

quality needed for use in plywood plants. More than 30% of the timber that is sold on most Federal sales in Alaska is used for pulpwood which, as this Committee knows, cannot be processed by small business. It was this dilemma that led the Forest Service and our Agency, together with the Bureau of Land Management, to recognize the need for a reexamination of the size regulations.

In the meantime, other situations have arisen in the far west involving availability of timber for small business which has necessitated our taking a broader view of the problem. SBA's primary concern in the area of timber supply is the maintenance of the historical share between small and large business concerns of the Federal timber sold, particularly in geographical areas where the installed capacity of mills exceeds the availability of timber. In these areas, our Agency has had to develop procedures to assure that the timber on a set-aside sale does, in fact, end up in a small plant for processing. Since SBA has the responsibility of supervising the implementation of its size standard and to discourage violations of the standard, certain procedural requirements have been instituted. We do not now think these procedures are strong enough. In recent months, as this Committee knows, great attention has been focused on the need for a viable plan for keeping adequate quantities of National timber at home for domestic processing. Many small firms have been unable to obtain, at reasonable prices, an adequate share of timber necessary to maintain operations. For example, in Washington, 41 small sawmill and plywood plants have closed their doors since 1965. These small firms employ more than 5500 employees with annual payrolls approximately 33 million dollars. Small sawmill and plywood plants in Oregon similarly have been adversely affected.

It is to limit these conditions in Alaska, Washington and Oregon that SBA is considering several alternatives to its current size regulations—

1. The percentage of timber that may be distributed between small and big business on each sale would be governed by the way the timber grows. This distribution pattern would be set forth in the sales announcement. For example, if 50% of the timber on a sale should most profitably be utilized as pulpwood, then that sale would state in its prospectus that 50% of the logs harvested would be required to be processed by a small business. On other sales, the requirement for processing by a small plant might go as high as 85% because the logs would more profitably qualify as saw timber for a sawmill or as peelers for a plywood plant. In these cases, the prospectus would direct a distribution pattern of 85-15.

2. All timber purchased on a set-aside sale would be processed domestically. This would avoid the temptation for buyers to dispose of the better grades of timber to foreign markets. SBA's purpose here is to help local small firms obtain timber at a reasonable price which would enable these firms to remain solvent and continue in operation to provide essential payrolls in some of our more rural areas for the many reasons known to the Committee.

3. All logs on a set-aside sale would be branded with a brand color specified only by SBA so as to simplify identification of such logs.

These possible alternatives to current practice have been submitted for review to the Bureau of Land Management, Department of Interior, and the Forest Service, Department of Agriculture, with whom SBA has traditionally cooperated. A meeting with these Agencies will be held to further explore these alternatives.

In closing, I should like to add that we recognize the competitive climate in which the forest products industry lives, not only in the marketing of the finished product, but also in obtaining the natural resource supply which is so essential to the continuation and well-being of the industry. It is our view that there will be no real lasting strength in the industry unless medium and small-size firms can live and exist side by side with the giants of the industry in manufacturing end products.

I wish to thank you very much, Mr. Chairman, for this opportunity to present SBA views on the subject matter being considered by your Subcommittee.

Senator MORSE. I want to call the attention of Mr. Arthur Greeley, the Deputy Administrator of the Forest Services to this statement, copies of which will be submitted to Mr. Greeley. Mr. Moot suggests some modifications in the Small Business set-aside program, based upon the law of 1958, of which I happen to be the author.

In our hearings, may I say, there has been testimony and material introduced from people within the industry that raise questions and