in the Northwest. Then you have some members in Canada, too, do you not?

Mr. HARTUNG. Yes, we do.

Senator MORSE. How many do you have in Canada?

Mr. HARTUNG. We have right around 48,000 members in all of Canada.

Senator MORSE. How many?

Mr. HARTUNG. 48,000.

Senator MORSE. More than in Washington and Oregon?

Mr. HARTUNG. Yes, we do. There is Region No. 1, which is British Columbia, Alberta, and that part of Canada, and reaches into as far as halfway across. There are about 40,000 members there.

By the way, these people have been talking about Canadian exports hurting them. We have had the whole interior on strike for over 6 months. Why don't these guys get some of that market? There is no lumber coming out of there at all at the present time, and there hasn't been for a long time, and still they can't find a market, they claim, because they say it is because of Canadian competition.

We are not producing anything up there. We are not shipping anything. That is the interior which is generally the timber that goes into the United States by train and by bus. They ship in a lot of it.

Senator MORSE. Do you have any members in Alaska?

Mr. HARTUNG. Yes, we do. We have a union at Sitka, and we have one at the capital there, Juneau.

Senator MORSE. Do you have any members in some of the Middle Western States, such as Michigan and Wisconsin?

Mr. HARTUNG. Yes, the Michigan Regional Council has about 7,000 members, and some of the big companies are moving in there now. They have in the last 2 or 3 years.

Senator MORSE. I have asked these questions on membership because I wanted the record to show that what we are dealing with here is a union.

Mr. HARTUNG. We also have about 1,000 in eastern Canada.

Senator MORSE. We are dealing here with a union that has widespread collective bargaining agreements in all areas of lumber production in the United States, Canada, and in Alaska.

Mr. HARTUNG. In the South we are also engaged in furniture. We have got a lot of furniture plants down there. We have the big Masonite Corp., Georgia Pacific, and we have Georgia Pacific in other places in the South.

Senator MORSE. Now, in Canada, there is a general policy of no export of logs to Japan, but only the export of lumber in various stages of finishing. That has been pointed out in the record. Do you agree with that?

Mr. HARTUNG. Well, we get a lot of—we get a considerable amount of export timber from British Columbia. Practically all of our cedar poles that are processed around Seattle and Bellingham, they all come from Canada, and they are shipped down there and they treat them, creosote them, for telephone poles, so we do get a considerable amount of that.

Now, what it runs in footage, I don't even know whether they do it on a footage basis, a square foot, or on a lineal basis, but we do get a lot of poles down there.

Senator MORSE. That shipment of poles to the United States, and not to Japan, and the shipment of the timber resource, really, for the most part is in finished condition. It is used, naturally, as telephone poles and poles for other purposes.

There is no further finishing of that pole, except creosoting it, maybe, in some creosote plant. But what this record shows—and I am wondering if you share that point of view—this record shows over and over again that as far as Canada is concerned, that the shipment of logs to Japan is at a minimum.

Canada restricts the shipment of logs to Japan. On the basis of that premise, my question to you is: If it is good for your workers in Canada to work under a lumber policy that restricts exportation of logs to Japan, why is it wrong to place your workers under a similar program in the United States?

Mr. HARTUNG. Well, I think there is a lot of difference, Senator, as to why. And Canada does ship a certain amount of logs. There is a lot of logs that the mills don't use up there, and they are rejects, and they are shipped over to Japan.

Now, the question of Canada; starting out with a new country with their policies of competition with the United States years back, I think you will realize that they had quite a handicap to overcome, until the American companies moved up there.

Now, I think as far as the Canadian Government is concerned—what reasons they have for it I don't know—but I don't think that just because Canada has got it, that we should follow everything that Canada does, or that Canada follows everything we do.

It is not a policy that we helped, as a union, to formulate one way or the other. We did not formulate the policy of selling logs down here, nor did we do it up in Canada.

I feel that the exporting of commodities under free trade in this day and age—now we have got, I understand, a big aluminum plant that is going to be built on an Oregon site, an aluminum plant with some \$100 million investment. Where are they going to get their ore?

It will come from South America. I hope South America doesn't say, "Let's make the aluminum over here," because we will be sitting with a \$100 million plant and we won't have any ore to process.

So I think that you have got to look at this foreign trade a little bit on, just who is going to get hurt, and I am not prepared to say why up in Canada they instigated that policy years ago. In fact, the policy was there before they were ever organized, Senator.

Senator MORSE. What the chairman seeks to do, is to outline the policy, and speak about the reason for establishing the policy. I point out that the workers in Canada work under that policy, including the members of your union.

I would insert in the record at this point a table that was introduced by Mr. Houlihan the other day, in an exhibit that is already in the record, "Log Exports From Pacific Northwest Prepared From Japan Lumber Importers Association."

This is known as table 22. I ask to have it inserted in the record at this point, because it is the basis of the discussion I am carrying on with you.

(The table referred to above follows:)

TABLE 22

Japanese Imports of Logs and Lumber, 1960-67
(in cubic meters)

Country	1960			1961		
	Logs	Lumber	Total	Logs	Lumber	Total
Philippines	3,467,135	-	3,467,135	3,810,697	-	3,810,697
U. S. A.	377,933	149,022	526,955	1,459,305	332,037	1,791,342
U. S. S. R.	920,554	-	920,554	1,314,187	800	1,314,987
Canada	22,339	3,702	26,041	161,789	257,851	419,640
Sabah	1,020,200	-	1,020,200	1,644,897	-	1,644,897
Sarawak	23,125	-	23,125	55,055	-	55,055
New Zealand	146,731	-	146,731	240,149	-	240,149
All Others	<u>243,617</u>	<u>3,812</u>	<u>247,429</u>	<u>341,532</u>	<u>10,090</u>	<u>351,622</u>
Total	<u>6,221,634</u>	<u>156,536</u>	<u>6,378,170</u>	<u>9,027,611</u>	<u>600,778</u>	<u>9,628,389</u>

Country	1962			1963		
	Logs	Lumber	Total	Logs	Lumber	Total
Philippines	4,454,771	-	4,454,771	5,463,939	-	5,463,939
U. S. A.	1,463,367	263,402	1,726,769	2,404,961	276,806	2,681,767
U. S. S. R.	1,671,881	700	1,672,581	1,856,799	-	1,856,826
Canada	285,388	372,120	657,508	257,864	622,411	880,275
Sabah	1,818,533	-	1,818,533	2,052,350	-	2,052,350
Sarawak	65,852	-	65,852	184,299	-	184,299
New Zealand	254,748	-	254,748	229,471	-	229,471
All Others	<u>372,321</u>	<u>24,156</u>	<u>396,477</u>	<u>581,093</u>	<u>49,605</u>	<u>630,698</u>
Total	<u>10,386,861</u>	<u>660,378</u>	<u>11,047,239</u>	<u>13,030,803</u>	<u>948,822</u>	<u>13,979,625</u>

Country	1964			1965		
	Logs	Lumber	Total	Logs	Lumber	Total
Philippines	5,283,266	-	5,283,266	5,604,386	437	5,604,823
U. S. A.	3,004,950	329,732	3,334,682	3,325,393	268,963	3,594,356
U. S. S. R.	2,362,657	34,112	2,396,769	2,590,430	45,109	2,635,539
Canada	211,342	566,756	778,098	165,271	476,889	642,160
Sabah	2,205,027	-	2,205,027	2,719,588	71	2,719,659
Sarawak	235,827	-	235,827	338,430	-	338,430
New Zealand	313,101	822	313,923	400,962	-	400,962
All Others	<u>701,343</u>	<u>53,296</u>	<u>754,639</u>	<u>808,114</u>	<u>54,229</u>	<u>862,343</u>
Total	<u>14,317,513</u>	<u>984,718</u>	<u>15,302,231</u>	<u>15,952,574</u>	<u>845,698</u>	<u>16,798,272</u>

Country	1966			1967 (Jan. - June)		
	Logs	Lumber	Total	Logs	Lumber	Total
Philippines	6,703,195	16,845	6,720,040	3,357,910	9,937	3,367,847
U. S. A.	4,183,193	410,283	4,593,476	2,645,361	255,381	2,900,742
U. S. S. R.	3,539,677	67,804	3,607,481	2,361,406	48,933	2,410,389
Canada	274,214	629,912	904,126	303,816	545,882	849,698
Sabah	3,422,927	-	3,422,927	1,735,195	-	1,735,195
Sarawak	693,372	-	693,372	449,604	47	449,651
New Zealand	497,907	-	497,907	252,947	21	252,968
All Others	<u>1,420,261</u>	<u>89,338</u>	<u>1,509,599</u>	<u>973,557</u>	<u>65,483</u>	<u>1,039,040</u>
Total	<u>20,734,746</u>	<u>1,214,182</u>	<u>21,948,928</u>	<u>12,079,796</u>	<u>925,734</u>	<u>13,005,530</u>

Source: Custom clearance statistics,
Japanese Ministry of Finance

Senator MORSE. This table will show, just as I previously set out, that comparatively, the export of logs from Canada are very, very small in comparison with exports from other countries, and as you yourself have testified, that they have some reject logs. They have some low-quality logs.

But testimony in the record in this case is that we are not talking about reject logs in the Pacific Northwest. We are talking about an exportation policy where the great proportion of the logs are high-quality logs.

Now, it is true that we have had some cedar down in the Coos Bay area that has been exported, for which there isn't a great demand in our mills. There was a time when we were exporting low-quality logs and reject logs. But, the evidence, as the chairman understands it, that has been placed in this record, is that they are now bidding for the best.

And so we are dealing with the problem of high-quality logs.

So, to get back to the Canadian policy, I am only talking about policy. The policy is that in Canada the Canadian Government discourages the exportation of logs to Japan. It has been insisting that the lumber exports to Japan shall be finished lumber to one degree or another, whether it is primary processing, although the record shows it is not limited to primary processing either, or lumber cut to the dimensions ordered by Japan. Therefore, I have a little difficulty in understanding why it is bad for labor in the Pacific Northwest, if you find this balance that I talked about in my colloquy with you earlier, that you seek to protect the interest in the ports as well as the labor interest in the mills, that it is bad for Oregon labor and Washington labor, but it is all right for Canadian labor.

Mr. HARTUNG. All I can say in answer to that, Mr. Chairman, is that the workers up in Canada are working. They have the market for what they are producing, and they have a limitation. They haven't got the amount of footage in their raw materials that the United States has. So the amount of lumber that is being put up for sale is being utilized practically every year.

So they don't have to look for another market. Now, you, yourself, said we need a housing program, we need this, we need that, we need lower interest. Now, if you get that and you can sell this lumber and they keep these people working, then, there might be an argument why at least the people have got jobs.

But the Canadian people up there are not begging for any market. Everybody is working. Our membership is right up at the top. We haven't had shutdowns, curtailments, so you have an industry that is booming, and they have got the market.

Now, we have had the same length of time to get all these markets that Canada has got. Now, is the worker to blame for it? Should we, all of a sudden, throw some more jobs away because the business institutions here were satisfied with what they were making until finally the markets got a little tough, and then they want somebody else to bail them out, and I am not prepared to do that.

Senator MORSE. I understand that argument, but continuing this question about the Canadian situation, one of the reasons that they are working up there is they are exporting lumber to Japan. That is what is keeping their mills going in part.

I don't know what the percentage is, but in part they are shipping large quantities of cants and other lumber, finished to various degrees, to Japan. We are not.

The testimony in this case indicates that because they can't buy logs from Canada, they buy lumber. And, because they can buy logs from the United States they don't buy lumber. They go to buy lumber where they have to buy it, and they are going to buy logs where they can buy them.

Therefore, I get a little lost when I come to make a comparison here of the practices in Canada and the practices in the United States, in respect to one country exporting lumber and the other country exporting logs. This seems to mean that the men in the mills in the United States don't have the jobs that the workers in Canada have.

Likewise, the record shows that Alaska restricts the exportation of round logs to Japan. In fact, here, interestingly enough, that is the policy of the Federal Government over Federal timber in Alaska.

You have heard the testimony prior to the Alaskan witnesses today throughout this hearing. The Forest Service, Interior, principally the Forest Service, which has jurisdiction over most of it, just will not let the logs be sold for exportation to Japan.

You have members up there. Now if it is good for them to work in Alaska under a trade policy that for the most part forbids the exportation of logs, why wouldn't it be just as good for your workers in Oregon to work under a similar policy?

Do you see any basis at all for my concern about those differences in policy, as they affect the membership of your union in Canada and Alaska on one side, and the United States on the other, the Pacific Northwest on the other?

Mr. HARTUNG. Mr. Chairman, as far as I am concerned, what they do up in Alaska is just a subterfuge, trying to create an impression that they are processing them. What I have been told by the longshoremen and our people, if they cut a slab, a lot of times they don't even cut it off. They leave it hang on there, and then they wrap a binder around it and ship it over there to Japan with slab and all. If it is a small piece of slab, it goes into the burner, and they do nothing about it.

Now, maybe that is good business. I don't know. But to me it is just a waste of effort, and creates a problem of loading and unloading and reloading, in order to get it over to Japan.

Now, the lumber doesn't stay there. The logger, he gets as much work whether they cut it there or whether they send it to Japan. But here you don't have the job. The people up there, the amount of mills that are in business up there are pretty steady operations. The logging is 7 or 8 months a year.

So the situation up in Alaska, while you are talking about saw-milling and what they do, to me, I again say, it is nothing but a subterfuge. It creates nothing except adding a burden of cost to that commodity wherever its destination may be. And I think there are better ways of doing business than that myself. I just don't see why it is advantageous to anybody, or to the user in the final analysis, to put that added cost on.

Up in Canada, we used to be told by the employers—"We can't compete with Canada shipping logs to Japan, or lumber to Japan, because the wages are too low." Today we have got better wages and working

conditions in Canada than we have got in the United States, or at least as good, and still they claim they can't compete.

Senator MORSE. We have much higher stumpage prices. The Canadian Government sees to it that those mills get their stumpage at a much lower price.

Mr. HARTUNG. Well, some of them do; some of them don't. I don't know just what the stumpage price is.

Senator MORSE. It has been developed in this hearing, I think pretty conclusively, that the stumpage prices in Canada are considerably lower than stumpage prices in the United States.

Mr. HARTUNG. Well, we have low stumpage prices also in the United States. I happened to be, during my regime as president, I had a lot to do with the Indians. I was with the Indians, and the Indian timber, and Ranier and Evans Plywood, and some of those companies operate exclusively on these prices.

You ought to see what they get for their timber. Not so many years ago, until we raised a lot of Cain, they were getting around \$5 for their good hemlock. They were getting \$7 or \$8, and it was still only around, hemlock is still selling for \$10 or \$10.50, and they are even contesting that. So here you have got companies that are getting their timber for practically nothing, and still some of them shut down their plants.

Not all of these people are paying anywhere around \$1.40 for their timber, as this man testified here, because I have been around too long, and I have been on the O. & C. land too long, and I know the bids that are going. The records are available to anybody. When they come up here and say, "This is what we have got to pay", that is a bunch of—well, I won't say it.

Senator MORSE. I would not argue about the exceptional cases or abuse that you may be able to cite. But, I am stating that as a matter of fact this record shows that the forest areas that are involved in this issue are areas, if the official figures that have been submitted by the witnesses are true and honest, and I have every reason to believe that they are, where there is a substantially higher stumpage price in the United States than in Canada. And the main reason for that seems to be that the Canadian Government doesn't follow the policy of our Government.

It helps follow a course of action that sees to it that the stumpage is sold at a lower price.

Mr. HARTUNG. Senator, there are reasons for that, of course. Down here the Government practically builds all the roads, access roads, at least the main highways. Most of your timber is accessible by truck. You don't have that up in Canada, Senator.

You go into Imperial, you go up there in a boat, and go back up in some slough, and the method of bringing out the logs is twice as expensive as it is down here, where you can drive up a highway and build your little access road.

Now, building roads, you don't do that for nothing, and especially in some of these hilly countries. So there is a reason why they have to sell some of their timber for less money, because of the cost of getting it out.

Then, sometimes they have to tow it another thousand miles, in order to get it to a sawmill. You have got to take these things into consideration when you say, well, they can sell it there cheaper. You

have got to figure out, what do we do to help these people get the timber out.

And we build most of the access roads for them, and all they have to do, a lot of times, is build in the branch. It makes a lot of difference what they can afford to pay for it. We have got good highways. They can run up and down with the logging trucks and break up the highways, and nobody pays much attention to them.

So these are advantages that the people have got here that they don't have up in most of Canada.

Senator MORSE. I understand that, but I still respectfully submit that this disparity in stumpage prices increases the competitive advantage of the Canadian mills over the U.S. mills, when they ship their lumber into our country. And also, I want to say that the testimony from our lumber producers is that any time the Japanese want to give us orders for finished lumber in any degree of finishing, cants or down to flooring, or 8 by 4 plywood squares, or 2 by 4's, or 4 by 4's, our mills will cut it to those dimensions.

But the fact is, they don't want to do that because they want to get our logs. They buy that kind of lumber only where they can't get the logs, that is Canada and Alaska. And so, I sit here as a Senator obligated to do what I can to protect the industry, which includes the men as well as the operators, and the public, which has a vested right in these Federal forests, and I am confronted with what the evidence as of today it looks like—if I were sitting as a juror—a greater advantage to Japan, Canada, and Alaska, than with the remainder the United States.

Mr. HARTUNG. Senator, when we sold them all those plywood mills, where did they get them from? They get them from the United States. We went over there and built them.

Now, we must have had some kind of understanding that we were going to supply those mills with some logs, and they have got thousands of people working in those mills. So, you want to cut off the logs today and say you have got millions of dollars invested in plywood plants, modern, up-to-date plants, that we put over there, so now you are coming back 20 years later and saying, you can't have any logs to operate them with.

That is the position you are in. If I was the Japanese over there, I would go most any place before I would buy here, because no place else today gets the plywood plants except from the United States, and the sawmills, also.

Senator MORSE. Do you think that when the builders of the plywood plants set them up in Japan, or helped Japan build them, that they had any right to impose upon the American people a commitment that they could have whatever logs they needed to operate those plants?

Why, no segment of American industry could have any right to put that kind of mortgage on the people's property in the forests of this country. That is just the point I made earlier in these hearings.

We had better take a look as to what commitments were made by this State Department of ours, and I am going to try to find out next Tuesday, if possible.

We may have built plywood mills, or we helped Japan build plywood mills and lumber mills over in Japan. But neither industry nor Government had any right, may I say, to make that commitment

against the interests of the people of this country in their own forests. Those forest don't belong to us, out in Oregon or Washington, or Alaska. They belong to every taxpayer across the country.

I think you and I are getting very close to one of the basic issues in this whole dispute: that Japan is saying to us, in effect, "We won't take your lumber, just your logs."

Now, let me say that the table that I placed in the record during our discussion shows that Japanese imports of lumber from Canada in the first half of 1967 almost equaled all their imports for the total of 1966. Purchases of lumber from Canada are growing rapidly. It bears out my argument that Japan, apparently, will buy lumber from countries where she can't get logs; but if she can get the logs, she won't buy the lumber.

Now, I can't ignore, as a Senator from Oregon, the fact that my lumbermen tell me that they will cut lumber to any dimensions Japan will order. No one can argue with me that that won't increase employment in my State, and jobs for my workers in my State, and more work for the longshoremen. It will do so much more than shipping logs.

My answer to the longshore argument is, I am fighting for exportation of the lumber to Japan that will give us more jobs on the docks than what we are providing for under this current policy.

Mr. HARTUNG. All I can say Senator, is I am fighting for jobs of people who have got jobs, and I don't want to see any more lose jobs.

Senator MORSE. You are doing a fine job doing it.

Mr. HARTUNG. And besides that, I think our State Department has the responsibility in dealing with Japan. I understand they are going to have some meetings, and I don't think I should sit here now and say that they are all a bunch of stupid people, that they can't deal with Japan.

Now, Japan tells us, "We don't buy any lumber from you, whether you cut off the logs or not," well, if you want to cut off the logs, then you answer to the other people that lose jobs, because you are not going to create any more jobs because the sawmills cannot go into operation with the present market, because they can't compete in prices against the big mills that could produce everything we need.

So you can talk all you want to about the State Department. I know the State Department does a lot of things I don't like, very frankly. I am on your side of the fence on some things, and maybe on the other side someplace else, but I don't think that the argument here on the present policy—I read a statement by Mr. Jones, who just came from Japan. I wish I had brought it back.

It was in the Journal of the Oregonian a couple of days ago. He was over there, and he visited all the private mills. He had a big article in there. He, of course, is one of these guys who likes to see them buy lumber.

He points out in his article that where we have got automation to maybe one man, they have got three or four men, and they won't automate their plants. They keep these people working.

So what you are saying to Japan, I don't know how many people they have got, and if they have got three where we have got one, I presume they have got a lot of people employed there.

I don't know what goes on here, as far as your foreign program is concerned. Maybe they pay for them; maybe we give it to them.

But at least the mills are there, and I know they came from here. And since the Second World War—and that didn't start until some years after the War was over, before we did that.

So we built modern mills in there. We have got them started, and now we say to them, "You scrap your mills, and we will sell you lumber." I don't think they will do it. That is my opinion.

Senator MORSE. I just have a few more questions.

In your statement, your testimony implies that the free market should be allowed to operate, and I yield to no one in my support of free trade. But do you think a free market exists between the United States and Japan in connection with the lumber trade, or for that matter, most trade with Japan?

Mr. HARTUNG. No. I attended one of the meetings you had down at the Village Green, I think, where we had Japanese representatives, and it was argued there, they do have restrictions as far as American business going over there.

But, actually, at the present time, if I am not misinformed, they are supplying about half of the commodities that we are using over in Vietnam, and their exports to us are much larger than what we are exporting to them.

So they have got a balance of dollars on their side, where we are sitting on the short end. If we short off the export of logs, we will add another \$60 or \$70 million to that deficit.

Senator MORSE. We are sending great quantities of material to Vietnam that ought to be supplied by American businessmen, and exporters from the west coast, including Portland, and perhaps even supplying lumber from Japan into Vietnam. I am not willing to pay that kind of a price, at the expense of the economy of my country, for Japanese good will, for that is what that adds up to.

Mr. HARTUNG. If I had my way, I would stop the war.

Senator MORSE. I have already put in the record of this case, the contracts that we have entered into with Japan for purchases of goods in Japan, that in my judgment ought to be purchased in the United States and shipped to Vietnam, rather than from Japan.

Mr. HARTUNG. The fact of the matter is, they aren't.

Senator MORSE. Well, that shows what we are willing to pay Japan for really the restrictions that she is putting on our economy. I am not saying that the people who are going to go to these negotiations aren't able men.

I am simply saying that they would be supporting a policy that is not in our national interest as the State Department's past policy vis-a-vis trade with Japan is not in our national interest.

Let the State Department say to Japan, "Give us some reciprocity on trade. Eliminate the restrictions against American trade." That is what the State Department should fight for.

I yield to my colleague.

Senator HATFIELD. Are you aware, Mr. Hartung, according to our own State Department figures, that Japan has shipped over 20 times the dollar volume of trade into North Vietnam than they have shipped into South Vietnam, between 1964 and 1966?

The specific figures are 2½ million into South Vietnam and 45 million into North Vietnam.

Mr. HARTUNG. No; I am not aware of those figures.

Senator HATFIELD. And some of that may include some of the logs that are manufactured into lumber products—we do not know. But I am going to ask the Secretary or State's representative, when he comes before this committee, what kind of products are going into North Vietnam via the route to Japan.

Mr. HARTUNG. Well, I think that is a world policy. I feel that we need Japan as a friend in the Pacific. I don't think that this Government can afford to make an enemy out of Japan at this particular time.

I don't think they have to depend upon our logs. Japan is not going under if you stop these logs. They will get them some place else, and they will probably ship a lot more than they are doing now, because they are not that stupid a people.

They are industrious and they are going to get them, and they are going to operate, and if you put all of these restrictions in, sure, England is sending stuff over there, too, and so is Canada.

But are we going to isolate ourselves here as a nation, just because we are shipping a few logs over to Japan and they are doing business with a country that we are not even at war with?

We say we are, but I don't know that anybody declared it yet.

I have got a bunch of grandkids over there that I wish were home instead of floating around in submarines and in the Army.

My son died, and now his three kids are bait again, and it just seems that the Hartungs—I am opposed to the war, you can just bet you mind on that, but they are there, and as long as they are there, I think we have got an obligation to support them. I am not that callous that I want them to go over there to fight without guns, or butter, or something to support them. That is the position I think we are in with Japan at the present time.

Senator MORSE. Do you really think, Mr. Hartung, that if we followed the course of action of trying to work out this balance in formula that I have been talking about, making very clear to Japan that we were going to place whatever restrictions we deem necessary as a matter of national policy on the exportation of logs to protect our domestic economy, that that would isolate Japan, and that she would cease to trade with us? Do you think this is a valid conclusion against the background of what Japan has to get from the United States to survive as an economy?

You see, one of the difficulties with us in trade negotiations, we always assume that if we stand firm to protect our interests on point X, then the country is going to blackmail us and cut itself off from trade with us. My answer always is, "Go ahead and do it."

And my answer to your argument is that she may get her logs from Russia. Encourage it. I think it would be fine if she would get her logs from Russia, because that would help the course of stability in the world.

As I said the other day when this point was raised, that would help economic intercourse on a worldwide basis. I don't think we ought to discourage her from buying logs from Russia. That is going to help the purchasing power of the Russian people, and if you do that, they will eventually throw off their communism.

Mr. HARTUNG. I talk about logs and you just made a statement that all the commodities that are going over there to Japan ought to

be shipped from Oregon and the west coast ports. So, it is more than logs that you are talking about, and that is what I was answering, that if we do all of these things, that we take away all of the trade with Japan, and try to stop her from shipping to other countries, that then you might make an enemy of her, and I don't think that we can afford at this time, with the mess that we are in there, to make an enemy of anybody.

Senator MORSE. She is not shipping to other countries. We are buying it from her to have shipped into Vietnam, and I simply say where we can supply the goods for our own uses, we ought to supply them, whether they are in California, Vietnam, or New York.

I think we have expressed our different points of view in regard to that. But I am not at all concerned about the argument that if we don't sell her logs, she will buy them from Russia.

My answer to that is, "Godspeed. Get on your way with buying them. The sooner, the better." That is going to help Russia and help Japan. That increases their respective purchasing power, and we can sell them other things, the sale of which will not injure our own economy. All of these broader questions are involved.

Mr. HARTUNG. I have a different interest. I admit, I look at it differently. I have tried to make myself clear.

Senator MORSE. You have.

Mr. HARTUNG. I feel that these jobs that are now available, due to the shipment of logs to Japan, will disappear. Nobody has convinced me yet that you are going to sell the same amount of commodities to Japan in cut-up lumber. There are a lot of things involved in this.

I got a copy from the O. & C. lands, and where the property of the company from the O. & C. land going into the various counties, I saw where Douglas County alone had over \$5 million from O. & C. land timber going to the county. That is just the O. & C. land. They get others from the Federal timber.

Now, the Governor of Oregon just had a special session. He tried to get a sales tax in every way to try and support the schools. Now, you cut the price of stumpage down in half. The income to these counties is going down half, and you will think you have got a problem now of meeting the school budget; you will have a good one. And there are a lot of things involved that any abrupt action by cutting off, like was testified here this morning; tomorrow, you say the logs stay there. They are going to lay there; a lot of them probably have already been paid for by Japan, so you are going to leave them lay there, and any log—anybody who knows anything about logs knows you can't let them lay on dry land too long.

Otherwise, they crack, and they start to deteriorate. So this is some of the testimony that is going in here that I think is ridiculous, and I just can't understand why anybody would waste any time on it, because it has nothing.

Now, if in the future the housing starts go up, and the demand for lumber is here, that is the time in my opinion to do something about curtailing shipments of commodities, that now can't be sold at the present time, and I think there is a surplus of logs because thousands of board feet are rotting every year because of the short-sighted policy of building no roads into these timber areas.

Senator MORSE. The Forest Service cuts \$21.5 million out of its

budget, which would seem to be unsound fiscal policy on the part of this Government. How are you going to build access roads? How are you going to get that diseased timber out?

But I want to go back to this educational matter. It is a very interesting argument that you make. Are you arguing for a sort of a new indirect type of sales tax, which is put on the lumber companies, and have them pay excessive prices for their stumpages so there will be some money in our counties to support the schools. An alternative is to have our school supported as we ought to as far as Federal funds are concerned, out of the Treasury of the United States, with a general Federal aid to education program. I have battled for this program for 23 years, and we have passed more legislation in this, than in the entire history of our country.

The argument you make on page 3 about getting aid to schools is a form of special sales tax that you put on the lumber companies, by charging them a higher stumpage price than they have to pay in Alaska, or in Canada, which I think this record shows is already unreasonably high.

You can't justify that kind of a stumpage price for aid to schools. And I fight for the O. & C. formula in lieu of a tax program where we have the Federal timber. But not on the basis that justifies the kind of a stumpage price that we are imposing on the lumber companies, because that takes it out of the pockets, and to a degree from your workers, too.

Mr. HARTUNG. I don't think we will get any more wage increase from the employers than we have got muscle enough to take away from them when it comes to the bargaining table, whether you give them the timber or whether they pay for it.

I am raising my arguments on the way conditions are now. We don't have that Federal aid. We do depend upon the money that comes in from the sale of this timber.

Now, when you say there are—all the time that these stumpage prices are running out of business, running everybody out of business—how does Weyerhaeuser come up with \$50 million net profit, and how does St. Regis, how does Georgia-Pacific, if they are all losing money?

Now, they are paying those stumpage prices also. And you heard this gentleman here say that he bought 90 percent, Ford tried to buy 90 percent, and he is paying these outrageous prices we are talking about, and what is he doing? He is making money, hand over fist. He is buying out every little sawmill in the country.

How can we sit here and say we are running them out of business?

Senator MORSE. It doesn't follow at all that you can justify imposing a stumpage price—

Mr. HARTUNG. They are bidding it; I am not proposing it.

Senator MORSE. That leads to these biddings on stumpage two and three times the appraised value, that you can justify it because they make money.

The way to take care of that is to see to it that you pass the tax laws that would take a fair share from them for the schools out of the general treasury, but not by way of this kind of an indirect tax that you are arguing for. I must respectfully say, a high stumpage price doesn't put the Pacific Northwest lumber industry in a fair competitive relationship with Canada and Alaska, and their competitors.

Well, we have had an interesting discussion.

Mr. HARTUNG. I would like to say one other thing. The Government doesn't set those prices. They bid them.

I to'd you about one sale where they put it up for \$5,000 and somebody bid \$54,000. So don't say that we are trying to put a sales tax on in some devious way.

When these people can afford to go out and bid that, they know what the price is and they know they are going to come out, and I don't know of anybody that went broke as long as they had timber. Guys that could have gone broke, that was because they couldn't get timber. So they can meet their obligations even at the prices that they have to pay.

Senator MORSE. I want to say most respectfully that they do bid them, and the record shows that in many instances they can't get them because of the higher excessive prices the Japanese are paying. And, you are talking about the big boys, but you are not talking about what the evidence shows is the smaller mills that have had to go out of business because they couldn't buy the logs at those prices, since what they could get for the finished lumber didn't make it possible for them to make a profit on the basis of what they would have to pay for the logs.

That is the issue that faces me as the chairman of this committee. I am going to do everything that I can to see to it that we get a reform in the forestry practices of this Government, that makes it possible for the small mills to operate at a fair profit, which this evidence shows many of them have not been able to do.

But I want to say, Mr. Hartung, as usual, I couldn't have enjoyed a discussion more than I have with you. On this one, we are apart as of now, but I hope we can work out, as a couple of old mediators, a fair mediated settlement.

Mr. HARTUNG. Well, I hope you take a lot of this testimony that I heard this morning from some of these employers, one, two, three, four, five, to a dozen, with everybody saying, "Amen", to a dozen, when asked anything, and you will find that maybe the answers will be just a little bit different than they tried to make you believe, and especially about these mills that have gone out of business, because they can't buy logs.

I would check that very good.

Senator MORSE. In fact, we didn't say "Amen." We filed many a caveat.

Thank you very much, Mr. Hartung.

(The subcommittee subsequently received two further communications from other officials of Mr. Hartung's union, the International Woodworkers of America, which the chairman directed to be inserted in the record at this point, as follows:)

RONALD F. ROLEY
PRESIDENT

CLAUDE BALLARD
FIRST VICE-PRESIDENT

KEITH W. JOHNSON
SECOND VICE-PRESIDENT

WILLIAM BOTKIN
SECRETARY-TREASURER

INTERNATIONAL WOODWORKERS OF AMERICA

*Affiliated with American Federation of Labor—Congress of
Industrial Organizations and Canadian Labour Congress*

Local Unions in ROCKY MOUNTAINS
PACIFIC COAST • CANADA
ALASKA • SOUTHERN STATES
CENTRAL STATES • LAKE STATES



TELEPHONE 285-5281
1622 N. LOMBARD STREET
PORTLAND, OREGON 97217

January 31, 1968

Senator Wayne Morse, Chairman
U.S. Senate Subcommittee on Small Business
Senate Office Bldg.
Washington, D.C.

Dear Senator Morse:

We have received the transcript of the January 19, 1968 testimony by A. F. Hartung, IWA's recently retired president, before the Senate Subcommittee on Small Business hearings in Washington, D.C. regarding the log export issue. A review of the extensive cross-examination of Brother Hartung has led us to the conclusion that this further communication should be sent to you in order to clear up any ambiguity that may exist with regard to the position of this International Union.

Our position was and is no more or less than that stated in our prepared testimony, namely, that there are many complicated facets to this problem of both a long and a short range nature that representatives of the federal government should be examining with the greatest of impartiality. We asserted in our prepared testimony that maximum attention should be given to the public interest and the long range well-being of the Northwest industry and its workers while subordinating considerations of expediency and the short range profitability of operators on either side of the issue (whether they are for or against restriction of log exports).

It seems necessary to briefly reiterate this position because of the inadvertent confusion that may appear in the record as a result of the reference, on page 922 of the transcript, to the composition of Japanese purchases from the Northwest's forestry industry in 1965. That passing reference led to the Subcommittee chairman's insertion of Brother Hartung's letter of September 30, 1966 to Representative Julia Butler Hansen into the record.

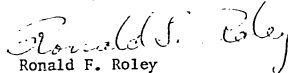
Dealing as it did with the situation as it existed in 1965, a year when log exports were a much smaller factor than they are in 1968, our position and that of most of the people connected with the industry at that time was quite different than it is today. This was abundantly pointed out in our prepared testimony but again, in view of the insertion of the Representative Hansen letter into the record, you can well understand our desire to clarify the intent of our January 19, 1968 testimony.

In fact, your own comments on page 936 of the transcript capture much of the flavor of what we were saying in our prepared testimony:

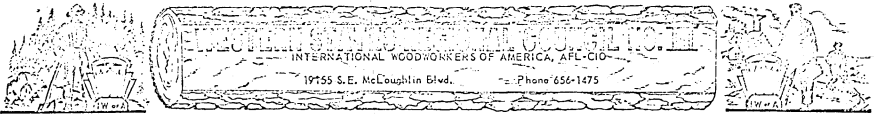
"... to try to segmentize this matter and just limit it to the matter of the log issue, I think, doesn't face the economic realities that confront us, because we have got a problem here of building up this lumber economy in the Pacific Northwest, if we are going to protect the prosperity of our people."

Trusting that this will clarify the record by dispelling any qualifications as to the completeness or the intent of our prepared testimony, I am

Sincerely,


Ronald F. Roley
International President

RFR:jf



PORTLAND, OREGON 97222

January 22, 1968

The Honorable Wayne Morse
United States Senate
Washington, D. C. 20510

Re: Log Exports

Dear Mr. Morse:

I had initially intended to appear in person before your Committee which is holding hearings in respect to the problems relating to log exports. However, circumstances which developed beyond my control caused me to cancel my reservations.

Therefore, I take this opportunity to place in writing briefly, the thoughts which I expressed to you in person while you were in Portland, Oregon a few days ago.

In case you may have forgotten, this Regional Council's jurisdiction covers eight Western states, namely, as follows: - Oregon, Washington, California, Montana, Idaho, Colorado, Wyoming and Alaska. Within this area, we have bargaining rights for employees working in hundreds of operations composed of all sizes, from one employee on up to the largest. Also, I believe we represent employees working in most all phases of the woodworking industry and its directly related by-products.

We, as an organization, are, and have been, firm supporters of those in Government who have advocated the basic principles of free trade among nations. This policy has, in times past, caused us to have opposing views of those who

January 22, 1968
 The Honorable Wayne Morse
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would propose what we considered unwarranted restrictions on the export-import trade.

Now, in respect to the export of logs to Japan which we felt here in the Pacific Northwest in the late 1950's. At that time, it appeared to us, that for the most part, that portion of logs being exported was largely of a species or grade which to a large extent would not have been utilized had it not been exported. This situation, of course, has materially changed. Principally, in two ways:-

One, lumber industry here has developed methods for greater utilization of our wood products.

Secondly, the grade of logs being exported has changed to where the better grades are going to export as well as the lower or inferior grades.

So to put it simply, we have some loggers working who would not be working were it not for log exports. This was more predominant following the Columbus Day storm of 1962 than probably any other period of time, as much of the timber blown down was exported.

We have some sawmill and plywood employees not working because of the export of logs to Japan.

So we join with others in saying - yes, we do have a problem here in the lumber industry in the Pacific Northwest, part of which we believe can be attributed to the export of logs or to maybe better put it another way, to the abuses which we believe have developed and crept into the industry as a result of the export of logs and that being used, in many cases, as the excuses to attempt to justify what is being done, such as:

- a. Direct Japanese interests bidding for timber stumpage in competition to our own industry.

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- b. In other cases, Japanese interests or financial interests using a middleman by providing the finances and having the middleman bid in competition to those in our own industry. We believe this is wrong and should be stopped.
- c. Then there are those companies who own or who have acquired timber holdings of its own and who engage in selling its own timber holdings to Japanese interests and then competitively bidding against others in the industry in order to obtain adequate timber supply for its own operations. Again, we think this is wrong and proper steps should be taken to prohibit it.

As an example, as I said to you while you were here, United States Plywood-Champion Papers, Inc., who recently purchased a plywood plant in Hoquiam, Washington, along with a sizable amount of timber, the plant itself was old and obsolete at the time of the purchase. The Company operated the plant for a few months and then issued a notice to its approximately 200 employees it was closing the operation (copy attached). Then just a short while ago the Company announced it had sold the entire timber holdings in that area to a Japanese concern. Again, we believe this is wrong and at least steps be taken that, where a company in the industry chooses to dispose of its timber holdings in one area in this type of manner, it be denied the right of the purchase of public timber in all areas until such a time it would agree to discontinue this type of practice.

After saying these things, however, we believe that one of the greatest problems we have in respect to log stumpage is the bidding system which is in effect and being used by Government, both Federal and State, to dispose of their

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timber supplies. When we look at figures such as the average return to U.S. Forest Service sales which almost doubled from 1962 to 1966, we believe this itself is inflation in its severest form and is being permitted by Government who on the other hand, proposes that both industry and labor move cautiously on wage and price increases. We think it cannot be denied, nor should it be, that the export of logs to Japan has helped create part of this spiralling increase in stumpage prices. However, I am sure no one would seriously contend that it, by itself, is anywhere near responsible for the doubling of prices in a span of 4 years. We believe there are many other factors that become involved including one American company bidding against another merely to run the price of stumpage up. This, they will, of course, deny. Company after company will bid, in many cases, beyond their ability to pay, trying to hang on hoping that something will happen that will prevent them from either closing, going broke, or taking out bankruptcy.

We could go on and cite many similar types of reasons but putting it simply, we believe the entire bid system should be abandoned and there should, in its place, be established, a reasonable and fair system and formula which would provide for lumber industry companies to purchase public owned timber at a fair and a reasonable price for stumpage in relationship to the finished products derived therefrom.

An additional comment which we might express, we do not understand why the Northwest lumber industry does not cut lumber in the odd sizes which would meet Japanese standards. Were they to do so, we would be hopeful this would lead to an expansion of the export of the finished lumber products rather

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than of logs. There can be little doubt we believe that, if this Government and this industry could find a way in which it could supply the lumber need for Japan, we would all have a thriving industry and thriving employment as the figures on Japanese Government housing which we have seen, indicate that Japan will build an average of about 1.2 million housing units a year for the next 10 years and let us conclude by saying that, irrespective of all other factors involved, serious consideration be given to abolishing the present bid system for one which would be fair and equitable for all and which would have a realistic stumpage price related to its finished products.

Sincerely,

Harvey R. Nelson
President

HRN:ekc
Enclosures (8)



U. S. PLYWOOD CORPORATION

Manufacturers and Distributors of Weldwood Plywood and Allied Products
 Seattle Office • P. O. Box 5304, Ballard Station • Seattle, Washington 98107
 AT 3-8600 Area Code 206

August 29, 1967

Mr. John Pilas, Business Agent
 I.W.A. Local 3-2521
 Aberdeen, Washington

Dear John:

It is with regret that we must inform you that the Grays Harbor plywood plant will be closed indefinitely in the near future. We have no plans for reopening this facility.

The sincere effort we have made over the past several months to insure its economic operation has not borne fruit.

Although we have not formally developed the phase-out plan for Grays Harbor, we are making such plans and it will take several weeks to phase out the operation. If you have any questions concerning the closure please contact us.

Very truly yours,

Fred M. Erlendson
 Fred M. Erlendson
 Personnel Manager

FME:rm

U. S. PLYWOOD-CHAMPION PAPERS INC.
GRAYS HARBOR

NOTICE TO GRAYS HARBOR PLANT EMPLOYEES.

It is with sincere regret that I must inform you that the Grays Harbor plant will be closed indefinitely in the near future. The high cost of raw material and the domestic market conditions for the products which we produce force this closure.

The closure will take several weeks to accomplish during which time we will be processing the existing block and veneer inventories.

The green end and driers will discontinue operation within the next two weeks. Other departments will be discontinued later as the work in process is completed. As departments are discontinued, employees may be transferred to departments still operating to extend their employment.

Since we have no plans for reopening, we urge each of you to seek employment elsewhere once you have been released from employment here. Our personnel department will assist you in obtaining other employment if they can.

Your foreman will have a question and answer sheet and he should be able to answer most of the questions that you may have regarding vacation pay, health and welfare benefits, pensions, etc. Questions that he cannot answer should be directed to the personnel office.

T. N. BREUM

August 30, 1967

Senator MORSE. The Chair recesses the meeting now until Monday at 2:30. We will start with Dr. Michael Sumicharast, chief economist, National Homebuilders Association; followed by Mr. Ralph Hodges and Dr. Muench, economist for the National Forest Products Association; to be followed by Mr. Joseph McCracken, of Western Forest Industries Association.

The Chair wants to insert in the record a series of communications that he has received. He will read one from the Governor of the State of Oregon dated January 13:

Please enter my December 5th letter to Ambassador Brown in the official record of our Subcommittee hearing on log export problems. Economic data contained in this letter applied to the current situation in Oregon. I have also instructed my staff to work with State agencies in providing answers to any specific questions from you and your Committee. Feel sure that every resource of this State will be committed to providing information as you need it.

TOM MCCALL, *Governor.*

Governor McCall's letter to Ambassador Winthrop G. Brown, special assistant to the Secretary, U.S. Department of State, will be inserted in the record, as will a series of other communications that the Chair has received.

(The communications referred to above follow:)

[Telegram]

SALEM, ORE., *January 13, 1968.*

HON. WAYNE MORSE,
Old Senate Office Bldg., Washington, D.C.

Please enter my December 5 letter to Ambassador Brown in the official record of your subcommittee hearing on log export problems. Economic data contained in this letter apply to the current situation in Oregon. I have also instructed my staff to work with State agencies in providing answers to any specific questions from you and your Committee. Be assured that every resource of this State will be committed to providing information as you need it.

TOM MCCALL, *Governor.*



TOM MCCALL
GOVERNOR

OFFICE OF THE GOVERNOR
STATE CAPITOL
SALEM 97310

December 5, 1967

Ambassador Winthrop G. Brown
Special Assistant to the Secretary
U. S. Department of State
Washington, D. C.

Dear Mr. Ambassador:

I respectfully request that the information contained in this mailing be conveyed to the members of our State Department team designated to negotiate with the Japanese regarding the export of American logs.

The log export limitation proposal I have suggested to the Secretaries of Agriculture and Interior is not a conventional plan advanced just to protect investment and employment, but speaks to the need for proper development and utilization of a publicly-owned resource and maintenance of strong trade relations.

To understand the State of Oregon's concern, it must be clearly stated that the Federal Government is by far the largest timber owner in Oregon.

Oregon, of course, is first in the Nation in commercial timber, having more than 30,000,000 acres capable of growing forest products. Of this, only 10,311,000 acres, or less than a third, is privately owned. The remainder is public land, the vast majority of which is Federal.

Oregon's forest products industry in 1966 provided an annual payroll of \$410 million, a manufactured production value of \$1,227,000,000, and a value added by manufacturer of \$490,950,000.

Oregon's forest products industry has consistently accounted for about half of the manufacturing employees at work in our State, as well as approximately half of the value added by manufacturing industries. In 1966, almost 1/4 of all of the lumber produced in the United States came from Oregon.

Even the casual observer must conclude that policies regulating the sale of timber from Federal lands, export of public timber, and Oregon's economy are subjects inextricably entwined.

Ambassador Winthrop G. Brown

Page 2

December 5, 1967

Any discussion of public policy as it relates to the sale of timber from public lands, if it is to be reasonable and objective, must be preceded by the acceptance of at least three ruling factors:

1. The export of logs in the main has been and is beneficial to the economy of the State of Oregon.
 - The U. S. market for lumber and wood products, for the most part, has been severely depressed during the period of 1960 to 1966 as a result of production overcapacity and a nationwide lull in housing starts. Thus, even if the logs which were exported during this period had been available to U. S. mills, there would have not been a readily widening domestic market.
 - The export of logs has provided considerable revenue to Oregon, not only to the seller of the logs, but also to the local transportation and shipping interests which handle the logs.
 - The increased value of stumpage resulting from export pressures has allowed the application of better management methods within our forests as a result of thinning sales, and the sale of timber which previously had been burned with the slash.
 - The export market for chips has taken what has been a surplus or a waste; provided value through its sale, and helped to diminish a serious pollution problem by decreasing the load on wigwam burners.
2. The depressed condition of the Pacific Northwest's lumber and plywood industry is a result of high interest rates, fewer building starts, outmoded plants, competition from southern mills, remoteness from markets, high shipping costs, and high stumpage costs.
 - The number of sawmills operating in the Pacific Northwest has dropped seriously since 1950, but this decline began long before the increase in log exports.
 - The lumber industry as a whole, though composed of fewer mills, has increased its output during the period of increasing log exports.

Ambassador Winthrop G. Brown

Page 3

December 5, 1967

3. The influence of export pressures on stumpage costs is such that a tripling of the export level from the 1.1 billion board feet of 1966 to the projected 3 billion goal for 1970, would have an extremely deleterious effect on Oregon's economy.

- The downturn causing most of the distress is in the lumber and wood products industry. In recent months employment has fallen to its lowest levels in the industry since employment estimates were begun in 1947. Lumber and wood products is the State's dominant manufacturing industry and on it depends the prosperity of many others: suppliers, transporters, and purveyors of the goods and services required by workers in the industry.

ANNUAL AVERAGE RATES OF UNEMPLOYMENT

	1967 (est)	1966	1965	1964	1963	1962	1961	1960
Oregon	4.9	4.3	4.6	5.0	5.1	5.5	6.4	4.9
U. S.	3.9	3.8	4.5	5.2	5.7	5.5	6.7	5.5

- One indicator underlying our developing concern is that, even though Oregon's level of unemployment appears to be relatively consistent from 1960 to 1967, our unemployment figures compared to the national figures are extremely unattractive, beginning with last year. One of the major reasons for this unfavorable comparison is the sharp decline in our lumber and plywood industry, which is at least partially attributable to the increase in log exports.

OREGON ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY Thousands of Employees 1960-1967

	1967	1966	1965	1964	1963	1962	1961	1960
Civilian Labor Force	857.7	841.5	813.6	777.7	752.9	736.1	726.6	718.3
Lumber & Wood Prod.	69.0	72.7	74.2	73.2	69.2	68.9	67.1	71.9

- Another reflection which points to Oregon's pattern of economic slippage is the comparison between the increase in our civilian labor force and the employment decrease in the lumber and wood products fields. During 1960-67 Oregon experienced a major increase in

Ambassador Winthrop G. Brown
 Page 4
 December 5, 1967

its civilian labor force coupled with a decrease in the lumber and wood products industry. This manufacturing loss will have a rapid multiplying effect if the trend continues, and it is forecast that the trend not only will continue, but would accelerate, if log exports double and redouble.

NUMBER OF REPORTING UNITS IN PRIVATE INDUSTRY COVERED
 BY THE DEPARTMENT OF EMPLOYMENT 1960-1967

	OREGON		
	1967	1960	% Change
All Industries	41,888	37,904	+10.5
Lumber & Wood Products	2,002	2,780	-28.0
WILLAMETTE VALLEY			
All Industries	27,534	24,426	+12.7
Lumber & Wood Products	929	1,194	-22.2
SOUTH COAST			
All Industries	1,526	1,478	+ 3.2
Lumber & Wood Products	175	262	-33.2
NORTH COAST			
All Industries	2,326	2,079	+ 1.9
Lumber & Wood Products	228	349	-34.7

-- Another way of reviewing lumber economics in Oregon is to analyze the declining number of businesses in the lumber and wood products industry. It can probably be said that the majority of these lumber and wood products closures are attributable to outmoded plants-- I would not argue the point. I would state, however, that outmoded plants have taken their toll and that additional closures must be attributed much more directly to high stumpage costs resulting from export pressures.

Ambassador Winthrop G. Brown
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- While the log exports from Oregon-Washington have increased more than 1,000 percent in 1960-66, our export of finished lumber to Japan industry decreased by more than 50 percent, (46.6 million board feet in 1960 to 20.4 board feet in 1966.) Conversely, with surplus log exports only from Canada, Canadian finished lumber shipment to Japan increased nearly 3,000 percent. (1.6 million board feet in 1960, to 277.7 million board feet in 1966.)

It has been suggested by members of industry and a number of others that a flat limitation be established. In the long run, I do not believe this to be the best approach for the reasons outlined in my attached letter to Secretaries Freeman and Udall. I do concur, however, that it may be a necessary, temporary step while we are shifting to the surplus approach. I have suggested a surplus concept (Domestic First Sale) to the two Secretaries and feel that it provides the best and fairest long-range solution. The alternatives facing America as we negotiate with Japan are three-fold.

1. Unilaterally establish limitations as have been suggested by members of industry or a surplus limitation as I have suggested.
2. Obtain agreement from Japan that they will voluntarily restrict their level of timber purchasing to a point which is not detrimental to the Pacific Northwest's economy, or
3. Open the Japanese retail finished lumber market to direct sales by American manufacturers so that the artificial price cushion which has driven up exports will no longer serve as a one-sided stimulant to stumpage costs.

Might I reaffirm my personal conviction that action must be taken in the very near future to avoid what may be a most unpleasant set of conditions and personal reactions in my State. Your good efforts will be appreciated.

Sincerely,


 Governor

TM:wc



TOM MCCALL
GOVERNOR

OFFICE OF THE GOVERNOR
STATE CAPITOL
SALEM 97310

December 5, 1967

The Honorable Orville L. Freeman
Secretary of Agriculture
Washington, D. C. 20250

The Honorable Stewart L. Udall
Secretary of Interior
Washington, D. C. 20240

Dear Secretaries Freeman and Udall:

I am directing this joint letter to you because of your respective responsibilities for the Forest Service and the Bureau of Land Management.

The policies of these two agencies have a great impact on the economy of our state and, hence, command the concern of my office. The problems of the Pacific Northwest lumber industry are not new to you gentlemen, so rather than re-state the obvious, I would simply refer you to my attached letter directed to Ambassador Brown of the State Department.

Even though many factors are unchanged by export rates, rapid export expansion is reaching the point where it is no longer driving out just the inefficient mills. It is putting such pressure on the amount of timber available, and on the cost of timber available, that public policy has to be molded to allow our domestic lumber industry to remain viable. This modification should be constructed within the context that exports are beneficial and no policy should be developed which would eliminate exports.

One approach would be to use a "surplus" concept but not the complex Canadian system. I recommend adoption of "The Domestic First Sale" program which is based on the surplus approach. I am reliably informed that this can be implemented under existing law by the Department of Agriculture and Interior.

Honorable Orville L. Freeman
Honorable Stewart L. Udall
Page Two

This plan provides that, at the first of each quarter, sales would be held for domestic producers only with the understanding that certain types of timber (off species, small, and finished lumber) could be resold for export. Outside of that, these sales would be open only to buyers supplying domestic mills. One other limiting factor would be the proviso that bidders could not be owners of private timber purchasing to replace private timber sold for export.

This approach would allow competition within cutting areas serving local mills and would be balanced on a basis of need. Timber that was not sold in these domestic sales would be re-opened to a second sale and all parties would then be able to bid on an open basis.

It would be necessary to phase in to this program and the Forest Service and BLM would have to have a one-shot addition of personnel who could advance cruising of sales areas. This would probably require a special appropriation and assistance from private and other public sources to provide qualified personnel.

I recognize that the main difficulty with any limitation program that is implemented at the point of sale, rather than the point of export, is the inherent problem of insuring compliance. I believe, however, that this problem would be insignificant in comparison to the correction features of my proposal.

If we use the "Domestic First Sale" approach it would:

1. Assure a stable supply of timber for domestic mills that can be purchased on a reasonable competitive basis. The delightful aspect of this feature is that it utilizes supply and demand, which is probably the fairest equalizer available in any system of economic conflict.
2. Assure that no timber is left standing in the woods to rot, as a result of arbitrary limits and insufficient domestic need.
3. Provide for export of that amount of timber which is surplus to the area and which is economically satisfactory for export.

Honorable Orville L. Freeman
 Honorable Stewart L. Udall
 Page Three

4. Apply to all national forests, and, therefore, distribute the impact of export bidding to forests removed from the port areas and help improve thinning and other policies beneficial to the development of these resources.

A permanent volume limitation or quota could have the following negative effects:

1. It could leave timber standing in the woods which would not be needed for domestic use.
2. It would tend to lower stumpage prices. Price pressure, as such, would disappear, particularly on the lower grades of timber. Cartels from export markets would tend to control the prices on our timber through pre-agreements.
3. It would tend to encourage exporters to buy only prime timber.
4. There would be no incentive for thinning because the conventional cuts could fill whatever limitation was established on exports, and domestic prices cannot support this type or program.
5. It would tend to have a very heavy impact on areas close to ports, unless a complex reassignment of cutting priorities was established, because the exporters would want to buy timber close to their shipping outlets.

It must be remembered that this is not only an import/export free trade question, but is a question of proper utilization of one of America's publicly-owned resources . . . a resource that has been nurtured and made available through tax dollars at the local, State and Federal levels.

I recognize, of course, the danger of over-simplification. If it is necessary to establish temporary limits while phasing into the "Domestic First Sale" approach which

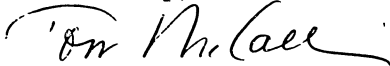
Honorable Orville L. Freeman
Honorable Stewart L. Udall
Page Four

I have suggested, I certainly would not be opposed. By the same token, I recognize that any limitation program must be accompanied by continued efforts to improve our timber management, increase the allowable cut and accelerate development of access roads.

Your respective departments are to be commended for the work they have done in these areas, yet, we all recognize the potential for even greater improvement, as well as the need to aid our lumber manufacturers.

I strongly urge that each of you adopt my "Domestic First Sale" proposal for the sale of timber managed by your departments.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tom McCall".

Governor

TM:w

OREGON LUMBER EXPORT COMPANY
BOARD OF TRADE BUILDING
PORTLAND, OREGON 97204

CABLE ADDRESS "ORELXCO"
TELEX NO. 036-799

January 16, 1968

TELEPHONE 227-1484

Senator Wayne Morse
Old Senate Office Building
Washington, D.C.

LOG EXPORTS TO JAPAN

Dear Senator Morse:

The press, more particularly some of the business editors, seems to be doing a magnificent job of stirring up a tempest. Certainly the people most directly involved have their own economic well-being to protect. However, the press has managed to lead the 'man on the street' into believing that log exports, as such, are bad. If a complete study weighing all of the factors of the matter is made, I am sure the legislators will be convinced that the average citizen is being helped rather than hurt by log exports. Then if the press would try to tell the true story rather than resort to sensationalism to sell newspapers, the average citizen could also be convinced.

You already have a copy of my letter dated November 24, 1967, to Mr. Edward Westerdahl. In my letter I have pointed out some of the factors that should be taken into consideration. In addition, I would like to say that I am in favor of your stand on the Small Business Set-Aside Program for timber sales.

The problem that still exists is with the medium size mills. Consideration must also be given to them in arriving at a solution to the overall problem. Certainly if the Japanese will agree to buy lumber on a 50/50 basis - in other words, 50,000 FBM sawn lumber for every 50,000 FBM of logs - this should satisfy everyone. However, such a solution would be impossible unless our sawmills are willing and capable of producing the sizes and quality of lumber required by the Japanese market. If we ban log exports and have nothing to replace it, we will have damaged not only the timber industry, but all the rest of the economy as well.

Senator Wayne Morse

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January 16, 1968

In attacking a problem such as this certainly our balance of trade and the out-flow of gold should be given considerable consideration. People complain that with the Japanese log trade we are exporting our jobs. However, if these jobs are going to be lost anyway because labor costs dictate that the existing mills be more efficient and if the existing mills are meeting the demand for lumber products, then it seems that the banning of log exports would accomplish nothing and lose for us an important national income of dollars.

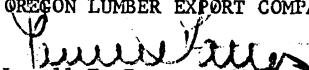
The people who complain about the export of jobs should compare the log export trade with the electronics, automobile, clothing, or other businesses where United States capital is exported to build plants, employ foreign labor, and then import into the United States the end product of this effort. In the log export business we have only exported the jobs of the mill worker that would have produced the lumber for the Japanese market, if, in fact, the order could have been obtained by an American firm. In the case of a radio manufactured in Hong Kong, the American firm sent the dollars out of the country for the capital investment in a manufacturing facility, exported the jobs necessary to produce the radio, and then imported the radio with a further out-flow of dollars. On the other hand, with the log export business we have a net in-flow of dollars.

I believe if someone will check the record they will find that as many mills went out of business between 1948 and 1958 (during a period when there was virtually no log export business) as have gone out of business between 1958 and 1968. We know from personal experience more mills with whom we were dealing closed in the period of 1948 to 1958 than have closed since. So, we would like to say that if a mill considers its livelihood endangered by the log export business, before a ban is put on to correct the ills, a more thorough investigation should be made. We are certain the problem is bigger than this and a ban would not be the remedy that would save the mill for very long.

In the overall, a ban on log exports would be more harmful than helpful to the Pacific Northwest as well as the country as a whole.

Yours very truly,

OREGON LUMBER EXPORT COMPANY


Lowell E. Patton - Manager

LEP:pak



Timberlane Lumber Company

PHONE (503) 345-3361 / P. O. BOX 668 / 163 EAST TWELFTH AVENUE / EUGENE, OREGON 97401

January 18, 1968

Senator Wayne Morse
Chairman
Subcommittee on Retailing Distribution and Marketing Practices
WASHINGTON, D. C.

Dear Senator Morse:

SUBJECT: Log exports from Pacific Northwest
states of Washington and Oregon to
Japan

The economies of Oregon and Washington are closely tied to our Forest Products Industry and to the employment of our citizens in those industries. In our opinion, the export of our logs spells the loss of jobs, huge losses by those forced out of business, and, by a chain effect, it seriously depresses the economic health of the entire Pacific Northwest.

In order to put this total matter into proper perspective, we must realize that the log exports during 1967 totaled approximately 1,700,000,000 feet. The predictions for 1968, 1969, and 1970 would indicate that unless action is taken by some agency of the Federal Government, exports will reach 2 billion feet during 1968 or 1969 and go on up from there! The figure of 2 billion feet is about 10% of the log requirements of the entire industry in all eleven Western States. Most of the logs, however, are exported from only the two states of Oregon and Washington. Without these logs to process, it is certain that about 10% of productive capacity of these states will be liquidated or moth-balled. This includes factories that produce lumber, plywood, hardboard, particle board, doors, mouldings, pulp and paper products. Numerous other plants and shops that are dependent on the industry will also be forced out of business. And, based upon the Pacific Power and Light Company studies, each million feet of logs exported, takes with it 3.6 jobs in lumber manufacturing, or 7.4 jobs in plywood production. The direct loss of jobs lost in exporting 2 billion feet would be 2000 times the above figures. Add to this the loss of jobs in the service industries, the professions and so on. The total loss is staggering.

Senator Wayne Morse

-2-

January 18, 1968

It is therefore clear, that the export of logs is not a good thing for Oregon and Washington and that it is disastrous to many. Yet, there are a few who are in the unique position of being able to gain exceptional profits from this business. As an example, one timber-owning company exported in 1967 approximately 200 million feet. Another company sold in one block another 150 million feet.

One of the reasons it is profitable for the large timber-owning companies to export their logs is owing to a special tax privilege which was granted the industry in 1943. This privilege allowed profits on timber to be taxed at one half the regular rate, or a maximum of 25%. One of the main purposes of establishing this special rate was to encourage industry to practice sustained yield in the management of its timber resource so as to stabilize the economy of the communities. Obviously, the export of logs does not stabilize communities--it starves them of basic raw materials. And, as a result, the evidence is the junking of factories.

Senator Morse, I hope that your Committee will not only recommend legislation to curtail the export of logs, but also insist on immediate legislation to deny the advantage of capital gain treatment on timber harvested for export.

Yours very truly,

TIMBERLANE LUMBER CO.



EHR:eg

E. H. Robbins
General Manager

ESTABLISHED 1892



EDWARD HINES LUMBER CO.

WESTFIR DIVISION

WESTFIR, OREGON 97492

January 16, 1968

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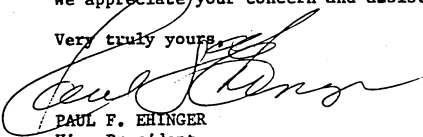
The Honorable Wayne Morse
Senate Office Building
Washington, D.C. 2000

Dear Senator Morse:

Your sub-committee on retail distribution and marketing practices, a sub-committee of the selected committee on small business, has heard extensive testimony, supported by lengthy statistics, indicating the serious affect that the continuing export of logs from the Pacific Northwest is having on the economy of the forest products industry of this region. Rather than repeat this statistical information I would like to indicate our support of the somewhat unified position of the lumber industry as explained and set forth by the Industrial Forestry Association, the National Forest Products Association, and the other major employer representative groups as being the most satisfactory solution to the problem and one which promises prompt relief to the industry. Other proposals have been set forth, and more particularly the one by the Treasury Department, which contain many good points, however, if we are to wait for the implementation of this report we may find very little of the industry left to benefit from the results in view of the present rapid rate of acceleration of log exports to the far East.

We appreciate your concern and assistance in this matter.

Very truly yours,


PAUL F. EHINGER
Vice President

PFE:bbw

J. J. Low LUMBER COMPANY

Phone 9841

P. O. Box 5, MOLALLA, OREGON

January 10, 1968

The Honorable Wayne Morse
706 U. S. Court House
620 S. E. Main
Portland, Oregon

Dear Senator Morse:

In reading the papers on the log export problem it seems to me that a certain basic element is being disregarded - the legality of allowing excessive amounts of federally owned timber to leave the country. I hold these facts to be self evident:

1. The American people get forest products at the lowest possible cost because we have a free market regulated only by the law of supply and demand.
2. We have a competitive market because we have eight or ten huge timber owning companies and hundreds of good independent smaller operators.
3. The independent operators in the west are largely dependent on federal timber for their log supply.
4. The pressure of unregulated buying by log exporters is raising the log market to the point where the independent operator can no longer stay in business; bearing in mind that he must sell in competition with Southern Pine and Canadian imports.
5. Some of these same large corporations have huge holdings in the Southern Pine region and are, year by year, expanding their hold on the timber lands of that region.
6. If this industry trend continues at its ever increasing rate, it is only a matter of two or three years until there will be no independent sawmill and plywood operations in Washington, Oregon and California. These operations will either liquidate or sell out to one of the giants.
7. When the industry is controlled by eight or ten huge corporations we will have a situation comparable to the steel industry. The free competitive market will be gone and prices will be established on a cartel basis.
8. The ultimate loser is the American public who owns this federal timber.

I believe that if we can recognize that the independent is an absolute necessity in this industry, then the small business set aside program is the logical answer. I think that the federal timber allowable cut should

J. T. Low LUMBER COMPANY

Phone 9841

P. O. Box 5, MOLALLA, OREGON

be designated for sale as follows:

1. 80% set aside for firms qualifying as small business concerns under the present interpretations. Of this timber 100% to go into a small business concern for primary manufacture.
2. 20% put up for unrestricted sale.
3. Any set aside timber not purchased at the original presentation should be put up for unrestricted sale the following month.

One can expect screams of anguish from the large corporations who are buying federal timber and selling logs in export and reaping the benefits of capital gains taxation. However, most of these companies will be buying the paper producing chips from the smaller concerns. Also, they could buy lumber, either rough or finished, on a competitive basis. The Japanese could buy all the rough cants they want on the same basis. In our mill, and in many others, we can produce rough cants on any size and any grade they wish.

If such a program should result in a lowering of log prices, and I believe it would, then Northwest mills might reclaim the market presently enjoyed by the Canadian mills. Our international cash flow should not be adversely effected. In any case the present administration has no right to sell the American people down the river -- and I mean the Columbia River.

If I can be of any service to you in this matter, please call on me.

Sincerely,

J. T. Low

J. T. Low
President

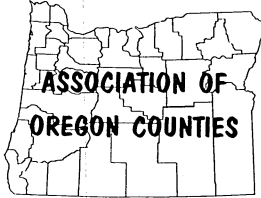
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550 WINTER STREET N.E.
SALEM, OREGON

WARD G. ARMSTRONG
EXECUTIVE SECRETARY
P.O. BOX 3051
SALEM, OREGON 97308
PHONE 362-9605

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MALHEUR

January 17, 1968

Honorable Wayne Morse
United States Senate
Washington, D. C. 20525

Dear Senator Morse:

On behalf of the Association of Oregon Counties, I wish to thank you most sincerely for inviting us to appear before your committee relative to the problem of log exports to Japan.

Unfortunately, we will not be able to attend. However, I am attaching to this letter, for consideration by your committee, a copy of the presentation made by Commissioner Doerner, on behalf of our Association, to representatives of the State Department several weeks ago on this same subject. Mr. Doerner's statement adequately represents the position of our Association on this important matter.

We wish your committee great success in developing an amicable solution to the serious and complex problem of log exportation. If we can be of further assistance, please feel free to call on us at any time.

Sincerely,

Gerald W. McCann
President

PJO:lg

Enclosure

My name is Ray Doerner. I am a county commissioner from Douglas County, Oregon. I am here today representing the Association of Oregon Counties and the O & C Counties Association.

The Oregon counties' interest in the the log export question can best be described by reviewing some of the county philosophy with respect to the timber resource, its management, and its ultimate use.

The Association of Oregon Counties has consistently believed that intensive forest management through the application of the multiple use and high yield concept will produce an optimum level of timber harvest, and if processed by our domestic industries, will provide the greatest return to our communities, our schools and our local government in the long term analysis.

Immediate high stumpage rates brought about by external forces that remove our unprocessed resource (timber) from our communities may appear to be a beneficial program, but county officials in Oregon prefer the long term concept rather than the short-sighted, short-term approach. We believe that a sustained timber yield supplied to a domestic industry will provide a tax base benefit many fold over the benefit of a possible short run gain resulting from inflated stumpage prices paid for timber destined for export.

We feel confident that wise decisions will resolve this problem, recognizing that we have certain international responsibilities, but recognizing equally that we have a great responsibility to domestic industries that sustain our regions and the local communities therein.

Thank you for the opportunity of meeting with you.

MILWAUKIE PLYWOOD CORPORATION

MANUFACTURERS OF DOUGLAS FIR PLYWOOD

815 - 31st STREET

P. O. BOX 5954

MILWAUKIE, OREGON 97222

January 16, 1968

Hon. Wayne Morse, U.S.S.,
Senate Office Building
Washington, D.C. 20510

My Dear Senator:

Please incorporate our statement into the records for the hearing on log exporting problems.

Our employment rolls cover approximately 220 steady employees with an annual payroll of over \$1,000,000.00.

We have been in business as Milwaukie Plywood Corporation over fifteen years, with 95% of our raw material coming from Federal lands.

The export demands have escalated the price of logs to levels that makes it almost impossible for us to compete in the timber sales. For the same reason, the cost of peeled veneer that we buy has risen making it very difficultt, financially, for us to stay in business.

We believe it very important to the economy of the lumber and plywood industry that the present log export situation be corrected, thus enabling the remaining mills of the northwest to stay in business.

Very truly yours,

MILWAUKIE PLYWOOD CORPORATION

Thelma Pierson

Thelma Pierson, Secretary

cc: Senator Mark Hatfield



FRANK LUMBER CO. INC.

P. O. BOX 1467

MILL CITY, OREGON 97360

January 16, 1968

Honorable Wayne Morse
United State Senator
Senate Office Building
Washington, D.C. 20510

SUBJECT: Log Exports

Dear Senator:

Frank Lumber Company, Inc., is a small independently owned and operated sawmill employing 84 people and developing a gross annual payroll of about \$650,000. Presently, we are sawing about 60% Federal timber in our plant and we anticipate a need for an additional 10/15% Federal timber two years hence. Our dependence upon a continuous log supply from Federal lands, at a reasonable price, is absolutely vital to our existence.

Our mill began years ago to develop a plant capable of converting Hemlock logs into quality lumber. We have accomplished this goal and currently are milling about 97% West Coast Hemlock. Our utilization of this specie has brought us directly into Japanese Hemlock log export competition.

We do not oppose log exporting, as such, but we do feel reasonable limitations on exported quantities are necessary to sustain operation of American mills at reasonable stumpage rates. We positively oppose uncontrolled log exporting as currently being promoted in the Pacific Northwest. Up to this time we have successfully competed for sufficient logs to operate our plant but our ability to continue to do so in the face of unlimited log exporting is very questionable. We feel that controlling log export volumes at 1966 levels is a very realistic approach to the problem.

MANUFACTURERS OF K. D. WEST COAST HEMLOCK ☆ DOUGLAS FIR

MILL LOCATION



MILL CITY, OREGON

PHONE: 897-2381
AREA CODE 503

FRANK LUMBER CO. INC.

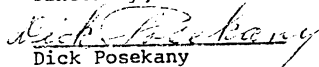
P. O. BOX 1467

MILL CITY, OREGON 97360

We would be pleased to have this letter included in the hearing record.

For your information, attached please find copy of my statement before the Small Business Administration Set-Aside hearing on the Mt. Hood National Forest in Portland, December 8, 1967, and a letter dated January 2, 1968, to the Murphy Logging Company.

Sincerely,


Dick Posekany
Timber Manager

CC:1) Representative Al Ullman
House of Representatives
Washington, D. C. 20515

2) Industrial Forestry Association
1410 S. W. Morrison
Portland, Oregon 97205

DP/pjt

MANUFACTURERS OF K. D. WEST COAST HEMLOCK ☆ DOUGLAS FIR

MILL LOCATION



MILL CITY, OREGON



FRANK LUMBER CO. INC.

P. O. BOX 1467

MILL CITY, OREGON 97360

December 8, 1967

STATEMENT BEFORE SBA HEARING
MT. HOOD NATIONAL FOREST, PORTLAND

I am Dick Posekany, Timber Manager for Frank Lumber Company, Inc. We are a small independently owned and operated sawmill employing 84 people with a gross payroll of approximately \$650,000 annually. In every manner, we qualify as a small business, entitled to bid upon set-aside sales.

Up to this moment we, and all other operating small businesses, have survived in varying degrees, the economic pressures resulting from log exporting. Our very real concern is for our ability, as a small mill dependent on federal timber, to survive through the next few years, when economic pressures far greater than anything known to date, will develop. It is quite possible that the surviving wood manufacturing plants would number but a very few if and when the programmed future foreign log needs are actually purchased.

We oppose the use of SBA set-aside sales as a means of curbing future log export volumes because we do not believe set-aside sales can accomplish this goal. We need, instead, a positive approach with export volume limitations upon all sales from Federal and State lands which would be fair to all the industry.

However, being a small enterprise, we may look upon SBA set-aside sales favorably at some future time when perhaps economic pressures from other directions, may endanger our livelihood.

/s/ Dick Posekany

MANUFACTURERS OF K. D. WEST COAST HEMLOCK ✧ DOUGLAS FIR

MILL LOCATION



MILL CITY, OREGON

January 2, 1968

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

Dear Pete:

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

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

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

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

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

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

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

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

Mr. Peter Murphy
 Page two
 January 2, 1968

Proposal:

1. Capital gains tax should be removed from timber and logs sold for export.

Much of the imbalance in the industry is the direct result of our capital gains tax laws. I believe these laws were enacted to stimulate an incentive for prudent timber management and to stabilize forest industry dependent communities; to retard "cut out and get out" industry practices. These same tax shelters--or advantages--are now, to a regrettable degree annihilating the very same communities they were supposed to protect.

A. The management of our forest industries is pushed into becoming more interested in working capital gain tax deals than in efficient mill management. Capital gain is where the profits are, and professional management lives or dies according to their quarterly earnings record. The result is a cancerous mess which kills the incentive for plant improvement and efficiency, and industry loses its ability to compete in both domestic and foreign markets.

The results of this trend are obvious today:

Several large firms are exporting their premium quality logs of any species, driving up all West Coast stumpage values in order to establish a higher Internal Revenue Service Paragraph 631 (a) tax base, manufacturing primarily cull logs in their U. S. mills, making a capital gains profit on their export log, losing money or breaking even on their domestic lumber sales--making a net profit on which they pay income tax at considerably below the normal ordinary income tax rate. At the same time, the independent operators who purchase U.S. Government Agency stumpage or open-market logs, regardless of their plant efficiency, are being forced out of business. They cannot battle the tax advantage. Thus we have a situation where tax shelters are encouraging and allowing relatively inefficient manufacturing plants to exist while efficient plants are having to close because of the capital gains tax structure.

The advantageous effects of the program proposed are as follows:

1. Free trade would be allowed for all timber and lumber products whether raw material comes from federal or private land. There would be no need for quotas or other trade restrictions. All operators whether large or small would receive equal treatment.

Mr. Peter Murphy
 Page three
 January 2, 1968

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

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

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

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

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

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

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

Very truly yours,

FRANK LUMBER CO., INC.

Len Voyer, S. U.

LM:jm

Senator MORSE. Anything further?

(No response.)

Senator MORSE. We stand in recess until Monday at 2:30.

(Whereupon, at 6:25 p.m., the committee adjourned, to reconvene at 2:30 p.m., Monday, January 22, 1968.)

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