Our sole source of timber is the adjacent National Forests. The Rio Grande Forest is our principal source. We log at elevations from nine to eleven thousand feet. Despite logging difficulties, due to summer thunder storms and winter snows, at these elevations, we try to deck enough logs ahead during the short logging season to maintain a twelve-month mill operation.

One of the vital elements necessary to our continued operation is the advanced construction of permanent access roads which are financed by Federal appropriations and by the purchaser under the timber sale contract. They are also important, of course, to the Forest Service's long-range management of most of the other multiple use Forest outputs.

As you know, under the Forest Service timber appraisal system, the purchaser is required to construct permanent roads within the economic limitations of each sale offering. Because of the cost of road construction in these high-mountain areas we, as well as other Rocky Mountain producers, can finance only about one-third of the dollar cost. The other two-thirds must be financed by Federal appropriations. This ratio of two-thirds Federal financing and one-third purchaser financing is higher, I believe, in the Rocky Mountain area than in other regions.

The importance of continued Federal financed road construction, so necessary to the continued operation of Douglas Studs and the other Valley mills, employing, as we all do, a preponderance of Spanish Americans having little re-employment skill, located in an area subject to chronic unemployment and abnormal public assistance loads, cannot be over-emphasized.

These needs, however, are applicable to myriad areas in our troubled country. What are the factors, then, that should be given consideration in establishing the necessary priorities in the determination of future Congressional authorizations and appropriations? May I suggest that direct return to the Federal Government in terms of capital investment, dollar payment for public property, and Federal income tax returns are three factors of major importance in determining priority. Of almost equal importance is the ratio of Federal investment to wages paid by affected industry and the ratio of investment to dollars returned in the form of cash flow into the local, state and national economy.

If these are meaniful criteria, then Douglas Studs, harvesting approximately 60% of the allowable cut on one National Forest, provides a good example of why a high priority should be placed on Forest Service road authorizations and appropriations.

At our request, the Rio Grande Forest prepared a report covering Federal financed road costs from fiscal 1963 to 1968 and projected future costs for fiscal 1969 through 1973, and the volume of accessible, mature timber that would be reached by these roads and purchaser-constructed extensions.

Total Federal financed roads completed and projected, fiscal 1963–73, will cost \$3,936,000.00 of which \$2,000,000.00 has already been spent leaving a balance of \$1,963,000.00 to be authorized, appropriated and contracted. Timber volumes, made accessible by these and purchaser-constructed extensions, are 718.0 million feet at an average cost of \$5.50 per M feet for Federal financed road construction.

Allocations of approximately \$600,000.00 of appropriated funds will be required for each fiscal year, 1969–70–71, to construct these roads far enough in advance in order to maintain an uninterrupted flow of approximately 55.0 million feet to our mill, to two other medium size mills and to one small mill in the Valley.

Douglas Studs needs 35.0 million feet of the 55.0 million feet per year required to sustain all Valley operations. This 35.0 million at a cost of \$5.50 per M necessitates, over the ten-year period, fiscal 1963–73, an average annual Federal road expenditure of \$192,000,00. The top black line, Line 1, on the bar chart, graphs this vitally necessary, average, annual Federal road expenditure of \$192,000.00.

Let's look at the direct returns to the Government that can be expected as a result of this average, annual Federal expenditure.

The blue line, Line 2, represents the average annual Forest Service appraised cost of the permanent roads which Douglas Studs has been, and will be, required to construct as extensions to the Federal financed roads. This cost on 50.0 million feet now under contract averages \$2.66 per M. On the same basis of 35.0 million feet required each year, Douglas Studs will spend an average of \$93,000.00 per year. This is the first direct return in the form of permanent road capital.

The green line, Line 3, graphs the current weighted avarage stumpage payment of \$9.41 per M. On 35.0 million feet, this amounts to \$330,000.00 a year and is the second direct return to the Government.