

outstanding BLM timber sale contracts. However, by 1970, the full force of any restriction would be felt. Action on the Federal timber alone would focus greater attention upon the private sector to supply logs for export.

Second, restricting log exports, as proposed by the forest products industry, will regulate what is done with logs out from Federal lands after they have been purchased. This would be a significant policy change which industry has opposed in the past. The problems of regulation caused the industry to recommend removal of marketing area restrictions about a decade ago. There is no doubt that the O&C Act intended to have the western Oregon timber locally used. However, this is a discretionary authority.

There are a number of problems inherent in designing and operating any system of allocation or control so that new hardships and costs are not created. We would want to discuss with the industry and public methods of implementation in order to evaluate their effects.

You have heard testimony that the industry is capable of manufacturing lumber to Japanese size specification. We think the log-lumber mix to Japan can be changed to a more favorable ratio. There is currently an opportunity for Oregon-Washington industries to supply part of Japan's wood needs in this manner. We believe this must be done in a way consistent with meeting basic long term domestic wood requirements. Business negotiations should be started now.